

THE

BANKER'S MAGAZINE

AND

Statistical Register.

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VOLUME THIRTY-FIRST,

OR,

VOLUME ELEVENTH OF THE THIRD SERIES.

FROM JULY, 1876, TO JUNE, 1877, INCLUSIVE.

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THIRTY-FIRST VOLUME (OR ELEVENTH VOLUME, THIRD SERIES)

OF THE BANKER'S MAGAZINE AND STATISTICAL REGISTER

FROM
JULY, 1876, TO JUNE, 1877, BOTH INCLUSIVE.

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The value of this work as a record of the Banking and Financial events of the year is greatly enhanced by having it substantially bound for reference. It furnishes the only complete epitome, in a convenient and accessible form, of the financial history of the country for the past thirty-one years.

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No. 1.

SPECIE PAYMENTS AND THE DOUBLE STANDARD.

A year or two ago very few of our statesmen could have anticipated the new turn which has been given to the agitation about specie resumption. It has often been predicted by sanguine persons, before and since the close of the war, that the Pacific railroads would in some way or other facilitate the restoration of coin payments in this country. The precise method, however, by which this desired object was to be brought about, has never we believe been suggested till of late. It is affirmed that the way in which specie payments are to be facilitated through the agency of the Pacific railroads and of the territory that they traverse, is beginning to disclose itself, and that the production of gold and silver has been recently augmented at the critical period when it seemed most required by the monetary exigencies of the nation. This is certainly an encouraging view of the situation, and it is none the less worthy of examination because it runs counter to the general current of European opinion on the subject. Numerous instances may be cited in which American progress has been successfully achieved by means which foreign critics disparaged and failed to appreciate until after the event. Let us briefly inquire then into the prospects of resumption as they are affected by the new supplies of gold and silver from Nevada. And first of all it is quite evident that these abundant supplies give us an advantage of peculiar value over the nations of Europe. Germany is and has been a large purchaser of gold. The Bank of France is still amassing the precious metals, and holds a larger hoard

of coin than has ever been accumulated by any nation of modern times. The Bank of England holds considerably more coin than the average of many years past, as do also most of the other chief banks of Europe. There is thus a general struggle among all the commercial nations to get possession of as large an amount as possible of the precious metals and especially of gold. Now it is very evident that those countries which produce gold largely have an advantage over other nations which have so much anxiety to purchase and to accumulate it.

Secondly, we must not suppose that the present panic about silver is likely to last. It has been too much overdone. A quarter of a century ago some eminent economists wrote elaborate treatises to prove that silver was the only reliable metal, and that gold was unfit for coinage or for monetary standards, because it was sure to depreciate in consequence of the large new supplies from Australia and California. There was at that time a panic in regard to the gold supply, just as there is at present a panic about the supply of silver. Now it is important for us to remember the maxim so often insisted upon by Adam Smith, that silver and gold are commodities for which there is throughout the world an unlimited demand. With this great principle in view, we can explain how it is that the predictions above referred to were not fulfilled, and that gold has suffered so little depreciation from the enormous increase in the production of the last quarter of a century. The increased supply developed an increasing demand, and the latter is now more than equal to the former. Hence it has been argued that if gold depreciated 25 per cent. during the twenty years closing in 1869, it has appreciated quite as much since that period. On this hypothesis many irregularities in the monetary history of the world during the last quarter of a century receive a plausible solution. While the precious metals were depreciating, an amazing force was imparted to the machinery of production, because this depreciation favored the debtor classes, who are usually the active producing classes of any community. But if the theory before us explains in part the growth of production in Europe and America during the first twenty years of the gold supplies, it throws a still more important light upon the causes of the present stagnation and depression. For such a languor of productive industry never fails to attend the temporary appreciation of the precious metals, and the perturbation of the monetary standard which that appreciation causes. We think that the present panic in silver is likely to be followed by a reaction for several reasons. One of these is that the panic has been unexampled in its violence. Bar silver was quoted in London 22d June at 50½ pence an ounce. Not very long ago the gold price of silver was 62 pence an ounce, and before

1848 silver ranged a little below 60 pence for many years. It is impossible to foresee how much lower the panic may depress the gold price of silver. What is more important is, that the movement is in its nature a temporary one, and like all panics, the more violent are its oscillations the sooner may the inevitable recovery be looked for.

Thirdly, although this reaction is morally certain to be brought about at no very distant day, still, the time and circumstances of its development are uncertain. Hence it is obviously premature for our government to take immediate steps to call an International Convention for the purpose of agreeing upon some permanent standard of value between silver and gold. When the spasmodic movements caused by the panic, have thoroughly spent their force, silver and gold will adjust themselves to each other by the operation of great general laws such as have always governed their relative value; and these laws are quite beyond the reach of any international convention such as has been projected. It is probable, though of course nothing can be certainly known on the subject, that the relative value of the precious metals when the present perturbations have ceased, will not vary greatly from the average of the past fifty years. The demand for silver among the nations of the Orient will probably be the first to revive, and we have at present too little information about the chief causes of its interruption, to be able to foresee the precise time when it will resume its ordinary activity. It is, however, the opinion of shrewd, well-informed men, that the movement can not be long delayed, and that when it begins, other forces will soon act on the silver market. Indeed, Germany may perhaps discover that she will need as much silver coin under her new monetary standard as under the old one.

Finally, it will be easily seen that under these circumstances the United States enjoys facilities for preparing to resume specie payments which may never recur. To these it may be added that the government can purchase silver bullion and coin it for the redemption of its fractional notes without the loss that has been heretofore calculated upon. Hence the supply of the subsidiary silver coinage can be consummated much more swiftly and cheaply than any economist or statesman could have ventured to predict when the resumption law was passed. Moreover, we shall be able, by pushing vigorously forward this part of the work of preparation for specie payments, to steady the market until the return of more correct ideas in Europe about silver and its absolute necessity as the subsidiary money for the minor transactions of trade. The question is often asked whether we shall resume on the double standard, or on the single standard of gold. Before this question can be answered in any practical way, the whole problem will perhaps have been solved for us by the logic of events. If, as we have suggested, the relative

value of silver and gold is destined to return after a few further oscillations and to resume its old proportion, the question of the double standard will lose most of its interest for us. We must, however, remember that it was the double standard which we left when we established our paper money system in 1862, and, that from that period until 1873, the silver dollar had by statute as much claim as the gold dollar to be regarded as the standard of our specie money.

THE USURY PENALTY AND ITS RESULTS.

We regret to hear in some parts of the country reports of a growing disposition to make a change for the worse in the usury laws. This unfortunate tendency appears to originate among the agricultural community, who find that they cannot borrow money on real estate as cheaply as they desire. Instead of searching out the true nature of the difficulty, our farmers have allowed themselves to be misled by ignorant and sophistical advisers, who tell them that if they pass a law imposing severe penalties on men who lend money upon real estate at high rates of interest they will be able to compel these men to lend at lower rates. A little common sense and reflection would show a farmer the folly and stupidity of this mode of reasoning. Let a thoughtful man ask himself the question, in these days of railroads swift travel and cheap transportation, what he would do if a law should be passed prohibiting him from selling his cattle or his cotton, his corn his tobacco or his wheat, to anybody in his own State, except at a price inferior to that of contiguous States. A prudent, thrifty farmer, would say to himself: "If I cannot get full prices for my produce from my neighbors here, what is there to hinder me from selling my crops somewhere else? I will send them to New York, or Chicago, or New Orleans, or to any distant market where they will fetch the highest price they are worth." Such is the course of reasoning which any shrewd farmer would use in regard to selling his produce. There is nothing strange or inequitable about it; on the contrary, it is just and highly commendable. Every fair-minded person will admit that the farmer has a clear right to go and sell his crops wherever he can get the best price for them. But this obvious principle is just as sound in other things as in the selling of agricultural produce. The same freedom of action applies to the placing of money on mortgage as to the placing of crops on the market. If a man has money to lend, he would of course prefer to lend it in his own State if he can, but should the law interpose and threaten him with penalties if he asks as much interest as he can get elsewhere, then it is easy to see what he will do. He will not lend in the State where the usury

penalties threaten and repel him. But he will prefer to carry his money into some other part of the country where he can obtain for its use the highest price which it is worth in the market.

In the legislature of Pennsylvania a few months ago, a severe usury law was introduced into the legislature and was very urgently pressed by some influential members. The farmers, it was said, and other owners of real property, could not borrow on mortgage except at high rates of interest. The legislature was told that it could put these rates down, and confer upon the farmer the boon of cheap money, by the simple expedient of passing a law that if any man lent money on mortgage in that State at a higher rate of interest than six per cent., he should forfeit it and should be otherwise punished in addition. The bill, however, was quickly killed when it was demonstrated that nobody would lend money on mortgage at all under that law in the State of Pennsylvania, but that the people who had money would use it in some safer and more remunerative investment; so that the law instead of helping the farmers would hurt them and make it difficult for anybody to borrow money on bond and mortgage till the statute was repealed. It is hoped that the same summary justice will be done upon any bills proposed during the coming sessions of our State legislatures, pretending to help needy people to cheapen the rates of interest by the antiquated expedient of usury laws.

Two questions are suggested by the new activity in favor of usury penalties which seems of late to have sprung up. We may ask in the first place what forces have tended to produce it, and secondly what consequence is likely to follow it. As to the causes of the agitation, they are not far to seek. Money is a drug in all the great financial centres. The farmer in a western or southern State reads his newspaper and finds that money is lending in Wall Street at three or four per cent. Remote as he is from the scene of action, he thinks he understands enough of what is going on in the world of finance, to infer very positively that if capital is lending on such precarious securities as stocks at four per cent., it ought to lend on land at the same rate or very near it. There is, he conjectures, some injustice in the monetary arrangements of the country, and this wrong he proposes to set right by a statute denouncing the severest penalties against usury. If our philosophic farmer knew a little more of Wall Street he would find that money is not so cheap there as he supposes. If he could see things as they are, he would find that call loans may indeed be had at low rates, but they are accessible to nobody who is not able both to return the money instantly on demand, and to give a pledge of securities which could be instantly sold for more than the money lent. He could then tell us of what use such a loan of money

would be to a farmer, for he knows very well that a farmer usually wants to borrow from somebody who will not need his money back for months or even years. But at present in Wall Street, such lenders are few and ask high rates with good security. Our legislative friend would next be able to tell us what force there would be in his usury laws to persuade or compel these lenders to accommodate a farmer in Alabama or Tennessee with a loan on bond and mortgage. It is very evident that all such laws must place the borrower at a disadvantage, and that if there is any means by which the law can be evaded, multitudes of necessitous men will be tempted into crooked ways of raising money, which are far more costly than the straight honest path of borrowing which the usury laws had closed up.

This leads us to inquire next as to the results which may be fairly expected in any State which enacts severe usury laws. As we have just seen the first and most obvious consequence will be to drive capital away from the State, and to make it more difficult and more costly to obtain money on bond and mortgage. The chief sufferers, therefore, will be the very farmers for whose benefit the law was proposed. The evil, however, will not stop there. It will extend its mischievous influence into the channels of mercantile business. Every department of industrial activity must needs suffer, and the progress of the community will be retarded in wealth and productive power. At least the various recuperative processes by which trade is reviving after its long depression will be hindered, inasmuch as the capital will be driven away without which they cannot go on and thrive. There is, however, one gratifying circumstance that suggests itself as a safeguard against some of the industrial evils with which the folly of usury laws might otherwise deluge the country. The 2,000 national banks, as is well known, are exempt from the penalties of State usury laws. Hence these institutions will tend to give steadiness to the rates of interest all over the country, and their influence will be felt in other parts of the financial system, so that the rates of interest may not be so liable to be artificially and spasmodically disturbed by vain attempts to regulate them through usury laws. But, it is asked, whether there is any means of checking the rapacity of lenders in imposing excessive rates of interest on needy borrowers. The answer is, that there are such means, but that usury laws do not belong to this category of wholesome financial expedients. We have often explained the well-known and effective measures by which the movements of capital between borrowers and lenders may be made easy, and the rates of interest kept equable and low. But all history and all experience combine to show that usury penalties injure the persons they were intended to help, and put up the rates for money instead of cheapening them to necessitous borrowers.

THE TROUBLES OF THE CREDIT FONCIER OF FRANCE.

The fall of nearly thirty per cent in the bonds of the *Credit Foncier* of France, since the middle of February, has attracted the more attention because that institution has heretofore been so uniformly prosperous and well managed. The *Credit Foncier* was chartered twenty-seven years ago, and its powers have since that period been rarely if ever diverted from the channels appointed by law. Its object was to lend to private persons, on mortgage, and to corporations on security of real estate. Four great functions are appointed to the *Credit Foncier* in its charter; first, it may lend on mortgage of real estate in any of the departments of France, the principal to be paid by annual installments or otherwise. Secondly, it may employ part of its resources, with the sanction of the government, on any other system which will facilitate loans on real estate and the repayment of those loans by the borrower. Thirdly, in order to raise the means for making such loans, it is empowered to issue bonds called *Obligations Foncières*. The amount of these bonds not to exceed the principal of the loans made by the company. The bonds bear a fixed rate of interest and are repayable by annual drawings. Fourthly, the Company may receive without interest, money destined to be converted into its obligations.

Such are the chief regulations for the management of the *Credit Foncier* of France, and their wisdom is shown by the successful results which they have until of late secured. Its bonds have been issued to the extent of 280 millions of dollars. Besides this fund, the Company has other resources, to the amount of nearly seventy millions more. This large sum is considerably larger than the aggregate deposits of our New York Clearing-House Banks. It has been lent as follows: mortgages, \$290,360,000; discounts, \$35,380,000; loans on securities, \$9,390,000; sundries, \$10,105,000; cash on hand and at Bank of France, \$2,775,000. At first sight there seems to be little in this statement to account for the fall in the securities of the *Credit Foncier*. Its legitimate business is to make loans on mortgages well secured; and to these it has devoted \$290,360,000, while its bonds amount to no more than \$280,060,000, and its deposits to \$14,325,000. This point may be illustrated by the following summary of the assets and liabilities.

FINANCIAL STATEMENT OF THE CREDIT FONCIER OF FRANCE.

<i>Liabilities.</i>	
Paid-up Capital.....	\$ 9,000,000
Surplus.....	6,125,000
Bonds of the Company outstanding.....	280,060,000
Loans—contracted but deferred.....	20,560,000
Annuity payments anticipated.....	4,320,000
Deposits.....	14,325,000
Sundries.....	13,600,000
Total.....	\$ 348,010,000
<i>Assets.</i>	
Cash on hand and at Bank of France.....	\$ 2,775,000
Discounts.....	35,380,000
Advances on Public Securities.....	7,245,000
" " Private ".....	2,145,000
Loans on Mortgages and to Communes.....	290,360,000
Sundries.....	10,105,000
Total.....	\$ 348,010,000

This table is compiled from the official figures, and it seems to justify the proposal which M. Naquet introduced into the Chamber of Deputies, for an inquiry into the state of the *Credit Foncier*. The weak point of the statement appears to be in the item of discounts, which amount to a large sum, and show that the company has been adding a dubious banking business to its ordinary functions. The *Credit Foncier* is not absolutely forbidden to lend money by discounting good commercial paper, but the law requires that such loans shall not exceed one-third of the deposits. Now, it will be seen from the foregoing table, that the whole of the deposits are \$14,325,000; one-third of this sum being allowed for discounts, the amount of this class of assets should not exceed \$4,775,000. It thus appears that the *Credit Foncier*, by discounting to the extent of seven times as much as its statutes allow, has exposed itself to just animadversion. Nor is this all, the bills discounted, if good, would soon run off and be liquidated, so that the *Credit Foncier* could be relieved from its embarrassing position. Unfortunately however, the bills are not good, otherwise, perhaps they would not have reached to this institution, but would have been discounted elsewhere. Of the thirty-five millions of discounts, no less than twenty-eight millions are reported to be Egyptian securities alone. The French financial papers do not say much about the transaction, but the London *Economist* has the following remarks which throw considerable light upon it.

"Very bad influences must have surrounded the managers of this great company, several of whom have a high and just reputation, or such an infraction of its fundamental laws would have been impossible. What these influences were cannot, of course, be fully known. But it is plain that one part of the constitution of the company, which was meant for its

protection, must in this case have by no means tended to protect, but rather to mislead it. The governor and the two sub-governors of it are named by the State. And though nothing is more contrary to our English ideas, yet it should be observed that there is a characteristically French consistency in this. When a government for a public object gives peculiar privileges to a great company like the *Credit Foncier*, it is bound to see that it employs those privileges in the manner for which they were intended. But in this case, most probably, the French Government, or some part of it, was more likely to go wrong than the ordinary managers of a company. Ever since the purchase of the Suez Canal shares by the English Government, and the mission of Mr. Cave, which followed that purchase and was thought to interpret it—there has been a natural and strong tendency in the French Government, or, at any rate, in some members of it, to intervene in the affairs of Egypt and to support its credit. There is an ancient rivalry between England and France in this matter, and it was not to be expected that, when the English Government made a 'masterstroke of policy,' applauded by Prince Bismarck, the French Government should willingly remain altogether inactive; and, in fact, it has been most willing to meddle in the matter as far as, or even farther, than it could safely do so. It has been stated on very high authority that on one recent occasion 'twelve heads of financial undertakings and great financiers were convened by letter to meet at the offices of the *Credit Foncier* to receive a communication emanating from the Minister of Finance,' and that this communication was a request to the persons so assembled to take up certain bills of the Khedive, then falling due. And supposing this to be true, or anything approximating to truth, we may be sure that the appointment by the State of the heads of the *Credit Foncier*, which was meant to restrain it to its own business, must, in this case, have had a most contrary effect, and have tended to induce them to depart more and more widely from it.

In this respect, one good effect must follow from the establishment of Parliamentary Government in France. Whatever may be thought of the merits or demerits of that mode of government generally, it has, at least, one great and conspicuous advantage. It assures a power of public objection, if any influential person wishes to object. And in a financial scandal this is sure to be the case. The speculative financiers of the world are divided into groups, always more or less hostile, constantly opposing one another, and the gain of one of them is a loss to another. And if group *A* is benefited by the intervention of a Parliamentary Minister, group *B* will find some member of the Parliamentary Opposition who will make the matter public, and, which those concerned dread above all things, spoil the operation. If the *Credit Foncier*

were an ordinary bank, the report that it had invested so much money in such securities would have gone far to cause a run upon it. No doubt it has been explained that the company hold other 'signatures'—that is to say, that other persons are liable to them besides the Egyptian Government, and that the loss will fall on those other persons and not on them. But still so large a 'lock up' as £5,600,000 would be apt to cause a run on a bank, at least in England, though statements—even true statements—might be made on the belief that there would be no ultimate loss. Public alarm would be created, and would not be stopped by any reasoning. But in the case of the Credit Foncier, no such danger is incurred. Its deposits are, as appears from the above account, only a trifling part of its liabilities; most of what it owes is upon obligations, the dates of which are fixed, and the payment of which cannot be accelerated. But, though for this reason no apprehension need be felt as to the stability of the Credit Foncier itself, it remains as an incubus on European credit, that the Paris money market should be so much overloaded, as we have now the best reason to believe it to be, with securities which no one can convert, and by which some one must lose. Not only Egyptian, but Spanish, Peruvian, and Turkish securities are believed to be held there in very large quantities, and therefore we must, according to all likelihood, look for trouble in Paris—not, indeed, of the political kind of which she has so often been so fertile, but of the financial kind of which she has usually been much more free."

Such is the explanation given by our contemporary. If the facts are as stated, there is no doubt that a recovery may soon be expected. For the amount of questionable investments is not sufficiently large to compromise seriously an institution of the character of the Credit Foncier. If the indorsers of the dubious paper should prove wholly insolvent, the situation would of course be worse than if, as is expected, they are "good" for a considerable proportion of the sum for which they have engaged themselves. There are several other points on which information is desired. One of the most important is, whether a remedy cannot be applied for the prevention of future mishaps of this sort. The Credit Foncier Company, evidently accepted this unfortunate transaction as a temporary investment. It is, we presume, allowed by its statutes to lend its funds for temporary short terms, on securities on which it would not lend in a more permanent form. If so, the case is something like that of our New York Savings Banks under the old law. The remedy will be to impose similar restrictions to those of our new savings bank act, which prohibits temporary loans to be made on securities in which the banks are not permitted to make ordinary investments. Finally, there is reason for doubt whether the recommenda-

tion of the government was given as is alleged. Still the affair needs elucidation. In this point of view, the subjoined remarks of the *Economist* are suggestive: "That the French money market should greatly feel the effect of such a collapse in foreign securities as we have seen lately, was indeed to be expected. French bankers have always employed more of their money in stock operations than English ones. The rigid line which divides, according to our notions, "banking" from "financing," is not recognized as of the same authority in Paris, or indeed anywhere on the Continent; first, because foreign bankers do not hold nearly so large a proportion of their means as English bankers payable on very short notice, or on demand; and, secondly, because foreign bankers have not the same means of employing their funds in the discount of trade bills as English ones. In France, for example, the bills do not exist in the number which we should expect. The commerce of France is so much less carried on by credit than ours, that there is no opportunity for the creation of such securities to the extent which we are familiar with. That creation is, in fact, a thing quite new in the world, is almost peculiar to the English-speaking race, and is one of the greatest contributions which they have made to commercial civilization. Not having these trade securities in sufficient numbers, Paris bankers have always been driven to invest their funds in foreign stocks, foreign treasury bills, and similar securities; and any large depreciation or discredit of such things has always injured them. And the operations in loans to semi-civilized States, have of late years been so very much larger than they ever were before, that the injury from their fall was likely to be much greater than ever before. The process has been this—as soon as such a State as Egypt wanted money, it issued 'Treasury bills' which were 'done' in Paris and elsewhere at very high rates of interest; and when their magnitude had grown troublesome, a funded loan was issued to the general public, with the proceeds of which they were wholly or in part paid off. But now, owing to causes which are too well known to need naming, this funded loan can not be floated. The public will have nothing to say to it."

Some important changes are likely to be made in the management of the Company. It is reported that the governor of the Credit Foncier, M. Fremy, is about to retire, and that M. Mathieu Bodet, a former Minister of France, will be appointed by the French Government to succeed him. There is no doubt that the bear speculators at the Paris Bourse, have done their utmost to exaggerate the probable effects of this mistaken investment of the Credit Foncier. But, except some new facts now unknown should be disclosed, the locking up of a portion of the floating means of the Company, is likely to be for a short period, and it will be submitted to without

much further damage to the prestige of the institution. It is not improbable, however, that a further amount of capital may be called. The paid-up capital, as stated above, is \$9,000,000. In addition to which there are nine millions more of uncalled capital, and \$6,125,000 of surplus.

In discussing at some length, several months ago, the general operations of the Credit Foncier, we explained its methods of investment or of lending money, and, secondly, its methods of borrowing money. As to the first process, the borrowers to whom money is advanced on bond and mortgage, may pay off the loan by installments. For example, they may pay to the company an annual sum amounting to six per cent. a year. Of this sum, five per cent. will be absorbed by the charge for interest, and the remainder will constitute a sinking fund for the redemption of the principal. By such a series of payments, in the course of fifty years, the borrowers will annihilate the loan and the property will be free of debt. There are other arrangements besides this which the company is ready to make under certain circumstances. Enough has however been said to show the general nature of the Credit Foncier. Its peculiar methods of raising money with which to make loans are well known. The company issue bonds for sums of 1,000 francs, 500 francs, and 100 francs. These bonds bear interest at the rate of three per cent.; but they fetch a good price in the market because they are redeemable according to certain periodical drawings at the rate of twenty per cent. premium. The drawings are held four times a year and the thousand franc bond which is first drawn, receives a prize of 100 thousand francs, or \$20,000, besides the premium of twenty per cent. to which it is entitled with the rest of the drawn bonds. There are also a number of smaller prizes to which we need not at this time refer. These lottery features, as they have been called, of the Credit Foncier, have been severely criticised in England. Their object, however, is very evident. They enable the company to borrow all the money it requires, at a low rate of interest.

SCOTCH AND ENGLISH BANKING.

We announced some time ago that some changes were proposed in the banking laws of Great Britain. The reforms of most pressing necessity concern the reserves of cash held by the banks, which are extremely small and notoriously inadequate. A few weeks ago a deputation of bankers and other influential persons had a brief interview with Sir Stafford Northcote, the British Chancellor of the Exchequer, with reference to another question of considerable interest. The English bankers complained that certain Scotch banks were establishing branches in England. Such a course, though contrary to established custom, is not forbidden by the present

laws, and the deputation applied to the Chancellor to solicit his interposition in one of two ways, either in passing a law to stop the Scotch banks from crossing the border and establishing themselves in England; or else, in desiring them temporarily to refrain from doing so until Parliament should decide whether or not any action could be taken by way of protecting the English banking system against certain dangers apprehended from the competition of the Scotch banks with those of England; the two classes of banks being founded on very different systems. The deputation did not succeed, Sir Stafford Northcote declining to accede to either of the propositions made to him. He said he was not as yet prepared with any bill to reform the English banking system, and he intimated that such a bill was in preparation, but it would probably contain no provision such as the deputation desired. The Chancellor further said, that he could not ask the Scotch banks to suspend temporarily any designs they might have of opening branch banks in England, because those banks either had the right under the law to do so or they had not. In the latter case, the English banks should appeal to the courts. In the former case, no suggestions from him would be proper. The *London Times* opposes the demands of the banks, and says that they are seeking protection from rivals in business, and are appealing to Parliament for aid which no other body of men in business would think of asking at this late day. This controversy is by no means a new one. Nearly two years ago the subject was first brought before the public, and we gave some account of the agitation in our number for October, 1874. For the time, the trouble was quieted by Mr. Goschen, who prepared a bill to prohibit the Scotch banks from establishing branches out of Scotland. This bill was subsequently withdrawn and a select committee was appointed to consider and report upon the subject. This committee, with Sir S. Northcote for its chairman, commenced its sessions 22d April, 1875, and reported on the 22d July following. They were not able to agree upon any bill, but their report is very instructive. It contains the evidence of a large number of bankers and other persons, and throws considerable light on the present condition of banking in Great Britain. At some future time we intend to make an abstract for our readers of this valuable blue book. At present we will briefly refer to two or three points which concern the question at issue between the Scotch and English banks.

At first sight it may seem strange to us in this country that intelligent London bankers, members of Parliament, and men of great influence and authority, should commit themselves to a project so narrow and so likely to fail, as that of attempting to prevent the banks of one part of Great Britain from establishing branches in another. Indeed, this plausible

view is eloquently urged by the London *Times*. But if this were a fair representation of the case, and if the banks had no other ground to stand upon except the narrow platform of self-interest and exclusiveness, but few of the gentlemen who figured so prominently in the deputation, could have been induced to identify themselves with it. The great objection to the admission of the Scotch banks to the privileges of banking in England, is one of infinitely more weight than any consideration of rivalry or petty business jealousy. The Scotch banks are not governed by the same law, or founded on the same principles as the English banks; the delicate and complex system of English banking is too sensitive to bear without grave peril a change so deep and radical as that which is here proposed. To appreciate these points which are of the greatest importance, we must remember that in Scotland prior to the year 1845, banking, including the power of issuing one-pound notes, was regarded as a common law right wholly unfettered by statute. This freedom fostered the growth of a few large joint-stock banks. Since 1845 the Scotch monopoly has become closer by the reduction of the number of banks to eleven. In England, on the other hand, the banking system has grown up under an entirely different spirit. During the Napoleonic wars, and for some years after their close, the monopoly of the Bank of England was so much protected, that no strong and healthy development of banking was possible. Until 1826 no joint-stock bank was allowed to be established; none but private banks were permitted by law, and those banks could not have more than six partners. This restriction kept the banking of England essentially local and weak, whilst the banking of Scotland, under the stimulus of free growth, was becoming national and strong. When in England, in 1826, joint-stock banks, with the power of issue, were for the first time legalized, there still survived a number of restrictions, which however were somewhat relaxed in 1833. At the same time, however, in 1826, notes under five pounds were abolished in England. In 1844, Sir R. Peel's act forbade the establishment of any new bank of issue in England, though it preserved the privilege of issue to those banks that already had it; but absolutely limited the amount of notes of each bank to the average sum in circulation during the twelve weeks previous to the passage of the law. It will thus be seen that the privileges of note-issue accorded to the English banks, were very different from the unlimited power of issue of the Scotch banks, not to mention the one-pound notes which are the most valuable part of the circulation of the Scotch banks, and are wholly forbidden to the banks in England. The growth of the banking system of England during the last fifteen years, is set forth as follows, by Mr. Dun, in his valuable essay in the Journal of the London Statistical Society for March.

BANKS IN ENGLAND AND WALES—EXCLUDING THE BANK OF ENGLAND—
1860—1875.

	JOINT STOCK.			
	1860.	1865.	1870.	1875.
Purely London.....	7	11	12	12
London and Provincial.....	2	9	8	7
Provincial	85	93	92	99
Total Joint Stock.....	94	113	112	118
	PRIVATE.			
Purely London.....	53	46	47	55
Provincial	239	211	207	196
Total Private.....	292	257	254	251
Total Joint Stock and Private... 386	370	366	369	

This table shows that the whole number of banks in England and Wales, is 369, of which 295 are interior banks, and 74 metropolitan. Thus we find that one-fourth of these banks are in London and three-fourths in the country. We also observe that while the joint-stock banks are increasing in number, the private banks are decreasing. To show still more clearly the difference between the Scotch and English banking system, we give the subjoined table from Mr. Dun's essay :

DISTRIBUTION OF BANKS IN GREAT BRITAIN AND IRELAND, 1874.

	No. of Banks	Population to one Bank.	No. of Bank Officers.	Population to one Bank Officer.
England and Wales *... 376	...	63,700	1,885	12,600
Scotland	11	317,750	873	4,000
Ireland	12	441,477	404	13,100
	399	82,000	3,162	10,300

From these figures it appears that there is one conspicuous difference between the English system and that of Scotland. In the former there are many small local banks and few branch offices; while in Scotland there are no small banks, and each central bank has many branches. This local and independent character of English banking merits examination. It has some resemblance to the old system of American banking. As has been said it was developed under the exclusive privileges granted to the Bank of England during the century of war which closed with the ruin of the first Napoleon, sixty years ago. The number of private banks in England and Wales, in 1776, is estimated at 150. In 1792, there were 350, of which about 100 succumbed in the panic of 1793. In 1800 the banks exceeded 300, and so rapidly did they increase during the war that in 1814 they numbered 940. The great majority of these banks issued notes; they supplied, indeed, an important part of the currency of many extensive districts. As gold and silver disappeared from circulation, bank notes formed a large proportion of the ordinary money of business. The Act of 1708, prohibiting the introduction of more than six partners into any establishment for the issue of notes.

* Including the Bank of England.

payable on demand in England and Wales, continued in operation till 1826, when it was repealed with the consent of the Bank of England; and leave was given to establish joint-stock banks, or banks with any number of partners for the issue of notes payable anywhere beyond sixty-five miles from London. This sixty-five mile circle is still kept up, and within it no bank notes are issued but those of the Bank of England. After the suspension of specie payments in 1797, the Bank of England began, for the first time, to issue one-pound notes, as did also many of the country banks. The former withdrew its one-pound notes soon after the resumption of specie payments in 1821; but the one-pound notes of the country banks still continued to be put into circulation, for the reason that the banks found these small notes a convenient means by which their paper could be kept afloat and put into general circulation. By the Act of 1826, however, the issue of one-pound notes was finally prohibited, after a certain specified period in England and Wales. Since 1829 no notes for less than five pounds, or \$ 25, have been allowed to be issued by any of the English banks, though the Scotch banks still retain, as we have said, the privilege of issuing them. The suppression of one-pound notes, shut up one of the easiest and safest outlets by which the inferior class of English country bankers had previously contrived to force their paper into circulation; and it was in so far an advantage. But a variety of other channels of inflation were still open to these bankers, and did no small mischief.

Although, however, so many objections were still urged against the free banking system, as remodeled and extended in 1826, none of the suggestions were adopted for its improvement. During the period from 1836 to 1840, its defects were disastrously seen in the inflation of credit which was developed in the United States and on the Continent of Europe, as well as in England. Such was the rapid increase of the English joint-stock banks that their number, which in 1834 had amounted to fifty-five, increased in 1836 to 100; and this increase, rapid as it was, does not fully exhibit the real extension of the system. By far the greater number of these banks adopted the Scotch method of establishing numerous branches. Many of these branches were at a considerable distance from the head office, and all sorts of banking business were thus going on at a remote place, secluded from supervision by the chief officers of the bank. It is said there were on the average four or five such branches to each parent bank. On this low estimate, it would appear that from 180 to 200 joint-stock banking offices were opened in 1835 and 1836. While this increase was going on amongst the joint-stock banks, it is no doubt true that the number of the private banks underwent, at the same time, a considerable diminution, by their being either given up or merged into joint

stock associations. But these were mostly of very inferior credit. And the extension of the system of joint-stock banks is reported to have been beyond comparison greater than the contraction of the system of private banks. All these new banks, it is to be remembered, were under the free banking law, which imposed no restrictions on the note issues; and from the large additions which the opening of so many banks suddenly made to the volume of the note issues, the general circulation of the country became redundant, and the foreign exchanges were depressed. The deficient harvest of 1838 and 1839 conspired with this redundancy, occasioned a farther fall in the exchanges, and a severe drain upon the Bank of England for gold, was the natural consequence. But while the bank was narrowing its issues by supplying the exporters of bullion with gold in exchange for notes, the country banks went on augmenting their issues, and what the former did by contraction, the latter more than undid by expansion. The drain caused by the withdrawal of the Bank of England paper was immediately compensated, and the monetary channels were filled up and made to overflow by the issue of a more than equal amount of country paper; so that had it not been for the rise in the rate of interest, and the other repressive measures adopted by the bank, the probability is that the institution might have gone on paying away its bullion for notes till it had been depleted of its whole supply of gold reserve, and this without in any degree affecting the foreign exchanges, and as it was the bullion in its coffers in August, 1839, was reduced to £2,420,000, so that the financial system of England narrowly escaped a disastrous crisis.

This perilous experience having at last fixed the public attention on the evils of the free banking system, Sir Robert Peel in 1844 was induced to attempt its improvement. Ten years before, a clause had been inserted in the Act 3 and 4, Will. 4, chap. 98, which renewed the Bank of England charter in 1833, and this clause gave Parliament the power to revise or cancel the charter in 1845. A legitimate opportunity was thus obtained for the introduction of the necessary reforms. But, if it had been desirable, the destruction of the free banking system and the total suppression of the issue of notes by joint stock and private banking companies would have been a measure too much opposed to popular prejudices, and too hostile to the real or supposed interests of a large and powerful class, to have had any chance of being carried; and there were also great, though inferior, difficulties in the way of the plan of taking security from the issuers. Sir Robert Peel in attempting to reform the English banking system felt obliged to proceed cautiously and to respect, in as far as possible, existing interests, and he was particularly anxious to avoid taking any step that might excite the fear

or suspicions of the public; the grand difficulty being to carry through Parliament any plan that would remedy in any considerable degree the defects complained of. We know how this difficult problem was solved by Sir Robert Peel; the measures he introduced and carried through Parliament in 1844, for the improvement of the English banking system, were followed in 1845 by similar plans for Scotland and Ireland, and they were so skillfully contrived as to provoke little opposition, at the same time that they effected very extensive and beneficial changes. The principle of Sir Robert Peel's banking reform was to deal with the currency first, and to leave the other part of the banking system for future action. How effectual for his purpose were the laws of 1844 and 1845 is sufficiently evident from the fact that for thirty years there has been no currency panic in England. During that period the exports of Great Britain have increased from £144,000,000 in 1844 to £607,000,000 in 1874, the bank note issues from £37,380,000 in 1844 to £43,910,000 in 1875, and the Clearing House exchanges from £1,500,000,000 in 1844 to £5,916,000,000 in 1874. Meanwhile the aggregate deposits of the joint stock banks in London have increased from £7,984,305 in 1844 to £96,900,000 in 1874, and their capital and surplus from £2,062,900 to £12,500,000. On the other hand the deposits of the Scotch banks have risen from £35,000,000 to £80,500,000, while the aggregate capital has decreased from £11,000,000 to £9,600,000, and their circulation has increased from £3,000,000 in 1845 to £6,000,000 in 1875. What further changes Sir Robert Peel would have proposed in the banking system had his life been spared it is impossible to say. He divided his work of reform as we have said into two parts, that of the currency powers and that of the banking powers, properly so called, of the banking system. It is said by some persons that Sir Robert Peel was an admirer of the provisions of our New York general banking law of 1838, and that he gave as his reason for not attempting their adoption in England, that one great reform in the banking law at a time was as much as the English Parliament would bear. The three provisions of the American law which are said to have been under discussion are first, that the note-issuing banks should deposit security for their notes in the hands of the government, that they should make frequent and full reports for publication of their deposits, loans, reserves and specific condition, and that they should hold a given percentage of cash reserve. None of these wholesome provisions was enforced upon the English or Scotch banks by Sir Robert Peel's legislation, but it is worthy of note that all of them have been since proposed, and had they been sooner adopted much of the mischief of the panics of 1866 and 1873 might have been prevented.

Another point worthy of observation is that the deputation

of bankers referred to at the beginning of this article, favor changes in the English banking law of a very different and less conservative character. They have not a word to say about doing something to complete Sir Robert Peel's reforms. They are rather in favor of undoing what he did. Their argument is that if the Scotch banks are permitted to establish themselves in England, an injustice will be done to their English rivals, except the latter be permitted to issue notes as freely as are the Scotch banks. Perhaps it was because of this demand that the bankers called down upon themselves the severe reproof from the *London Times*.

It seems to us that the English bankers have needlessly complicated their case with irrelevant matters. If they had proposed the simple principle that all Scottish banks removing to England or opening branches there should come under the law of 1844 and sacrifice their circulation, they would perhaps have saved themselves and the English banking system much future trouble. For they would thus have raised distinctly into view the great argument to which we referred at the opening of this article, that the two systems of banking—the Scottish and the English—are so diverse in principle, that they cannot, in a delicate equilibrium like that of the British monetary organism, exist and work harmoniously together. The Scottish banks, however, cannot be blamed if in these days of easy money, when their coffers are full and they cannot lend at full rates, they endeavor to extend the field for the employment of their idle resources by any lawful method that may seem to open to them. If the legal status of the Scotch banks opening branches in England should not be decided in accordance with the principle suggested above, some other solution will, it is hoped, be found for the difficulty. But the remedies of the English bankers and of their deputation are worse than the disease. They will be clearly inadmissible so long as the wholesome principles of the Peel legislation are regarded as the fundamental basis of the British banking system. The growth of the capital and liabilities of the banks of Great Britain since 1850 are shown in the subjoined table, compiled from the figures given by Mr. Dun. We have reduced the sums to dollars of five to the pound sterling; and we add the corresponding figures as nearly as we can estimate them for the banks of the United States:

CAPITAL AND LIABILITIES OF BRITISH BANKS, 1850-1874.

	1850.	1871.	1873.	1874.
Bank of England.....	\$ 180,000,000	\$ 335,000,000	\$ 350,000,000	\$ 350,000,000
Other London banks.....	320,000,000	870,000,000	1,055,000,000	1,170,000,000
Lon. dis. houses, cap. & dep.	50,000,000	390,000,000	335,000,000	340,000,000
Country banks.....	485,000,000	1,050,000,000	1,230,000,000	1,280,000,000
Scotch banks.....	180,000,000	460,000,000	475,000,000	530,000,000
Irish banks.....	85,000,000	205,000,000	215,000,000	240,000,000
Total British banks.....	\$ 1,300,000,000	\$ 3,310,000,000	\$ 3,660,000,000	\$ 3,910,000,000
Total U. S. banks.....	800,000,000	2,720,000,000	2,800,000,000	2,908,761,131

ECONOMIC SCIENCE AND ITS LEADERS.

No. I. ADAM SMITH.

Among the great teachers who have shed light over the tortuous mazes of economic thought and research, the most conspicuous has undoubtedly been the author of *The Wealth of Nations*. This book, when it first appeared, was greeted with a general welcome, and for three successive generations, wherever economic studies have flourished, it has kept its pre-eminence, without any notable signs of waning popularity. On very few of its greatest men has the world conferred the distinction of standing at the head of a progressive science for one-tenth of the period in which Adam Smith has been the acknowledged chief of the science of political economy. As the present year brings to us the hundredth anniversary of the publication of Adam Smith's great work, and as the claims of that treatise to the honors accorded to it have been recently challenged by Chevalier, in the Collège de France, we will begin our series of papers on "Economic Science and its Leaders" by an examination of the labors of Smith, of the obligations which he has conferred upon the world, and of the part which he has played in the progress of political economy. Like all great men, Adam Smith owed much to himself, but more to the circumstances of the times in which he lived. From the inscription on his tomb in the Canongate churchyard at Edinburgh, we learn that he was born 5th June, 1723, and that he died 17th of July, 1790. As we shall see hereafter he enjoyed throughout most of his long life two important advantages for the study of economic principles and facts. In the first place he was thrown into frequent and close intimacy with well-informed clear-headed men of business; and secondly he was practised in the difficult art of philosophising upon the facts with which he was thus made familiar. Moreover his scientific deductions were no doubt continually tested, and his theories verified, by talking them over with his friends, with whom notwithstanding certain eccentricities of manner, he seems to have been always both popular and highly respected.

A brief sketch of Smith's life will suffice for our present purpose. His father died a few months before his birth, so that his education was directed by his mother, who treated him with much indulgence, and was repaid by his filial gratitude and affection for sixty years. At his native town

of Kirkcaldy he attended the grammar school, where he seems to have distinguished himself by zeal for knowledge. A chronic feebleness of constitution excluded him from most of the amusements common to boys of his age. Little more is recorded of his early days than his passion for books, and his extraordinary powers of memory. He was much beloved by his school-fellows, many of whom became eminent in after years. In youth he was noted for those habits which clung to him through life, of talking to himself when alone, and of being absent-minded in company. He remained at his mother's home in Kirkcaldy until 1737, when he matriculated at the University of Glasgow, where he studied for three years. As he was intended for the church he entered Baliol College at Oxford, where for seven years he continued his studies. Mathematics and natural philosophy were his favorite pursuits at Glasgow. But at Oxford, he seems to have devoted himself to the study of modern languages, general literature, and moral science.

Leaving Oxford in 1747, he resided for nearly two years at Kirkcaldy, with his mother, who had sent him to Oxford that he might qualify himself for the ministry. But, like Turgot and some other economists of that age, he shrunk from the responsibilities of the ecclesiastical profession, and in opposition to the advice of his friends, he determined to give himself wholly to literary labors. These were not long in forcing themselves upon so earnest a worker. In 1748 he removed to Edinburgh, where he began a course of teaching on rhetoric and literature. His lectures were well attended by the students of law and theology. At Edinburgh began Smith's acquaintance with David Hume, which lasted till the death of the latter. The success of the lectures on rhetoric, the recommendations of Lord Kames, and the influence of some other persons procured for Smith in 1751, the election as Professor of logic in the University of Glasgow. In the following year he was raised to the chair of moral philosophy in the same University, vacant by the death of Mr. Cragie, the immediate successor of Dr. Hutcheson, under whom Smith formerly studied, and who was the first professor that introduced the subject of political economy into his regular course of lectures at the University. But for the appointment of Adam Smith to this chair, and the custom established by Hutcheson of teaching political economy in his lectures on moral philosophy, the world perhaps would never have had Smith's *Treatise on the Wealth of Nations*. For he declared at a later period that he taught in his lectures in 1752 and earlier the same doctrines which he published in his book in 1776.

After some years of successful devotion to the work of teaching, he published in 1759 his well-known essay on ethics, the "Theory of Moral Sentiments." This book

attracted great public attention to the writer, who was some time afterwards invited by Charles Townshend to accompany his step-son, the young Duke of Buccleuch, to the Continent as his tutor. The proposition was accepted and Smith set out for France with his pupil in March, 1764. After passing a few days at Paris they proceeded to Toulouse, where they established themselves for about eighteen months. How far Smith availed himself of his opportunities for observation to perfect and extend his knowledge of the literature, industrial organization, and productive powers of France, is probable not only from his general habits of investigation, but also from the fact that he added to his vast information in regard to the institutions, habits, and condition of his own country an unusual acquaintance with similar facts relative to France.

Leaving Toulouse Smith was accompanied by his pupil to Geneva, where they stayed two months and returned to Paris in December, 1765. There they remained for nearly twelve months, and as he lived on an intimate footing with the best Parisian society, to which his growing reputation, his friendship with Hume, and his connection with his pupil's family aided his introduction, Smith had abundant means of profiting by his stay in France. Among other persons of distinction he had Turgot, afterwards Comptroller-General of Finance, D'Alembert, Helvetius, Marmontel, the Abbé Morellet, the Duke of La Rochefoucault, Count Sarsfield, Buffon, the Baron D'Holbach, Madame Riccoboni, Mademoiselle de L'Espinasse, among his acquaintances; and some of them were for many years known as his particular friends. It is also certain that he was on familiar terms with Quesnay, the celebrated economist, the founder of the Physiocratic School and author of the *Economical Theory*. There is no reason to doubt that Smith derived considerable advantage from his intercourse with that ingenious thinker and his friends. Indeed he intended, but for Quesnay's death, to have dedicated to him the "*Wealth of Nations*."

It has been mentioned as a noteworthy circumstance that Hume and Smith, notwithstanding their familiar acquaintance with the political and economic state of France, did not express any anticipation of the convulsion by which the institutions of that country were to be so soon shaken and overturned to their foundations. It might seem as if the coming disaster had given such significant indications of its approach, that men who spent their whole lives in political investigation ought to have taken the alarm. But the events which escaped the foresight of these and other eminent philosophers of that age, were not we believe pointed out as distinctly probable by any other writer except Smollett, who in the second volume of his travels speaks of the menacing storm with whose portents the political horizon was filled.

The fact is that men judge of the future by their experience of the past; and it is not strange if the materials of the great social and political conflagration which had been accumulating for ages without any catastrophe, had come to be regarded as harmless or at least as threatening no early outbreak of trouble. Moreover it has been suggested that these and other writers may have foreseen and spoken of the coming evils without their words surviving to our times.

In October, 1765, Smith returned with the Duke of Buccleugh to London. The former soon after removed to the old homestead at Kirkcaldy; where he remained about ten years, and occupied himself with his great work, which at length appeared at London in two volumes quarto. The fourth edition, which was the last published by the author, was in three volumes octavo in 1786. Our author survived the publication of his work fifteen years. During this period he had the gratification of seeing it translated into foreign languages, quoted as authority in the houses of Parliament, and adopted as a book of instruction in the colleges and universities of Europe. One of the most interesting features of this book is, that notwithstanding its errors and imperfections, and the amazing development which has been since made in the productive power and material wealth of nations, its usefulness is now as great as ever. "It is not a book for one country or for one age, but for all countries and for all ages. It will ever remain a useful monument of sound, suggestive and accurate thought, of vast learning and luminous research, applied to the solution of problems of the gravest consequence to individual well-being and to national progress." Much has been said as to the want of originality in the theories of Smith. It has been alleged with truth that some of his opinions are as old as Aristotle, that others were taught by Quesnay and the physiocrats; while others again were familiar to the readers of Mun, Child, and other early English economists. But these objections are weak and frivolous; they do not lessen the honors or impair the claims of Adam Smith. We may concede in its fullest force all the merit that is ascribed to the early astronomers without defrauding of their more glorious and complete honors either Copernicus, or Kepler, or Newton. Adam Smith's distinction was not so much that he made or failed to make certain isolated discoveries of truth. He was the founder of a science. He organized and combined into one general body of dependent classified phenomena a multitude of facts, some of which had been previously discovered, while other facts complementary to them were unknown, so that the whole body of economic knowledge had previously formed a crude and undigested mass without connection, logical symmetry, or mutual dependence. What Smith attempted was to bring system out of confusion, to evolve order out of chaos, and to separate

what was true and sound in the domain of political economy from what was fantastic or false. It is needless to waste words in further answer to the charge of want of originality. Adam Smith was no more the discoverer of the great body of economic principles or facts than Newton was the discoverer of Kepler's laws whose principle he was the first to explain.

It is however premature, even after the lapse of a century, to estimate the full merits of the "Wealth of Nations." The place of Adam Smith among the great thinkers of the extraordinary age in which he lived has not as yet been finally settled. The following comparison of his work with those of the three chief writers of the seventeenth and eighteenth centuries, Grotius, Locke, and Montesquieu, was written by Sir James Mackintosh in the *Edinburgh Review* some fifty years ago, and is on the whole just, though somewhat pedantic and hypercritical: "The Treatise on 'The Law of War and Peace,' the 'Essay on the Human Understanding,' the 'Spirit of the Laws' and the 'Enquiry into the Causes of the Wealth of Nations' are the works which have most directly influenced the general opinion of Europe during the last two centuries. They are also the most conspicuous landmarks in the progress of the sciences to which they relate. It is remarkable that the defects of all these great works are very similar. The leading notions of none of them can in the strictest sense be said to be original, though Locke and Smith in that respect surpass their illustrious rivals. All of them employ great care in ascertaining those laws which are immediately deduced from experience, or directly applicable to practice, but apply metaphysical and abstract principles with considerable negligence. None pursues the order of science, beginning with first elements, and advancing to more and more complicated conclusions; though Locke is perhaps less defective in method than the rest. All admit digressions which, though often intrinsically excellent, distract attention, and break the chain of thought. Not one of them is happy in the choice, or constant in the use, of technical terms; and in none do we find much of that rigorous precision which is the first beauty of philosophical language. Grotius and Montesquieu were imitators of Tacitus,—the first with more gravity, the second with more vivacity; but both were tempted to forsake the simple diction of science in pursuit of the poignant brevity which that great historian has carried to a vicious excess. Locke and Smith chose an easy, clear, and free, but somewhat loose and verbose style,—more concise in Locke, more elegant in Smith,—in both exempt from pedantry, but not void of ambiguity and repetition. Perhaps all these apparent defects contributed in some degree to the specific usefulness of these great works; and by rendering their contents more accessible and acceptable to the majority

of readers have more completely blended their principles with the common opinions of mankind."

We shall attempt no extended analysis of Adam Smith's immortal treatise; for its principles are too well known to require it. Smith's object was two-fold. First, he wished to refute the physiocrats who said that the wealth of a nation was not augmented by any other sort of labor, except that expended directly in the cultivation of the earth, and that all other labor of every kind was sterile and unproductive. Secondly, he wished to refute the advocates of the mercantile system who held that gold and silver are the true wealth of a nation; and that all industrial and commercial activity impoverish a country and drain it of wealth, if they do not cause the precious metals to flow into the country from other nations. If the critics of Adam Smith had examined his work in view of this two-fold purpose which he had in view, they would not have ventured to accuse him as indiscriminately as they have too often done, of a want of order and logical connection. Adam Smith had a controversial object which he accomplished, and his triumphant success is a sufficient answer to the strictures in question. The wealth possessed by any nation, says Smith, is augmented by means of two instruments, labor and capital. In his first two books he submits to a masterly analysis each of these instruments. He then proceeds in his next book to a third means, by the use of which a nation grows rich, namely, the industrial organization of labor and capital in towns and cities. This completes the preliminary portion of Smith's book. Having thus planted his engines of logical warfare where he wants them, our author next proceeds to use them to demolish the grand citadel of the mercantile system. With a force of demonstration, from which there is no escape, he establishes the principle that governments should not make laws to interfere with trade, in the hope of influencing the influx or the efflux of the precious metals. His chief arguments are two: First, that such laws are sure to be baffled; they always fail, and do more harm than good. Secondly, that the thing which the laws cannot do, can be brought about by other means, and especially by developing the labor and augmenting the capital whose productive power attracts gold in adequate sums in every country where they flourish. After a few parting words of refutation, addressed to another system—that of Quesnay,—Smith passes on in his fifth and last book to the fiscal methods of government, and discusses the principles of taxation and public debts. These subjects he treats after a luminous method, which makes his work as valuable a text-book in these days of enormous taxation and national debts as it was in the eighteenth century, when the fiscal powers of Christendom seemed to have scarcely received their first rudimental development. Finally, we repeat that if

Smith owed much of his popularity to himself and to his broad views of facts and principles, he owed more to the receptive condition of the age in which he lived. The world was stirred with a vague longing to shake off the old feudal shackles, by which strong governments, in warlike emergencies and under various pretexts, had fettered the industrial as well as the political energies of the human race. Commerce, like a young giant, fretted under the galling weight and intolerable pressure of the old rules and maxims of repressive legislation. Adam Smith put this vague desire, unrest and aspiration into words, and supported them with the incisive force of a logic in which there was the promise and the power of an assured victory. No book on political economy ever was, or perhaps ever will be, received with so universal a pæan throughout Europe, for the simple reason that no other book on the same subject can ever meet such a universal aspiration, or put into victorious words so stern and unappeasable a want. Much, however, as Adam Smith accomplished, he has left more for future economists to do, and for the most part that unfinished work has scarcely as yet been begun.

MR. COWDIN ON THE CURRENCY.

Mr. Elliot C. Cowdin, of New York, delivered at Cincinnati, on the 12th June, a timely and instructive address on the reform of our system of currency and finance. The purpose of the lecture was to present a historical sketch of the financial situation with a view to a practical remedy. In his introductory remarks, Mr. Cowdin described the expedients for supplying the want of money in the early history of the American people. After explaining the causes of the depreciation of the first paper money issued by the colonies and subsequently of the Continental currency, he referred to the banking plans of Robert Morris, the financial policy of Alexander Hamilton, the organization of the United States Bank, the suspension of specie payments in 1814, the establishment and fall of the second United States Bank, the panics of 1819, 1837, and 1857, the financial measures of the war and the paper money inflation which followed. After this preliminary sketch, Mr. Cowdin proceeded to show how the existing evils might be remedied. His theory is both conservative and simple. "It requires," said he, "no logic to prove that the colossal financial transactions of our late war have left a tremendous burden upon business of every kind. So far as the Government and its liabilities are involved, and so far as the actual weight upon the people is concerned, the situation remains much the same as when the war closed. We feel the pressure as wearily at this hour as at any previous period. And the question now arises, What is to be done

for our relief? My answer shall be brief. The people must rely mainly on themselves, adhere strictly to their legitimate avocations, live within their means, cease croaking, and be of good cheer. Notwithstanding the debilitating drain of the war, the wealth of the nation is constantly increasing. Never were its developed resources so great as now, while those undeveloped are of incalculable value. It is to these and to the inherent energies of the American people to bring them forth and utilize them, that we should look for deliverance from present embarrassments and for future prosperity. At the same time our national, State, and city governments must curtail their disbursements. We must be prudent in our credits. We must stop investing in speculative schemes, We must cease operation in lands for the mere purpose of laying out paper cities. We must stop constructing railways through regions where there are no passengers and no freights. We must not run into debt, and thus mortgage the uncertain earnings of the future to meet the improvident outlays of the present. By such processes we can restore confidence, revive business, and powerfully aid in a speedy return to a sound currency."

Turning to the practical question of resumption, Mr. Cowdin refers as follows to the experience of other nations. "It is now fourteen years since the suspension of specie payments. This is by far the longest period of suspension the nation has ever experienced. The fact that Great Britain remained under suspension from 1797 to 1821, affords no excuse for us. Although struggling for existence against armed Europe, after the actual close of the long war to put down Napoleon, England continued in suspension only six years, while it is now eleven years since our great war terminated. The Bank of England voluntarily resumed specie payments in 1821, instead of waiting until 1823, the time fixed upon by law, and resumption had no serious effect upon the market beyond temporarily checking speculations. Look at France in our own day. It is scarcely five years since the close of the terribly destructive Franco-German war, yet we find that besides paying off her 5,000,000,000 francs of indemnity, she has reduced the amount of her paper money 750,000,000 francs. And, although 1878 is the time fixed upon for legal resumption, paper money in France is now actually at par. How striking the contrast between the financial policy of France thus exemplified, even in the hour of defeat and humiliation, with that of America in the fullness of victory and exultation. The lesson taught by the facts I have cited, is, that a renewal of confidence and a revival of business lead to resumption naturally, and that resumption does not operate so much as a cause of prosperity as an effect that follows it. It also shows that when paper money was at par nobody wanted coin except in special cases, preferring paper as more

convenient, for the purpose of a circulating medium ; but, as Franklin expressed it, it is "paper money well founded" that has these advantages. With prudence and confidence we may reasonably hope to reach resumption on the day named in the act of Congress. To prepare for this we must, in the meantime, submit to a careful but gradual reduction of the volume of the currency. Prior to the outbreak of the rebellion the maximum of paper money ever in circulation in this country, was \$215,000,000. The outstanding paper currency at the present time is about \$730,000,000 ; it is evident, therefore, that the first step toward a return to specie payments should be, in some form, a contraction of this war legacy of an inflated currency. This done, the whole country will then recognize the wisdom of repealing the Legal-Tender Act, and the gradual redemption of the legal-tender notes.

"The United States now owe some \$380,000,000 of these notes, or one-sixth of the entire indebtedness, long since past due. Now, gentlemen, I ask you this plain question : What would be thought of a business house owing a large amount of borrowed money, or bills past due, in addition to notes on time, if it were to apply all its available receipts to buying up its unmatured long notes, leaving the demand claims unsettled, and ignoring the interest on them ? The payment of unmatured notes and debts, while no efforts were made to pay borrowed money and past due debts, would be a flagrant act of injustice which no court in a civilized country would tolerate between individuals, and under our laws would subject a firm to be adjudged fraudulent bankrupts. Yet for more than ten years such has been our national policy, to the serious detriment of our industrial interests, and to the debasement of public morals. The history of America, from its earliest settlement till now, is full of lessons for our future guidance. In this, the Centennial year of the Republic, let us not place our reliance on fluctuating, irredeemable paper money analogous to that of our Revolutionary fathers, which but for the pecuniary aid of our generous French allies might have ruined the cause of Independence. But let us rather trust to intelligence, frugality, and prudence in the management of our private business ; to retrenchment, wisdom, and integrity in public affairs ; to the development of the resources of the nation ; to confidence in one another, and to a sound honest currency, convertible into coin at the will of the holder, for speedily restoring the general prosperity of the country. That prosperity is identical with the estimate formed of the honor of the nation." These suggestive arguments cannot be too often or too anxiously pondered by the banking community, and they receive a new force from the peculiar responsibilities and perils which at present threaten our financial system, and which special care and prudence on the part of our banks can do so much to avert.

THE COINAGE ACT OF 1873.

The purpose of the Coinage Act of 1873 was correctly expressed in its title, which is "An Act revising and amending the laws relative to the Mints, Assay Offices, and the Coinage of the United States." At the time of its passage the price of standard silver was \$1.18 per ounce; its present price is somewhat less than \$1.02 per ounce; and this decline of more than sixteen cents has rendered it practicable to substitute subsidiary silver coin for the fractional paper currency in circulation without loss to the Government. The acts of Jan. 14, 1875, and April 17, 1876, authorized the Secretary of the Treasury to make the substitution, which is now in progress.

Various bills have been introduced in the present Congress proposing a still further increase in the coinage of silver, and in the amount for which it shall be a legal tender; and the recent elaborate speech of Senator Jones upon the silver question contains much valuable information, accompanied by many statistical tables; but its statements in reference to the passage of the Coinage Act of 1873 are too unjust to be allowed to pass unnoticed.

The first paragraph of the speech is as follows:

The act of February 12, 1873, now incorporated in title 37 of the Revised Statutes, an act which, under the guise of regulating the mints of the United States, practically abolished one of the precious metals, was a grave wrong; a wrong committed no doubt unwittingly, yet no less certainly, in the interest of a few plutocrats in England and in Germany, and as certainly in the interest of the entire pagan and barbarian world; a wrong upon the people of the United States and of the whole civilized globe; a wrong upon industry, upon the natural tendency of wealth toward equalization, upon the liberties of peoples which are born out of the effects of such equalization of wealth, upon every aspiration of man which depends for its realization upon the development of those liberties.

The act alluded to practically abolished one of the precious metals as money, the one chiefly produced in this country, the one chiefly consumed in the semi-civilized countries of Asia, and the one which, at the date of its abolition and under the time-honored laws that previously prevailed, was becoming, as it has since become, the more available metal of the two in which to transact exchanges and liquidate debt.

On page 47 of the same speech, in referring to the Coinage Act of 1873, he says:

And the impartial observer at the present time finds it difficult to account for the introduction of such a bill when specie payments were suspended and unprovided for, unless upon some such ground as Mr. Potter suggested, to wit, either the interest of the owners of nickel mines at home or that of creditors at home or abroad.

The inference from these and similar references to the Coinage Act of 1873, is that it became a law without that careful consideration which is due to an Act that not only

revised and materially remodeled all existing laws upon the mint and coinage of the United States, but which also instituted many important changes and reforms.

The Senator, apparently forgetting that in his speech he, himself, is proposing legislation in reference to the coinage during the suspension of specie payments, finds it difficult to account for the introduction by others of a bill upon the same subject during such suspension, except upon the supposition that the bill was proposed "in the interest of the owners of mines at home, or of creditors at home or abroad." Had he referred to the finance report, he would have found that the amount of coinage executed at the mints during the suspension of specie payments, 1861-1875, was \$500,524,979; which is a much greater amount than was coined during the fifteen years next previous thereto, and is many times greater than the amount of coinage for any other fifteen years in the history of the Government. This will be seen from the following table:

VALUE OF GOLD, SILVER, AND MINOR COINS

issued since the organization of the U. S. Mint, from 1792 to 1799, and in each decade from 1800 to 1875.

<i>Periods.</i>	<i>Gold Coins.</i>	<i>Silver Coins.</i>	<i>Minor Coins.</i>	<i>Total.</i>
1792-1799 .	\$696,530 00 .	\$1,216,158 75 .	\$50,111 42 .	\$1,962,800 17
1800-1809 .	3,067,067 50 .	3,154,687 75 .	164,865 79 .	6,386,621 04
1810-1819 .	2,348,915 00 .	6,107,903 75 .	162,743 07 .	8,619,561 82
1820-1829 .	2,579,017 50 .	14,787,327 65 .	178,372 70 .	17,544,717 85
1830-1839 .	17,724,290 00 .	28,078,654 00 .	334,810 21 .	46,137,754 21
1840-1849 .	58,933,381 50 .	22,228,733 00 .	360,840 33 .	81,522,954 83
1850-1859 .	345,773,348 00 .	45,678,363 00 .	952,080 03 .	392,403,791 03
1860-1869 .	286,597,709 00 .	14,191,268 40 .	8,203,790 00 .	308,992,767 40
1870-1875 .	183,182,275 00 .	25,752,757 60 .	2,154,575 00 .	211,089,607 60
Totals..	\$900,902,533 50	\$161,195,853 90	\$12,562,188 55	\$1,074,660,575 95
1846-1860	\$399,257,660 50	\$57,541,313 00	\$1,503,267 03	\$458,302,240 53
1861-1875	453,334,508 00	37,174,106 00	10,016,365 00	500,524,979 00

The Senator is equally at fault in supposing that the Coinage Act of 1873 was prepared without giving to it the fullest consideration. Indeed, it may be said that no Act which ever passed Congress had received more care in its preparation, or had been submitted to the criticism of so great a number of practical and scientific experts. In a special report made by the present Comptroller of the Currency (published in the Finance Report for the year 1866), upon the condition of the branch mint of the United States at San Francisco, and in which various amendments to the mint and coinage laws are suggested, the following paragraph occurs: (p. 267)

The law relating to the mint was passed in 1837, nearly thirty years ago, when the annual coinage averaged only three millions of dollars. It is poorly adapted to the present business of the mint, now averaging forty-six millions of dollars annually. If a commission could be appointed of persons familiar with this subject to revise all the laws relative to the mint and its branches.

after having examined the laws and institutions of other countries, the benefit of such legislation would be seen at once in the increased efficiency and receipts of our own institutions.

The Secretary of the Treasury, in his report for 1869, again called attention to this subject. The work of the revision of the coinage laws had already been placed in the hands of Mr. Knox, then Deputy-Comptroller of the Currency, who at that time had charge of the mint and coinage correspondence of the Department; and on April 25, 1870, his report was transmitted to the Hon. John Sherman, Chairman of the Finance Committee of the Senate, together with "a bill revising the laws relative to the mint, assay offices, and coinage of the United States," and also tables of coinage, existing and proposed, and the English Coinage Act of 1870. This report states that:

The method adopted in the preparation of the bill was, first, to arrange in as concise a form as possible the laws now in existence upon these subjects, with such additional sections and suggestions as seemed valuable. Having accomplished this, the bill as thus prepared was printed upon paper with wide margin, and in this form transmitted to the different mints and assay offices, to the First Comptroller, the Treasurer, the Solicitor, the First Auditor, and to such other gentlemen as are known to be intelligent upon metallurgical and numismatic subjects, with the request that the printed bill should be returned with such notes and suggestions as experience and education should dictate. In this way the views of more than thirty gentlemen who are conversant with the manipulation of metals, the manufacture of coinage, the execution of the present laws relative thereto, the method of keeping accounts, and of making returns to the department, have been obtained with but little expense to the department, and little inconvenience to correspondents. Having received these suggestions, the present bill has been framed, and is believed to comprise within the compass of eight or ten pages of the revised statutes every important provision contained in more than sixty different enactments upon the mint, assay offices, and coinage of the United States, which are the result of nearly eighty years of legislation upon these subjects.

How well this duty was performed is familiar to the readers of the *BANKER'S MAGAZINE*; for the report (Misc. Doc. No. 132, Forty-first Congress, Second Session) was published in full in its July number for 1870. Subsequently, in answer to a resolution of the House of Representatives of June 4, 1870, directing that copies should be furnished "of all correspondence between the Department and officers of the different mints and assay offices, and other persons, touching a bill and report submitted April 25, 1870, by the Secretary of the Treasury to the Finance Committee of the Senate, to revise the law relative to mints, assay offices, and coinage of the United States," a letter of the Deputy-Comptroller (Ex. Doc. No. 307, Forty-first Congress, Second Session) was transmitted to Congress, together with his correspondence with various gentlemen whose opinions had been obtained during the preparation of the bill.

The letter and accompanying documents formed a pamphlet of ninety-six pages, and numerous extracts therefrom appeared in the *BANKER'S MAGAZINE* for February, 1871.

The correspondence mentioned included letters from two former Assistant-Secretaries of the Treasury. One of these, who was Assistant-Secretary during the entire administration of Mr. Chase, says:

There is no branch of the Treasury Department that has been so neglected as that of which your report treats, and none that so seriously requires revision; it was a want well known during the rebellion, but one that could not be attended to during that time. There is, in fact, no system as such, and no proper responsibility. Efforts have heretofore been made to effect reform; but they have been partial and unsatisfactory.

The obstacles to satisfactory legislation have been two-fold: First, that every attempt at investigation has been partial and superficial, manifest upon its face, and consequently has failed to convince Congress of any real necessity for remedial legislation; secondly, the animus of such investigation has not unfrequently been to ingraft upon the system some idiosyncrasy of the author, which, not being responsive to the needs of the service, received no support from the intelligent expert; and hence failure.

Your report I am glad to see, treats the subject in the broadest and most comprehensive manner, and your desire to improve the system is demonstrated by your calling to your aid those most familiar with its defects and most competent to suggest the proper remedy. Patterson, Peale & Snowden I personally know are practically as well as theoretically familiar with the whole subject. A cursory examination of the bill is sufficient to commend it to any one at all conversant with mint affairs; its careful perusal demonstrates unmistakably the care and research with which the bill has been framed, and which, if enacted into law, will give to our mint establishment that unity so necessary to its advantageous and economical administration, and place it upon a par with those of the most advanced nations. I speak, as you are aware, from official knowledge of the disjointed condition of this most important branch of our service, to which I have given no little thought, and I can not refrain from expressing to you the pleasure with which I perused your intelligent report and the provisions of the bill intended to give your views effect.

And his immediate successor thus refers to the subject:

I am much pleased with your report as a compendious statement of useful information connected with the coinage system. The table on page twenty-six, showing the weight, fineness, and tolerance of all the United States coins, together with the amount in which such coins are legal tender, is especially valuable. I believe the very best results will follow from your work.

The necessity for a revision of the mint laws has been apparent to every one connected of late years with the Treasury Department. The work has been admirably performed by you. You have happily secured and availed yourself of the suggestions of others, while impressing upon the codification that unity and completeness which can only result from the operations of one thoroughly-informed mind. If the law is enacted it will result most beneficially.

Dr. M. F. Bonzano, who had been for many years an officer of the mint in Philadelphia and of the branch mint in New Orleans, also says:

The thanks of every one capable of appreciating the importance of the subject of your report will certainly be your reward for the minute, thorough, and exhaustive examination you have given to this important matter, and the direct and fair manner in which you have dealt with the deficiencies of the old laws, which experience has shown were no longer adequate to maintain the mint establishment of the United States at the same high standard of excellence as in some other countries, and of sufficiently protecting the interests of the government.

Robert Patterson, of Philadelphia, says:

I have read your report in the North American of to-day, and can not help

dropping a line to express the satisfaction it gives me. All the points of reform appear to have been reached. Please send me a copy of the bill, also of your report, when officially printed.

The department and the country will owe you thanks for the intelligent and laborious attention you have given to this business, and if the bill should pass, I trust you will find your reward in the gratitude of all who have an interest in the effective working of our mint establishments.

R. W. Raymond, Commissioner of Mining Statistics, says :

I regard the report as a very thorough and well considered paper, and I hope its recommendations will not fail to have the attention at the hands of Congress which they deserve.

And the venerable Dr. John Torrey, of New York, an eminent scientist, says :

As a whole, the bill seems to include every important provision contained in the existing laws upon these subjects ; and, although I might prefer to have a few sections modified, I give my full consent.

Letters, reviewing the bill, are also given from Messrs. Snowden, Pollock, and Linderman, ex-Directors of the Mint ; the latter gentleman having been associated with the framer of the bill in its final preparation, and subsequently re-appointed the chief officer of the mint service under the provisions of the act.

The same pamphlet also contains a letter from Mr. E. B. Elliott, giving a more complete history of the silver dollar than has appeared elsewhere, and which is of special interest at the present time ; he says :

The bill proposes the discontinuance of the silver dollar, and the report which accompanies the bill suggests the substitution, for the existing standard silver dollar, of a trade coin of intrinsic value equivalent to the Mexican silver piaster or dollar. If the existing standard silver dollar is to be discontinued, and a trade-coin of different weight substituted, I would suggest the desirableness of conforming to the Spanish-Mexican silver pillared piaster of 1704, in preference to that authorized by the Spanish law of 29th May, 1772, or by the Mexican law of 27th November, 1867. The first-mentioned of these coins, that of 1704, contained, as nearly as may be, according to English assays, a weight of pure silver equivalent to 25 grams. The last mentioned, that of 1867, and which is intended to be equivalent to that of 1772, contains of pure silver 24.441 grams. The existing silver dollar of the United States contains 24.056 grams (i. e., 371½ troy grains) of pure silver.

In the year 1704, by proclamation of Queen Anne, based on assays at the English mint, the Spanish and Mexican pieces of eight (or dollars) were declared to be each of the value of four shillings and six pence sterling. At this time, and until the year 1816, sixty-two shillings could be coined from a troy pound of standard silver, $\frac{1}{2}$ fine ; consequently, the dollar of 4s. 6d. sterling was equivalent in value to 386.71 troy grains, or 25.059 grams of pure silver. Of these dollars, there would, of course, be four and four-ninths in a pound sterling (silver standard). The sterling par of exchange, from that time to the present day, has been one pound sterling, equal to four dollars and four-ninths of a dollar, although silver has ceased to be a standard in Great Britain, and has practically ceased to be a standard in the United States, gold taking its place. This dollar, divided into six shillings, became thenceforth the standard of lawful money in the American colonies of Great Britain.

By act of the Congress of the Confederation, passed 8th August, 1786, and by the ordinance of 16th October, 1786, a silver dollar was established as a unit of account, although not coined, containing of pure silver 375.64 troy grains (or 24.338 grams), the metal being of eleven-twelfths fineness. This

unit differed—as has been clearly pointed out by John Quincy Adams in his able report as Secretary of State in 1821, on “weights and measures”—from the true dollar of 1704, as defined by the proclamation of Queen Anne, by a deduction of two per cent. for estimated wastage in coining, and by assuming the fineness of the metal to be eleven-twelfths, whereas the fineness of standard British silver was then, as now, $\frac{11}{12}$.

The law of 2d April, 1792, of the new Congress, which established the mint of the United States, also fixed the contents of pure silver in the standard silver dollar at $371\frac{1}{4}$ grains (or 24.056 grams), a reduction of four per cent. from the standard established by proclamation in 1704, and a reduction of $1\frac{1}{2}$ per cent. from the dollar prescribed in 1786 by the Congress of the Confederation. This dollar (unlike the preceding) is not based on the Spanish-Mexican dollar of 1704, but on the later Spanish-Mexican dollar of 1772; from which it was derived by weighing a large number of such coins as were found in actual circulation, and which had been reduced, by abrasion, to a weight nearly 1.6 per cent. below the standard at which they were issued from the Mexican mint. The weight of pure silver in the dollar has continued unchanged from that time to the present, although the standard weight of the coin itself, reduced by a withdrawal of $3\frac{1}{2}$ grains of alloy, has been somewhat diminished. It appears, therefore, that the existing silver dollar, although professedly based on the Spanish or Mexican silver dollar, does not fairly represent any coin ever issued from those mints; that it is merely a representative of the average of abraded Spanish-Mexican coins.

The coins most in demand for Oriental commerce were for many years the pillared Spanish-Mexican piasters; and such was their popularity that they continued to be preferred long after their intrinsic value had been considerably reduced by wear in use. The restoration, as a trade coin, of a silver dollar, approximating to the old standard, to wit: one containing 25 grams of *pure* silver, is a subject which would seem to demand favorable consideration.

It may be well here to call attention to the fact, that the French silver coin of five francs contains, of *standard* gold, nine-tenths fine, just 25 grams, which also is the weight proposed for two half-dollars of the token or subsidiary coinage of the United States, in case that a metric coinage is adopted. (See Table III, pages 30 and 31, Appendix to Report on the Mint and Coinage Bill.) The intrinsic value of the proposed *subsidiary* coinage would therefore be less by just one-tenth than that of the *commercial* silver coin here proposed.

The Secretary, in his report for 1870, called special attention to the bill; and it was reported from the Finance Committee of the Senate on December 19, 1870, passed that body on January 10, 1871, but was not considered in the House. In the report of the Secretary for a subsequent year the passage of the bill was again urged; and on February 12, 1873, the original bill, as prepared at the Treasury, and with but slight changes, was formally approved and became a law—the Comptroller of the Currency, no doubt out of compliment to his services in the preparation of the bill, having been made by its provisions an ex-officio Commissioner of Assay to the mint.

It is thus seen that more than a year's time was given to the careful consideration and preparation of the bill; that it was submitted to the criticism and received the approval of many practical and scientific experts throughout the country; and that, finally, after having been in the possession of the appropriate Committees of the Senate and House of Representatives for nearly three years, it became a law. It is certain that the bill was prepared with unusual care, and it is

equally certain that its purpose was simply to furnish a judicious code of mint and coinage laws; and that the interests of neither debtors nor creditors, nor of the owners of nickel or gold or silver mines, were considered in its preparation.

It may be fairly inferred that the sweeping criticisms of the Honorable Senator were inspired not so much by any thorough examination of the act itself, as by the fact that the silver dollar which was authorized by the act of April 2, 1792, was excluded from the coins authorized by the Coinage Act of 1873. It is true that the dollar piece referred to was omitted from the provisions of the Act, and the reasons for such omission are given in the report as follows:

The coinage of the silver dollar piece, the history of which is here given, is discontinued in the proposed bill. It is by law the dollar unit; and assuming the value of gold to be fifteen and one-half times that of silver, that being about the mean ratio for the past six years, it is worth in gold a premium of about three per cent. (its value being \$1 03.12), and, intrinsically, more than seven per cent. premium in our other silver coins, its value thus being \$1 07.42. The present laws, consequently, authorize both a gold dollar unit and a silver dollar unit, differing from each other in intrinsic value. The present gold dollar piece is made the dollar unit in the proposed bill, and the silver dollar piece is discontinued. If, however, such a coin is authorized, it should be issued only as a *commercial dollar*, not as a standard unit of account, and of the exact value of the Mexican dollar (value 1 04.90), which is the favorite for circulation in China and Japan and other Oriental countries.

These reasons, even if not now conclusive upon the subject, were, at that time at least, deemed sufficient.

The object of the present paper is, however, not to discuss the double standard, but simply to defend the Coinage Act of 1873 against adverse criticism. But we must not omit to say that, if the criticism of the Act was prompted by the repeal of the provision authorizing the issue of the dollar as a full legal tender, then the assault should have been directed against the Act of June 28, 1834; for, by that Act, the reduction of about six and one-fourth per cent. in the gold standard (the dollar being reduced from 27 grains to 25.8 grains) practically demonetized the silver coinage, thus relatively overvaluing, as it did, the standard gold coinage, and bringing the latter in circulation to the exclusion of the relatively dearer silver. Or, he should have attacked the Act of February 21, 1853, which repealed such provisions of previous Acts as made gold and silver, with the single exception of the three-cent piece, nominally a legal tender to any amount.

The total coinage from 1792 to 1873 of the silver dollar pieces, the demonetization of which was commenced by the Act of 1834 and completed by that of 1873, was only \$8,045,838,* or a little more than \$100,000 per year; while the coinage of silver pieces of a less denomination than one dollar was, for the same period, \$137,106,046. It is not probable that there were more than \$50,000 in silver dollar pieces in existence in this country at the time of the passage of the

* The coinage of the trade or commercial dollar from 1873 to June 30, 1875, was \$9,286,400.

Act of 1873. From the discussion which has taken place since that time, it is evident that the repeal of the provision authorizing the issue of the silver dollar was most opportune and fortunate; otherwise the late extraordinary and unprecedented decline in the relative value of silver—due to increased production at home and demonetization abroad—would have completely driven our thus undervalued gold coinage from the country, leaving the overvalued silver as the sole specie basis of account.

At the date of the passage of the Coinage Act of 1873 the silver dollar piece was worth a little more than 103 in gold; it is now worth less than ninety cents in gold. And as the Government, under the coinage law as it existed prior to 1873, would possess the legal right to purchase silver with gold, and to pay the interest on the public debt in silver dollars worth only about ninety cents in the London market, it would, of course, by this process have been enabled to realize an amount of profit, or saving, of one-tenth of the gold interest now paid on the public debt, or about \$10,000,000 annually. And there is no doubt that the same persons who now advocate the payment of the interest in greenbacks would also have advocated this lesser fraud. But such a profit would be dearly earned; for United States bonds would, everywhere and at once, become depreciated, the credit and standing of the Government would be seriously impaired, and all plans for the funding of the public debt at a lower rate of interest would, of necessity, have to be abandoned.

If it is proposed to restore the double standard, then it is evident that a new silver dollar, worth one hundred cents in gold, or bearing the relative value of about eighteen to one, must be authorized; so that, from any point of view, it is difficult to see what injury has been done the advocates of a double standard by the abolition of the silver dollar, whose relative value to gold in 1873 was only about fifteen and a-half to one.

From the foregoing review it must be obvious, even without an extended argument, that there can be no such thing as a practical double standard; that what is called a double standard is simply an alternative standard—the silver ruling or circulating, to the exclusion of gold, whenever the mint and the market ratios are such that silver is over-valued in its relation to gold. and, in turn, the gold circulating to the exclusion of silver, when gold is relatively the over-valued metal.

CENTENNIAL ADDRESS OF THE HON. E. G.
SPAULDING,

*At the meeting of the Bankers' Association, at the International
Exposition, Philadelphia, May 30, 1876.*

The limit of our space forbids the publication in full of this very interesting address, which covers sixty-four pages in pamphlet form. As the history of the earlier part of the past century has recently been given in the pages of this magazine, we take up and abridge Mr. Spaulding's sketch from the year 1832. At this period, the re-election of General Jackson to the presidency settled the question that the Second United States Bank must, like the first, go into liquidation and wind up its affairs.

THE REMOVAL OF GOVERNMENT DEPOSITS.

Without the authority of law, the President assumed that the Secretary of the Treasury might select as many of the State Banks as he might deem necessary to receive the Government deposits, and perform the fiscal service of the Government. A large number were subsequently selected. But the 16th Section of the United States Bank Act required "that the deposit of the money of the United States, in places in which the said Bank and branches thereof may be established, *shall be made in the 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.*"

The Secretary of the Treasury, in his report of December 5th, 1832, advised Congress that doubts were entertained in some quarters of the safety of the Bank as a depository of the public revenues, and that, in consequence, he had appointed agents to examine into its condition. The President's Message of the same date expressed similar doubts, and indicated the propriety of removing the Government deposits from the Bank. A committee of investigation was appointed by Congress, and on the two reports, together with the statement of the Bank Directors, the House of Representatives declared, by a vote of 109 to 40, that the public deposits might safely be continued in the institution. The three examinations agreed so closely as to exclude all possibility of collusion or error. The Hon. Gulian C. Verplanck, of New York, chairman of the Congressional Committee, stated in his report, that they "had examined the report of the Treasury

agents, and also the Directors of the Bank under oath, and that it appeared that the Bank had \$80,866,000 of available resources, and that its liabilities, exclusive of its stock, amounted to only \$37,800,000.

After this report was rendered, and after the vote of confidence by Congress, Secretary McLane expressed his final determination to take no part in changing the custody of the public revenues. Whereupon the President transferred him to the State Department, to make room for a more pliable officer; but his successor, the Hon. William J. Duane, of Pennsylvania, proved even less tractable. He declared his unwillingness to act in the matter without reasons that would justify him in the eye of the law. The President summoned a special meeting of the Cabinet for consultation, with no better result. He then announced that he would assume the responsibility of issuing a mandatory order of removal, which he expected the Secretary to obey. But that officer, like his predecessor, deeming the proposed action of the President illegal, would neither execute the order nor voluntarily retire from the office. The President had no alternative but to remove him by an arbitrary dismissal; and he appointed in his stead the Hon. Roger B. Taney, whose opinions were known to coincide with those of the President.

On the 18th of September, 1833, the President issued a peremptory order for the removal of the Government deposits and on the first of October following, the order was executed by Mr. Taney, and such deposits transferred from the United States Bank to the "State deposit Banks."

The amount of deposits thus transferred was about \$11,000,000, and the State Banks thus favored were encouraged to expand their loans upon the faith of such deposits. Thus ended the services of the United States Bank as the Financial Agent of the Government.

The immediate consequence of the defeat of the bill for renewing the charter of the United States Bank and the illegal removal of the Government deposits of that institution, was the incorporation by the several States of a great number of local Banks. Capital stock was authorized for each, but in most cases the stock was not *bona fide* paid up. The Banks in most cases went into operation upon an insecure basis upon fictitious capitals. In the seven years from 1830 to 1837, no less than 304 sprung into existence, with a nominal capital of \$145,000,000, and paper circulation of \$59,000,000, and the total circulation rose to \$104,000,000. The mass of Bank loans increased from \$200,000,000 to \$525,000,000.

The Treasury balance in the "deposit banks" rose from \$11,000,000 October 1, 1833, to over \$49,000,000, on November 1, 1836. The Bank of the United States, instead of closing up on the expiration of its charters, obtained a new charter from the State of Pennsylvania, and transferred its assets to

the new State institution, and maintained its proportion in the general expansion of credit. Speculation and overtrading increased to an alarming extent all over the country. The expansion of bank credit, the increase of State, corporate and individual indebtedness was far in excess of legitimate business. Reckless speculation in corner lots on paper, and running into debt generally was the order of the day. This kind of speculation extended to the public lands. Large quantities were taken up—not by actual settlers—but by large operators who paid for it in State bank currency. "Wild-Cat" banking became rampant in many of the Western States, which operated to swell the indebtedness enormously in that portion of the country.

The importations from foreign countries had been large and the specie in the country had been diminishing for some time previous. The duties paid on these large importations served to increase the revenues; the National debt was paid in full, and a surplus in paper money was accumulating in the United States Treasury which, was then being deposited in the State deposit banks to the credit of the Treasurer in Bank ledgers.

On the 23d of June, 1836, an act was passed for distributing to the several States the supposed surplus moneys above \$5,000,000, belonging to the Treasury of the United States, in proportion to their respective representation in the Senate and House. The sums to be thus deposited for safe keeping with the several States was to be made in the following proportions;—one-fourth part on the first of January, 1837, one-fourth part on the first of April, one-fourth part on first of July, and the remaining fourth part on the first day of October, all in the same year. It was supposed that the whole amount to be thus distributed would be between \$40,000,000 and \$50,000,000.

To check speculation in the public lands, President Jackson on the 11th July, 1836, issued the famous *Specie Circular*, in the form of an order from the Treasury Department, prohibiting the receipt of anything but gold and silver coin in payment of lands sold by the Government.

THE PANIC OF 1837.

By the successive acts and proceedings just narrated, a train was skillfully laid for a general crash in the financial affairs of the Government, the banks, and the people. The natural result of what had taken place during the last six years, led inevitably to a general smash up. The Bank, which President Madison, in his first annual message after approving its charter, declared was "essential for the interests of the community at large, as well as for the purposes of the Treasury," was killed by the veto of President Jackson, and forced to wind up its affairs as a national institution; the

government deposits were illegally removed to a great number of State deposit banks; the State Banks were increased, upon fictitious capitals, to an alarming extent; bank credits were extended in the form of paper currency and improper loans upon inadequate and unconvertible security; high prices, overtrading and extravagance in living followed as a natural consequence. The catastrophe resulting from this unnatural and reckless state of things could not long be delayed.

The specie circular issued by President Jackson showed distrust of the State Bank currency; gold and silver was demanded. Failures became frequent in the latter part of 1836 and the early part of 1837. State Bank currency, in many cases, was not redeemed in coin when presented for that purpose, and very soon became uncurrent money. The wild cat and red dog banks at the West first broke down; the Safety Fund of New York received a blow from which it never recovered, and finally went out of existence.

Each day developed some new case of insolvency on the part of banks and individuals. Finally the distrust extended to all classes of business; credit was destroyed; the panic became general, when in May, 1837, all the banks in the country suspended specie payments, and the "deposits" in the "Pet Banks" to the credit of the Treasurer of the United States became unavailable. The demoralization was complete and general in all private as well as governmental transactions. It was difficult for the Secretary of the Treasury to manage the fiscal affairs of the government.

Martin Van Buren having been inaugurated President on the 4th of March of that year, issued a Proclamation, for an Extra Session of Congress.

Mr. Van Buren was very much disgusted with the State Deposit Banks for their mismanagement in locking up and rendering unavailable the public deposits. His motto became "an entire divorce of the United States Treasury from all banks and banking transactions." The institutions which Mr. Taney declared in 1833, to be of "high character and undoubted strength" proved to be very weak in 1837. Many of them proved to be not only a failure but a fraud.

General Jackson wrote from his retirement at the *Hermitage*, that "the history of the world never has recorded such base treachery and perfidy as had been committed by the deposit banks against the government."

At the time of closing the United States Bank after its charter expired, the stock was worth a premium of more than 15 per cent., and the stock in the Bank owned by the United States was paid back to it in full, and also a premium on the same exceeding 15 per cent. besides the previous regular dividends, so that the United States actually made money on its stock, and did not lose a dollar of the money deposited

in the Bank. It fulfilled all its obligations to the Government, redeemed all its circulating notes, paid all its private depositors, and as a National institution went out of existence with a clean record.

A bill for establishing a Fiscal Bank of the United States passed the House of Representatives, August 6th, 1841; vetoed by President Tyler, August 16th. Another bill for a Fiscal Corporation vetoed September 9th, 1841, followed by a resignation of all the Cabinet, except Mr. Webster, which ended for a time all efforts to obtain under any name a new National Bank.

On January 1, 1837, the Bank circulation of the country, according to the Treasury reports, was \$149,000,000. By January 1st, 1843, it was reduced to \$58,000,000. A ruinous fall of prices was the consequence, and wide-spread distress, attended by many failures. In the four years ending with 1842, the exports of specie exceeded the imports by \$8,500,000; but under the favorable influence of the Tariff of 1842, in the nine months ending June 30, 1843, the imports of specie exceeded the exports by \$20,000,000; as the banks of New York and New England had paid specie regularly since 1838, they soon recovered from the effects of the revulsion of 1842-43. Those of the grain-growing States, from New Jersey to Missouri, did not fully recover till 1847, when the demand for breadstuffs in Europe gave a balance of specie in our favor of \$22,000,000. The Banks in the South and West were not fully re-established until some years later, when an extraordinary demand for cotton replenished their coffers.

FREE BANKING LAW OF NEW YORK.

On April 18th, 1838, the monopoly of banking, under special charters, was brought to a close in the State of New York, by the passage of the act "to authorize the business of Banking." Under this law, Associations for Banking purposes and Individual Bankers, were authorized to carry on the business of Banking, by establishing offices of deposit, discount and circulation. Subsequently a separate Department was organized at Albany, called "The Bank Department," with a Superintendent, who was charged with the supervision of all the banks in the State. Under this law, institutions could be organized simply as banks of "discount and deposit," and might also add the issuing of a paper currency to circulate as money. At first the law provided that State and United States stocks for one-half and bonds and mortgages for the other half, might be deposited as security for the circulating notes to be issued by Banks and individual Bankers. Upon a fair trial, however, it was found that when a bank failed, and the Bank Department was called upon to redeem the circulating notes of such bank, the mortgages could not be made available in time to meet the demand. The mortgages

when brought to the test of raising ready money proved to be unavailable, and by an amendment of the law, the receiving of mortgages as security for circulating notes was discontinued.

This law with the various amendments that have been made, has proved to be a valuable and useful mode of carrying on the business of banking, and ultimately a very large majority of the banks in New York came under its provisions in the transaction of their business.

THE SUB-TREASURY LAW.

On the 6th of August, 1846, the Sub-Treasury act was finally passed, and went fully into operation January 1st, 1847, upon the theory mainly of gold and silver in all the financial transactions of the Government; but with the expectation that Treasury notes might be resorted to if necessary.

In less than a year after the passage of the Sub-Treasury Act, it was found that very little gold was in the Treasury. It was easy to enact that "all disbursements" from the Treasury should be made in coin, but soon after the commencement of the war with Mexico, it was found very difficult to get the coin into the Treasury for "disbursement." The Army and Navy had to be supported, and material of war had to be provided. Coin in sufficient amount could not be obtained for that purpose. Resort was almost immediately had to the alternative of *paper* to carry on the war. The acts of July 22d, 1846, and January 28th, 1847, authorized the issue of \$28,000,000 six-per-cent. Treasury notes, to be put upon loan, and paid to contractors and others who furnished supplies to carry on the war. A large part of the "disbursements" for the war were in Treasury notes instead of gold, showing the impracticability of the Sub-Treasury to carry on even a small war in gold and silver.

THE PANIC AND REVULSION OF 1857.

This crisis, like the revulsion of 1837, was caused by too great an expansion of credit. Debts in all forms became excessive. The Railway system had been largely extended upon borrowed capital. There had been excessive importations of foreign goods. The banks loaned too much of their funds on stocks, bonds and other securities that could not be readily converted into money to meet checks of depositors. The Ohio Life Insurance and Trust Company, which had a large branch office in the city of New York, was completely loaded down with unavailable securities, and on the 25th of August, 1857, failed with very large liabilities outstanding. This was the starting point of the panic. Distrust very soon became general. Confidence was destroyed. It was soon ascertained that too much floating capital had been converted into fixed capital. Call loans were called in. A large part of the hundreds of millions of stock and bonds that had been created during

the previous ten years, proved to be unavailable. Wall street and the Stock Exchange became greatly excited. A large number of the members of the Board of Brokers were unable to respond to their call loans, and failed. Stocks fell 50 per cent. At the height of the panic, New York Central R. R. stock sold down to 48, Illinois Central, Michigan Central, and Rock Island at about 30, Michigan Southern at 5. Money so stringent that bankers were unable to borrow currency on gold bullion; the Michigan Southern sold a ten per cent. guaranteed stock at 50, and the Michigan Central, an eight per cent. mortgage bond, at the same price.

The panic continued about fifty days, until the middle of October, 1857, when all banks suspended specie payments.

The system of redemption of bank notes then in force by the Suffolk Bank in Boston, and the Metropolitan Bank in New York, operated unfavorably. This mode of requiring redemption of the interior bank currency which was sent in packages to these banks, and then hurried back again into the interior, frequently in the same packages, greatly accelerated the panic. Finally the banks in New York, by common consent, ceased sending home good currency and finally took the *secured* currency of the State of New York, and made it a basis for Clearing-House Certificates, which had an important influence in stopping the panic and restoring confidence. When the banks suspended, relief came, of course. Confidence gradually returned, money flowed into business channels, prices improved, and the banks were enabled to resume in December.

At the breaking out of the Rebellion in 1861, the Government of the United States had no National institution to resort to, like the Bank of England or the Bank of France, for aid to sustain the Union Army and Navy. It had only a barren Sub-Treasury, which in every effort of the Government to make loans, was known to be antagonistic to the customary commercial operations of the State Banks. The Sub-Treasury was in no way connected with Clearing-House operations, and could not check on the banks for Government disbursements, and if the Government borrowed money on its bonds from the banks, the money had to be paid into the Sub-Treasury in gold and silver coin, or treasury notes, which at once weakened the bank reserves, and tended to disturb the whole financial business of the country. The Sub-Treasury law was a positive obstacle to a successful management of the finances in the great war then in progress to maintain the Union.

Hon. Salmon P. Chase, Secretary of the Treasury, in his report in December, 1861, stated that there were about sixteen hundred local banks, and that the value of the then existing bank note circulation depended upon the laws of thirty-four States, and the character of those private corporations. He

estimated the total circulation of all these banks January 1st, 1861, to be \$202,000,767. "Of this circulation \$150,000,000, in round numbers was in the loyal States, and \$50,000,000 in the rebellious States."

The Government was without any National paper currency to circulate as money, and Mr. Chase was not then favorable to the issue of legal-tender notes. He however was in favor of a National currency under the authority of the United States, and recommended the National Bank Act.

The bill was passed and approved by President Lincoln, February 25, 1863.

No National Bank currency was issued until near the first of January, 1864. After that time it was gradually issued. On the first of July, 1864, the sum of \$25,825,695 had been issued; and on the 22d of April, 1865, shortly after the surrender of General Lee, the whole amount of National Bank circulation issued to that time was \$146,827,975.

FREE BANKING—NO MONOPOLY.

At first the act limited the amount of currency to be issued under it, to \$300,000,000, but by a subsequent act this limitation was removed. Free Banking is now allowed to all the people who comply with its provisions. There is no longer a monopoly of banking under the laws of the United States. It is a system of National Banking and National Currency co-extensive with the boundaries of our National Union. It requires the circulating notes to be well secured by gold-bearing Government bonds, deposited with the Treasurer of the United States; requires each bank to redeem its circulating notes in lawful money on demand, and to keep an adequate reserve for that purpose; makes them a legal tender for all taxes and other debts to the Government, except customs, and for all debts owing by the Government, except principal and interest of the funded debt; it also makes them receivable by each National Bank for all ordinary debts due them, and each bank, designated as a depository, is also required to receive it on deposit from all public officers. These are important provisions in the law for *nationalizing* this currency, and it consequently obtains a wide circulation. Congress, by the act of March 3d, 1865, drove all State Bank circulation out of existence by the imposition of a tax upon it of ten per cent.

PROGRESS MADE IN BANKING.

The refusal of Congress to re-charter the first United States Bank, and the arbitrary and illegal action of the Executive in regard to the second United States Bank, seriously retarded the progress of sound banking, under the authority of the United States. By these blunders the Government and people have been deprived of the great benefits they would have received from the stability given to business by the con-

tinuance of such an institution. In spite, however, of this incongruous and unwise action of Congress and the Executive, there has been real progress made in the business of banking during the last hundred years. The Bank of North America in Philadelphia, the Bank of New York in New York City, the Massachusetts Bank in Boston, the first three banks organized in the United States, have always maintained a respectable position, and are to-day performing their duties to the public, and are favorably regarded for their high-standing and solidity. Having been re-organized, they are to-day doing a prosperous business under the present National Bank Act.

Most of the Banks organized in the principal cities since January 1st, 1790, have maintained their existence in some form; have increased their capitals, have done a successful business, and are now highly creditable institutions, and doing as good a business as the present state of trade will admit.

State Banks and National Banks are generally in a prosperous condition, and most of the old State Banks finally re-organized under the National Bank Act in 1865.

Hon. John J. Knox, Comptroller of the Currency, in his last report made to Congress in December, 1875, gives a detailed report of the condition of all the National Banks. It is a most valuable and interesting statement of the favorable condition of the business of banking in the United States. Those desiring further details in regard to the banks can study this report to great advantage.

Capital Stock of National Banks paid in is.....	‡ 505,485,865
“ “ State Banks “ “	164,366,669
Aggregate amount of deposits in Savings Banks.....	849,581,633
Capital Stock of Loan and Trust Companies,.....	21,854,020

‡ 1,541,288,187

Private Bankers do not report the amount of capital employed in their business. It is therefore difficult to make any approximate estimate of their aggregate capital. It is known, however, to be large, and their business transactions largely swell the banking operations of the country.

CREDIT AND CLEARING HOUSE.

Credit is the essential element that underlies the business of banking. Banking in all its forms is dependent upon credit. Well-organized banks, and the system of daily settlements through the Clearing Houses in all the great commercial centers, and a weekly publication of the condition of the banks, has an important influence in keeping all credit transactions under due control, and confining them within proper limits. About one hundred years ago, the private banks in London organized the first Clearing House in that city. The New York Clearing House Association, composed of New York Bankers, went into operation October 1st, 1853, and its present constitution was adopted June 6th, 1854.

The system of Clearings by off-set is one of the most useful improvements of modern times. It economises both time and money in the liquidation of debts, especially all the large commercial transactions of the world, amounting to several hundred millions daily, with only a very small resulting balance to be paid in money. Very little gold or paper money is required to do the business of any of the large cities.

Clearing Houses have been established in Boston, Philadelphia, Baltimore and the other principal cities of the United States with useful and beneficial results.

THE PANIC OF 1873.

After the right to fund the greenback currency into six-per-cent. gold bonds was revoked in 1863, which rendered this currency irredeemable, credit became so expanded under the excessive issues of paper currency and other obligations during the war, that neither the banks, the Clearing House, nor any other human agency could restrain it within reasonable limits, especially under the vacillating course adopted by Congress. The *abuse* of credit became general in the creation of debts in all its forms—States, cities, counties, corporations, and individuals combined to swell the *paper bubble* until it finally burst in the great panic of 1873. The combination of the banks in the Clearing House in New York, exerted a most powerful influence in staying the calamity, and preventing the suspension of all the banks. By an extra form of credit, in the shape of Clearing-House certificates, they continued to pay and liquidate a very large amount of debts each day, without paying money for even resulting balances. The Clearing House Associations in other cities exerted a favorable influence in the same direction. The panicky feeling passed away in due time, and the banks again resumed their former mode of settling balances. The Temporary Clearing-House certificates, improvised during the panic, were soon after redeemed and taken off the market.

The present national banking system—organized in the midst of civil revolution, and which could only be brought into existence under the pressure of a great public calamity, and amid the enthusiasm of the people determined to maintain the Union—has drawn to its support a very large majority of the banking capital of the country. Experience has shown that it is well adapted to the wants of American industry and progress; that it is a convenient and safe depository of the public funds which can easily be transferred to any part of the country without any of the machinery or expense of the sub-treasury, and that when more fully perfected will be adequate to meet the demands of our anomalous situation in war as well as in times of peace. That it is not perfect, is not the fault of those who originated it; that it is not perfected and the sub-treasury discontinued, is the

fault of the Government itself. Let the Government return to its integrity, re-adopt, at a lower rate of interest, the funding of the greenbacks, or in the mode prescribed in Senator Sherman's act of last year, retire its over-due indebtedness in the recognized money of the commercial world, and the national banks will be ready to redeem their circulating notes in the same kind of money. Meantime they loyally await the action of Congress, and will be ready to redeem in lawful money, whether it be greenbacks or gold, whatever shall be recognized by the Government for itself, and by it prescribed to the people as the legal standard of redemption.

The causes which led to the panic of 1873, were too deep and far-reaching to be easily got rid of or overcome. Debt and taxation are heavy burdens; defaulted railroad bonds lie dormant in safes and drawers; irredeemable paper money is still in excess; industry and production languish; Congress still vacillates and fails to settle the financial problem on a firm basis; the depression and stagnation in business which commenced in the panic of 1873, still continues, and is likely to continue until the finances are finally settled on a specie basis, the question removed from political agitation, and the business of the country allowed to resume its normal condition free from the excesses and demoralization of the war. Then will be the time to complete the history of the paper bubble, which has been so demoralizing for the last twelve years.

INCREASING SCARCITY OF GOLD AND SILVER.

BY GEORGE M. WESTON.

The paper read in June, 1865, before the Statistical Society of London, by Professor Jevons, upon the variations in the prices of commodities, which is only another expression for the variations in the value of the money in which these prices are stated, attracted great attention when it was made, and has been the subject of much comment.

The period covered by this paper was a long one, from 1782 to 1865, and the commodities, the fluctuations in the prices of which are given, forty in number, are all the leading articles of commerce, and all the leading articles of consumption in countries possessing the advanced civilization of Great Britain. They embrace all the principal metals (including of course iron), grains and meats of all kinds, timber, wool, cotton, hay and other foddors, dyes, tallow, tar, silk, flax, hemp, hides and leather, and oriental and tropical products, such as rice, tobacco, tea, coffee, sugar and spices.

The prices given are those in the British markets, but as these always bear a relation to prices in other markets which is controlled by the same circumstances of freight and com-

mercial charges, the fluctuations elsewhere must have been always proportionate.

Some persons who have commented upon these tables of Professor Jevons, noticing that his prices are stated in gold, have fallen into the error of supposing that a part of the fluctuations given, is due to the fluctuations in the price of that special metal, as distinguished from silver. That is not so, in any degree. Professor Jevons naturally stated prices in what is the standard in his own country, but, as, during the period covered by his tables, there was no appreciable variation in the market ratio of the two precious metals, the prices, if stated in silver or gold, would show precisely the same fluctuations. The fall in silver did not become apparent until 1873, or seriously marked until the present year. When, therefore, Professor Jevons speaks of a rise or fall in gold, as established by his tables, we may understand that there was exactly the same rise or fall in the value of silver, or in other words, of both the precious metals.

The tables of prices used by Professor Jevons are, for the most part, the same given by Tooke, and other writers upon such subjects, but the deductions made by different commentators, are not quite uniform. If the prices of only one article from year to year were to be dealt with, there could not be two modes of stating the increase or decrease; but the problem is less simple where the number of articles is large. Three rules have been proposed for estimating the mean variations. The rule favored by Professor Jevons, and which he calls the geometric rule, seems to have advantages, and at any rate this one, that its results lie midway between those produced by the other two rules. This is clearly an advantage, if the maxim, *in medio tutissimus ibis*, is as applicable to statistics, as it is to politics and conduct.

From these tables, it appears that if the prices of the 40 enumerated articles be called 100 in 1782, they fell slightly until 1795, when they suddenly enlarged to 117, and continued irregularly to enlarge until 1809, when they attained their maximum of 157. From that point they fell until they reached their minimum of 64 in 1849 and 1850, never having again after 1820 been as high as 100 but once, in 1825, when they were 103. From this lowest point of 64, of 1849-50, they advanced to 74, 83, 80, 82, and 85, in the years 1853, 4, 5, 6, 7, and in 1865, the last year given in the tables, they stood at 78. They are now, probably, down again to the point of 64, where they were at the date of the California discoveries, or two-thirds of what they were in 1782, or two-fifths of what they were in 1809. Of course, there were temporary fluctuations, but certain great movements are distinctly marked; one towards enlargement at the end of the last century and the commencement of this, culminating in 1809; next a movement of depression, covering the period of forty years, from 1809

to the date of the California gold mining; and lastly, a short period of recovery after that conspicuous event.

The per centages of variations in the value, that is, the purchasing power of the precious metals, are, of course, greater. As given by Professor Jevons, this value fell from 1782 to 1809, (this entire fall being really between 1794 and 1809,) in the proportion of 100 to 54, or by 46 per cent. From 1809 to 1849, it rose again in the ratio of 100 to 245, or by 145 per cent., adding so much to the intrinsic worth of fixed incomes, derived from government or other long securities, and so much to the burden upon the capital and labor from which such incomes are derived. From 1849, it had fallen only 20 per cent. in 1865, and is now, probably, restored again to its maximum value, and will buy more than twice as much of leading commodities as it would during the first ten years of the century.

The facts in relation to the variations of the prices of commodities, or what is the same thing, the variations in the purchasing power of the precious metals, are well agreed upon, and so are some of the causes of these variations. But the degree of the efficiency of particular causes has always been debated, as is also the question, whether certain things are to be reckoned as causes at all.

It is, for instance, not doubted by anybody, that the revolutionary disturbances commencing in 1810, in the Spanish-American colonies, the then principal sources of the supply of the precious metals, and reducing their production—between 1810 and 1830—by one half, and afterwards, by a large per centage, below that of a long anterior period, in connection with the increasing wants of the world, account mainly for the steadily augmenting value of money after 1809. Nor is it doubted by anybody, that it is to the California gold supplies, soon reinforced by those from Australia, that we should ascribe the diminishing value of money between 1849 and 1865, and should also ascribe the fact, that if it has now risen again, it is still not above the standard of 1849, whereas, without the new sources of the precious metals, it would have continued to rise, as it had been rising during the forty years following 1809. Nor is it doubted by anybody, that the commerce, debts, investments and enterprises of mankind, constantly and conspicuously enlarging within the past one hundred years, must have required a constantly enlarging stock of the precious metals, to preserve an equilibrium, or any approximation to an equilibrium in prices.

Why prices should have so risen and the value of money have so fallen, between 1794 and 1809, is not so clear, and has been persistently debated. No causes for it seem beyond question, except that the drain of the precious metals to the East had not attained great proportions during that period, and that the suspension of specie payments, notably in Great

Britain, but also in Austria, Russia, and some other countries, must have liberated for employment in the markets, considerable masses of gold and silver.

How much effect was produced by the great wars which attended the French revolution of 1789, and the subsequent career of Napoleon, is a matter not clear in theory, and has been much disputed by writers. It is, however, pretty certain, as a matter of fact, that wars do raise prices, and that the pacification of the world which followed the battle of Waterloo, and a fall in prices, were contemporaneous events.

One cause of the cheapening of many commodities, between 1809 and 1849, was the progress of invention in steam power and machinery, and of improvements in navigation. But the same cause was in quite as full operation in the twenty-seven years prior to 1809, which witnessed the great discoveries of Watt and Arkwright, and it was in spite of that cause that money then fell in value and commodities rose in price. If the liberation of the precious metals by the suspension of specie payments in England and elsewhere, and the Napoleonic wars, do not sufficiently explain it, we must accept it as a fact without explanation, or as Professor Jevons phrases it, as a *fact of observation*.

The general result seems to be, that the value, or purchasing power, of the precious metals, increased enormously from 1809 to 1849; that the subsequent fall in their value down to 1865, was comparatively slight, and has probably been since quite recovered from; that, upon the whole, gold and silver are worth at least double what they were at the commencement of the century; and that, apparently, the change now going on in their value, is in the direction of a rise rather than a fall. That this should be so, is very little in harmony with the fears expressed in the early days of the California and Australian discoveries, that the precious metals would become dangerously cheap. Nor is it any more in harmony with the popular notion, that the cost of living, as measured in money, is far greater than it was for the generation preceding our own.

Upon this last point, it is proper to observe, that the value of money at different times, is measured by the prices of the same commodities at such different times, and that if people buy more commodities, and of a more expensive kind, they must expect to pay more for them. If we could be content with what satisfied our fathers, the cost of living, of which we complain, would be less formidable, and the cheapening of commodities would become real to our apprehension. But if, when carpets fall one half in price, we insist upon carpeting six rooms instead of one, we must not wonder that that branch of housekeeping expense increases three-fold. We must not expect silks at the price of calicoes, or three dresses at the cost of one. The money expense of living

depends partly upon the purchasing power of money, but a good deal more upon the habits and mode of living.

No event more thoroughly aroused the attention and fixed the interest of mankind, than the discoveries of gold in California and Australia, occurring so nearly at the same time as to be substantially simultaneous. The actual outcome of the new gold was exceedingly great, and as was natural in the first flush of the excitement, the expectation of the continuing outcome was far greater than the fact has proved to be. The integrity of the standard of values seemed to be threatened, and with it the security of contracts, and all the vast interests bound up in the general stability of the prices of property. It is little wonderful that anxiety was felt on every hand. Those who are old enough remember it well, and those who are not old enough, will find the evidence of it in the literature of that day. Books and pamphlets, which no man can read, or even number, attest how wide-spreading and absorbing was the debate. The vigorous Englishman, De Quincey, declaring that no delusion could possibly be greater than the expectation that gold would remain of any value whatever; the volatile Frenchman, Chevalier, making Europe resound with his brilliant appeals to the governments to lose no moment in demonetizing the dreaded metal; the ponderous demonstrations by the German doctors, of the certainty and completeness of the impending ruin; all are preserved as imperishably as paper and ink can do it. Legislation was affected. Germany demonetized gold, Belgium did the same thing for a season, Holland had already done it just before the discoveries, France was sorely pressed to do it, and the government of India prohibited the receipt of gold by its tax gatherers.

Never were fears more completely falsified by the event. The new flood of gold, neither affected its market relation to silver, or sensibly and permanently depreciated the value of the two precious metals combined, and it is to-day, certain, that instead of its being necessary to reduce the mass of money by demonetizing either gold or silver, there is imminent reason to apprehend that the aggregated supplies of both, will be insufficient to maintain the general commercial stability. It is not a glut of the precious metals which threatens mankind, but a scarcity, or, it may be more correct to say, that it is from a scarcity that they are now actually suffering. Prices, which are measured by them, are lamentably falling everywhere. If the outcome of silver shows some increase, that of gold shows a decrease. The needs of the world for them are constantly enlarging; there is no reason to apprehend that the drain of them to the East has received any permanent check; and it is plain to be seen, that with two hundred millions of the civilized and rich populations of Europe and the United States, now condemned to the forced

use of paper money, enormous masses of the precious metals must be required to restore a normal and sound condition of things.

The substitution for this forced legal-tender paper, of metallic money, or of convertible paper money, will not take place in this generation, if either gold or silver is demonetized. The period when it will take place, even on the old basis of the double money of gold and silver, is not certain. But whatever doubts may exist as to the time when new supplies of the precious metals may be required and used in the restoration of disordered currencies, there is none as to the constant new demands arising from the increased wealth and commerce of the world. Nor is there any discernible or probable fact, to justify the opinion that the demands of the East will fail to rise, as always heretofore, to the level of any supply which is likely to exist. Let us consider briefly, how exigent these two demands have been since 1849.

The London *Economist*, (May 11, 1865,) estimated that in the fifteen years from 1849 to 1863, both inclusive, there had been an increased total production of silver, of about 20 millions of pounds sterling, and of gold, from new sources, of 297 millions; the gold production from old sources remaining about stationary. Here was what may be called, an extra supply of 317 millions sterling, within fifteen years, to be disposed of. If we knew what the previously existing stock was, in coin, plate and other forms, we should know by what per centage this extra supply augmented it. But that is what we do not know. We must content ourselves with the most probable conjectures. If we reckon it at two thousand millions sterling, we have an addition of sixteen per cent. Whatever the per centage may have been, let us see how quickly it was swallowed up by the swelling flood of the wealth and commerce of the world, and by the insatiable demands of the East.

The *Economist* in the same number quoted above, states that the exports of British and Irish produce and manufactures, increased from 63 millions sterling in 1849, to 160 millions in 1864; that the exports of colonial and foreign produce increased from 18 millions in 1854, to 49 millions in 1863; and, that the imports into Great Britain, increased from 152 millions in 1854, to 249 millions in 1863. The *Economist* adds:

We find here an external trade doubled in the last twelve years, and this external trade is, we believe, but a faint representation of the increase of transactions throughout the whole of our domestic industry. But not only has this multiplying process been carried on in these islands; it has prevailed almost as largely in France, and has spread all over Germany. It has filled Italy, aroused Spain from its long lethargy, and penetrated even to the remote provinces of Russia. No corner of Europe has remained insensible to the new stir of industry and enterprise. All these facts are indications of the enormous addition which has been made, during the last fifteen years, to the extent and depth of the channels of circulation required to be filled with metallic money in some form or other. The truth is, that with the present extended and growing

commerce of the world, far more mischief and inconvenience will arise from the effect of what seems to be a continuous gradual decline in the new supplies of gold, than from any effects which have flowed or may flow from the California and Australian discoveries.

If a total movement of imports and exports of 458 millions in 1863, 4, was a duplication within twelve years, there was a further increase of one-third in the nine following years, the figures for 1872 (the latest given by Appleton's *Cyclopedia*,) being 611 millions.

In Italy, the statements being made in dollars, the public revenue increased from 250 millions in 1861, to 550 millions in 1873, and the aggregate of imports and exports from 330 millions in 1869, to 454 millions in 1872.

In France, the statement being made in millions of francs, the annual average for five years from 1855 to 1859, both inclusive, was :

Imports	2,421
Exports	2,616

Ten years later, the annual average for five years from 1865 to 1869, both inclusive, was :

Imports	3,934
Exports	4,003

These statements, except as to British commerce for the twelve years prior to 1863, cover periods when prices were falling, and indicate a greater increase in the quantities of commodities, than in their money value.

The reports of all commercial countries show a similar advance, and within the last generation, many countries have become commercial, which were not so before in any appreciable degree, and new and important nations have arisen, notably by British colonization, in quarters of the globe hitherto unoccupied.

If commerce employs coins, it is wealth which consumes the precious metals, or fixes them in plate and other forms of utility or magnificence; and who will compute what the increase of the wealth of the world has been since 1849?

Our census makers give the true value of the property in the United States, as follows :

<i>Years.</i>	<i>Dollars.</i>
1850	7,135,780
1860	16,159,616
1870	30,068,518

Nearly all the railroads in the world have been built since 1849. It was about that time that Mr. Webster rounded out one of the most magnificent of his periods, with the seven thousand miles then existing in this country. We have since built as many in one year (1872), and have to-day eleven times as many. The first one was opened for traffic in Great Britain, in 1830; 5,500 miles were in operation in remote

India, in 1873, and three years is a long time ago in these days of rapid progress. And the advance of railroads in mileage, is quite equaled by their advance in cost, efficiency, annual expenditures and annual income. The four-track, steel railway from Albany to Buffalo, only counts in miles as much as the same length of single track, strap-iron railroad of forty years ago; but in appointments, investment, and employment of men and capital, it is an altogether different thing.

In fine, to give the details of the advance of the world in riches during this generation, would be to give the current history and statistics of all the continents; since even Africa has felt the general movement at more than one point. The oldest cities in the old world, renewing their youth, and emulating in the rapidity of their growth the rising cities of the new; the charts of both the oceans and all the seas, striped with the lines of steamships; the wide Atlantic divided into belts to diminish the risks of collision between outgoing and incoming steamers; railroads sweeping up the ancient valleys of Hindostan to the base of the Himalayas, while in the new world they are spanning the Andes far above the clouds; private companies wielding the revenues, not of dukedoms, but of kingdoms, and individual opulence so abounding and diffused, that it must be reckoned not in millions but in milliards, to be any longer a distinction; the picture, to have all its effect, must be drawn in all its details, and that is not possible upon a canvas narrowed to the limits of an article in a review. But no picture need be drawn of what is in the current and familiar knowledge of everybody.

The increase of the needs of, and uses for, the precious metals, is far greater than any actual or probable increase in their supply, and if we have escaped the stringency and distress of a real famine, it is only by an enormous multiplication of the devices of credit, banking and representative money, which, while it excites admiration by its skill and efficiency, ought to excite and does excite in thoughtful minds, apprehensions for the stability of a system, of which the sharp and constant vibrations indicate only too well the dangers of overwhelming catastrophes.

Nor is it less certain, that if by possibility, the precious metals should be temporarily in excess in Europe and America, the East will restore the equilibrium. That has been so in all historical times since the days of the Romans, and depends upon facts likely to be permanent hereafter. With hundreds of millions of people, civilized and industrious, without mines, but with products of both art and nature, rich and rare, the nations of the East will never cease, either to want gold and silver, or to have the means to acquire them. It is not more certain that water tends to a level, than that the precious metals will flow over to the

Orient from the Occident, precisely in the degree in which they become abundant in the latter. The theory is so, and the fact is so.

Humboldt estimated, that of the 43 millions of dollars, the product of the American mines at the commencement of this century, 25 millions were sent to Asia, and never to return.

Professor Jevons, in his book on *Money*, 1875, says:

Asia, then is the great reservoir and sink of the precious metals. It has saved us from a commercial revolution, and taken off our hands many millions of bullion which would be worse than useless here. And from the earliest historical ages, it has stood in a similar relation to Europe. In the middle ages, it relieved Europe of the excess of Spanish-American treasure, just as it now relieves us of the excess of Australian treasure.

MacPherson, *Commerce with India*, says:

The Indian trade arose to a considerable magnitude, at the same time that the American mines began to pour their treasure into Europe, which happily has been preserved from being overwhelmed by the inundation of the precious metals, as it must have been if no such exportation had taken place. Raynal, affirms, that the Spaniards must have abandoned their most productive mines in America, as they had already abandoned many of the less productive ones, if the progress of the depreciation of silver had not been somewhat retarded by the exportation of it to India.

In a work entitled *Drain of Silver to the East*, dated at Calcutta, in 1863, W. Nassau Lee, says:

Up to 1814, no great change in the normal state of things was perceptible; but, in that year, consequent upon the great increase of British imports which followed the breaking up of the old East India Company's monopoly, the flood of silver to India began to shallow, and in 1832—3, it had almost dried up. From this time the tide continued to ebb and flow with uncertain fluctuations until 1849—50, when it set in with redoubled strength, and has since been increasing in depth and breadth with such rapidity as to cause some alarm for the equilibrium of prices in India.

The returns of trade with England and China, have for some years shown an annual balance of £10,000,000 in favor of India.

This drain of the precious metals to the East, deserves and will require a separate and independent consideration. We only propose now to note the general fact, that it is always greatest when Europe most abounds in them, which is precisely what we should believe without any special proof of it. When merchandise is low in price, it is that, rather than money, which is sent in exchange for Eastern products, and in turn, those products are purchased in greater quantities and more paid for them, when gold and silver are abundant and cheap. The East received 25 of the 43 millions of dollars mined in America at the commencement of this century, but received less when American mining fell off one-half, in 1810, in consequence of revolutionary troubles. As money became scarcer in Europe after 1809, as shown by Professor Jevons, "*the flood of silver to India began to shallow*," and not to revive again till the new mines of California and Australia were opened.

In the thirty years ending with and including 1850, the official statements of the balance of imports of the precious

metals over exports, of the Presidencies of India, show an annual average of £1,671,000. In the six years ending with and including 1856, this annual average suddenly swelled to £6,320,000. The London *Economist* fixes the annual average export of treasure from Europe to India and the Levant, for the five years ending with and including 1861, at an annual average of 13½ millions sterling; for 1862, at 18 millions; and at 23 millions for each of the years 1863 and 1864, when our civil war gave the cotton supply to India. It has since declined, with the somewhat diminishing production of the precious metals, and with the largely increasing European demand for them, but it is still great, (the balance of imports into India for 1872 being £10,097,720,) and will not fail to rise to, and even surpass all former examples, if these metals, now distressingly deficient, shall become again more abundant.

Mr. Lee, a most intelligent writer, and thoroughly informed on Indian topics, says that metallic money was little known there fifty years ago, trade being principally barter, and the revenue of the native rulers, which includes land rent, being paid in kind. The British collect their revenue in money, the use of which for other purposes is also constantly enlarging. This compelled an Indian coinage of 1,245 millions of silver rupees, or about 600 millions of dollars, from 1851 to 1866. Mr. Lee, says, that (in 1863) the use of money was still not common, outside of cities, and to supply a general use of it in India, would require the enormous additional sum of four hundred millions sterling, or two thousand millions of dollars. He bases his estimate on an amount *per capita*, equal to what is employed in Great Britain, but believes that India, with less use of credits and representative money, would require a greater ratio. Mr. Lee estimates the Indian population at 180 millions. It is known to be larger than it was then (1863,) supposed to be. In the statement made to the British Parliament in 1873, by the Secretary of State for India, the area was fixed at 1,576,746 square miles; the population of British India proper, at 190,895,548, and the population of the (so called) native states, under British control, at 46,245,888.

Of still more populous China, we know far less than of India. It seems to be true that its only coined money is of the base metals, and that silver and gold are used as such only by weight. If also, as affirmed by some, this use is only common among the merchants at trading points on the coast, the possibilities of a Chinese absorption of the precious metals for currency purposes, dwelt upon by some English writers, are not exaggerated.

The world is large. The Comstock lode will not revolutionize it. Potosi has failed to do that in three centuries. If now, rich mines, heretofore the monopoly of barbarous,



poor, or inefficient races, are found within the territories of the most vigorous offshoots of the European nations, and are being exploited by abundant capital, it is in the fullness of time, and when the needs of mankind for the precious metals seem to surpass all possible supplies. Deplorable, indeed, will it be, if this beneficence of nature, instead of being accepted with thankfulness, shall be thwarted and rendered of no avail by human folly and perversity.



A CENTURY OF FINANCE IN THE UNITED STATES.

By J. S. GIBBONS.

(Continued from May number.)

FIFTH PAPER. *The Revenue System—its origin and its destruction. Retrospect. The INDEPENDENT TREASURY fatal to scientific financial organization.*

A retrospect of the sources of revenue is necessary to give a clear understanding of the general history of our financial system, so far as it deserves that characterization.

The first convention of delegates at Annapolis, in 1786, to consider the subject of a constitution, had for its main object the establishment of a *protective tariff*. The same purpose was dominant in the second convention, (1787,) when the constitution was framed. There was no manifest difference of public opinion on the subject. It was regarded as vital to the establishment of political independence.

It was still fresh in the common memory, how England had oppressed the colonies by penal enactments against every form of domestic manufactures. The importance of this question is too serious to be overlooked in a financial history, and will justify a brief sketch of facts, showing, not only that the tariff was necessary to revenue, but that it was the chief "stone of the corner" on which our fathers designed to erect the grand superstructure of Republican independence and personal equality.

In 1699 the British parliament prohibited the colonies exporting wool or woolen goods, or carrying them from one colony to another. In 1719 it declared the erection of manufactories calculated to lessen the dependence of the colonies on the mother country—an act instigated by the complaints of British merchants. In 1731 the Board of Trade was instructed to inquire into the laws which allowed the establishment of manufactories in the colonies; and in the subsequent year, it reported that Massachusetts had passed such laws, and that the people of New York, Connecticut, Rhode Island, and Maryland, were "making woolen and linen garments for their own family use." They were also weaving flax and hemp into coarse bags and ropes. The British Board of Trade recommended that an immediate stop be put to such prac-

tices. Parliament promptly prohibited the exportation from the colonies of hats, or trading in them from one colony to another, by ships, carts or horses. No man was allowed to set up business as a hatter, who had not served seven years in it; nor to have more than two apprentices; and no black person was allowed to work at the trade. Iron mills for slitting and rolling, and plating-forges, were forbidden under penalty of five hundred pounds. Finally, as the colonies waxed stronger in spite of the oppression of the mother country, apprehension was created that they would outgrow the ability of the home government to keep them in subjection; and the right of taxation without representation was asserted. Lord Chatham declared in parliament that "he would not allow the Americans to make a hob nail;" another noble lord added, "nor a razor to shave their beards." Against this extremity of oppression the Americans, after vain protest, severed their connection with England, by open war. "The revolution they sought for and effected," says an eloquent historian, "was a revolution in *public economy*—the nominal change from the relations of a colony to the position of an independent State, was of no consequence without this; and, if the British crown had granted it, or never taken it away, the American fathers would never have desired a separation. There could have been no motive—no object. It was purely and exclusively to establish a new and American system of public economy."

The same author asserts that the "commercial troubles of the confederated States, were greater than they had ever been until the adoption of the constitution in 1789—and that the independence acquired was merely nominal, all and solely for want of a protective system, which could not be put in force under such a rope of sand as the articles of confederation. * * The States in their isolated positions tried to protect themselves, and only made the matter worse by (mutual) interference till at last, being on the verge of dissolution as an independent nation, on account of this great defect, the Federal constitution was adopted as a remedy."

Accordingly, the earliest action of the new government was on the question of establishing a *protective system*. A bill was introduced in Congress by Mr. Madison, with a preamble beginning as follows:

"Whereas, it is necessary for the support of government, for the discharge of the debts of the United States, and for the encouragement and protection of manufactures, that duties be laid on goods, wares and merchandise imported: Be it enacted, &c." This bill, the first tariff act of the United States, was signed by President Washington, on the 4th of July, 1789. How far it reflected the sober judgment of the statesmen of that day, may be ascertained by the public debates in Congress, and by numerous official documents relating to the sub-

ject. Of the first eleven Presidents of the Union, two only—the elder Adams and James K. Polk, dissented from the plan of import duties as the basis of our fiscal system. The messages and writings of Washington, Jefferson, Madison, Monroe, the younger Adams, Jackson, Van Buren, Harrison, and Taylor, furnish ample evidence, not simply of mere concurrence with the tariff policy as a source of revenue, but of its essential, complete, and permanent identification with the character of the government, and with those established principles of economy, to the justice and expedience of which the commercial history of every civilized nation, and the opinions of the most eminent philosophical writers, bear witness.

The writer quoted continues in the following strain :

“The Government and institutions of the United States started into being on the basis of the protective policy—were begotten by it. This policy was the native genius of the people ; it was the natural growth of their position, of their struggles, and of their original and subsequent relations. For this they were forced into the revolution ; for this they were forced out of the confederation ; to secure this they adopted the Federal constitution.”

President Jackson in his second annual message to Congress, referring to the “indispensable power” of maintaining a tariff, says, “without it, our political system would present the anomaly of a people stripped of the right to foster their own industry, and to counteract the most selfish and destructive policy which might be adopted by foreign nations.” (1830.)

It is apparent from these facts that our financial system, in the beginning, was intelligently constructed : first, by the creation of a certain, fixed, and permanent source of revenue, adequate to all the emergencies of national life ; and second, as heretofore shown, by the establishment of the former Bank of the United States, whereby the revenue was maintained in a fruitful and living service of circulation for the benefit of commerce and industry. So long as this system was adhered to the fiscal interests of the government were prosperous. No sooner was its completeness impaired by the refusal of Congress to renew the charter of the National Bank, (1811,) than the system was plunged into chaos. The currency became disordered and general embarrassment of credit ensued, which speedily resulted in the suspension of specie payments (1814.) The committee of Ways and Means of the House of Representatives, to which was referred that part of the President's message (1830,) which related to the Bank of the United States, in describing the general condition of affairs at that time, used the following language :

“In less than three years after the expiration of the charter of the bank, the war with Great Britain having taken place in the mean time, the circulating medium became so disordered,

the public finances so deranged, and the public credit so impaired, that * * Mr. Dallas, who then presided over the Treasury department, with the sanction of President Madison, and, as it is believed, every member of the Cabinet, recommended to Congress the establishment of a National Bank, as the only measure by which the public credit could be revived, and the fiscal resources of the government redeemed from a ruinous, and otherwise incurable embarrassment; and such had been the impressive lesson taught by a very brief, but fatal experience, that the very institution, which had been so recently denounced and rejected by the Republican party, being now recommended by a Republican administration, was carried through both branches of Congress as a Republican measure, by an overwhelming majority of the Republican party."

The restoration of the financial system to its original completeness, as far as forms went, produced an immediate change for the better in the fiscal affairs and credit of the government, and in the general state of business on which those affairs and that credit entirely depended. Specie payments were quickly resumed, and the revenue became prosperous. In a single year (partly, no doubt, as the consequence of restored peace,) it increased from sixteen to forty-eight million dollars. The national credit revived, and all uneasiness on that score was at an end. But the general system of the finances had received a shock from which it never fully recovered. It had been shown that solid as the fabric seemed, the violence of party spirit was such that it might be toppled and overturned by the action of a single session of Congress and the State Legislatures. The one had destroyed in an utterly reckless mood, the most influential institution for good that existed in the country; and the others had created a miscellaneous brood of small institutions for the most part, with "straw" capital, to fill the place left vacant by it. A *real* capital of ten million dollars, with the superstructure which twenty years of successful business had erected upon it, was swept away, and banks with an aggregate *nominal* capital of forty million, with fifty million of irredeemable paper currency, were created to fill the blank!* The incorporation of the second national institution, added twenty-five million dollars of capital to the new mass. The change from 1811, when the former charter expired, to 1816, when the new one was granted by Congress, is shown as follows:

		<i>Capital.</i>		<i>Paper Issues.</i>	
1811	...	\$ 52,720,601	...	29 to 30 million.	(Gallatin.)
1816	...	124,822,422	...	68 " 70 "	do.

Such was the financial revolution that was effected in the short space of seven years, sufficient by the common theory which requires a certain relation between the volume of com-

* *Ante* 3d Period.

merce and the instrument for carrying it on, to derange the whole superstructure of values, and to destroy all confidence (as it really did,) in the permanency of our financial institutions! But in spite of this adversity, the vast and beneficial power of a consolidated capital acting in harmony with the revenue department of the Government, succeeded in carrying the immense weight of the superfluous credit, created in the shape of bank notes, nominal bank capital and loans on merely personal security, which composed the general mass of current obligations. Excepting a period of inevitable reaction consequent upon the embarrassments caused by bad legislation, and by the violent rupture of the fiscal system in 1812-16, a reaction which was attended by severe local disorders in 1819, the country resumed its normal march of prosperity; and from the latter date ceased to be disturbed by any extraordinary fluctuations or casualties in its general economy. The official reports of the Treasury department afford ample testimony to the accuracy of this statement.

From the foregoing sketch we are led to the conclusion that the foundation of all fiscal success depends on the right management of the *revenue*; and that the right management of the revenue, in its turn, fertilizes the sources from which it springs, and exerts a beneficent influence over every field of labor, and through every channel of industry in which the people are employed. The often-quoted aphorism of Burke deserves to be engraved ineffaceably on the national mind.—

The *Revenue* of the State is the State. In effect all depend upon it, whether for support or for reformation; as all great qualities of the mind which operate in public, and are not merely suffering and passive, require force for their display—I had almost said for their unequivocal existence. The *REVENUE*, which is the spring of all, becomes in its administration the sphere of every active virtue; public virtue being of a nature magnificent and splendid, instituted for great things, and conversant about great concerns, requires abundant scope and room, and cannot spread and grow under confinement, and in circumstances narrow and sordid. Through the revenue alone the body politic can act in its true genius and character; and therefore it will display just as much of its collective virtue as it is possessed of a just revenue.

The success of any system of financial management, must depend on the strict maintenance of the correlations of which it is composed. If these correlations be ruptured, there is no longer a system, but mere accident, which can result in nothing else than chaos. We have seen that the management of the revenue, instituted by Hamilton, was attended by complete success so long as the Bank of the United States continued to act as the fiscal agent of the Government; and that no sooner was this service interrupted by the suspension of the agency, than the harmony of the system was destroyed. The removal of the deposits in October, 1873, and the action of Congress, which put a determinate end to the existence of the Bank, marks the period when the fiscal affairs of the government fell into disorder and ceased to wear the character of a

system. The revenue, instead of being deposited under the guarantees of law, where it was unfailingly subject to the drafts of the Treasury, was bartered out by mercenary politicians, who were in favor with the executive power at Washington, to such of the local banks as paid them the highest bribes for their influence in obtaining it. The banks loaned it to merchants and brokers, from whom it could not be recovered when demanded to meet the obligations of the Government, and it was made unavailable by the suspension of specie payments in 1837.* This was an exact repetition of what took place in 1814, after the repeal of the charter of the former national bank. One lesson was not enough to deter the treasury officers from placing the revenue with untrustworthy custodians.

The following analytical table exhibits the total of revenue received from all sources from 1791 to 1875. It exhibits, 1, the amount derived from each source separately; 2. the amount from all sources within certain periods in which the law remained without change; and 3, the general total for the whole period from the organization of the government to the latest official reports in 1875.

Customs	.....	1791 to 1833	...	\$ 623,903,062	...	
		1834 " 1846	...	243,128,047	...	
		1847 " 1860	...	708,082,957	...	
			
		1861 " 1875	...	1,575,114,066	...	
			...	2,130,878,080	...	
			...		...	\$ 3705,992,146
Internal Revenue	}	... 1792 " 1848	...	.....	...	22,278,013
		... 1862 " 1875	...	.....	...	2,066,331,219
Direct Tax	...	1800 " 1839	...	.....	...	12,744,738
		1863 " 1875	...	.....	...	14,810,189
Public Lands		1796 " 1833	...	44,594,913	...	
		1834 " 1846	...	76,203,956	...	
			
			...	120,798,869	...	
		1847 " 1860	...	55,202,421	...	
		1861 " 1875	...	24,436,257	...	
			...		...	200,437,547
Miscellaneous		1791 " 1833	...	9,861,650	...	
		1834 " 1846	...	23,914,302	...	
		1847 " 1860	...	14,424,954	...	
		1861 " 1875	...	252,540,414	...	
			...		...	300,741,320
Dividends	.....		.....		.....	9,720,136

Total of Revenue, excepting Loans and Treasury Notes...\$ 6,333,055,308

SUMMARY OF RECEIPTS FROM ALL SOURCES.

	<i>From Customs, &c.</i>	<i>Loans, Tr. Notes, &c.:</i>	<i>Total.</i>
1791 to 1833	. \$ 623,903,062	. \$ 248,771,413	. \$ 872,674,475
1834 " 1846	. 243,128,047	. 169,252,435	. 412,380,482
1847 " 1860	. 708,082,957	. 187,151,066	. 895,234,023
1861 " 1875	. 2,130,878,080	. 10,662,138,620	. 12,793,016,700
	<u>\$ 3,705,992,146</u>	<u>\$ 11,267,313,534</u>	<u>\$ 14,973,305,680</u>

* Ante.

This summary furnishes a striking example of the possible influence of revenue on the economic conditions of a country. In each of the four periods, the method of administering the fiscal affairs of the Government was different, as follows:

From 1791 to 1833 (excepting the years 1811 to 1816) the receipts on account of revenue were deposited in the Bank of the United States, and were immediately reabsorbed in the common mass of active capital.

From 1834 to 1846, the deposits were made in certain selected banks, and were in like manner absorbed in the common capital; but those banks becoming embarrassed through the disorders consequent on the enforced liquidation of the Bank of the United States, and the suspension of specie payments, (1837) the deposits became unavailable; and the Government was obliged to resort to the issue of treasury notes to meet the disbursements.

From 1847 to 1860 the revenues were deposited in the Independent Treasury; and as the law constituting the bureau provided that the receipts and payments should be in gold and silver coin only, and that the coin should remain unconditionally sequestered until restored to circulation through the disbursements, this was nothing less than the complete excision of so much capital from the uses of commerce, and could not fail to plunge the whole financial system of the country into serious disorder.

From 1861 to 1875, an extraordinary and complicated regime ruled the Treasury Department. The breaking out of the civil war ruptured all relations of trade between the northern and the southern states. Commerce was prostrated; the banks were pushed by the force of circumstances towards liquidation, and never before held such an accumulation of specie. It was apparent that heavy loans would be required to meet the expenses of the Government. A bill, introduced by the Honorable E. G. Spaulding, of New York, was passed by Congress (August 5, 1861) repealing that part of the Independent Treasury Law which prohibited the use of banks as fiscal agents of the treasury.

The design of the bill was to facilitate the taking up of the loans, by allowing the payments to be made in certified checks on "solvent specie paying banks," instead of requiring them to be paid in gold. The master point in fiscal management at this juncture, was to save the precious medium from the liability of being scattered, and withheld in private hoards, as is the universal practice in time of war. The banks were the possessors of the bulk of all the specie in the country for the redemption of their deposits and issues of paper currency. The moment this should be taken out of their custody where it was held in trust for the maintenance of specie payments, those payments must inevitably be suspended. And in that extremity would follow the reign of

irredeemable paper money, the consequent increase of price in all the munitions and requirements of war, an unrestricted swell of debt, oppressive taxation and all those embarrassments of which we are now having a deplorable experience. These and like considerations formed the subject of repeated conferences between the bank officers of the chief northern cities, and the Secretary of the Treasury. It was represented by the former that for the Government to insist on the positive transfer of the specie from the bank reserve to the vaults of the Independent Treasury, was to enforce the suspension of specie payments by the banks; that those institutions were in an exceptionally strong condition, free from all strain on commercial account, and capable of giving effective support to the Government if adopted as part of the fiscal machinery. The Secretary was deaf to every consideration but the unconditional transfer of the gold in payment of the bank subscription of one hundred and fifty million dollars to the national loans. It was the argument of the bank officers, that it was a question of managing the revenue, which had formerly been done on the same principles that the commercial business of the country was conducted. The volume of the commercial business was far greater than the business of the war, and if the greater thing could be done by maintaining the specie reserve in the banks, and making it subservient to the common business of the country, why not the less? Still the Secretary remained immovable. Had Mr. Spaulding's bill been obligatory on the Treasury department instead of discretionary with Mr. Chase, there is every reasonable ground for the assumption, now freely expressed in the light of experience, that the suspension of specie payments might have been averted, and the expenses of the war restricted to values in gold, instead of being swelled to twice or three times that value in an irredeemable and depreciated currency!

It remains only, for the general purposes of this sketch, to direct the attention of the reader to the prodigious volume of revenue exhibited in the table, that he may form his own judgment of the effect of the two methods by which it was administered. The total sum collected was but a fraction short of fifteen thousand million dollars; and the same being disbursed, gives the effect of a united volume of thirty thousand million dollars distributed in perpetual flow and ebb over the period named. As already observed, in the period from 1791 to 1833, there was no separation of the revenue (capital) from its correlations in commerce; and consequently there could be no injurious effects experienced. But can it be conceived that our national economy should be free from perturbation, while subject, as it has been through the remainder of the period up to 1875, to the unceasing alternate abstraction and return of capital, indefinite both

as to time and amount, with a balance in the Treasury permanently withheld, of a sum fluctuating between ten million and two hundred million dollars! Accordingly we find that during the regime of Hamilton's method of administering the revenue, which, with exceptions and modifications, covered about forty years of our financial history, there was no suspension of specie payments, and no financial disorders which could not be traced to foreign causes. We find also, that all the economic revulsions and financial embarrassments which disfigure our past records, have originated under the regime of the Independent Treasury, the characteristic feature of which is an utter incongruity with every principle of sound commercial reasoning and successful commercial practice.

The term *capital* in the foregoing reasoning is used in a general and popular sense, as embracing whatever constitutes the effective reserve and support of business. The conjoined force of circumstances, pure credit included, not unfrequently outweighs the influence of merely pecuniary means, however great these may be.

INSTITUTE OF BANKERS IN SCOTLAND.

An association has recently been formed in Scotland under the title of "The Institute of Bankers," of which two branches are now organized, one in Edinburgh, the other in Glasgow. Its object is to encourage and aid the junior members of the banking classes in the improvement of their professional and intellectual qualifications. The Institute is under the management of a council, principally chosen from the officers of the different Scotch Banks. Arrangements have been made for the delivery of courses of lectures upon banking, and on kindred topics important to it. Classes also are to be formed for the study of book-keeping and other subjects. Lectures and classes are both to be free to members and to associates, and examinations in specified subjects are to be held. Success in undergoing such examinations, and other qualifications, are to determine certain distinctions in membership. The expenses of lectures and classes are to be defrayed by the banks, for the benefit of those attending them.

The Edinburgh branch of this Institute was opened on January 13th, in the hall of the Young Men's Christian Association. There was a very numerous attendance, all the banks in the city being largely represented. Mr. Davidson, Treasurer of the Bank of Scotland, occupied the chair, and the platform was filled by prominent officers and directors of the several banks. The inaugural address was delivered by Lord Gifford, and was received with a degree of enthu-

siasm which evinces marked interest in the new enterprise. The closing portion of Lord Gifford's address, as reported in the *Edinburgh Courant*, was as follows :

He found in their deed of constitution that the object of the Institute was defined thus : "To improve the qualifications of those engaged in banking, and to raise their status and influence." That was the purpose—a noble object, and the means by which this was proposed to be effected were these (in the words of the constitution) "by encouragement and aid offered, especially to the younger of the profession, in their professional studies and in their general intellectual improvement." The Institute, then, as he understood it, intended to advance the qualifications, the status, and the influence of bankers, by aiding their professional and general culture—that was, by assisting them to cultivate themselves. He took, then, as a topic to glance at for a few minutes, and to commend to them for expansion in other hours, "Self-culture—general and professional." Although it might sound very commonplace to talk of self-culture, and although on such a subject he could say or suggest nothing new, he was comforted by a very firm conviction, entertained not of yesterday, that great general principles, if true, were never commonplace, and that they could never cease to be interesting in their infinite and ever changing applications. Culture might be defined quite generally, but still quite accurately, as the change in nature and in function which was effected by continued special treatment. The continued special treatment which produced culture—*i. e.*, which produced the change in nature or in function—was often called, and might always be quite properly called, education. Everything which produced or tended to produce change in nature, in culture, in character, in tastes, or in habits, was education in the broad sense of the word, and it was in operation from the beginning to the end of life. Every kind of influence of climate, of food, of habit, of employment, of amusement ; every exertion and exercise of body or of mind, whereby life and character might be affected, was, in the true meaning of the word, "education." Culture, and the treatment or education which produced it, might be considered as of three kinds, in each of which, however, all of them participated. He named these thus—first, ancestral culture ; second, external culture, or culture from without ; and third, self culture. There was first, then, the culture and education or training which our parents and ancestors had received, and the benefits of which (good or bad) we derived from them by the wonderful law called the law of heredity, by which the qualities of the parent (going very far back) were transmitted to the child. The second species of culture was derived from the educational forces which were all around us, and to which we were necessarily or accidentally exposed. We were taught by every-

thing we touched and by everything that touched or jostled us. Everything was a schoolmaster to us, and in the truest sense our schoolmasters were abroad. The third, and in one view the most important kind of culture—self-culture—which was more peculiarly suggested by their deed of constitution, was that to which a man conscientiously and voluntarily gave himself, or to which he deliberately and intentionally exposed himself, in order that he might be moulded and changed and modified thereby. This—the very definition was most striking, most startling—this was self-culture. It was the most wonderful, most marvellous, stupendous, power given to every man, consciously, intentionally, willingly, and deliberately to change his own nature; to make himself by his own act a different creature, a changed being from what he was before. God's own creative energy was, as it were, handed to us, and He seemed to say—He actually said, "Make yourselves what you please." His lordship then proceeded to select one or two of the chief requisites for successful culture, enumerating: First, "determination," a fixed, firm, and, he had almost said, a dogged, resolution not to be moved by anything short of personal violence; secondly, "impression," by which he meant depth of keenness, the accuracy and sharpness, with which their studies should be carried on, and their culture advanced; thirdly, "iteration," repetition, over and over again, line upon line, precept upon precept, stroke upon stroke; and fourthly, "continuance,"—perseverance. Faithfully use, (said his lordship in concluding) these four words—resolution, impression, iteration, and continuance—and culture shall be yours; culture, the word of ambition of the present day, which opens the treasure-house of the past and the long galleries of the future; culture, which unites in one sympathetic bond of holy feeling every creature that God has made; culture, in the highest sense, which fits for the life that now is, and for that which is to come.

The number of members and associates of the Institute, had reached, in February, a total of six hundred. The numbers who attend the lectures in Edinburgh, were then one hundred and eighty, and the classes ninety.

At the opening of the branch Institute in Glasgow, Mr. Gairdner, of the Union Bank, presided, and Sheriff Dickson delivered the inaugural address. After sketching the general history of banking, and the qualities which a banker ought to possess, the speaker dwelt upon the special subjects with which the thorough banker should be familiar. These included a practical knowledge of book-keeping, both the higher and the ordinary branches of arithmetic, and to some extent algebra; a knowledge of political economy, chiefly in those branches relating to the causes which promote or depress commercial enterprise, and which fix the relative values of commodities, labor and money. To these qualities

he added a knowledge of the value of coins, the ability to distinguish genuine and to detect forged signatures, and a capacity for appreciating the probable success or failure of joint-stock and other similar adventures, so as to detect the hollowness of a bubble scheme, and to discern the elements of success in those which a judicious and timely confidence might assist to be useful and profitable. The young banker should also study the law bearing upon his business, and the scope of that study is very wide, as it embraces the constitution and the discharge of obligations, with the evidence of both. He needs also some acquaintance with the stamp laws; with the transfer by indorsement and otherwise, not only of mercantile documents but other securities; the nature and effect of bills of lading, the laws of bankruptcy, the negotiation of bills of exchange, and many other subjects on which he was glad to see they would have a course of lectures. After pointing out that a knowledge of mankind was essential to the banker, his lordship devoted the remainder of his address to an exposition of what that knowledge comprised, and a series of excellent counsels as to how it can be attained.

The Chairman, in the course of his remarks, explained that the purpose of the Institute was to carry on the education of young men engaged in the service of banks, and by means of examinations to confer a superior status on those who showed themselves to be efficient. He also described at length the nature of the studies in which the members were to be engaged.

The number of members enrolled at Glasgow was at the time of this meeting one hundred and seventy-eight, and of associates two hundred and forty-three. The names entered for classes was one hundred and thirty-nine, and for lectures over three hundred.

We shall watch with interest the reports of this Institute, and will duly lay before our readers its progress and results. Such an association is evidently capable of effecting great benefit to its individual members and to the important profession to which they belong. The many who feel a deep interest in our own Bank Clerks' Associations, will doubtless study carefully the workings of this new undertaking, reports of which we hope to receive hereafter from its official sources direct.

BANKING AND FINANCIAL ITEMS.

INQUIRIES OF CORRESPONDENTS.—Several interesting questions are deferred until our August number for want of space in the present issue.

THE HON. B. H. BRISTOW, Secretary of the Treasury, tendered on June 17th, his resignation of that office, to take effect on June 20th. Urgent private business is stated to be his reason for taking this step, the announcement of which is received with very general regret.

THE HON. LOT M. MERRILL, Senator from Maine, was nominated by the President as Secretary of the Treasury, on the 21st of June, and was immediately and unanimously confirmed by the Senate without the usual reference to a committee. His acceptance of the appointment is not yet announced.

MR. JOHN C. NEW, Treasurer of the U. S., tendered to the President on June 21st his resignation of that office, to take effect July 1st.

EXPENSES OF NATIONAL BANK REDEMPTION.—On June 1st a bill was reported to the House from the Banking and Currency Committee, as a substitute for the Townsend bill; it substantially re-enacts the provisions of the old law relative to redemption and reissue of national bank currency. The leading feature of the new bill is a provision that the Treasurer shall assess upon the banks the charges for transportation of notes sent by or returned to them, and the expense of assorting, redeeming and destroying such notes, and also the charges of transportation on notes received for the credit of the five-per-cent. redemption fund; the amount so assessed upon each association to be credited in its account with the Treasurer against the tax due from such association upon its circulation; and the associations hereafter organized, shall severally reimburse to the Treasurer the cost of engraving and printing such plates as shall be ordered by each association respectively.

THE ISSUE OF SILVER COIN.—On June 11th, the House of Representatives passed two bills providing for the issue of silver coin in exchange for legal tenders. The first of these is known as the Frost-Payne bill, and was reported with amendments, being passed as follows:

“That the Secretary of the Treasury, under such limits and regulations as will best secure a just and fair distribution throughout the country, may issue silver coin now in the Treasury to any amount not exceeding \$10,000,000, in exchange for an equal amount of legal-tender notes, and the notes so received in exchange shall be kept as a special fund separate and apart from all other money in the Treasury, and be issued only upon the retirement and destruction of a like sum of fractional currency, received at the Treasury in payment of dues to the United States; and said fractional currency, when so substituted, shall be destroyed and held as part of the sinking fund, as provided in the act approved April 17, 1876.”

The bill introduced by Mr. Randall was also passed as below, except the words in italics, which were stricken out on motion of Mr. Regan of Texas.

“That in addition to the amount of subsidiary coin authorized by law to be issued in the redemption of fractional currency, it shall be lawful to manufacture at the several mints and issue through the Treasury and its several offices, such coin to the amount of \$20,000,000.

“Section 2.—That the silver bullion required for this purpose shall be purchased from time to time at the market rate, by the Secretary of the Treasury with any money in the Treasury not otherwise appropriated, and the resulting coin may be issued in the ordinary disbursements of the Treasury *or in exchange*

for legal-tender notes at par; but no purchase of bullion shall be made under this act when the market rate for the same shall be such as will not admit of the coinage and issue or exchange as herein provided, without loss to the Treasury, and any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury as provided under existing laws relative to subsidiary coinage, provided that the amount of money at any one time invested in such silver bullion exclusive of such resulting coin shall not exceed \$ 1,000,000.

"SECTION 3.—That trade dollars shall not hereafter be a legal tender, and the Secretary of the Treasury is hereby authorized to limit from time to time the coinage thereof, to such an amount as he may deem sufficient to meet the export demand for the same."

A CONVENTION of Bank Officers and Bankers met at Washington, on June 21st. Dr. G. Volney Dorsey, President Citizens' National Bank of Piqua, O., was called to the chair, and Mr. John C. Hopper, of New York, was appointed Secretary. The Clearing House of Cincinnati was represented by D. J. Fallis, its President, and H. W. Hughes, who were authorized to represent the collective banks of that city; and from other places leading citizens were in like manner empowered to act for the banks in their respective vicinities. On motion of H. W. Hughes, of Cincinnati, the following resolutions were offered and unanimously adopted:

Whereas, The general stagnation of trade and commerce, together with the depressed industries of the country, are making the present bank taxes absolutely unbearable, and which, if not promptly repealed, must end in the dissolution of a large number of banking institutions, and the withdrawal of banking capital as an investment, throughout the land; therefore,

Resolved, That the members of this convention proceed in a body before the Committee on Banking and Currency to-morrow morning at 10.30, the time designated for the hearing, and each member, so far as possible, present his views and the views of those whom he represents, and, to facilitate the same, no longer than five minutes shall be occupied by any one present before said committee.

Resolved, That those present at the convention also appear before the Committee on Ways and Means in relation to the numerous petitions before them for the removal of the use of stamps on bank checks, in the same order of proceeding as before the Committee on Banking and Currency.

Resolved, That after the members of this convention have appeared before both committees as above, they shall meet again in this place to decide on any further action, if any there be, that may be deemed desirable.

On motion of D. Skilling, President First National Bank of Winchester, Ill., the following resolution was offered and unanimously adopted:

Resolved, That the bill now before the Banking and Currency Committee, providing for the "Redemption Agency expenses" to be taken out of the bank taxes, meets with our hearty concurrence, and that the members of this convention press the importance of the same upon the consideration of said committee.

On motion of D. J. Fallis, President of the Merchants' National Bank of Cincinnati, the following resolution was offered and adopted:

Resolved, That the President and Secretary of this meeting lay the whole matter before the Committee on Banking and Currency, in the name of this convention, and such other statements as may be made by those present to corroborate the same.

The delegates appeared before the Committee on Banking and Currency of the House of Representatives, on the 22d. The committee listened to explanations as to the injurious effect of the present taxes. The convention asked for a uniform tax on the par value of stocks throughout the United States, and that surplus capital should be exempt from taxation, inasmuch as surplus promotes confidence and strengthens the banks. Representative Payne stated that no legislation was now contemplated on the subject of taxation, it being one of delicacy when considered in connection with the present state of business. The Committee would, however, be pleased to receive any suggestion, as legislation might be had at the next session of Congress.

MECHANICS AND TRADERS SAVINGS INSTITUTION.—On June 12th, Mr. Ellis, Superintendent of the Bank Department, applied for a receiver of the Mechanics and Traders' Savings Institution at New York, to wind up its affairs. The bank was examined last April by George W. Reid, bank examiner, who reported to the superintendent a deficiency of about \$90,000, resulting from a depreciation of its bonds of Southern States. These bonds cost the bank about \$466,000, and had on January 1st a market value of only \$237,000, which has since shrunk to a much smaller sum. The amount due depositors on January 1st was \$1,977,572; it is now stated at about \$1,490,000. An order by the Supreme Court to show cause why a receiver should not be appointed was heard at Special Term, at Hudson, on June 20. After hearing counsel and the statements of Geo. W. Reid, Bank Examiner, and A. T. Conkling, President of the bank, the Court announced that a receiver should be appointed.

MR. JAMES GALLATIN, formerly President of the Gallatin National Bank, died on May 29th, in Paris, France, where he had been living since 1868, the time of his retirement from the Presidency of the bank. Mr. Gallatin was eighty years of age, and was a son of Albert Gallatin, Secretary of the Treasury during the administration of Mr. Jefferson. He was during his earlier years a broker, in partnership with his brother, Albert R. Gallatin, who is still living, but when, in 1838, he succeeded his father as President of the bank with which the family name has been for so many years identified, he gave up all other business. Mr. Gallatin held this position for thirty years, retiring finally in 1868, when he went to Europe. He returned to this country only once afterward, in 1873, when he remained for a few weeks.

PRIMITIVE BOOK-KEEPING.—Daniel Drew's curious testimony, which shows that he kept no books of account for his complicated stock transactions, makes it probable that this was one of his habits as a drover which he has kept up through life. In a partnership suit between two drovers, brought in this city some years ago, the evidence was that they made a "wad" of the money which each originally put into the concern. Whichever acted as the buyer of cattle—sometimes one and sometimes the other—carried the "wad;" each put into it what he received, and each drew from it what he spent. After some years, they divided the "wad" equally. That was all there was of their system of book-keeping.—*N. Y. Tribune.*

EXTENSIVE FRAUD.—The Yorkville Savings Bank of this city received on deposit since May 1st, from a man calling himself F. A. Tilden, a number of checks drawn by banks in the interior of the State, amounting to over \$25,000. Against these credits the depositor drew some \$18,000. Upon comparison of monthly accounts current early in June, these drafts were found to be raised from small sums. It seems to have been Tilden's plan to obtain small drafts from various country banks through a traveling accomplice, which drafts were altered by chemical means to any amount desired. The Yorkville bank has paid back so much of the money received as Tilden's balance would cover, but refuses to make good the remainder. Efforts at compromise through arbitration are being made.

ARRIVAL OF PASSENGERS AT NEW YORK.—The statistics of immigration show a continued falling off of the number of steerage passengers landed at this port, and a much smaller aggregate of cabin passengers than has been anticipated, in view of the attractions of the Centennial Exposition. The following is the comparative exhibit for the first five months of this and last year:

	January 1 to May 31.		
	1875.	1876.	
STEERAGE PASSENGERS.			
Aliens.....	32,168	21,612	
Naturalized citizens, or here before.....	12,308	7,167	
		44,476	28,779
CABIN PASSENGERS.			
Aliens.....	2,065	3,385	
Naturalized citizens, or here before.....	8,390	7,979	
		10,455	11,364
Total of all classes.....		54,931	40,143

CALIFORNIA.—The Pacific Bank of San Francisco, whose increase of capital from \$800,000 to \$1,000,000 was mentioned in our June number, did not diminish in so doing its surplus fund. The capital was entirely paid up in U. S. gold coin, the surplus remaining at \$381,849.

Los Angeles.—The Commercial Bank at Los Angeles, which has been in operation since December 1, 1875, has an authorized capital of \$300,000, of which a second installment of twenty-five per cent. was paid on June 1st. The remainder is to be paid up during this year. The officers are: M. S. Patrick, President; E. F. Spence, Cashier.

THE CONNECTICUT INTEREST LAW.—The rate of interest in Connecticut was originally established at six per cent., and so remained until 1872, when parties were permitted to contract at any rate. In 1873 the maximum was fixed at seven per cent., and in 1874, this was made the legal rate when the parties did not agree to take less. The text of the present law is as follows:

The compensation for forbearance of property loaned at a fixed valuation or for money, shall in the absence of any agreement to the contrary, be at the rate of seven per cent. a year, and no more shall be taken for forbearance, than at such rate upon any contract for such loan; but the borrower may pay, or agree to pay, the taxes assessed and paid upon the loan, except when made by a savings bank, and the insurance upon the estate mortgaged to secure the loan, or both; and, in computing interest, three hundred and sixty days may be considered to be a year; and any person who shall receive for forbearance more than at the rate herein authorized shall forfeit the value of the money or property so received to any person who shall sue therefor within one year thereafter.

SEC. 2. Interest at the rate of seven per cent. a year, and no more, may be recovered and allowed in civil actions, including actions to recover money loaned at a greater rate, as damages for the detention of money after it becomes payable.

The Connecticut House of Representatives, by a vote of 138 to 70, passed, in June, a bill to reduce the maximum rate of interest, the rate hereafter, if not mentioned, to be six per cent. The bill did not pass the Senate but was put over until next term.

THE BURDENS OF BANK TAXATION.—The Chicago *Tribune*, speaking of the national banks of that city, thus describes a condition of things which is not confined to that locality:

"While paper shows scarce and profits lessen, taxes hold their own. The price of everything but government cheapens. *In the case of one bank all its earnings for a quarter were spent in paying its taxes.* Banks are beginning to ask themselves whether the national charter whistle doesn't cost them all it is worth, or more. Some of them are seriously discussing the profitableness of giving up their charters and continuing in business under the State law, and others propose to nominally reduce their capital to escape taxation."

ILLINOIS.—The firm of Abell, Dole & Ferguson, Mattoon, has been converted into a joint stock company, under the style of "The Farmers and Merchants' Bank," the officers being M. B. Abell, President; George R. Gibson, Cashier. The new organization will fully retain the established business of the old firm, having the advantages of ample experience, capital and credit.

IOWA.—The Bank of Fort Madison, (Lee County,) has elected the following new officers, viz: Charles Brewster, President, and Joseph A. Smith, Cashier. Their statement of June 7th, is before us and is a very satisfactory exhibit. They tender their services to correspondents having business for that vicinity.

MARYLAND.—One of the oldest bank officers in the United States, Mr. Truman Cross, of Baltimore, died suddenly on the afternoon of June 2d, in his seventy-ninth year. Mr. Cross was born in Prince George's County, Md., coming to Baltimore when a young man. In 1825 he entered the Commercial and Farmers' Bank as note-clerk; was afterward Receiving teller; subsequently Paying teller, and in 1842 was elected Cashier, in which position he continued until the day of his death.

RHODE ISLAND.—The following Acts, in relation to Bills of Exchange and Drafts, were passed April 20, 1876.

CHAPTER 551.

SECTION 1. Any person upon whom a bill of exchange or draft is drawn which requires acceptance, shall have until two o'clock in the afternoon of the business day next succeeding the presentation thereof, in which to decide whether or not he will accept the same: provided however, that all bills of exchange or drafts which may be for cause held over one day, shall, when accepted, date from the day of presentation.

SEC. 2. This act shall take effect on and after the first day of May, A. D. 1876.

CHAPTER 552.

AN ACT in amendment of Chapter 129 of the General Statutes, "Of Bills of Exchange and Promissory Notes."

SECTION 1. All bills of exchange drawn at sight, due and payable within this State, and in which there is not a provision to the contrary, shall be allowed three days grace.

SEC. 2. Section 4 of Chapter 129 of the General Statutes is hereby repealed.

SEC. 3. This act shall take effect on and after the first day of June, A. D. 1876.

It is to be regretted that any legislation in this day should tend to retain so useless a relic of antiquity as days of grace. They should be cut off wherever and whenever possible to do so, until the business community shall be entirely rid of them.

UTAH.—At a meeting of the Board of Directors of the Salt Lake City National Bank of Utah, the following resolution was offered and unanimously adopted:

Resolved, That in view of the restrictions imposed by law upon the operations of National Banks, and in view also of the character and condition of the business of this community, the interests of the stockholders will be best subserved by winding up the business as a National Bank and surrendering the government charter.

Afterwards, at a meeting of the stockholders of said bank, a resolution, confirming the action of the Board of Directors, was unanimously adopted. The bank has accordingly gone into voluntary liquidation, and on May 11th depositors were notified and requested to present, as soon as convenient, their claims for payment in full on presentation.

DOMINION BANK.—The annual meeting of this institution was held at Toronto, on June 1st. A statement of the year's operations was presented, showing the net profits for the twelve months to be \$123,000, \$45,000 of which were added to the rest account, now amounting to \$270,000. The same Board of Directors was re-elected.

THE PREMIUM ON GOLD AT NEW YORK.

MAY—JUNE, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
June.....	16 $\frac{1}{4}$	17 $\frac{3}{4}$	May 26	12 $\frac{3}{4}$	12 $\frac{3}{4}$	June 10	12 $\frac{1}{2}$	12 $\frac{3}{4}$
July.....	11 $\frac{3}{4}$	17 $\frac{3}{4}$	27	12 $\frac{3}{4}$	13 $\frac{3}{4}$	12	12 $\frac{1}{2}$	12 $\frac{3}{4}$
August.....	12 $\frac{3}{4}$	14 $\frac{3}{4}$	29	12 $\frac{3}{4}$	13	13	12 $\frac{1}{2}$	12 $\frac{3}{4}$
September...	13 $\frac{3}{4}$	17 $\frac{3}{4}$	30	Holiday.		14	12 $\frac{3}{4}$	12 $\frac{3}{4}$
October.....	14 $\frac{1}{2}$	17 $\frac{3}{4}$	31	12 $\frac{3}{4}$	12 $\frac{3}{4}$	15	12 $\frac{3}{4}$	12 $\frac{3}{4}$
November....	14 $\frac{1}{2}$	16 $\frac{3}{4}$	June 1	12 $\frac{3}{4}$	12 $\frac{3}{4}$	16	12 $\frac{3}{4}$	12 $\frac{3}{4}$
December ...	12 $\frac{3}{4}$	15 $\frac{1}{4}$	2	12 $\frac{3}{4}$	12 $\frac{3}{4}$	17	12 $\frac{1}{4}$	12 $\frac{3}{4}$
1876.			3	12 $\frac{1}{2}$	12 $\frac{3}{4}$	19	12 $\frac{1}{4}$	12 $\frac{3}{4}$
January.....	12 $\frac{3}{4}$	13 $\frac{1}{4}$	5	12 $\frac{3}{4}$	12 $\frac{3}{4}$	20	12 $\frac{3}{4}$	12 $\frac{1}{2}$
February ...	12 $\frac{3}{4}$	14 $\frac{1}{4}$	6	12 $\frac{3}{4}$	12 $\frac{3}{4}$	21	12 $\frac{3}{4}$	12 $\frac{3}{4}$
March.....	13 $\frac{3}{4}$	15	7	12 $\frac{3}{4}$	12 $\frac{3}{4}$	22	12 $\frac{1}{4}$	12 $\frac{3}{4}$
April.....	12 $\frac{1}{2}$	13 $\frac{3}{4}$	8	12 $\frac{3}{4}$	12 $\frac{3}{4}$	23	12	12 $\frac{1}{4}$
May.....	12 $\frac{1}{4}$	13 $\frac{1}{4}$	9	12 $\frac{3}{4}$	12 $\frac{3}{4}$	24	11 $\frac{3}{4}$	12 $\frac{1}{4}$

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from June No., page 993.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
CAL	Dixon	Bank of Dixon .....	.....
	\$106,250	James Miller, <i>Pr.</i>	W. G. Wyman, <i>Cas.</i>
"	Los Angeles..	Commercial Bank.....	.....
		M. S. Patrick, <i>Pr.</i>	Edwd. Fallis Spence, <i>Cas.</i>
COL	Georgetown ...	Bank of Clear Creek Co.	Kountze Brothers.
	\$50,000	Chas. R. Fish, <i>Pr.</i>	Chas. Ruter, <i>Cas.</i>
ILL	Effingham.....	Citizens' Bank.....	Fourth National Bank.
		R. Cruzen, <i>Pr.</i>	H. L. Runkle, <i>Cas.</i>
"	Milford.....	Donovan & Vellum.....	Third National Bank.
"	Wyoming.....	W. M. Miner	Continental National Bank.
IOWA	Fort Madison.	German-American Bank.	Central National Bank.
		H. Cattermole, <i>Pr.</i>	H. D. McCConn, <i>Cas.</i>
"	Kellogg.....	Packard & Powers.....	Gilman, Son & Co.
"	Sidney.....	Brown, Metelman & Co..	.....
"	Storm Lake....	Buena Vista Bank .....	.....
"	Traer.....	Bank of Traer.....	Donnell, Lawson & Co.
			C. Seaver, <i>Cas.</i>
KAN	Marion Centre	Cottonwood Valley Bank.	Donnell, Lawson & Co.
		L. Billings, <i>Pr.</i>	A. E. Case, <i>Cas.</i>
MICH	Plainwell.....	Soule & Hicks.....	First National Bank.
MISS	Sardis.....	Bank of Sardis.....	Importers & Traders' Nat. Bk.
MO	Grant City.....	Worth County Bank.....	Donnell, Lawson & Co.
		A. McElvain, <i>Pr.</i>	J. F. Colburn, <i>Cas.</i>
"	Mexico.....	Mexico Exchange Bank...	Donnell, Lawson & Co.
"	Salisbury.....	Bank of Salisbury	Donnell, Lawson & Co.
		W. H. Mansur, <i>Pr.</i>	Burnett Hughes, <i>Cas.</i>
NEB	Seward.....	Seward County Bank.....	N. Y. Nat. Exchange Bank.
PA	Harmony.....	Harmony National Bank.	.....
	\$50,000	W. H. H. Riddle, <i>Pr.</i>	H. J. Mitchell, <i>Cas.</i>
"	Pennsburgh....	Farmers' National Bank.	.....
		Wm. F. Reed, <i>Pr.</i>	A. F. Day, <i>Cas.</i>
TEXAS	Comanche.....	Stephens & Armstrong ...	Forster, Ludlow & Co.
"	"	H. R. Martin & Co.....	" "
VA	Marion.....	Bank of Marion.....	.....

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized May 23 to June 20, 1876.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2334	Farmers' National Bank, Pennsburgh, PA.	William F. Reed.....	\$100,000	
		A. F. Day		\$50,000
2335	Harmony National Bank Harmony, PA.	W. H. H. Riddle	50,000	
		H. J. Mitchell		50,000

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from June No., page 994.)

July, 1876.

<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. City, Hanover National Bank...	J. T. Woodward, <i>Pr.</i>	James Stuart.
“ Oriental Bank.....	C. W. Starkey, <i>Cas...</i>	H. T. Chapman, Jr.
GA.... Central Georgia Bank, Macon.	T. O. Chestney, <i>Cas.</i>	R. W. Jemison.
IOWA . Bank of Fort Madison,)	Charles Brewster, <i>Pr.</i>	G. R. Wever.
Fort Madison.)	Jos. A. Smith, <i>Cas...</i>	H. D. McConn.
KY German National Bank,)	Adolph Reutlinger, <i>Pr</i>	A. N. Struck.
Louisville.)	George Vissman, <i>Cas.</i>	A. Reutlinger.
MD Commercial and Farmers')	John D. Early, <i>Cas...</i>	Trueman Cross.*
Nat. Bank, Baltimore.)		
MO Manufacturers Savings)	H. M. Noel, <i>Cas.....</i>	Rufus Randall.
Bank, St. Louis.)		
“ .. Farmers and Traders Bank,)	Richard Gentry, <i>Pr..</i>	R. R. Arnold.
Mexico.)	John J. Steele, <i>Cas..</i>	J. E. Dearing.
N. H. . Souhegan National Bank.....	R. R. Howison, <i>Pr..</i>	W. B. Towne.*
OHIO . Phoenix Nat. Bank, Medina...	R. M. McDowell, <i>Cas.</i>	H. G. Blake.*
TEXAS. First Nat. Bk., Austin	J. T. Brackenridge, <i>Cas</i>	R. J. Brackenridge.
Wis ... Bank of De Pere,)	M. R. Hunt, <i>Pr.....</i>	H. J. Colwell.
De Pere.)	Fred. Stafford, <i>Cas...</i>	M. R. Hunt.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from June No., page 995.)

<i>New York City</i> ;	National Citizens' Bank, removed from 381 to 401 Broadway.
“	Glendinning, Davis & Amory ; now Glendinning & Davis.
“	Dike & Gifford.
“	Marvin & Robinson, Brokers ; suc. by George H. Marvin & Co.
ILL.....	Abell, Dole & Ferguson, <i>Mattoon</i> ; changed to Farmers & Merchants' Bank, now a Joint-Stock Company.
“	Wilson Brothers, <i>South Chicago</i> ; discontinued.
“	A. B. Miner & Co., <i>Wyoming</i> ; succeeded by W. M. Miner.
IOWA...	O. B. Dutton, <i>Nevada City</i> ; now O. B. Dutton & Son.
KAN.....	Muck & Shortridge, <i>Wamego</i> ; assigned.
“	Reno County Bank, <i>Hutchinson</i> ; title is Reno County State Bank.
MICH....	Winegar & Soule, <i>Plainwell</i> ; succeeded by Soule & Hicks.
“	North & Noble, <i>Vassar</i> ; succeeded by — Noble.
MO.....	Bank of the West, <i>St. Louis</i> ; discontinued.
“	Capital Bank, “ ; discontinued.
N. Y....	Curtis & Carman, <i>Camden</i> ; failed.
OHIO....	Slauson, Ewing & Cox, <i>Ottawa</i> ; now Slauson & Ewing.
“	Tiffin Savings Bank, <i>Tiffin</i> ; succeeded by Commercial Bank of Tiffin.
PA.....	D. C. Oester & Co., <i>Reynoldsville</i> ; discontinued.
TEXAS..	T. W. & J. M. Daugherty, <i>Denton</i> ; succeeded by T. W. Daugherty.
UTAH...	Salt Lake City N. B., <i>Salt Lake City</i> ; in voluntary liquidation.
WYO....	Stebbins, Wilbor & Co., <i>Cheyenne</i> ; now Stebbins, Post & Co.

NATIONAL BANKS OF THE UNITED STATES.

May, 1876.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National Banks of the UNITED STATES, at the close of business on the 12th of May, 1876; and also on May 1st, 1875,† and May 1st, 1874.

LIABILITIES.	1876.	1875.	1874.
	May 12. 2,089 banks.	May 1. 2,045 banks.	May 1. 1,978 banks.
Capital stock paid in	\$ 500,982,006 .	\$ 497,717,143 .	\$ 490,077,101
Surplus fund	131,795,199 .	131,404,608 .	125,561,081
Other undivided profits	49,039,278 .	55,849,959 .	54,331,713
National bank notes outstanding *	300,261,760 .	322,522,330 .	340,267,649
State bank notes outstanding ...	657,385 .	813,079 .	1,049,286
Dividends unpaid	2,325,523 .	2,502,234 .	2,259,129
Individual deposits	612,354,979 .	692,558,620 .	649,286,298
United States deposits	8,493,995 .	6,797,972 .	7,994,422
Deposits of U. S. disburs'g officers	2,505,273 .	2,766,387 .	3,297,689
Due to other National banks ...	127,880,045 .	127,083,238 .	135,640,418
Due to State banks and bankers	46,706,969 .	52,654,956 .	48,683,924
Notes and bills re-discounted ...	4,653,460 .	5,671,031 .	4,581,420
Bills payable	5,650,126 .	6,079,632 .	4,772,662
<i>Aggregate Liabilities</i>	\$ 1,793,306,002	\$ 1,904,421,193	\$ 1,867,802,796
<i>RESOURCES.</i>			
Loans and discounts	\$ 936,395,949 .	\$ 964,574,114 .	\$ 923,347,030
Overdrafts	3,499,136 .	3,979,383 .	—
U. S. bonds to secure circulation	344,537,350 .	377,026,900 .	389,249,100
U. S. bonds to secure deposits...	14,128,000 .	14,372,200 .	14,890,200
U. S. bonds on hand	26,577,000 .	14,290,800 .	10,152,000
Other stocks, bonds & mortgages	30,905,195 .	29,102,197 .	25,460,460
Due from approved reserve ag'ts	86,769,083 .	80,620,878 .	94,017,603
Due from other National banks .	44,328,609 .	45,980,330 .	41,291,015
Due from State banks & bankers	11,262,193 .	11,984,531 .	12,374,391
Real estate, furniture & fixtures	42,183,958 .	40,051,527 .	36,708,066
Current expenses and taxes paid	6,820,673 .	7,703,477 .	7,547,203
Premiums paid	10,414,347 .	8,413,874 .	8,680,370
Checks and other cash items ...	9,689,623 .	13,120,606 .	11,948,598
Exchanges for Clearing House .	56,806,632 .	116,970,819 .	94,878,218
Bills of other National banks ...	20,347,964 .	19,465,359 .	20,673,452
Bills of State banks	— .	24,681 .	—
Fractional currency	2,775,086 .	2,702,200 .	2,187,186
Specie	21,714,856 .	9,986,961 .	32,569,969
Legal-tender notes	79,858,661 .	83,980,928 .	101,692,930
U. S. certif. for legal-tender notes	27,380,000 .	38,655,000 .	40,135,000
Five-per-cent. Redemption fund	15,028,452 .	16,787,279 .	—
Due from U. S. Treasurer	1,883,227 .	5,627,142 .	—
<i>Aggregate Resources</i>	\$ 1,793,306,002	\$ 1,904,421,193	\$ 1,867,802,796

* The amount of circulation outstanding on May 12, 1876, as shown by the books of this office, was \$ 338,202,242, which amount includes the notes in circulation of banks which have failed, are in liquidation, or have deposited legal-tender notes under the act of June 20, 1874.

† This statement is exclusive of one bank in San Francisco, whose report was too late.

NOTES ON THE MONEY MARKET.

NEW YORK, JUNE 23, 1876.

Exchange on London at sixty days' sight, 4.88 a 4.88½, in gold.

In the stock market there is not much activity. Government bonds are strong and in demand. State stocks are quiet and railroad bonds firm. In railroad shares there is very little business. Various circumstances have combined to weaken the public confidence and to check speculation in fancy stocks. The small brokers who deal in "puts and calls" are redoubling their efforts by circulars, letters and pamphlets sown broadcast through the country; and it seems as if they were pretty successful in alluring victims to speculate with money not their own. Some interesting cases of breach of trust on the part of young clerks who have robbed their employers to get money with which to speculate in stocks, have recently come to light. It is reported that measures will be adopted with a view to make the brokers responsible through whom the malversation of funds has been effected. The general course of mercantile business shows some improvement; one of the best proofs of this is the increase of our exports of breadstuffs. The shipments of breadstuffs from the port of New York, for three years, compare as follows, from January 1 to June 10:

	1874.	1875.	1876.
Of Flour, bbls.....	1,015,820	809,235	898,160
Of Wheat, bush.....	16,812,244	8,135,743	12,139,122
Total bush.....	21,891,344	12,189,918	16,629,992

The stock of wheat in store at New York, which on January 1 was upward of 7,000,000 bush., is now about 1,500,000, and 1,000,000 afloat in the harbor. The announcement is made from San Francisco, that the surplus wheat of the Pacific coast for export this season will be 750,000 tons, exceeding by 200,000 tons the surplus of the crop of 1875. From these and other indications there is some reason to believe that our railroads will do a good freight business, and so far as the cutting of passenger rates does not interfere, the principal roads will probably have a remunerative traffic to report this season. Subjoined are our usual quotations:

QUOTATIONS:	May 25.	June 2.	June 8.	June 13.	June 22.
Gold.....	112½ ..	112½ ..	112½ ..	112½ ..	112½ ..
U. S. 5-20s, 1867 Coup.	121¼ ..	121½ ..	122¼ ..	122¼ ..	122¼ ..
U. S. 5s of 1861 Coup.	117¼ ..	117¼ ..	117½ ..	117½ ..	117½ ..
West. Union Tel. Co..	64¾ ..	68¾ ..	68¾ ..	67¾ ..	67
N. Y. C. & Hudson R.	110½ ..	110 ..	109¾ ..	106½ ..	107
Lake Shore.....	53 ..	52¾ ..	54¾ ..	53¾ ..	54¾
Chicago & Rock Island	105¼ ..	105¼ ..	107½ ..	107½ ..	109
New Jersey Central...	81¼ ..	82¾ ..	82¼ ..	81¾ ..	74¼
Erie	13¾ ..	14 ..	14 ..	13¾ ..	13¾
Chic. & North Western	39½ ..	40 ..	40 ..	40½ ..	42½
Union Pacific.....	58 ..	59 ..	60 ..	59 ..	59
Bills on London.....	4.88-4.90 ..	4.87¾-4.89¾ ..	4.87¾-4.89¾ ..	4.87½-4.89½ ..	4.87½-4.89½
Treasury balances, cur.	\$ 37,091,680 ..	\$ 34,019,301 ..	\$ 33,446,717 ..	\$ 32,912,654 ..	\$ 34,567,291
Do. do. gold.	38,439,193 ..	37,876,790 ..	37,512,773 ..	38,534,282 ..	38,431,742

The dullness which has so long pervaded the money market still continues, and there are very few features of novelty or special interest to record. The rates for loans show little if any improvement, and the accumulation of idle funds in the banks indicates the quietude of business and the indisposition of the mercantile community to enter into new risks. The banks of this city now hold in lawful money, in excess of the twenty-five per cent. required by law, \$17,527,900, as will be seen from the subjoined table :

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Jan. 3.....	\$ 264,062,500	\$ 20,233,300	\$ 39,324,900	\$ 18,795,000	\$ 204,508,100	—
" 8.....	263,044,000	21,149,600	39,328,600	18,595,800	210,820,200	\$ 10,773,155
" 15.....	261,652,100	23,309,100	44,532,500	18,515,600	216,058,500	13,856,970
" 22.....	260,806,900	22,773,200	46,307,900	17,892,000	217,324,200	14,810,055
" 29.....	262,207,000	22,481,700	48,030,000	17,757,300	220,023,900	15,505,720
Feb. 5.....	266,067,400	23,570,800	47,356,200	17,449,300	224,509,100	14,799,725
" 12.....	266,556,700	24,504,600	47,895,600	17,293,500	225,558,500	16,010,575
" 19.....	268,011,400	22,044,900	48,967,800	17,183,100	224,762,200	14,822,150
" 26.....	268,480,000	20,706,200	49,013,100	17,022,000	224,337,400	13,634,950
Mar. 6.....	270,162,800	22,701,600	46,945,200	16,882,500	226,426,400	13,040,200
" 11.....	270,748,400	23,139,800	47,629,500	16,697,700	227,102,800	13,993,325
" 18.....	263,866,700	22,369,400	45,608,100	16,483,300	220,584,900	12,831,275
" 25.....	261,254,000	21,504,000	43,773,900	16,199,700	214,181,600	11,732,500
April 1.....	261,351,200	21,171,100	41,718,500	16,364,000	211,561,100	9,995,325
" 8.....	261,786,200	20,336,000	38,700,400	16,297,600	207,993,300	7,038,875
" 15.....	258,297,900	19,400,800	38,226,800	16,239,100	205,540,600	6,851,975
" 22.....	253,752,400	18,077,300	41,396,800	16,232,000	203,262,400	8,658,500
" 29.....	252,117,200	17,076,600	43,089,300	16,262,800	202,529,100	9,533,625
May 6.....	257,015,600	19,804,400	39,182,200	16,199,400	205,669,000	7,569,350
" 13.....	255,808,800	18,881,000	42,643,400	16,140,500	207,900,300	9,549,325
" 20.....	253,210,500	18,399,300	45,689,800	16,112,700	217,992,500	12,090,725
" 27.....	251,492,700	17,388,500	49,290,400	16,059,200	208,978,700	14,414,225
June 3.....	250,679,500	17,488,800	51,766,500	15,943,800	211,196,600	16,456,160
" 10.....	249,370,700	15,729,100	53,060,000	15,810,100	210,830,500	16,081,475
" 17.....	246,862,100	15,318,200	54,360,200	15,646,400	208,682,000	17,527,900

The Clearing-House exhibit of the Boston banks for the past month is as below:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 27.....	\$ 129,204,900	\$ 1,892,700	\$ 6,783,600	\$ 74,638,100	\$ 22,886,900
June 3.....	128,837,200	1,843,800	7,283,000	75,337,300	22,835,800
" 10.....	129,141,800	1,686,600	7,211,400	75,344,200	22,747,700
" 17.....	129,090,000	1,486,100	7,187,300	74,699,200	22,727,100

In Philadelphia the actual demand for money is as marked as heretofore. The bank statements are as follows :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 27.....	\$ 60,074,196	\$ 509,562	\$ 13,784,908	\$ 48,239,379	\$ 10,307,422
June 3.....	60,135,894	475,196	14,306,810	49,120,753	10,296,671
" 10.....	60,073,358	495,171	14,706,220	48,759,893	10,288,533
" 17.....	60,110,058	495,950	14,822,206	48,927,445	10,246,671

From the statement of the public debt it appears that during the month of May the aggregate decrease of "debt less cash in the Treasury" is \$4,617,515, and the actual decrease of the total public debt during the month is \$9,212,756 23. Of this reduction \$5,342,858 05 is in the interest and bonded debt, and \$3,904,898 18 in the currency debt. Deducting coin certificates, the amount of specie owned by the Government was \$49,629,728 81 at the beginning of May, and \$40,909,966 37 at the beginning of June, the decrease of \$8,719,762 44 is due in part to the payment of interest, and in part to the issue of silver. According to the reports of 20th June, the total amount of silver paid out was \$91,977,520 since the beginning of the issue, of which \$6,238,103 was in retirement of fractional notes, and \$3,739,417 in payment of drafts. The reduction for the eleven months amounts nearly to twenty-five and one-half millions, which is twice as great as the reduction for the corresponding eleven months of the preceding fiscal year. The amount of fractional currency now outstanding, \$37,359,474 30.

includes notes destroyed and lost, variously estimated at \$10,000,000 to \$15,000,000 in amount, so that there is still in use from \$22,000,000 to \$27,000,000 of such currency. Less than five millions have been retired since the payment of silver coin was commenced—since April 1 only \$4,903,373 70. The amount of fractional currency according to the debt statement of Feb. 1 was \$45,864,382 16, so that about \$3,600,000 was retired prior to the issue of the new silver coinage. Including the amount of fractional currency destroyed and lost, it is computed that nearly twenty millions of the public debt has been extinguished by the destruction or loss of the bonds and notes. The total greenback and fractional currency outstanding 1st June is reported as follows: Old demand notes \$68,037; legal-tender notes, new issue, \$28,533,974; legal-tender notes, series of 1869, \$231,140,003; legal-tender notes, series of 1874, \$63,469,633; legal-tender notes, series of 1875, \$46,980,38; one-year notes of 1863, \$61,755; two-year notes of 1863, \$19,200; two-year coupon notes of 1863 \$25,000; compound-interest notes, \$334,450; fractional currency, first issue, \$4,296,411; fractional currency, second issue, \$3,117,914; fractional currency, third issue, \$3,076,842; fourth issue, first series, \$4,454,964; fourth issue, second series, \$1,128,137; fourth issue, third series, \$2,250,237; fifth issue, \$19,034,966; total, \$407,991,584. These figures are the more interesting from the circumstance that it has been contended by Mr. Spaulding and others, that all greenback issues later than those of 1869 were emitted without the authority of law. The outstanding greenbacks on the 17th June are reported at \$370,123,668. The total circulation of the National Banks, with the amount of bonds deposited in Washington compare as follows:

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
1875.						
July 24....	\$ 350,764,469	\$ 374,753,362	\$ 18,792,200	\$ 393,545,562	\$ 66,926,937	\$ 22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,500,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
1876.						
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 21....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21....	337,635,219	347,800,350	18,623,000	366,423,350	76,148,711	28,457,600
May 20....	335,197,105	344,883,850	18,623,000	363,506,850	.....	.....
June 17....	332,322,678	342,340,550	18,823,000	361,163,550	65,664,354	22,874,000

The savings banks of California complain that they are more heavily taxed than those of other States, and they have lately sent an agent to Washington, who has stated the case to the Ways and Means Committee, so that equal justice should be done to all. It appears that where a bank has no capital stock, and does no other business besides investing the money of its depositors without a profit to the bank, deposits of \$2,000 and under are exempt from the one-half of one per cent. annual tax levied upon savings banks by the internal revenue laws. The result of this is, that nine-tenths of the depositors in other States have been exempt from the tax, while in California the average is but two-thirds. The technical construction of a California statute permits such banks to dispose of reserved funds over \$100,000, and it seems that the Treasury Department is disposed to deny such banks the exemption allowed by law. In such an event California, it is argued, would contribute one-third of all the taxes collected from this source throughout the Union. An amendment to the law is therefore proposed, declaring that possession of a reserved fund over and above \$100,000, so long as no disposition be made of the surplus save for the benefit of depositors, is not inconsistent with the right of exemption from tax. It appears that during the fiscal year ended June 30th, 1875, the savings banks of California, paid an amount of revenue from this source exceeded by no other State but New York, which paid into the Treasury \$197,351 26, while California paid in \$87,341; Connecticut, \$80,925; Rhode Island, \$71,483; New Jersey, \$38,316; New Hampshire, \$23,030; Maine, \$18,843; Maryland, \$10,469; the remaining States, \$14,355. Hence the total tax collected was \$502,177.

The foreign imports at the port of New York for the month of May compare as follows :

	1874.	1875.	1876.
Entered for consumption.....	\$ 13,394,964 ..	\$ 10,703,394 ..	\$ 9,286,918
Entered for warehousing.....	12,118,107 ..	10,092,919 ..	8,078,084
Free goods.....	9,902,831 ..	12,453,830 ..	6,130,616
Specie and bullion.....	1,054,630 ..	812,905 ..	175,953
Total entered at port.....	\$ 36,470,532 ..	\$ 34,063,048 ..	\$ 23,671,511
Withdrawn from warehouse.....	8,251,185 ..	7,012,808 ..	6,844,256

For the eleven months from June 30th, 1875, the New York imports compare as follows :

	1874.	1875.	1876.
January 1.....	\$ 177,517,854 ..	\$ 175,110,736 ..	\$ 148,408,179
January.....	30,310,679 ..	24,831,250 ..	29,756,239
February.....	35,439,646 ..	36,923,360 ..	27,977,330
March.....	42,599,446 ..	38,280,583 ..	32,018,867
April.....	40,764,927 ..	30,037,367 ..	23,804,232
May.....	36,470,532 ..	34,063,048 ..	23,671,511
Total for eleven months.....	\$ 363,103,084 ..	\$ 339,255,344 ..	\$ 285,636,378
Deduct specie.....	18,136,200 ..	10,310,978 ..	7,669,985
Total merchandise.....	\$ 344,966,884 ..	\$ 328,944,366 ..	\$ 277,966,393

The New York exports for May, compare as follows, exclusive of specie :

	1874.	1875.	1876.
Domestic produce.....	\$ 22,781,958 ..	\$ 19,783,016 ..	\$ 20,652,833
Foreign free goods.....	196,911 ..	167,791 ..	146,737
Foreign goods dutiable.....	812,868 ..	663,714 ..	776,557
Specie and bullion.....	11,865,511 ..	9,355,251 ..	8,519,671
Total exports.....	\$ 35,657,248 ..	\$ 29,969,772 ..	\$ 30,095,798
Total exports exclusive of specie.....	23,791,737 ..	20,614,521 ..	21,576,127

The New York exports for the eleven months from June 30th, 1875, compare as follows, exclusive of specie :

	1874.	1875.	1876.
January 1.....	\$ 160,757,524 ..	\$ 140,508,524 ..	\$ 134,944,600
January.....	23,455,638 ..	19,291,403 ..	21,800,226
February.....	20,725,611 ..	18,111,985 ..	18,304,987
March.....	22,909,218 ..	19,582,162 ..	20,944,776
April.....	23,301,296 ..	19,600,855 ..	18,259,851
May.....	23,791,737 ..	20,614,521 ..	21,576,127
Total produce.....	\$ 274,941,654 ..	\$ 237,709,430 ..	\$ 235,830,567
Add specie.....	43,352,085 ..	64,279,406 ..	40,988,440
Total exports.....	\$ 318,293,739 ..	\$ 301,988,836 ..	\$ 276,819,007

DEATHS.

At MEDINA, OHIO, on Sunday, April 16, aged fifty-seven years, HARRISON G. BLAKE, Cashier of the Phenix National Bank of Medina.

At GREENVILLE, OHIO, on Monday, April 24, aged sixty-two years, WASHINGTON A. WESTON, President of the Farmers' National Bank of Greenville.

At PARIS, FRANCE, on Monday, May 29, aged eighty years, JAMES GALLATIN, formerly President of the Gallatin National Bank of New York.

At BALTIMORE, MD., on Friday, June 2, aged seventy-eight years, TRUMAN CROSS, Cashier of the Commercial and Farmers' National Bank of Baltimore.

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No. 2.

THREE ASPECTS OF THE SILVER QUESTION.

The movements of the agitation here and abroad in regard to the silver question are so rapid and exciting that it is not easy for an ordinary observer to keep pace with them. The task, difficult as it is, may be facilitated if we form for ourselves a distinct conception of the chief conflicting classes in which the opinions of the financial world seem at present to be ranging themselves. By taking a general view of the whole field and of the several sections of it which are occupied by the opposing combatants we shall obtain a more accurate knowledge of the facts and principles involved, and we shall be enabled to collect some practical data with which to forecast the ultimate result of the mischievous struggle. However tedious such a comprehensive study of the silver question may be it is necessary to many of us and it will be well worth to the banker and merchant all the trouble it costs. To aid an intelligent and thorough analysis of the silver question we will add to what we have recently published some further information and suggestions. There are three points of view from which this question may be examined.

First, there is the well-known standpoint of the gold currency party. To this party, which is headed by England, Germany has lately joined herself, and she has manipulated the indemnity money, amounting to 1,100 millions of dollars paid to her by France in such a way as to throw the gold and silver markets of the world into a confusion, which is worse than any similar disturbance recorded in the

financial history of modern times. What she has done is briefly this. She has sold or threatened to sell an immense mass of silver coin. She has entered the gold market as a purchaser and has bought up and coined three hundred and fifty millions of dollars worth of this metal at a time when all the other nations of the world were under a necessity, more or less urgent, to increase their accumulations of gold coin. One effect of this German pressure upon the gold market has been to give a sudden check to that depreciation of gold which has been slowly developed since the gold discoveries of 1848. This depreciation has not only been checked, but it has been followed by a contrary movement upwards. At present gold is appreciating just as it was appreciating in the decade which closed with the panic of 1847, but with more spasmodic activity. Now it has always been observed in the industrial history of Europe that when gold appreciates trade suffers, material progress is retarded and financial enterprise is more or less paralyzed. It is indeed a familiar law of finance that the appreciation of gold has an active tendency to produce business perturbation; hence it is argued by some economists that we need not look further than to this law for an adequate explanation of the stagnation of business which prevails all over the world. What is certain is that this law may claim a place among the more conspicuous of the numerous causes to which the universal depression of industry and productive power in Europe is due. The fact is undoubted that this languor is in part produced by the vast displacement of floating capital and especially of the precious metals which Germany has brought about and from which she has been one of the principal sufferers. As gold is now, without doubt, tending upwards in its relative value, many persons who have intelligently held to the theory of the gold standard, have begun to ask themselves whether gold is fit to be the sole standard of monetary value for the commercial world, and whether the fall in the price of silver is not in part caused by the appreciation of gold. To this it is replied by the gold standard party, that the metal which is unfit for coin is silver, and that gold ought to be enthroned in the monetary system of Christendom as the sole standard of value to the exclusion altogether of silver coinage.

Such is the monetary situation as viewed from the standpoint of the old party who advocate the gold standard in this country. The efforts of this party and its influence over public opinion have been neutralized by the vigorous arguments of the friends of a double standard. Adopting the views of Messrs. Cernuschi, Seyd, Wolowski, and other European economists, the leaders of this double standard party in Congress and elsewhere, contend that silver must not be rejected as a monetary standard, and that its present depreciation will soon

be followed by an upward movement. The arguments for the double standard are so much in harmony with the interests of a nation which, like our own, is a large producer of silver, that we need not be surprised at the favorable attention which it has commanded in all parts of the country. The advocates of the double standard do not however, content themselves with theory; they want to reduce it to practice. One of their plans has been adopted by Congress, in the disbursement of silver for the outstanding fractional currency, and in other payments of the Treasury. Another step which they wish the country to take is the recoinage of the old silver dollar which was dropped from the coinage act of 1873, as was explained in an elaborate article in our last number. This dollar of $412\frac{1}{2}$ grains was made a legal tender in the coinage act of 1837, and it remained so until 1873. The proposition now is to restore its legal-tender qualities, and Mr. Kelley, of Pennsylvania, introduced a bill for this purpose on the 18th July last.

We now come to the third and most numerous of the parties into which the silver agitation has divided the financial community. This is the conservative party who are in favor of a watchful, expectant policy. They say that as so little can be positively known at present of the effects which the increased supply and the diminished demand of silver are capable of producing, the best course for this country in the existing crisis is to do nothing rashly but to wait till the real force of the impending movements has had time to declare itself. They support their position by various arguments, among which they rely chiefly on the following. First, the cautious, expectant policy is favored by the best statesmen, even in England where the gold standard party has been so strong. In support of this statement they point to the report of Mr. Goschen's silver committee of the House of Commons. How much force there may be in this argument our readers can learn from the document itself. We print elsewhere its concluding remarks which contain a summary of the essential facts comprised in the whole report.

We are next referred to the example of France, and it is certainly true that the Finance Minister, M. Leon Say, is in favor of the expectant policy, indeed it was he who conferred this name upon it when he proposed and defended it a few weeks ago before the French Senate. Lastly we are pointed to the recent movements of the silver markets, several of which are decidedly in favor of caution in our monetary statesmanship. There is, for example, no doubt that the price of silver has been acted upon by a sort of panic. Now every one knows that a panic is temporary in its very nature, and that a fall of prices so produced is often followed by an upward movement of a rapid spasmodic character. Some such movement is not unlikely to be developed in the silver mar-

ket in the early future ; indeed, a reaction from the lowest market price of silver is reported already, and the supply of cash silver for delivery is said to be limited. Of course our readers are aware that there have been heavy short sales and numerous speculative combinations in the silver markets of Europe, and we must not suppose that the recent rise in the price of silver is sure to be permanent or to be followed by a steady advance. All that can be calculated upon with positive certainty, is, that there will be such an incertitude and perturbation in the silver market for the coming year, that even if the price should rise hereafter to something like its old level, there will be many intervening movements up and down, and some time must needs elapse before the final result can be known.

SPECIE PAYMENTS AND THE FOREIGN EX- CHANGES.

Many thoughtful observers are of opinion that the foreign exchanges are in some way hostile to the return of specie payments, and that before we can hope to achieve resumption this part of our financial system must undergo a change. Plausible reasons are offered in support of this theory. Without discussing these various conflicting arguments, we propose to examine the nature of the foreign exchanges, and to clear up some of the misapprehensions which seem to prevail on the subject. It is no part of our present purpose to teach the rudiments of financial science. We shall take it for granted that the first principles of economics are familiar to our readers, and that we need simply to suggest them without detailed exposition or proof. Every banker knows what is meant by the foreign exchanges. Under this term we comprehend the complex machinery by which capital is moved backwards and forwards among the commercial nations of the globe. Commerce, in its earliest stages of growth, assumed an international character, and for thousands of years traders and merchants have used expedients for facilitating the payment of debts between buyers and sellers living at a great distance from each other. If the records of commercial history were in a less mutilated condition, we should perhaps find that the Phœnicians obtained among the lively and versatile Greeks the reputation of inventing letters for no better reason than that, being a commercial nation, they kept their accounts with rigid care, and taught the Greeks and their customers to do the same. However this may be, it is certain that what we call the machinery of the foreign exchanges received its first rudimentary development very early in the history of international commerce. Hence a complete history of this development, with the changes it has under-

gone in ancient and modern times, would form a most interesting volume, copious materials for which are scattered through the works of the classic writers of nearly every nation which has had a permanent literature. Of course our present business is with the living facts of our own times, and we shall not refer to those of former times further than is necessary for illustration. Enough has been said to demonstrate the fact that, in the present age, it is impossible for the merchant, economist, or banker to understand the financial movements of any commercial country without an accurate and somewhat extensive knowledge of the foreign exchanges.

More than half a century ago Ricardo said that England, with its commerce, agriculture and trade, offered a sufficient field of investment for British capital, and that few people of means will go outside of their own country to invest their money. If this celebrated banker and economist had lived till our time he would have been able to watch the change which has now been developed in the international money markets of the world. Mr. James Wilson was the first English writer, we believe, who clearly expounded the principles of the international money market. "The chief countries in the world," he says, "may be deemed one money market, for they all immediately act on each other. If money is wanted in Paris to pay calls on railways the interest will rise and the price of stocks will fall; and if the shares are not sent to London for sale, English, French or Spanish, or some other stocks, which may pay best, will be sent and sold in our market, and English capital will be thus abstracted to pay up the calls of English shareholders. Or the exact contrary may occur, so that, in any case, to obtain a right view of the possible value of money, it is quite needful that we should consider what is to be done in the continental countries by the natives themselves, as if first undertaken by us." Since Wilson's time the great revolution in the movements of capital has gone on increasing, and has tended, with the growth of commerce and other obvious circumstances, to attract the nations of the world toward each other, and to bind them together into one great monetary organization. John Stuart Mill, with peculiar facility, points out the international currents which convey capital between the various countries of modern Christendom, though he fails to appreciate some of its most important results. The perpetual overflow of capital from the plethoric reservoir of older countries to irrigate the fruitful fields of younger nationalities, says Mill, "has a twofold operation. In the first place, it does what a fire, or inundation, or a commercial crisis, would have done; it carries off a part of the increase of capital from which the reduction of profits proceeds. Secondly, the capital so carried off is not lost, but is chiefly employed either in

founding colonies, which become large exporters of cheap agricultural produce, or in extending, and perhaps improving, the agriculture of older communities. It is to the emigration of English capital that we have chiefly to look for the keeping up of a supply of cheap food and cheap material of clothing, proportional to the increase of our population; thus enabling an increase of capital to find employment in the country, without reduction of profits, in producing articles of manufacture with which to pay for this raw produce. Thus the exportation of capital becomes an agent of great efficiency in extending the field of employment for that which remains, and it may be said truly, that up to a certain point, the more capital we send away, the more we shall possess and be able to retain at home."

In prosecuting the study of the foreign exchanges there are several points to be considered. First, these exchanges center in London. Formerly Paris was one of the great centers of foreign exchanges; but since the suspension of specie payments in France, and the vast financial transactions connected with the German indemnity the old tendency has been increasing to make London the single point on which the foreign exchanges, with all their complex machinery, turn. The consequence is that a great number of people all over the world have continually money to pay or to receive in London. And in whatever country a merchant may be, if he has to send a remittance to Australia, to Brazil, to the Cape of Good Hope, or to Constantinople, or to Bombay, his readiest and cheapest way is to send his correspondent in either of those places a bill on London. For that correspondent will have no difficulty in finding some person who wants to send money to London, and who will gladly pay cash for a good bill. Indeed the business of buying and selling such bills is so extensive, in all the large cities of both hemispheres, that it gives remunerative occupation to a class of the most intelligent bankers all over the world. When we find the money article of our daily newspaper quoting sterling exchange in New York at 4.88 for sixty-days' bills, and 4.90 for three days' sight, every reader can easily see what is meant. The meaning is that if we want to send money to London we must pay for every pound sterling 4.88 or 4.90 in gold, the smaller price containing a concession for interest on the sixty days during which the bill has to run. In other words, if we deposit with our banker \$4,880 or \$4,900 in gold he will give us a credit on London and promises to pay to our order £1,000 at a stipulated time. It is very evident how much the expense and risk incurred by any private individual who has money to pay abroad are lessened by this convenient and safe arrangement for international payments. Secondly, let us look at the transactions of business which create the for-

eign exchanges. If we were to place ourselves in London where as we have said the foreign exchanges have their center, we should find that bills of the value on the average of fifteen millions of dollars a day are created and canceled. How do these bills originate? Legitimately they proceed from two great sources. First, from the sale of goods, and secondly, from the sale of securities. The former of these two is the more ancient, while the latter is almost wholly the growth of the century in which we live. It is this class of bills, as we shall hereafter see, which are the most important and the least understood. There are very few persons who cannot give an accurate account of the great movements of commerce which create the first of these two classes of foreign bills. They will tell us that if the United States exports cotton, tobacco, breadstuffs and other commodities to the extent of 100 millions of dollars in three months, that bills of exchange to the credit of this country will be created to the value of \$100,000,000. This is the sum of money which will have to be paid to the United States by its foreign creditors on account of the exports of the quarter. Next these persons would tell us that if the imports of the same period amount to 100 millions that the bills which represent these imports will offset the export bills and be paid out of their proceeds. Like Pharaoh's lean kine the import bills would eat up the proceeds of the other class of bills, and an exact balance would be the result. Thirdly, however, these men would say that if the export bills exceed in amount the bills representing the imports gold would flow to the United States from abroad, and inasmuch as London is the great center in which these transactions, are settled, our theorist would say that gold would begin to flow this way from London. Hence he would prescribe as a sure means of obtaining gold from Europe that the United States should increase their exports and diminish their imports. Fourthly, our theorist would take the case in which while our exports are but 100 millions our imports amount to 120 millions or more. Applying to these facts the narrow principles of his system he would say that if our imports of commodities exceed our exports we shall be drained of gold to make up the difference. The three months' international trade which reports 100 millions as the aggregate of our exports against 120 millions of imports will infallibly exact an immediate outflow of 20 millions of gold from this country to Europe.

Is this argument sound? Let us examine it in the light of undoubted facts, and in order that we may do this to the best advantage, let us apply the principle to some country whose foreign exchanges are free from the perturbation of paper money. The best, indeed the only, country for our purpose is Great Britain. For there chiefly among commercial

countries is a specie currency at present sustained. Consequently in Great Britain, if anywhere, the principle will hold good that any country which imports more than it exports, will be compelled immediately to ship gold to redress the adverse balance of the foreign exchanges. In England there is nothing to prevent gold from flowing out of the country as there is in France and some other nations of Europe. Any banker who wants gold for export, can get it from the Bank of England by the simple process of presenting notes at the counter and demanding their payment in coin. Now it is quite certain that there has been no extraordinary outflow of gold from England during the last twenty years. Whenever such an efflux has temporarily set in, it has invariably stopped in a few weeks. With this fact in mind, let us look at the official statements of the Board of Trade. During the fifteen years following the panic of 1857, the value of British goods and produce exported from Great Britain amounted to 3,185 million pounds sterling. Add 351 millions of gold and silver, bullion and specie, and we have an aggregate of 3,536 million sterling. But during the same period there were imported into the United Kingdom goods and produce amounting to 3,942 million sterling, and gold and silver bullion and specie amounting to 419 millions. By this official statement it is clear that for the period in question the imports of Great Britain has exceeded the exports by 757 millions sterling in goods and produce, and by 68 millions sterling in gold and silver. The total excess of British imports amounts to 825 million sterling, which is a considerably larger sum than the British National Debt. Since 1872 the excess of imports has been still more conspicuous. In the year 1873 England imported goods of the value of £371,000,000, and exported £311,000,000 worth of goods. In 1874 and 1875 the exports fell off, while the imports were well sustained.

It would be easy to multiply statistics on this subject, but we forbear, our purpose being simply to prove that the mechanism of the foreign exchanges is not so simple as many superficial thinkers have sometimes imagined. In a future article we shall examine the evidence which has been adduced by some writers, in support of the opinion that the profit which thriving commercial countries like the United States or England, gain upon their foreign commerce, is almost precisely measured by the excess of the imports over the exports for a term of years. As regards the United States and other young countries, this rule will certainly require some qualification to provide for the effects of the influx of capital from older countries for investment. But this leads us to consider the second of the two great sources of foreign bills, namely the purchase and sale of securities. To simplify and summarize what we shall have to say hereafter,

on this subject, we will recur to one of the cases above stated, and suppose the exports of the United States to be one hundred millions and the imports one hundred and twenty millions, leaving twenty millions as a debit balance against the United States on the export of goods. How is such a balance to be redressed without the immediate shipment of gold? The answer is that securities may be exported, such as five-twenties or the new fives, or any marketable shares or bonds. Moreover, the extensive machinery of credit is so organized that great amounts of capital, in the shape of balances of current accounts, may be carried over for long periods, when the foreign money markets are easy. This section of the great field of the international money market we have not space to explore further at present.

PRODUCTIVE POWER AS DEPENDENT ON COAL.

The fall in the price of some of the securities of certain companies interested in the coal combination, has given rise to not a little public agitation, and the effect has been increased by the recent advance in the price of coal, in face of a falling off in the demand which has long been less than the supply. For some time the rumor has been in circulation that dissensions had arisen and that the monopoly was about to be broken up. This rumor is now set at rest. On the 24th July, in this city, the Board of Control of the combination of coal companies held a meeting. Its object was to adjust the difficulties with the Lehigh Valley Railroad and Coal Company, who had shipped during the month of June about 80,000 tons more of coal than is prescribed in the agreement adopted 19th February, when the coal combination was organized. As the Lehigh Valley Company agreed to suspend shipments of coal to tidewater for two weeks in August, so as to equalize their tonnage and reduce the excess they had in June, the difficulties were amicably settled, and a resolution was adopted to hold monthly meetings of the Board of Control in this city, for the consideration of questions relating to the regulation of the price of coal and to the restriction of the supply allowed to come into the market. How far this adjustment of the trouble will satisfy the public is doubtful.

In the present condition of mechanical science the industrial progress of cities and nations depends very much upon their supply of coal. For more than a century scientific experiments have been made in the hope of discovering some mode of generating heat which would drive machinery and enable manufacturing industry to dispense with coal, or else to economise its use. In England some years ago, during

the premiership of Mr. Gladstone, the quietude of a dull season was enlivened by a somewhat excited discussion of the question what England would do when her coal was exhausted. If newspapers had existed among the ancient Britons, in Julius Cæsar's time, a similar question might, perhaps, have been propounded in regard to the disappearance of the forests and the possible failure of the supply of wood and charcoal for those manufactures of iron, which even then had been carried on and celebrated from time immemorial. There was, however, this salutary result under the Gladstone administration, that a vigorous policy was initiated for paying off a yearly installment of the public debt. How long the movement will be kept up is, however, a matter of dispute and doubt. Another benefit of the discussion is the stimulus that has been given, in England and elsewhere, to various inventions for generating motion without heat, or without the extravagant waste of heat which is common in the nineteenth century. In the Centennial Exposition, at Philadelphia, there are a number of mechanical inventions which will be examined with interest by those persons who are desirous to watch the progress of this department of American enterprise. In this country such inventions and mechanical contrivances attract the more attention because of the high price of coal. The policy of the Pennsylvania companies in enhancing the cost to the public may, perhaps, be unwittingly aiding the development of some new methods by which coal will be less needed or more utilized in the productive industry of the country. Such, at least, is the suggestion which has been put forth, in various quarters, as a result of the recent unpopular advance for July and August. It appears that the production of anthracite coal this year amounts to above 1,000,000 of tons more than that of the same period of 1875, and about 1,000,000 of tons less than the production of the same period of 1874. Since last midsummer, when the resumption of mining took place in all the coal regions, the weekly production has greatly increased and it has surpassed the demand. Instead, however, of stimulating the consumption by reducing the price, the coal companies have united together in announcing an advance. At the same time they have diminished the production by suspending work every alternate week, and they are said to have established such a severe discipline over all the coal producers that there is no opposition to this short-sighted and mischievous policy. Whether, as suggested above, there is likely to be any compensative benefit to the public from this ill-timed advance in the price of coal we can not tell. Two theories have been put forth on this subject, besides that alluded to above. First, it is argued that the bituminous coal production will be so stimulated by the high price at which the anthracite market is artificially held, and that the result of this stimulus will be

to establish a formidable competition in the general coal supply of the country. Secondly, it is suggested that as some of the coal companies are embarrassed and over-expanded their combination can not be kept up in the face of the existing depression of financial and mercantile affairs. Whether these results follow or not, it is certain that by enhancing the price of coal the Pennsylvania corporations have attracted to themselves and their policy an amount of public attention which they have seldom, if ever, received before. During the past eight or ten years they have had the sympathy of the public in their contests with the combinations and strikes of their men. The operative miners have ceased, however, to seek, by restricting their hours of work, to compel the public to pay twice as much for coal as they ought to pay. Mr. Siney and his deluded followers being thus worsted in their attempts to check the productive growth of the country, by raising the price of one of its chief raw materials, his mischievous policy must not be adopted by great financial corporations, who have so much to lose should they suffer a defeat, which is, sooner or later, inevitable. The friends of these companies will look with some anxiety upon their proceedings in the immediate future.

GROWTH OF OUR RAILROAD SYSTEM.

For two principal reasons the growth of our network of railroads claims the attention of bankers and the notice of this magazine. First, the railroads of this country are a wide-spread, powerful instrument of production. They create wealth; they enrich the community; they constitute one of the most important means by which the industrial forces of the nation are replenished and developed. Secondly, our railroads supply a valuable mass of securities for the investment of the surplus resources of the frugal classes. It is a law of finance that, other things being equal, the savings of any nation grow in proportion as safe investments are offered to attract them. The capital of a rich thriving country in modern times is to a great extent diffused like moisture in the atmosphere, and it requires a special mechanism to condense it, to collect it and to make it available for economic uses. Savings banks collect one description of this diffused capital which floats about in the community. Another description of this floating capital is collected by our numerous banks, another by industrial enterprises, and finally an important class of floating capital is collected and absorbed by railroad and other securities, of which there has been such a prodigious creation during the last half century. Let us briefly examine the progress of our railroad system last year in these two respects. In regard to its efficiency

as an instrument of production we learn from *Poor's Manual*, just issued, that in the twelve months ending January 1st, 1876, we have added to our railroad system 1,917 miles. Hence the total length of our railroad system is now 74,658 miles. At the close of the war we had but 35,000 miles of railway, so that in ten years we have constructed nearly 40,000 miles, of which 28,675 miles were built in the five years which culminated in the panic of 1873. That catastrophe many people supposed was destined to stop railroad building in this country altogether. It has certainly checked the wild recklessness of railroad growth. Still the mileage of new construction since the panic has been nearly equal to the average of the previous quarter of a century. The construction of the past eleven years will be seen from the following table :

RAILROAD CONSTRUCTION, 1865-1875.

States.	1875.	1874.	1873.	1872.	1871.	1870.	1869.	1868.	1867.	1866.	1865.
New England States	5,638	5,509	5,314	5,053	4,898	4,494	4,301	4,019	3,938	3,868	3,834
Middle States	14,740	14,291	14,019	13,499	12,380	10,991	10,752	9,765	9,555	9,144	8,539
Western States	35,847	35,000	33,961	32,112	28,269	23,540	19,884	16,880	15,226	13,621	12,847
Southern States	15,919	15,602	15,353	14,112	13,246	12,196	11,107	10,683	10,146	9,867	9,632
Pacific States	2,514	2,339	2,193	1,959	1,765	1,677	1,164	880	431	327	233
Grand Total	74,658	73,741	70,840	66,735	60,568	52,898	47,208	42,255	39,276	36,827	35,085

When we remember that every well-built railroad opens new markets for the produce of the territory it traverses and gives a new value to its farms, its mines and its forests, we shall easily recognize in the rapid growth of our railroad system one of the most active forces which have been at work for the development of our industry and wealth during the last half century. Some statisticians tell us that railroads add ten times their cost to the solid wealth of the community. On this rough estimate our railroads which have cost 5,000 millions would be computed to have created new wealth to the amount of 50,000 millions of dollars; or twenty times as much as the National debt. Many other estimates have been made, some of which are very conflicting. There is, however, one common error in all these statistical calculations. They attempt to apply a fixed, rigid measurement to a quantity that is not fixed, but is growing with an uneven spasmodic irregularity which defies rigid admeasurement and rule. Without attempting to express in precise figures the productive power of our railroad systems, we may be content to recognize the general fact that they enhance the productive power of a commercial people to an extraordinary degree, and that they do it by opening new markets, by saving time in travel, by conveying goods at a cheaper rate, and generally by stimulating the forces of material growth and diminishing the difficulties which oppose the production and distribution of the products of industry. It may be

interesting in this point of view to compare the mileage of railroads in this country with that of the chief countries of Europe. Mr. Poor gives the following statistics, which, though not so completely accurate as we could wish, are approximately true:

Countries and States.	Area.	Population.		Railr'ds		Railroad Mile to	
	English Sq. Miles.	Census or Estim. 1875.	Ratio Sq. m.	in operation Miles.	Area, Sq. m.	Inhabitants.	
<i>North America.</i>							
United States of America.....	3,026,504.	43,785,718 .	14.4 .	74,658 .	40.5 .	586.5	
Dominion of Canada.....	686,353.	4,941,690 .	7.2 .	4,488 .	152.9 .	1,101.1	
United States of Mexico.....	829,916.	8,133,719 .	9.8 .	327 .	2,538.0 .	24,873.8	
Total North America.....	4,542,773.	56,861,127 .	12.4 .	79,473 .	57.2 .	707.3	
<i>Europe.</i>							
Great Britain and Ireland.....	122,520.	32,006,576	261.2 .	16,699 .	7.3 .	1,916.9	
France.....	207,149.	36,391,702	175.7 .	12,376 .	16.7 .	2,940.0	
Spain.....	182,713.	16,681,719 .	91.3 .	3,818 .	47.8 .	4,269.2	
Portugal.....	36,869.	3,997,401 .	108.5 .	643 .	54.2 .	6,216.8	
Italy.....	121,718.	26,997,663 .	221.8 .	4,787 .	25.4 .	5,639.7	
Switzerland.....	15,261.	2,763,107 .	181.0 .	1,098 .	13.9 .	2,607.9	
Austria.....	171,215.	29,400,386	171.7 .	6,366 .	26.9 .	4,621.9	
Hungary.....	69,391.	10,391,718	149.7 .	3,966 .	17.5 .	2,220.2	
Germany.....	224,370.	42,191,714 .	188.1 .	17,372 .	12.9 .	2,428.9	
Belgium.....	11,313.	5,108,672 .	451.6 .	2,249 .	5.1 .	1,645.8	
Holland.....	13,890.	3,701,319 .	266.5 .	1,062 .	13.1 .	3,485.2	
Luxemburg.....	990.	197,528 .	1,995.2 .	169 .	5.9 .	1,168.8	
Denmark.....	21,856.	1,991,896	91.1 .	789 .	27.7 .	2,524.0	
Sweden.....	170,100.	3,971,309 .	23.3 .	2,478 .	68.8 .	1,201.5	
Norway.....	123,228.	1,628,278 .	13.2 .	325 .	381.5 .	5,041.1	
Russia.....	2,120,397.	71,174,198	33.6 .	12,074 .	175.6 .	5,894.8	
Roumania.....	65,363.	3,607,512 .	55.2 .	766 .	85.3 .	4,709.5	
Turkey.....	189,220.	12,737,019 .	67.3 .	963 .	196.5 .	13,226.4	
Greece.....	19,250.	1,457,894 .	75.7 .	7 .	2,750.0 .	208,270.5	
Total Europe.....	3,886,813.	306,397,611 .	78.8 .	88,007 .	44.2 .	3,481.5	

We now leave the first branch of our subject and take up the second. Here our railroads are regarded as a property earning dividends for its owners. It is to be regretted that this year's *Manual* does not give us such elaborate statements under this head as were given in previous years. Still, as far as it goes, the statistics are extremely useful. Few persons, who have not been engaged in such works, have any adequate idea of the expense and labor necessary to insure accuracy and fullness. The subjoined table shows the operations during the past five years of such railroads as have reported their earnings and condition:

Year.	Miles Op'ra'd.	Stock and Bonds.	Gross Earnings.	Net Earnings.	Freight Earnings.	Passenger Earnings.	Dividends Paid.
1875..	71,759	\$ 4,658,208,630	\$ 503,065,505	\$ 185,506,438	\$ 363,960,234	\$ 139,105,271	\$ 74,294,208
1874..	69,273	4,221,763,594	520,466,016	189,570,958	379,466,935	140,999,081	67,042,942
1873..	66,237	3,784,543,034	526,419,935	183,810,562	389,035,508	137,384,427	67,120,709
1872..	57,323	3,159,423,057	465,241,055	165,754,373	340,931,785	132,300,270	64,418,157
1871..	44,614	2,664,627,645	403,329,208	141,746,404	294,430,322	108,898,886	56,456,681

It thus appears that the net earnings of our railroad system amount to 3.98 per cent. on the capital account, as shown for the year 1875. This proportion of net earnings is greater than many persons have supposed, and it is not much exceeded by the railroad system of England or of Continental Europe.

As might be expected from the rapid growth of our rail-

road system, and from the fact that much of the territory it traverses is undeveloped, there are a considerable number of the railroads that pay no dividends. To this subject, however, we will return hereafter. The gross earnings as reported in the foregoing table are less by \$17,400,511 than those of the previous year, and the net earnings show a decrease of \$4,064,520. The freight traffic has fallen off \$15,506,701, and the passenger traffic \$1,393,810. The capital stock of the reported roads is \$2,198,601,281, on which the dividends average 3.38 per cent. The funded and other debt is \$2,549,607,349. The amount of railroad bonds on which default has been made is \$680,000,000. These defaulted bonds at 7 per cent. interest involve a yearly loss to the investors of \$47,950,000. It is to be regretted that we have not the data for ascertaining how this large aggregate of defaulted bonds compares with that of other countries. Our railroad statistics, imperfect as they remain, are in this respect more complete and more accessible to the public than most of those compiled abroad. It is hoped that our Bureau of Statistics will be empowered by Congress to collect all the railroad statistics of the country in a complete form, as is done by the British Board of Trade.

FINANCIAL LOSSES BY INSOLVENCY.

Economic science has been defined as the Philosophy of commerce. We do not wholly accept this definition, because it is too narrow and restricted. Still it sets forth, with sufficient clearness, a part of the work which economics have to perform in the present age. Commerce is the subject of political economy just as the circulation of the blood is a part of the subject matter of physiology. For as the latter science treats of many other functions of the body besides the circulation, so the former science treats of many other productive activities of the nation besides commerce. Among the miscellaneous subjects under the purview of political economy, are mercantile failures; and it is the function of this science to search out and classify the causes of such failures, to compile their history and statistics, and to discover some remedies which will diminish or prevent the losses they inflict every year upon commercial countries.

A recent writer in one of the English reviews expressed the opinion that by wisdom on the part of traders and by a prudent management of business, failures and bankruptcies would in course of time be more and more prevented. There is little indication at present of the realization of this optimistic view, much as it may be desired. We have received from

Messrs. Dun & Co., their circular reporting the failures in the United States for the last six months; and we regret to find that great as were the failures of last year they are exceeded by those of 1876. The aggregates are compared as follows :

FAILURES JANUARY TO JUNE, 1875-6.

	<i>First quarter.</i>		<i>Second quarter.</i>		<i>Six months.</i>	
	<i>No.</i>	<i>Amount.</i>	<i>No.</i>	<i>Amount.</i>	<i>No.</i>	<i>Amount.</i>
1875 ...	1,982	\$ 43,000,000	1,581	\$ 33,000,000	3,563	\$ 76,000,000
1876 ...	2,806	64,000,000	1,794	43,000,000	4,600	107,000,000

One of the obvious lessons suggested by these figures is that the effects of the panic of 1873 have not as yet spent their whole force. If we had before us the details of each of these cases of failure, we should doubtless find that the losses which have ruined half of the insolvents of the past year are of an origin dating before the panic. The process of weeding out the weak and crippled firms is of necessity a tedious and painful one, and it is in all probability far from complete as yet. Another suggestion is that there is still too much extravagance among our mercantile community. A well-known Canadian merchant, Mr. John Mac Donald, M. P., of Toronto, in his excellent little book on "Business Success," declares that eighty per cent. of the failures in the present day proceed from extravagance. Perhaps this is too high an estimate. Still, directly and indirectly, prodigality in the present age is ruining multitudes. It is true that of late there has been a notable increase of frugality of expenditure in all parts of this continent. It is one of the salutary lessons which the panic has taught us. Still we are slow to learn it, as is proved by the large number of failures which are justly attributed to extravagance. On this subject the circular before us offers some judicious remarks. It says, that although business continues in a very depressed condition and the results of trade, with rare exceptions, have been exceedingly unsatisfactory; although values continue to decline, and uncertainty and anxiety exist in all quarters, the causes which produced this condition of things have been almost completely reversed: "In the place of reckless overtrading, we have now lessened sales guided by caution, and also prudence in purchasing. Instead of enormous over-production of all descriptions of manufactures, there is now the strongest tendency to limit the product, and thus lessen the possibility of a still further decline in prices. Vastly increased expenditure on public works has been succeeded by the almost complete cessation of construction. Economy in business and personal expenses has taken the place, to a very large extent, of extravagance and reckless liberality, and this very tendency, while it is the cause of restricted business, is one of the best signs of an early return of

prosperity. So that in all departments there is evidently a change, and such a change as it was necessary for the three years of depression to produce, and without which it was hopeless to expect a revival of business on a sound basis. Having reached this condition, is there not ground for hope that a better state of things may now prevail? It would be idle to expect that very marked improvement will be evident in the immediate future. Things have reached too desperate a state to permit such a hope. The circumstances of an exciting political campaign are not favorable to the growth of confidence, and the return of business to its wonted channels. But the coming Autumn will, it is believed, afford hopeful indications for the future. Another year of great productive power has been given to farmers and planters, and the country must be greatly enriched by the realization of the agricultural wealth with which it now teems. Internal indebtedness is not excessive; stocks of goods in all quarters have seldom been so small; prices have touched a point so far below cost of production, that an improvement in value can hardly fail to take place, and it seems impossible that circumstances could exist, more favorable to improve the condition of legitimate trade of supplying the wants of the people, than now prevail. Speculation, and expanded operations involving large and permanent investments, are not likely to receive much encouragement. But, there ought to be an increased demand for goods of necessity and value, and with this should follow better reports of the condition of the various parts of the country than we are now able to present. The power of absorption by a vast people in condition to purchase and pay for merchandise is very great; that power has now reached its lowest level; yet, as will be seen, we have had fewer failures in the last three months than for the previous quarter, and the fact that there are many signs of a more hopeful condition of business is undeniable."

But there is another cause of failures in business, one of these the circular singles out for special notice, the defects of the bankrupt law and the inducements and facilities which are thus offered to swindlers to go into business for the purpose of making fraudulent failures. This criticism is not too severe; it is as applicable to other countries as to our own. The difficulty is to devise a remedy. Not a few of our readers will agree with Messrs. Dun & Co., who say, that "in its present shape, the law could scarcely have been more cunningly devised to help a dishonest trader to swindle his creditors, and the failures have been largely increased in consequence of its operation. While the disposition to encourage settlements and compromises has been less evident, there is still too great a laxity in the investigation as to the causes of failures, and doubtless a large

number have occurred for the direct purpose of making money thereby. The necessity for rigid scrutiny in all circumstances attending a suspension was never greater. The moral tone of business, success of the deserving, and punishment of would-be swindlers, call for the best judgment of creditors, while the task of ridding the trading community of incapables, and reducing the excessive number who now divide up a limited trade, until there is no profit for any, is one of the highest duties each merchant and banker owes to the prosperity of his country."

There are two general aspects in which the losses may be regarded which failures inflict on the community. First, there is the creditor's loss, and secondly, the loss of the insolvent himself. As to the former, every person who has had much experience or opportunity for observation knows that a large amount of the weakness which prevails in so many departments of business arises from past losses by bad debts. Hence it has often been proposed to apply to debts the principle of insurance, and if it were possible to do so one fruitful cause of industrial stagnation would no doubt be corrected. For obvious reasons, however, there is no prospect that this expedient for diminishing the perils of business can be adopted without producing evils commensurate with the advantages it promises. The best way of lessening the evils in question is to secure an equitable dividend from the assets of the insolvent debtor. As to the methods of accomplishing this, jurisprudence has for many previous centuries been tasking its resources with indifferent success. If we remember this fact we shall be less disposed to wonder at the defects of our own legislative attempts to solve the problem by a National Bankruptcy Act.

In looking back through the financial history of Europe and of this country we cannot fail to note certain periods in which the statistics of the law of insolvent debtors receive a special share of popular discussion. To one of these periods we have now arrived, as is proved by the fact that in England and in almost every country of continental Europe, as well as in the United States, the newspapers and the halls of legislation have been prolific of discussions on the subject. One of the most interesting contributions to the history of insolvent legislation has just been given by Lord Cairnes in the British House of Peers. As Lord Chancellor he has been led to investigate the problem of insolvent administration, and it may interest our reformers to know that the faults which they find in our own bankruptcy law are many of them present in the law of England. The defects of our national law of bankruptcy are well known and have been often expounded. We complain how costly is the procedure and how inefficient are the results of the system without realizing the difficulties

which stand in the way of reform. These difficulties are so formidable that other nations have been at work for many years in vain attempts at their removal. The latest of these efforts at reform is that of the Lord Chancellor, and in many points of view it is worthy of particular study in this country at the present moment.

From an official report quoted by Lord Cairnes we find that the three methods of settling up insolvent estates in England yielded in the year 1875 the following results. The adjudications in bankruptcy were 965, the liquidations by arrangement 4,233, and the compositions with creditors 2,691. It thus appears that of nearly 8,000 failures about one-eighth were settled up by bankruptcy. It is interesting to find out how far these various methods of settlement protected the interests of the creditors. The report says that the liabilities in "bankruptcies" were £6,981,240; those in the "liquidations by agreement" £12,443,999, and those in the "compositions," £6,068,000. The assets realized, were in the first case, £960,755; in the second, £4,598,473; and in the third, £1,773,551. It will be seen, therefore, that the interests involved in the liquidations and compositions are much larger than those in the bankruptcies proper. As these liquidations and compositions appear to be so largely in favor with the creditors, it might seem that there would be no dissatisfaction with the result; but it appears that in very many cases great pressure is brought to bear on creditors to make them consent to such arrangements. It is moreover complained that in liquidation or composition the trustee is absolutely master of the situation. In these cases he decides as to the debts which ought to be proved and as to everything to be done in the liquidation, so that there is often a good deal of dissatisfaction as to the result.

It is easy to see that a multitude of abuses would be likely to spring up under the stimulus of this system. Still it has certainly accomplished some of the objects for which it was devised in 1869. For instance, it has lessened the number of bankruptcies and facilitated simpler modes of settlement. But in accomplishing this process of simplification, the present system is believed to have introduced worse evils than those it corrected. Hence the loudest and most general complaints against the present system are those suggested by these "arrangements," although practically every thing is drawn into them, and they seem to be popular. Out of £5,432,000 assets of English insolvents, in the year 1874, £4,946,000, or more than ninety per cent., were under these two sections. In the same year, out of 2,549 compounding debtors (under section 126) only 162 were able to pay their creditors more than fifty per cent. of what they owed them, while 1,803 were unable to pay more than twenty-five per

cent., and 1,059 of these not more than twelve per cent., including 501 debtors whose compositions averaged a few pence in the pound.

Among the numerous evils mentioned by the Lord Chancellor as belonging to the present system was the absence of any practical check upon the trustees who manage the estates. As a remedy, he proposes to establish his new system of dealing with the problem of insolvency. Its chief features are as follows: First, there is to be a court which, in all cases of liquidation, whether on application of debtor or creditor, should have power to make an order, the immediate effect of which would be that the debtor would be called upon to furnish a list of his creditors. Then a provisional committee would be formed to act until the first general meeting of the creditors. At the general meeting of the creditors a committee of inspection should be appointed for the purpose of investigating the affairs of the debtor, and the investigation should be held as soon as possible. At the second meeting of the creditors it would be for an adequate majority of the creditors to decide whether they would discharge the debtor or make him a bankrupt. Any proposal for a composition must be made with the knowledge of the committee of inspection: and in the adoption of such a proposal not only will a majority of the creditors be requisite, but the rights of the minority will be protected. The trustee is to be appointed, not by the creditors at large, but by the committee of inspection, and will hold office at the pleasure and under the inspection of that committee at a *maximum* scale of remuneration. The use of proxies will be permitted, but if a trustee should use them for his own interest the Court will have a right to deprive him of his trusteeship. With regard to deeds of arrangements, which make over the whole property of the debtor, those will depend on the vote of a majority excluding secured creditors. Further, that all accounts in bankruptcy and in liquidation shall be audited, and in all cases, whether the bankruptcy or the liquidation be closed or not, the whole of the property remaining in the hands of the trustees shall at the end of two years be paid into Court, so that there may be every inducement to the trustees to close each case, where it is possible, within two years.

We offer this abstract of the new bankruptcy bill for two reasons; first, because it presents the latest attempt of modern legislation to solve the hitherto insuperable difficulties of the question; and secondly, because the bill itself is suggestive and may be of great service to those among us who take an interest in this branch of law reform.

As a further contribution to this object we cite the following extract from the report of the Secretary to the British Law Amendment Society:—"A debtor can now file a petition for

liquidation by arrangement, and convene a meeting of his creditors at any time within a month, and almost at any place he pleases, and if at such meeting a majority in number, representing three-fourths in value, of the creditors there present, or represented by proxy, pass a resolution agreeing to a composition, and such resolution is afterwards confirmed at a second meeting, by a bare majority in number and value of the creditors present, or represented, such arrangement is binding on all the creditors. As a rule, the chief creditors rarely attend such meetings, and the result is that the debtor, by the aid of proxies of friendly, bribed, oftentimes of full-secured, and sometimes of fictitious creditors, can get released from his debts upon almost any terms he thinks fit. The Controller of the Bankruptcy Court in his annual Reports to Parliament states that there has been a continued and regular decrease in the rate of composition allowed by debtors to their creditors in each year since the commencement of the Act." It must not be forgotten that there are two great questions involved in this problem. There is first, a question of law, and secondly, a question of practice. As to the law, enough has been said; and as to the practice we will only add that so long as creditors will not take the trouble to look after their own interests and to punish dishonest or unscrupulous debtors, the best system of legislation which could be devised and perfected for the protection of the community, will apply a precarious and imperfect remedy to the maladies complained of.

THE ECONOMIZING OF BANK RESERVES.

BY DR. GEORGE MARSLAND.

In the *Fortnightly Review* for June, Mr. Horace White has made some mention of the plan adopted by our New York Clearing-House Banks for equalizing their reserves during the panic of 1873. This plan was not then devised for the first time, as Mr. White appears to suppose. It was originally suggested by Mr. George S. Coe, the President of the American Exchange Bank in this city, and it was proposed by him to the Clearing-House Association in November, 1860. The report in which this plan was approved by the Clearing-House Association is a document of some historic interest as a part of the annals of a critical period of our national finance. It opens with the statement that, "In order to enable the Banks of the City of New York to expand their loans and discounts, and also for the purpose of facilitating the settlement of the exchanges between the banks, it is proposed that any bank in the Clearing-House Association may, at its option, deposit with a committee of five persons—to be appointed for that

purpose—an amount of its bills receivable, United States stocks, Treasury notes, or stocks of the State of New York, to be approved by said committee, who shall be authorized to issue thereupon to said depositing bank, certificates of deposit, bearing interest at seven per cent. per annum, in denominations of five and ten thousand dollars each, as may be desired, to an amount equal to seventy-five per cent. of such deposit. These certificates may be used in settlement of balances at the Clearing House, for a period of thirty days from the date thereof, and they shall be received by creditor banks, during that period, daily, in the same proportion as they bear to the aggregate amount of the debtor balances paid at the Clearing House. The interest which may accrue upon these certificates shall, at the expiration of the thirty days, be apportioned among the banks which shall have held them during the time."

Secondly, the report states that "the securities deposited with the said committee as above named shall be held by them in trust as a special deposit, pledged for the redemption of the certificates issued thereupon. The committee shall be authorized to exchange any portion of said securities for an equal amount of others, to be approved by them, at the request of the depositing bank, and shall have power to demand additional security, either by an exchange or an increased amount, at their discretion."

Thirdly, it contains a resolution that the amount of certificates which the committee might issue should not exceed \$5,000,000, and that the agreement should be binding upon the Clearing-House Association when assented to by three-fourths of its members.

Fourthly, the report declares "that in order to accomplish the purpose set forth in this agreement, the specie belonging to the associated banks shall be considered and treated as a common fund for mutual aid and protection, and the committee shall have power to equalize the same by assessment or otherwise. For this purpose statements shall be made to the committee of the condition of each bank on the morning of every day, before commencement of business, which shall be sent with the exchanges to the manager of the Clearing House, specifying the following items, viz: 1. Loans and discounts; 2. Deposits; 3. Loan certificates; 4. Specie."

This resolution embodied the actual principle of the whole plan, which is that of mutual support. The report concludes with a fifth resolution, "That after the 1st of February, 1861, every bank in the Clearing-House Association shall have on hand, at all times, in specie, an amount equal to one-fourth of its net liabilities, and any bank whose specie shall fall below that proportion shall not make loans or discounts until their position is re-established; and we, as members of the Clearing-House Association, agree that we will

not continue to exchange with any bank which shall show by its two successive weekly statements that it has violated this agreement."

This was the plan adopted in 1858, and its merits were so well known by experience that it was at once revived, when the necessity arose for it, in 1873. It consists, as is well understood, of two fundamental expedients: first, the pooling of the legal-tender reserves under proper restrictions; and, secondly, the daily reports and the daily equalization of these reserves. The Clearing-House Committee, in its report of November, 1873, speaks as follows of the second application of this beneficent plan for economizing the bank reserves:

"When the late panic commenced the sixty banks composing the New York Clearing House were indebted for about two hundred millions of deposits. Of this amount *three* institutions (paying interest to their country depositors) owed about fifty millions, and including these, twelve banks of similar character owed about one hundred millions; that is to say, twelve institutions held one-half of the aggregate deposits, and the other forty-eight, their associates, the other half. The proportionate reserve of legal-tender notes in the associated banks was also greatly in favor of the latter number, for the obvious reason, that banks which pay interest upon money can least bear to have any amount of it idle. The active demand first came, as it usually comes, for that portion of deposits due to country banks, who, in addition to their annual necessities, had been disturbed by failures of several city bankers, holding large balances of money due to the interior. These deposits were to a great extent loaned upon stocks and bonds in Wall street, payable "on call," with the confident belief that they were there earning more than the interest paid for securing them, and were available as promised. But, from the very nature of the case, the rapid withdrawal of deposits from the banks made the "call" from every direction simultaneous, and closed every resource from which the "street" derived its power to respond. Borrowers upon stocks were deprived both of their facilities of borrowing, and of all power to sell their securities. The necessary result occurred. Banks which found themselves in this dilemma had no alternative but to ask the assistance of their associates, and the conflagration was so rapid and violent that every consideration of fraternal sympathy, self-preservation and public safety, compelled a general and earnest co-operation; and the majority, who had for long years conducted their business upon sound principles, and who had patiently submitted to the loss of valuable accounts, drawn from them by their associates, by practices against which they had continually protested, instantly responded to the call by placing their resources at command of those who had done so much towards producing the calam-

ity. Making common cause, the weak with the strong, to avert a universal catastrophe, the stronger banks placed themselves under the burthen and equalized the pressure. They gathered in their resources and placed them at the disposal of the weaker, who could thus meet the demands of their depositors so as to save themselves from public exposure, and their dealers in city and country from disaster and ruin. Meanwhile the public confidence in institutions had become so greatly impaired that the "legal-tender reserve" was reduced from thirty-four millions, on the 20th of September, to five millions eight hundred thousand on the 14th October—an amount of ready money never before paid out in the same time. Interior banks, whose ready means in hand had always been merely nominal, but whose resources consisted chiefly of credits upon the books of interest-paying banks in the principal cities, were under the necessity of calling back their deposits in a medium never before required, and to these the associated banks were asked to respond, as well as to the demands of timid dealers at home. Your committee take this occasion to congratulate the associated banks upon the liberal and excellent spirit in which this crisis has been met, and upon the happy escape from a most imminent danger which threatened them, and with them, the country at large. It is not too much to say that had it been less boldly, promptly or unanimously encountered, the results must have been more disastrous and widespread than any that have occurred during the present generation."

At the meeting of the bank officers and bankers of the United States which is to be held next September at Philadelphia, a full, authentic report of this plan for economizing the bank reserves in a panic should be presented, so that all the details of its application in 1858 and 1873 may be put on record in a useful, permanent and trustworthy form.

HINTS FROM THE BANKING SYSTEM OF RUSSIA.

The agitation in the financial circles of Europe from the war between Turkey and her revolted principalities of Servia and Montenegro has given a new importance to Russian finance. For several months past the belief has generally been held that Russia was more or less engaged in fomenting the difficulties in South-Eastern Europe. However this may be, the war begun on the 2d of July is more likely to spread than to contract its theatre of operations, and both Austria and Russia may be drawn before long into the maelstrom of military strife. During the last century the Eastern policy of Russia has many times awakened anxiety. Ever since the diplomatic contests which culminated in the Crimean

war some twenty years ago, the Government of the Czar has been suspected perhaps unjustly of designs on Constantinople, menacing the tranquility of the British Empire in India.

Hence it is not surprising that the present war should have stirred up a violent animosity against Russia in some quarters, and that an extraordinary interest should be attracted to Russian finance. As money is the sinews of war, the power of Russia in arms will be very much regulated by financial resources. These resources are of two general classes. First, the exterior or foreign resources, which the credit of the Government may enable it to borrow from abroad, and secondly, the resources possessed at home. As to the former, the Russian Debt amounts now to 1700 millions of dollars, and involves an annual expense for interest of about 70 millions. For war purposes under the present agitation in Europe against her, Russia could of course expect to raise little or nothing by new loans in London and Paris. She would therefore be obliged to depend on the other class of financial expedients to which she is limited by the circumstances of her position. These are the interior or home resources, and of them we propose to give some account in the present article. And first of all we are met by the fact that Russia has a Government Bank. This powerful instrument of administrative finance is of somewhat recent origin. It was established sixteen years ago, and received the name of the Imperial Bank of Russia. Like the old banks of Venice and Genoa, this bank had for its primary purpose the function of helping the operations of Government finance; but, unlike those celebrated institutions, the Russian Bank was founded on capital advanced wholly by the Government. Its Board of Directors are a Committee of the National Treasury, its profits pass directly into the coffers of the Government, and its management is carried on wholly by Government officials. If the offices of our Treasury in Washington, New York, Boston and other cities were to receive deposits and to make loans in addition to their present functions, our Independent Treasury system would very closely resemble the system imposed by law upon the Imperial Bank of Russia. This bank has forty-five branches. Its capital is \$15,000,000. Its deposits must be large, for its net profits in 1870 amounted to \$3,000,000, and its commercial operations were reported at \$8,000,000,000. Around this great central institution we find grouped together several distinct classes of banks whose organization somewhat resembles that with which we are familiar in the United States. For example, there are 115 savings banks whose deposits amount to \$2,900,000. There are also 250 commercial banks which somewhat resemble our State banks, and which have an aggregate capital of \$3,720,000. Besides these there are about twenty-five large joint-stock banks at St. Petersburg,

Moscow, Kharkow, Kiew, Riga, Volga-Kama, Warsaw, Odessa, and elsewhere. Some of these banks have considerable capital and extensive transactions.

Such is the general organization of the banking system of Russia. Its greatest defect arises from a deficiency of floating capital in the country. Probably also the methods of organizing capital for banking purposes are open to grave objection. Still with all its shortcomings the banking system of Russia has accomplished much for the development of the resources of the country which are as yet in a very backward condition. At present the products of the annual industry of the 80,000,000 inhabitants of Russia is estimated at an aggregate of 3,000 millions of dollars. The chief exports are gold, coffee and iron, cattle and meat, tallow, skins and wool, leather, hemp, tobacco and various raw materials. The soil is irregularly cultivated, commerce is restricted and manufactures are but slowly establishing themselves in the larger cities. Still there is a manifest progress. From 1821 to 1830 there were only three joint-stock companies formed with a united capital of less than \$3,000,000; from 1831 to 1840 the number was thirty-seven, and their capital \$22,000,000; from 1841 to 1850 the number was eighteen, and the capital \$7,500,000. But from 1851 to 1860 the number increased to 126, and the capital \$197,000,000, whilst from 1861 to 1870 the number increased to 148, with an aggregate capital of \$464,000,000. In truth, the productive activity of Russia is increasing with promising rapidity, and capital is flowing into new channels of industry, mineral, manufacturing and commercial. In 1859 the exports of Russia amounted to 162,000,000 roubles; in 1869 they were 255,000,000. In 1859 the imports of Russia amounted to 319,000,000 roubles; in 1869 they were 592,000,000 roubles. In 1859 the shipping entered and cleared in the ports of Russia was reported at 18,900 vessels and 2,000,000 tons; in 1870 it was reported at 24,300 vessels and 3,500,000 tons. These figures are small as compared with those of American or British ports, but they are important as illustrating the rapid increase in productive industry and material wealth.

We said above that there are great defects in the methods of organization of capital adopted in the financial system of Russia. One of the most important of these is the use of paper money which is an evil of very old standing as we had occasion to show in former articles. The system of paper money is more than a century old in Russia. Its mischiefs were severely felt when the industrial progress began of which we have given a brief sketch above. One of the worst foes of Russian development has been the vicious principle adopted in Russian finance that the currency constituted a financial reserve for the Treasury, and

that in time of war ample means could be obtained by the simple process of issuing promises to pay. Other governments have adopted the same means of raising money by a forced loan on legal-tender Treasury notes, but no government we believe has ever carried out this policy so persistently and so long. From the time of the first issues under Peter III and Catharine II paper money has been the chronic disturber of the Russian financial system. We scarcely recall any phase of the peculiar maladies incident to paper money issues which could not receive instructive illustrations from the recorded annals and experience of Russia. In 1817 the amount of paper in circulation reached 836,000,000 roubles, the value of the paper money fell and the premium on gold rose till exchange between London and St. Petersburg was quoted at nine pence instead of 44 pence per silver rouble. But a condition like this was fatal to Russian credit, and in 1822 the Government resolved to contract special loans in foreign countries in order to withdraw a portion at least of the paper currency, and to burn up some 200,000,000 roubles of notes. The proposal was carried into effect, but the expedient was not wholly successful. The question was again discussed on the accession of Count Kankrin, an economist and a reformer, as Minister of Finance, and a resolution was passed that it was expedient to prepare to resume specie payments. On the 1st of July, 1830, he accordingly issued a manifesto declaring that the silver rouble should thenceforth be the sole legal money of the Empire; that the paper notes should be received only as secondary signs of value at the rate of $3\frac{1}{2}$ roubles of paper for every silver rouble; that all contracts and engagements both of individuals and of the Treasury should be made and settled on the basis of silver roubles; and that the course of exchange should be quoted in silver roubles. To complete the plan orders were given that all the old notes should be withdrawn and cancelled, and that new metallic notes should be emitted in their place at the rate of $3\frac{1}{2}$ to 1 to the extent of 170 millions of roubles, such notes being convertible into specie. On the completion of this process in 1844 a public ceremony took place which attracted great attention at the time. A large sum was carried into the fortress at St. Petersburg under the supervision of twenty-four members of the Bourse and a deputation of merchants. This sum consisted of gold and silver in ingots and specie, and amounted to 70,464,245 roubles. This reserve of the precious metals was afterwards increased to 121,800,000 roubles as a guarantee of the convertibility of the outstanding currency.

At that time there were only 170,000,000 roubles of paper in circulation, and 121,000,000 roubles of gold and silver specie to cover it. Indeed the finances of the Empire were

so prosperous as to enable the Treasury of the Emperor Nicholas to go into the market as a large buyer of French securities to employ the surplus. This was the first of the banking operations of the Russian Treasury and funds of the State. Its success may perhaps have suggested the establishment of the Imperial Bank sixteen years later. The plethora of capital, however, lasted only a very short time. The insurrections and revolutions of 1848 brought troubles to Russia as well as to the other great powers of Europe. A costly war took place in Hungary, and the finances went into confusion. Again the Government adopted the ruinous policy of issuing paper money; and in 1849 the amount of notes reached once more the aggregate of 300,000,000 roubles, the precious metals meanwhile being hoarded or sent away from the country. A few years passed, and the Crimean war took place, which demanded still greater funds. These were obtained as formerly. The paper money issues were multiplied, and in 1857 the amount reached 735,000,000 roubles. Of course there was little or no specie held in reserve against these enormous issues, and their effect upon the internal trade of the country was so mischievous that in 1860 the Government established the present Imperial Bank, and conferred upon it extensive powers with a view to a reform of the monetary issues, and a revival of commerce and productive growth. Two years later, in 1862, M. Eugene Lamanski, the director, an able economist and an accomplished banker, published a report on the causes of the disorganization of the machinery of credit in Russia, and on the best means of financial reform. He showed that one principal cause of the mischief was the instability of the monetary circulation, and declared that so long as the State maintains a forced currency, the paper money can have but little stability of value, but that if Russia would renounce forever, the policy of using the issue of paper money as a financial reserve, all might be remedied. The suggestion was approved by the Czar, who made a formal promise to adhere to the policy of M. Lamanski. But later experience has shown that little confidence can be placed in such promises, and at present no one can tell what may be the policy of Russia in case of war arising from the present European complications. On the 31st December, 1870, there were in circulation in Russia 716 millions of roubles of inconvertible State notes. Against that sum there were at the bank gold and silver amounting to nearly 150 millions of roubles, or about twenty per cent. The currency being inconvertible, however, no note holder has any right to claim coin for his paper, and as the issue is redundant the notes are at a discount.

SHOULD BANK DEPOSITS BEAR INTEREST ?

France, as we are often reminded, is the only commercial country that is not suffering under the monetary and industrial depression which prevails throughout the rest of the world. The causes of this exemption have been eagerly sought out by economists, but so far the phenomenon has baffled investigation. It has been ascribed by some persons to the large specie reserve held by the Bank of France, which amounts to a much greater sum than has ever been accumulated by a single institution in modern times. Others point to the suspension of coin payments in France, and argue that the *cours forcé* has had some agency in protecting France from the financial troubles which have been rife elsewhere. By a third class the large export trade of France is relied upon as the efficient cause of the phenomenon, while others again attribute it to the general frugality and industry of the French people, and to their abhorrence of private and corporate debt. As most of these theories oppose and destroy each other, their discussion has not thrown much light upon the real nature of those economic forces which have worked out for France such unexpected industrial results from the disasters of the late war, and from the exhaustion incident to the payment of \$1,100,000,000 to Germany. The truth is that no single cause is sufficient to produce results of such a complex character. The permanence, the activity, and the vast extent of the productive forces of France, are largely dependent upon its conservative system of banking. Economists and bankers who attempt to investigate that wonderful play of financial forces which has made France so strong to endure the pressure of the last five years will wholly fail in their purpose, except they give due attention to the particulars of the banking system of that country. This system is very little understood outside of France, and it merits examination on many other accounts than those we have indicated. We have no intention, however, to give at present any elaborate accounts of the general methods or organization of the French banking system. We mention it for the sole purpose of fixing attention upon one of its most conspicuous characteristics, namely, that it allows no interest upon deposits on call. In France more than in any other country the line has been sharply drawn between finance institutions and banks. England, Germany, Austria and the United States might have saved themselves much embarrassment, industrial disaster and financial disorganization, during the past half century, if they had mastered this great monetary problem of separating and keeping distinct from each other the two contiguous fields of

banking and finance. To well-informed readers it is scarcely necessary to explain what we mean by a finance institution. We mean an institution organized to lend money for fixed periods of longer or shorter duration. Of these useful organizations there are various classes. Some devote themselves to railroad finance, while others take up real estate and miscellaneous enterprises requiring money for a protracted investment. However much finance institutions may differ from each other, they all agree in this one point, that they borrow money in order to convert it into fixed capital. This is their two-fold function. They always absorb floating capital, and they convert it into fixed or permanent forms. In this respect they differ altogether from a banking institution, whose proper business it is to avoid fixed investments, and to deal in floating capital only. In all rich countries there is in the money market a large amount of floating capital, the owners of which are willing to lend it for long periods, or to take some risks if they can thereby secure an ample rate of profit. In the reservoir of the loan market this class of capital has multiplied to a prodigious extent since the gold discoveries of 1848, and from it have been drawn the immense resources which have covered Europe and America with a network of railroads, telegraphs, and other productive works, which yield in the aggregate a vast annual profit on the capital which has constructed them. The capital, however, which has achieved these results is fixed capital, and it thus belongs to that class into which finance companies convert those resources which they borrow from the public.

A well-known English banker of much experience used to say that the business of managing a bank was a very easy one if a man could only distinguish a note from a mortgage. This maxim brings to view the principle we are discussing. By a note is meant floating capital, and by a mortgage fixed capital. With the latter a banker, if he confines himself to his proper business, has nothing to do; his functions are limited to floating capital in which alone he can safely deal. A legitimate note offered to him for discount stands for so much of the floating wealth of his dealer which is passing through the channels of distribution on its way to the consumer. Before the note matures, the goods it represents will have reached their destination, and their proceeds will pay the notes and will thus be liberated to go the same round again. These elementary distinctions, however, are familiar to every reader, and it would be well for this country if they were as completely recognized in practice as in theory. In France, as we have said, considerable progress has been made in this department of financial reform. One of the obstacles which has prevented similar progress elsewhere is the habit which has grown up in Europe and here of paying interest on demand deposits.

Formerly this custom was unknown. Some forty years ago it first established itself in London. Thence it emigrated to this country where it met with much opposition. Of late years it has spread among the country banks in England, and among the banks of almost every part of Europe except France. The history of this great movement is very instructive. It illustrates the enormous growth of capital since the quickening of productive industry by the gold discoveries, and it is a prelude to a new era of banking development in which conservative principles will be better recognized than in the past. Our immediate concern, however, is chiefly with the banks of the United States, and we must suspend for the present our scrutiny of those of other countries. The first occasion, we believe, in which the public attention was conspicuously directed to the payment of interest on bank deposits in this country was a short time before the panic of 1857. Twenty years prior to that great convulsion the joint-stock banks of England had adopted this policy with a view to attracting deposits, and establish themselves in London against their rivals, the private banks which adhered to the old conservative rule of paying no interest on deposits. Imitating the London joint-stock banks certain enterprising institutions in New York, together with some private banks, began to offer to pay interest to their depositors, and when the crash came in 1857 public opinion loudly proclaimed that the banking system had been weakened by this new policy and by the mischievous competition of the banks with each other which had thus been fostered. After the panic was over the New York Clearing House took up the subject, and a committee was appointed to confer with all the banks of the Clearing-House Association. In February, 1858, the following agreement was presented to each bank for signature. "The banks in the City of New York, composing the Clearing-House Association, do hereby agree not to allow interest on deposits or balance of any kind, either directly or indirectly, provided all the banks composing such Association shall concur in this agreement. This obligation may be annulled only by a vote of two-thirds of the banks hereunto subscribing, at a meeting specially convened for that purpose in pursuance of a written notice. And they further agree, that they will not hereafter vote for the admission of any bank to the New York Clearing-House Association until such bank shall have become bound by this agreement."

So general was the conviction as to the soundness of the policy embodied in this resolution that of the forty-six banks then in the Clearing House forty signed the agreement unconditionally, and there were only three or four banks which refused. In this state of things on the fourth of March, 1858, a report was prepared by a committee of the Clearing House in which the subject

was presented in a very luminous and practical manner. They argued that the custom of allowing interest on current deposits was not so profitable as had been supposed. They cited for example the case of a bank paying four per cent. interest (which was then the ordinary rate) on bank or bankers' balances, to the amount of one million of dollars. Of this deduct twenty per cent. to strengthen the cash reserve, and the following would be the result :

Interest paid on amount of deposit....	\$ 1,000,000	is	\$ 40,000
Deduct 20 per cent. for cash reserve....	200,000		
			<hr/>
			\$ 800,000
Interest on the above \$ 800,000, at 7 per cent. . .			\$ 56,800
			<hr/>
Leaves as net profit the sum of.....			\$ 16,800
On the other hand, suppose a bank has deposits without interest to the amount of....	\$ 300,000		
Deduct 20 per cent. for cash reserve.....	60,000		
			<hr/>
			\$ 240,000
On which interest at 7 per cent. is.....			\$ 16,800

The committee pointed out that in this calculation they had made no allowance for increased loss and risk on the larger amount discounted, or for additional clerk hire, and other expenses, which more than double the amount of business necessarily involves. They infer that if these considerations and the losses incident to the larger volume of business and risks were allowed for, a sum even less than \$ 250,000, without interest, would be shown to be equal to a deposit of \$ 1,000,000, on which four per cent. interest is allowed to the depositors. Hence they say, "It is clear that whatever profit is derived from business of this character, must of necessity be made by placing the largest possible proportion of such deposits on interest, or, in other words, by encroaching, in disregard of the highest prudential considerations, upon the amount which it is everywhere acknowledged should be retained for specie reserve. A bank having committed this first error of paying interest on its deposits, is therefore compelled, by the necessities of its position, to take the second false step, and expand its operations beyond all prudent bounds.

Further arguments were urged by the committee to prove that the policy of paying interest on demand deposits of banks is, (1) inherently unsound; (2) that it tends to weaken the legitimate commerce of the country, and to disturb the regularity of the business of the city; (3) that no bank can safely and profitably practice it; (4) that it tends to interfere with the efficiency and stability of our banks, and with the harmony of their intercourse with each other; (5) that its discontinuance will not divert any substantial deposits from this city; (6) that the reasons for its discontinuance are daily

increasing ; (7) that it has, under like conditions, no fair precedent in older countries ; and finally that, as it exists here, it has been unjustly applied. The committee, in conclusion, expressed their "conviction that the proposed agreement to cease the payment of interest would promote the highest public benefit and insure the greater prosperity and stability of the banks ; and that no simple measure could be adopted, of a public or legislative character, that would so effectually secure the good of the country at large, without the least admixture of evil. They, therefore, on behalf of the very large majority of their associates, who agree with them in these views, confidently appealed to the good sense of the minority, with this weight of opinion against their position, and left with them the serious responsibility of defeating a measure which is deemed so important and vital to the interests of the commercial and financial community."

These are the concluding words of the valuable paper presented to the Clearing House in 1858. The plan, however, was not fully carried out by all the banks, although on the 18th March of that year a number of resolutions were adopted in favor of it. The only one of these resolutions that was kept by all the Clearing-House banks was that in which they agreed to hold a cash reserve of twenty per cent. at least, against their net deposits. This last resolution was put in force immediately. In 1861 the stipulation as to the cash reserve was renewed and the amount increased to twenty-five per cent. The agitation against the payment of interest on deposits was suspended till the panic of 1873, when the proposition was again discussed by the Clearing House. For reasons which we detailed some time ago the question was once more postponed and a committee was appointed to report. The policy is attracting so much attention here and abroad, that the bank officers, to whom the subject was referred, will probably see the necessity of bringing in their report before long. This is the more likely, as heretofore the question has been formally discussed on the negative side only, while the reasons in favor of paying interest on deposits have not been so distinctly announced and defended.

Of course the fundamental principle which should govern this discussion is that of value. When the deposits are worth paying interest for, then the depositor should receive interest, and not otherwise. But this principle brings up the great distinction between finance companies and banks. In France, the former pay interest, while the latter do not. Whether we can with safety refuse to adopt the French system, is the question. Its practical value is undoubted. On the Clearing-House Committee it is incumbent to aid the solution of this problem by setting forth the reasons why interest should be paid on bank deposits in New York. Both sides of the question will then have secured a fair hearing.

THE HISTORY OF BANKING IN MASSACHUSETTS.

BY DUDLEY P. BAILEY, JR.

The first bank in Massachusetts was established in 1686, on the security of real and personal estate and imperishable merchandise. No account of its operations has survived and it maintained only an ephemeral existence, not probably extending beyond 1689. The next attempt was in 1714, when a bank, though opposed by the General Court, was commenced in Boston and emitted £100,000 of scrip, called "merchants' notes," which sustained a good credit. Almost as little is known of this bank as of its predecessor and it was probably about as short lived. Still another abortive attempt at banking was made in 1739-40. There were then outstanding bills of credit to the amount of over £200,000, which were, under royal instructions, to be redeemed during the year 1741. The treasury being empty, there was no way of effecting the redemption of the notes except by a direct tax which was not expected to yield more than £40,000 annually at the utmost. Specie was extremely scarce and as a measure of relief it was proposed to establish "The Land Bank." This was carried into effect in 1740 by the association of between 700 and 800 persons. The stock was paid by mortgages of real estate at three per cent. per annum, or, in the case of a mechanic, in notes for not over £100 with two sureties. The bank was to issue £150,000 in bills to be circulated as lawful money, and every note of £1 was to be equal to three ounces of silver. Loans were to be secured by mortgage of real estate and to be payable in provincial produce or manufactures at such prices as the directors might from time to time determine. The scheme was violently opposed by Gov. Belcher, and the Land Bank was soon compelled by an act of Parliament to wind up its affairs, and a right of action was given to each holder of its bills against any individual partner for the amount of the bills held and interest. It was many years before the affairs of the Land Bank were finally wound up, and its stockholders suffered severely in their estate on account of their liability. Another bank, called the Specie Bank, which went into operation about the same time shared the same fate. It was to issue £120,000 of notes redeemable in fifteen years in silver at twenty shillings per oz.

The first regularly established bank in Massachusetts was the Bank of North America, which was incorporated by the Massachusetts Legislature, March 8, 1782, or only about two months after this institution was opened in Philadelphia. By its charter no other bank was to be incorporated during the

war with Great Britain, and its notes were to be received for taxes or dues for or on account of the United States. Forgery, counterfeiting, and embezzlement, committed against this bank were made punishable with death without benefit of clergy. No record has been preserved of the operations of the Bank of North America at Boston. But they proved so beneficial that two years later, in 1784, the Massachusetts Bank was founded, being the first purely local bank established in the State, and the second in the United States. It has survived the vicissitudes of business for ninety-two years and still continues its operations as the "Massachusetts National Bank." For the first fifty years of its existence it never once suspended specie payments. Like all the banks established in the State for the next seventy years it was incorporated by special act of the legislature. Its charter, passed on the seventh of February, 1784, provided that the bank might hold real estate to the amount of £50,000 and "monies, goods, chattels, and effects to the amount of five hundred thousand pounds and no more." Neither the bank, nor any person for it, was to employ its funds in trade or commerce, and the legislature might employ a person to examine its affairs. By an act passed March 16, in the same year, heavy penalties were provided for the crimes of counterfeiting, embezzlement, forgery, and other frauds committed against the bank. The bank commenced July 5, 1784, and on that day its discounts amounted to \$19,645. Its original capital was \$300,000 authorized, of which only \$253,500 were paid in. The capital was reduced to \$100,000 in 1785; increased to \$200,000 in June, 1791; to \$400,000 in July, 1792; to \$800,000 December, 1807, and \$1,600,000 June, 1810. It was, in April, 1821, again reduced to \$800,000, at which figure it still remains, besides a surplus of \$200,000. It was originally located opposite Park Street Church, and was kept open for business from ten to one o'clock and from three to five. According to its rules, which were "not to be deviated from in the smallest instance, nor on any pretence whatever," offerings for discount were required to be sealed up and left at the bank, directed to the cashier, between the hours of ten and one o'clock on Mondays. The rate of discount was one-half of one per cent. per month. No discounts were to be made for a longer period than sixty days upon merchandise, bullion, or other securities as collateral, nor for more than thirty days on personal obligations with two sureties. No loan was to be made for a smaller sum than \$100, nor for a larger sum than \$3,000 to any person at the same time, nor beyond \$5,000 to any one borrower in the aggregate, nor beyond \$7,500 to any one person as promisor and indorser. No person was to be allowed to renew his notes on any terms, and in case of non-payment the security was to be sold, and the borrower was not to be al-

lowed any discount for eight months thereafter, unless restored to credit by a unanimous vote of the directors, and the names of delinquents were to be posted in a conspicuous place in the bank. Under these judicious regulations the bank became very successful, its dividends increasing from 9 per cent. in 1785, 2 per cent. in 1786, and $6\frac{1}{2}$ in 1787, to $15\frac{1}{2}$ per cent. in 1791 and $16\frac{1}{2}$ per cent. in 1792. They were subsequently reduced by the competition of other banks.

For many years after the close of the revolution the currency was in a very bad condition. Small bills of not over \$1 were issued plentifully by the Government of Massachusetts, and in November, 1786, there were, besides the "last tenor" bills, four other kinds of paper in circulation, namely, State, consolidated, army, and certificate notes. This plethora of paper tended to drive specie out of circulation. The State scrip was not liquidated until 1794, but the Legislature, in 1792, passed an act prohibiting the Massachusetts Bank from issuing any notes of a less denomination than \$5, and the total amount of all its promissory notes, together with the money loaned by it, by a credit on its books or otherwise, was limited to twice the amount of its paid-up capital, and in case of any excess the directors, under whose administration it occurred, were made personally liable for any demands against the bank, unless, in case of their absence or dissent from the act creating such excess, they forthwith gave notice of the fact to the supreme executive of the Commonwealth. This was the commencement of that war upon small bills which was kept up by the State Government of Massachusetts until 1805.

From 1784 to 1792 the Massachusetts Bank continued the only institution of the kind in the State, except so long as the branch Bank of North America continued in operation. In 1792 the Bank of the United States established a branch at Boston, and in the same year the Union Bank of Boston, the second State bank in Massachusetts, was chartered, with a capital of \$1,200,000 in specie, to be paid in by installments. Of this capital, \$400,000 was subscribed by the State. The chartering of the Union Bank was opposed by the "Old Massachusetts" on the ground that two banks were not needed. The Union Bank was not to issue any bills of less denomination than \$5.00 nor to owe more than twice its capital in addition to its deposits; the directors to be personally liable in case of any excess. One-fifth of its funds was to be always appropriated to loans out of Boston, made exclusively for the benefit of the agricultural interest, in sums of not less than \$100 nor more than \$1,000 each, secured by mortgage of real estate and to run for a term of not less than one year. This questionable provision does not appear in any other charter granted previous to 1802. But from that time to 1816 nearly every bank charter contained a requirement to appro-

priate a certain proportion of the bank's funds to such loans, usually in sums of \$100 to \$500 each. The proportion of funds required to be so appropriated was, from 1802 until 1811, reduced to one-eighth; after that year to one-tenth; and after 1816 very few of the charters contain any provision in relation to the subject. In common with the Massachusetts and all banks subsequently chartered, the Union Bank was not to vest, use or improve its funds in trade or commerce. No one but a citizen of Massachusetts and no director of any other bank could be a director, and any director accepting an office in any other bank thereby vacated his office of director in the Union Bank. No stockholder was allowed to have more than ten votes, those owning over \$100 of stock having only one vote for each additional \$200. The directors were to make half-yearly dividends of all the profits of the bank, thus preventing the accumulation of a surplus which is so carefully provided for in our National Banking system. The bank was required to loan not extending \$100,000 to the Commonwealth at five per cent. interest. It might establish branches in other places. Provision was made for attaching the shares of its stockholders and for an examination by a legislative committee, and, if on the report of such committee and a hearing thereon, it should appear that the corporation had exceeded the powers granted in the charter, or failed to comply with its provisions, its incorporation was thereupon to be declared forfeited and void. By a law passed in 1793 it was provided that the State Treasurer (afterwards the Secretary) should be *ex officio* a director, and the Legislature might appoint a number of other directors in proportion to the stock of the Commonwealth. The bank was also made the depository of the funds of the Commonwealth. Most of the charters subsequently granted contained substantially the same provisions with some variations of detail, and some exceptions which will be noticed in their place. Provision was made in nearly every case for a State subscription, usually to the amount of about one-third, to the capital of each bank. Thus the State became quite largely interested in the banking business, holding in 1812, according to Martin's "*Boston Stock Market*," bank stock to the amount of \$1,000,000, (about one-eighth of all the bank capital of the State;) which was sold to defray the expenses of Gov. Strong's military campaigns. Each bank was also required to lend to the State, if required, a certain portion of its capital, but when in 1815 the State wished to borrow \$1,000,000, this stipulation in the charters was found of but little use, and in 1816 an act had to be passed to enforce compliance with such demands in future.

No other bank was chartered until 1795, when the Nantucket was incorporated with a capital of \$40,000, subsequently in 1797 reduced to \$20,000. It was allowed to issue bills as small as \$2.00. The Merrimack Bank, established in the same

year at Newburyport, was allowed the same privilege which was not enjoyed by other banks until 1805. It would appear that even at this early period the vicious practice of paying installments of bank capital by means of loans or discounts, from the funds of the bank itself, had begun to attract notice. For there appears in the charter of the Nantucket Bank, a proviso evidently aimed at this practice, that no stockholder should be allowed to borrow at said bank at or after any installment became due, until he had paid in his full proportion of such installment. In some of the subsequent charters the provisions were still more stringent.

Previous to 1799 there was no general banking legislation, each bank being subject to no law except that contained in its charter. In that year, for the first time, a general law was enacted prohibiting unincorporated banking associations, under a penalty of \$ 1,000, and making void all notes and securities given to them. All such associations then existing were to cease loaning money or issuing notes after March 1, 1800. After the 1st of September, 1799, no bank incorporated under the laws of Massachusetts, except the Nantucket, was to be allowed to issue or pay out any note of a smaller denomination than \$ 5.00, and any bank issuing such note was liable to pay the holder thereof the full amount of \$ 5.00. At the time this statute was passed, five banks had been incorporated with authorized capital of not more than \$ 2,250,000. In 1802 the act of 1799 forbidding Massachusetts banks from issuing bills under \$ 5.00, was supplemented by another act forbidding any person under a penalty of \$ 4.00, from receiving or paying out any bill of less than \$ 5.00 issued by any bank or banking company other than the Bank of the United States or the banks in Massachusetts. This triumph of sound banking principles was of short duration. Owing to the scarcity of small change for currency, a popular demand arose in 1805 for bills of less than \$ 5.00, and though the proposition to allow the issue of such bills was, after careful consideration, rejected by the banking committee, a law was, in that year, passed as a temporary measure to permit the banks "during the pleasure of the Legislature" to issue bills of \$ 1.00, \$ 2.00, and \$ 3.00 to the amount of five per cent. of their paid-up capital. Instead, however, of proving a temporary measure this law fastened the policy of issuing small notes upon the banking system of the State so firmly that it was never afterwards shaken off. The concession made in favor of small notes in 1805 did not appease the demand, and in 1809 the banks were granted the privilege of issuing bills of \$ 1.00, \$ 2.00, \$ 3.00, and \$ 4.00, to the amount of fifteen per cent. of their paid-up capital. The law was again changed in 1812, so as to limit the amount of bills of \$ 1.00, \$ 2.00, and \$ 3.00 to ten per cent. of capital paid in. It was not till 1818 that the limit of such bills was finally es-

tablished at twenty-five per cent. of paid-up capital at which it remained during the continuance of the State bank system.

The first step taken to secure returns from the banks was by an act in 1792, requiring the Massachusetts Bank, at least once in six months, or oftener if required, to furnish the Governor and council a statement showing its capital stock, debts due to it, deposits, notes in circulation and cash on hand. Except in the case of the Union Bank, all the charters subsequently granted until the passage of the general law in 1803, required returns once in six or twelve months. The banks were very negligent in this particular and the returns received were, as appears by the statement of Gov. Strong, very few in number. In order to insure greater regularity in this respect a law was passed in 1803 requiring the banks on the first Monday of January and June every year, to return to the Governor and council a statement showing the amount of their capital stock actually paid in, debts due to the bank, deposits, notes in circulation, gold, silver and other coin on hand, notes of other banks incorporated in Massachusetts and notes of banks incorporated elsewhere; the statements to be signed by the directors and laid before the Legislature on request. It was not until 1805 that the law required the returns to be sworn to. The law was in 1806 so changed as to require the returns to state the value of real estate belonging to the bank, amount of debts on interest, other debts not on interest, bills of \$ 1.00, \$ 2.00, and \$ 3.00 in circulation and the amount thereof on hand. A subsequent act, passed in 1813, required them to state also the rate and amount of the last dividend and the amount of reserved profits, but dispensed with the provision requiring them to distinguish debts on interest from those not. A penalty of \$ 5,000 was imposed for neglect to make returns.

During the two years, 1803 and 1804, the growth of the banking system was very rapid, the number of bank charters granted in the former year being six, and in the latter three, giving a total of sixteen banks incorporated in Massachusetts proper, with a maximum capital authorized of \$ 5,760,000. The returns for June, 1805, showed sixteen banks in operation with a paid-up capital of \$ 5,460,000. In 1806 one bank was incorporated, while one already established, the Merrimack, had become absorbed in the Newburyport. Up to 1811 no other bank was chartered. During this period, 1805—10, the condition of the bank-note currency of New England became very bad. The banks in some of these States issued bills as small as twenty-five cents, while the proportion of specie was very small. The banks of Massachusetts, notwithstanding legislative safeguards, were not free from the prevailing vices of the times. It is said that when the vaults of the Berkshire and Northampton banks were examined, about the time of the crisis of 1808—9, one had only \$ 30 or \$ 40 of specie in it,

while the other was entirely empty. Mr. Burwell, of Virginia, is quoted by Wm. M. Gouge, in his History of Banking, as saying that "The State of Massachusetts found, upon examining the vaults of the bank, the whole of them did not contain specie equal to the paper issued by a single one." It is certain, however, that the published returns make a much better showing than this.

The explosion in 1808—9 shattered many of the New England banks, but those of Massachusetts, resting on a firmer foundation, for the most part escaped by a sudden contraction of their issues. The circulation, which had been \$1,565,189 in 1803 and \$1,613,684 in June, 1806, was reduced to \$1,481,777 in January, 1807, and \$1,038,042 in January, 1808. Their specie, which was reported \$1,079,928 in 1803, and \$714,783 in 1807, was given as \$1,015,844, or nearly equal to their circulation in 1808. One Massachusetts bank appears to have failed or discontinued during this crisis, as the number of banks reported in operation in 1810 was fifteen against sixteen the year before. The discount on bank bills in Boston in 1809, is given as follows: Lincoln and Kennebec, three to four per cent.; Penobscot, ten to twelve; Northampton, fifteen; Vermont and branches, five to fifteen; Berkshire, twenty to fifty; Hillsborough, N. H., thirty to fifty; Cheshire, thirty to forty; Coos, forty to sixty. "For most of these," says Mr. Martin, "*par* was offered in exchange for *rum, lottery tickets* and other like delicacies of the day." New England bank notes at this time are said to have been at a discount of about fifty per cent. or more in Philadelphia.

Among the fruits of this crisis may be reckoned an act providing that if after January 1, 1810, any bank in Massachusetts should refuse or neglect to pay on demand any of its bills, it should be liable to pay to the holder two per cent. per month until paid, as additional damages, and that the bills of banks out of the State, except those of the United States Bank and branches, should not be received on deposit, or in any other way be negotiated, loaned or passed in payment by any bank in Massachusetts, or the Boston Exchange office, under a penalty of \$1,000 for each offence. Legislation so extreme could hardly have been provoked except by evils of a very aggravated character. The latter portion of the act was repealed in 1816, but the former remained permanently incorporated in the laws of the State. In 1809 an act was also passed requiring the banks, for the purpose of producing uniformity and preventing the counterfeiting of their bills, to print those of \$1.00, \$2.00, \$3.00, \$4.00, and \$5.00 from stereotype steel plates. This useful invention, though not producing all the good anticipated from it, yet contributed somewhat towards the prevention of counterfeiting, and continued permanently to retain its hold upon the public estimation.

In 1811, on the expiration of the charter of the United States Bank, new capital began again to be embarked in the banking business. Two banks were chartered in that year with a capital of \$3,300,000. One of these was the State Bank at Boston, with an authorized capital of \$3,000,000, besides \$1,500,000, which the State might, (but never did,) subscribe, giving a total authorized capital of \$4,500,000. This bank was, probably, intended to occupy a position in relation to the banking system of the State, similar to what the United States Bank filled in relation to the banking system of the United States. If this was the plan it never met with very flattering success, centralization finding no congenial atmosphere in New England. In 1817 its capital was reduced to \$1,800,000. Its charter, which constituted the model of those subsequently granted, was in most respects similar to that of the Union Bank, but with more stringent provisions to guard against banking on fictitious capital. No business was to be done by it until \$600,000 of the capital was paid in and existed in its vaults in gold and silver, and had been examined by three commissioners appointed by the Governor, whose duty it should be to count such moneys, and ascertain by the oath of the directors, or some of them, that the same had been *bona fide* paid in by the stockholders towards payment for their respective shares, and not for any other purpose, and was intended to remain as a part of said capital, and to return a certificate thereof to the Governor. All the banks created in 1811, or after that, including old banks newly chartered, were made subject to the same provisions, and it is not unreasonable to infer that the satisfactory manner in which the banks generally passed through the crisis of the war, from 1812 to 1815, was in some measure due to these restrictions.

In 1811 the approaching expiration of the charters, most of which were to continue only until 1812, caused quite a flutter in bank shares, so that their prices fell seriously until the matter was settled. Nearly all were newly chartered, being obliged, however, to go through the form of winding up and commencing anew. Up to this time the limit of the circulation of the banks had generally been fixed at twice the capital actually paid in. In the new charters the limit began to be reduced to fifty per cent. in excess of the paid-up capital.

In 1812 the banks were subjected to a State tax of one-half of one per cent. on their capital, which, with some variations in the mode of imposition, continued as a permanent feature in the fiscal system of the State. The average dividends of the banks from this time became reduced by an amount considerably larger than the tax.

The year 1813 was marked by an important movement towards reforming the bank note currency. The New England Bank which commenced October 5th, with a capital of

\$ 1,000,000, found that the bills called foreign, because not issued in Boston, were subject to a discount of from three to five per cent. Scarcely a dollar of Boston paper could be seen, being laid aside for profitable speculation. To rectify an evil so great to most of the banks and many individuals, the New England Bank immediately gave notice that it would charge only the expense of having foreign bills carried to their respective banks and the proceeds returned to all who wished to avail themselves of such an arrangement. By this means it very soon brought down the difference of exchange between foreign and current bills to one-half of one per cent., bills of suspended banks of course excepted. The institution pursued the same course with regard to drafts. Merchants and traders had been subjected to exorbitant charges on such paper drawn on the South. By merely charging the cost of getting them cashed, it did great service to the commerce of the State. (*Fell's History of Massachusetts Currency.*) We detect here the first approach toward the par redemption system, afterwards known as the Suffolk Bank System.

(*To be continued.*)

A CENTURY OF FINANCE IN THE UNITED STATES.

By J. S. GIBBONS.

(*Continued from July number.*)

SEVENTH AND CONCLUDING PERIOD. 1857 to 1876. *Secretaries of the Treasury*, COBB, DIX, CHASE, FESSENDEN, McCULLOCH, BOUTWELL, RICHARDSON, BRISTOW.

HOWELL COBB, of Georgia, was appointed Secretary of the Treasury, in March, 1857, on the accession of James Buchanan to the Presidency. The Quadrennial National canvass of 1856, developed into active and threatening demonstration the sectional passions of the country on the subject of slavery; and it became an established opinion that a decisive conflict was preparing, the result of which, whatever else might follow, would be to shake the foundations of credit and impair the stability of commercial business.

In the twelve years after the discovery of gold in California, (1849,) there was coined at the several mints of the United States, four hundred million dollars. Credit and speculative enterprises of every description had kept in advance of this extraordinary flood of the precious metals. It could not be said that they were without support, although the law of the Independent Treasury deprived them to a great extent of the new capital to which they were entitled, *i.e.*, to their profits. As any commerce grows, its natural action and right is to

accumulate capital by the consolidation of its net earnings. It is not apparent from the official tables that any considerable part of the four hundred million of new coinage, produced from 1849 to 1857, went to strengthen our domestic financial condition. Our methods of administration were such that, the greater the accession of the precious metals the greater the depletion by export to pay our foreign debt. The average of imports rose from 146 million prior to the opening of California, to 271 million after that event. The consequence of this was an increased seizure of the precious medium in the shape of duties, and a large increase of specie shipments to foreign countries. The average export of gold in the several years prior to the opening of California was less than eight million dollars; but from 1849 to 1857 it rose to forty-five million. The official tables show that of the 400 million dollars of new coinage not less than 312 million found its way to Europe. In the same years the import of specie declined from an average of ten and a half, to about seven and a half million. It does not seem possible to explain this loss to our market of the precious medium, otherwise than by the direct action of the Independent Treasury. Nor is there any other apparent explanation of the suspension of specie payments, which took place in 1857. The tariff of that year, by which a sweeping reduction of the duties of 1846 was effected, was of too recent date to be numbered among its producing causes.

The secretaryship of Mr. Cobb, which covered the four years from 1857 to 1861, was marked by a general decline of the public credit, notwithstanding the existence, to use his own language, of "all the elements of prosperity. * * Abundant crops, with remunerative prices, money seeking safe investments, and indeed every thing to indicate more than the usual increase in trade and business."

The suspension of specie payments proved to be of short continuance. It was described by the bankers as a species of financial catalepsy—a shock of alarm, and not the result of any established conditions of commercial disease or disorganization. In a single week the banks were prepared to resume payments, but counsels of prudence prevailed to postpone the measure for a more complete recovery from the shock which had been experienced.

The plan of regulating duties to meet the expenses of the government, designated as the "revenue policy," was persistently advocated by Secretary Cobb during his term of office. But it presented no logical relations whatever to the subject, and elicited no phenomena different from former dogmatic experiments of a similar kind which had been tried through several democratic administrations. It has always been regarded as a specious attempt to introduce and establish permanently the policy of *free trade*.

The following extracts from the last report of Mr. Cobb, foreshadowed the opening scenes of the civil war, which was soon to set at naught all ordinary calculations affecting the fiscal affairs of the Government. It need be premised only that, immediately after the national election in November, 1860, conventions were announced in prompt succession in the several leading States of the South, for the purpose of dismembering the Union, and establishing two independent nationalities. Events followed each other with the precipitancy that usually attends revolutionary movements.

December 4, 1860. "The estimates of receipts into the treasury have been made without reference to the financial and commercial panic which has assumed so threatening an aspect within the last few days. * * The country was never in a more prosperous condition. The exports of the last fiscal year had reached the enormous sum of \$400,122,296, and the imports for the same period were \$362,163,941, yielding a revenue from customs of \$53,187,512. The exports of domestic produce for the present fiscal year, indicate an increase. * * It is impossible to anticipate the effects which the threatened revulsion will produce. * * All the elements of prosperity are in existence. * * The causes which have so suddenly arrested this tide of prosperity must be looked for outside of the financial and commercial operations of the country. They are of a political character, and therefore so dependent for their ultimate effect upon future developments, that it is impossible to say what will be the extent of their influence. * * Already has the Treasury been seriously affected by these causes. The receipts from customs for the last few days have greatly fallen off, and the limited amount received is composed each day of an increased proportion of treasury notes not yet due."

In fact, the credit of the Government was already paralyzed. Notwithstanding the prostration of commercial business, in consequence of which the banks were overflowing with unemployed capital, but \$10,000,000 was offered on a loan of \$21,000,000; and, of this sum, bids to the amount of \$3,000,000 were subsequently withdrawn. Another loan, of \$25,000,000, was authorized in February, 1861, without restriction of price to *par*, as in the former case. Under this act sales were effected to the amount of \$8,006,000 at rates varying from 90.15 to 96.10 for each \$100.

Secretary Cobb, who was believed to be in secret collusion with the southern conspirators to dismember the Union, retired from his place before the expiration of his official term,* under well grounded suspicion of having used the funds and the prerogatives of the government to assist, covertly, their treasonable project.

*Resigned December 10th, 1860. Acted as chairman of the delegates at Montgomery to organize the Southern confederacy, February 4, 1861.

A transient occupancy of the treasuryship by the Hon. John A. Dix, * of New York, revived the confidence of capitalists in our chief cities; and the suspended loan negotiations were resumed with a measure of success which relieved the immediate necessities of the Government, and gave time for public opinion to rally for its effectual support.

The Hon. Salmon P. Chase, of Ohio, was appointed Secretary of the Treasury on the 4th of March, 1861.

After this date, the financial history of the government and country, presents no salient features, legislative, executive or experimental, on which the American citizen can pride himself, or to which he can refer with any high degree of satisfaction, or consciousness of successful labors in the most important of all branches of material and social development.

It is, however, to be considered that *economy* is not one of those divisions of exact knowledge or of practical appliance, concerning which we have only to turn to a written page and be instructed in its conclusive demonstrations. So far from this, we find ourselves, at the end of a century, groping in the fogs of doubt and controversy on the simplest of its rudiments. If there be in this no ground for distrust of popular government, with respect to its capacity for the exhibition of the highest functions of National life, it is at least a source of anxiety for the future which ought to inspire an effort to avert from our posterity the disorders and demoralizations from which we have not been able to save ourselves.

The financial emergencies of a civil war on a theatre so broad as that of the United States, and with elements of such vast indefiniteness, it must be admitted, were beyond all human powers of estimate. But was there not, therefore, the greater reason that the chief fiscal head of the Government should call into council the leading bankers and financial managers of the country, and avail himself of their knowledge, of their experience, and of their means, material and pecuniary, for carrying on the contest and bringing it to a speedy determination? Those men were at hand. They had already, on the first outbreak of the war, offered themselves and all their vast organized capital to the Government. They were in possession of the most complete machinery of exchange that existed—the best results of the experience of near a century, covering with its offices, its deposits, its stores of gold, its established credit, and above all, its commercial sympathy, the whole territory of the Union! To what body of men, if not to such, should the Government appeal in a crisis which threatened its existence? It is the most inscrutable page of the record that, in such an emergency, the Secretary of the Treasury not only rejected the

* Philip F. Thomas, who filled the place on the resignation of Mr. Cobb, himself resigned, and Mr. Dix was appointed on the 11th of January, 1861. He served as Secretary until March 4th.

counsel and the material organization of the best qualified bankers and merchants, but listened in preference to the schemes of visionary and speculative theorists, whose great fault was their simple ignorance of every settled principle of fiscal science.* Mr. Chase did, indeed, invite them to meet him in the City of New York. But to what purpose? He ignored the repeal of that part of the Independent Treasury Act, the special intent of which was to permit the use of banks as depositories of the Government, and insisted on the payment of the \$150,000,000 which they subscribed, *in gold*. The bank officers protested, that it would inevitably force them, and the whole country, into the suspension of specie payments. The Secretary was inflexible, and they were obliged to yield. They advanced 150 million dollars at several dates. Fifty million on the 19th of August, 50 million on the 1st of October and 50 million on the 16th of November, 1861. Of the first 50 million, a considerable proportion returned in the circle of deposits; of the second, a much smaller proportion; and of the third, so little that it became evident that no further negotiations in specie could be successfully carried. The banks were thus compelled to suspend specie payments, which they did on the 31st of December, 1861, not from any commercial necessity, not from any distrust on the part of their bill holders or depositors, but purely because the Secretary of the Treasury insisted on the actual transfer in substance of the gold from their bank account, where it was held in trust, to the vaults of the Independent Treasury. The immediate consequence was that gold acquired a premium, and from being an instrument of negotiation and exchange became an absorbant of the instrument. The expenses rapidly increased.

"They had already reached (in 1862) an average of nearly a million and a quarter of dollars for each secular day," wrote the Secretary in his report to Congress, "while the revenue from all sources hardly exceeded the one-tenth of that sum." In this emergency the issue of Treasury notes was resorted to. These were declared legal tender by Congress; and as a medium for the payment of loans were of signal service to the Government. At the same time Mr. Chase brought forward the National bank system, the principal feature of which was the constitution of the public bonds as the security for circulating notes. A tax was levied on the circulation of the State banks which consequently was withdrawn. The rapid organization of banks under the National system, and the conversion of the local institutions, absorbed over four hundred millions of new loans. At the same time the issue of legal-tender notes went on until

* Among those who have claimed the honor of having first presented to Mr. Chase the plan of the National bank note system were a clergyman, a superannuated politician, a real estate "operator," a patent lawyer, and a school teacher.

they reached an aggregate of another four hundred million. The industries growing out of the necessities of the war created a general activity in business, and favored a wide popular investment in the public securities. The financial requirements of the government soon ceased to be a cause of anxiety to the people. Leaving out of view the depreciation of the currency, which advanced in proportion to the increase of its volume, there was but little ground of complaint. The following table of quotations shows the monthly average of the premium on gold, which was the true sign of the progressive depreciation :

AVERAGE RATE OF GOLD IN CURRENCY.

1863.		1864.	
August	126	February	159
September	134	March	168
October	148	April	178
November	149	May	179
December	150	June	222
1864.		July	254
January	155	August	261

The Secretary of the Treasury had pledged his financial reputation on the National bank currency. "It seems difficult," he wrote in his report of 1862, "to conceive of a note circulation which will combine higher local and general credit than this. Every dollar of it would represent real capital, actually invested in National stocks, the imprint of the National seal, authenticating the declaration borne on each that it is secured by bonds which represent the faith and capital of the whole country, could not fail to make every note as good in any part of the world as the best known and the best esteemed National securities."

That Mr. Chase had erred in his estimate of the current value of the National bank currency was due to the inevitable law of paper money, of which in his intense zeal for the public good he failed to take cognizance. There had been a long period in which the desperate struggle for the Union seemed to produce less result than the great efforts put forth justified. At this juncture (1864) there were also increased difficulties of negotiation; and the Secretary, doubtless weighed down by the anxieties of his position, resigned his place on the 30th of June, 1864.

After this date the department was presided over successively by the Hon. W. P. Fessenden, Hugh McCulloch, Geo. S. Boutwell, William A. Richardson, and Benjamin H. Brewster, without any material change in the policy of administration.

The termination of the war in 1865 put an end to the accumulation of debt, and the success of the Union so im-

proved the National credit in foreign markets that a large proportion of it was refunded at a lower rate of interest than marked the original negotiations.

Among the most interesting features of our financial history through the term of our great trial, was the willingness with which the people submitted to taxation, and the astonishing rapidity with which the liquidation of the debt has been carried forward.

The following table exhibits this process in a condensed form:

<i>Year.</i>		<i>Outstanding debt.</i>		<i>Liquidation.</i>
1861	..	\$90,580,874	..	
1862	..	524,176,412	..	
1863	..	1,119,772,139	..	
1864	..	1,815,784,371	..	
1865	..	2,680,647,870	..	
1866	..	2,773,236,174	..	
1867	..	2,678,126,104	..	\$95,110,070
1868	..	2,611,687,851	..	66,438,253
1869	..	2,588,452,214	..	23,235,637
1870	..	2,480,672,428	..	107,779,786
1871	..	2,353,211,332	..	127,461,096
1872	..	2,253,251,329	..	99,960,003
1873	..	2,202,752,993	..	50,498,336
1874	..	2,192,930,468	..	9,822,525
1875	..	2,173,869,532	..	19,060,936

Apparent liquidation to date....\$599,366,642

The actual liquidation was in reality much greater than is represented in the official reports, which do not take cognizance of payments made intermediately; that is, between the periods of fiscal settlement. For example, it is well known that the liquidations (which alone give the true data whereby the total debt is ascertainable,) have amounted to something near 800 million dollars, more or less. It is therefore evident that the maximum of the debt, instead of being 2,773 million dollars as reported in the above table, reached near 3,000 millions. This has been demonstrated with such apparent conclusiveness as to leave no room for doubt.

It has not been the object of this sketch to make a close record of every transaction which belongs to our financial or economic history. The writer is well aware that many important matters have been passed over. The passage of the General banking law of New York, in 1838, and the organization of the New York Clearing House in 1853, are subjects that would require for their proper elucidation more space than is occupied by this entire abstract. It might be expected also that laws and methods which have exerted a controlling influence over our commercial interests, while those interests have been declining from one stage to another to-

wards the state of almost hopeless depression now reached, would have been treated from a more critical point of view. This is impossible to so limited a space. The policy of liquidation adopted by Congress, under the persistent and controlling influence of the Treasury department, is, likewise, a subject for close and critical review. It is certain that a scale of taxation which has made it possible to extinguish 800 million dollars of debt, on the very heels of a war that covered the country with wreck and devastation, however flattering to the political aspirations of individuals, is utterly without defence on any known principle of economic science. The deplorable condition, of trade, commerce and industry, in every branch, and over every part of our territory, furnishes the true explanation of the difficulty of restoring our currency to its normal integrity, and revivifying the sources of National revenue.

DIFFERENT STANDARDS OF MONEY DO NOT OBSTRUCT TRADE BETWEEN NATIONS.

BY GEORGE M. WESTON.

It is frequently said that as all commercial countries have adopted gold as the standard, or are on the eve of doing so, it will be impossible for the United States to maintain the double standard.

The fact is not at all as thus represented, and, if it was, the deduction from it is not supported by either reason or experience.

Since England adopted gold, sixty years ago, her example has been followed in Europe by only Portugal, Germany, and the Scandinavian States. France, Italy, and Spain, have the double standard. Austria and Russia have the silver standard. In fact, it is paper which has a forced currency in France, Italy, Austria, and Russia, specie payments having been suspended. Among the commercial nations of the East, Japan alone has adopted gold. Manifestly, it is very wide of the truth to say that we must adopt gold, because all other commercial countries have done so. Not only is that not now the fact, but it cannot be the fact within any time, or under any contingencies, at present to be foreseen. If the attempt of Germany, not yet successfully carried out, to adopt gold, has convulsed the financial world, and forced the Bank of England rate of interest more than once up to ten per cent.; within what period is gold enough to be found for the one hundred and sixty millions of people in France, Italy, Austria, and Russia, now condemned to the use of paper?

But why need we give up our own constitutional double standard, because certain foreign nations, more or less in

number and importance, choose to adopt gold? What reason is there for it, or how is it shown by the experience of mankind to be a necessity?

Coined money is not legal tender beyond the territorial limits of the sovereignty by which it is struck, except under some special authorization by the sovereignty within whose territories it may be offered. Our gold eagles, or silver dollars, were never moneys in the sense of legal tenders outside of our own boundaries. In another and more general sense gold and silver are money everywhere, or, in Mr. Webster's language, "*by the law of the world abroad.*" Their bullion value is universally recognized, and will always adjust balances of trade. The conversion of one currency into another, by means of the bill of exchange, is familiar. An order for one hundred pounds sterling, payable in London, can always be purchased in New York, either with gold, or silver. The rate depends upon the course of exchange at the time of the purchase, and it depends also if the purchase is made with silver, upon the market ratio of silver to gold. But in no event, can the American currency be carried bodily and specifically to London, there to be used as money. The operation of converting it into English money by purchase is first to be performed, and as truly when so many gold eagles are paid for so many sovereigns, as when so many silver dollars are paid for so many sovereigns.

Undoubtedly, the elements of the calculation in converting the gold coins of our country into those of another, are simpler and more certain than in the conversion of a silver currency, or a paper currency, into one of gold. In the first case, it is only needed to fix the comparative weights of pure gold, and the exchange will not ordinarily exceed the charges of transportation, including insurance. But the conversion of currencies of different material into each other is within the common experience of mankind, although the rules which govern it are more complex and more fluctuating. When Great Britain alone, in 1816, adopted the gold standard, it was without the least apprehension that any difficulty would thereby be thrown in the way of its commercial intercourse, which then, as now, was more widely extended than that of any other nation. The English are "*a nation of shop-keepers,*" and the last people in the world to do anything to obstruct trade. The Dutch, who are only less commercial than their British neighbors, suffered no detriment in their mercantile transactions by adopting an exclusive silver standard in 1847. They traded with everybody as freely as before. Not a steamer the less plied between Rotterdam and London, because the only legal tender was silver in one place and gold in the other. The actual currencies of half of Europe consist of paper, by force of law, and that has been true of our own country for fourteen years, and will be for a century to

come, if this madness of a gold standard shall endure so long. And, since experience has shown that even paper is convertible without difficulty, at its market value, into the metallic currencies of other countries, we need not fear that those who use silver cannot find an easy and practicable way of trading with those who use gold. A striking instance of that has been witnessed for forty years in the vast commerce between England and its great dependency, India, both subject to the same crown, but with different standards of money. The gold sovereign, with Victoria's head upon it, will not pay a debt in any part of that oriental realm of which she is now the titular, as she was before the real, empress. The silver rupee, coined at her Indian mints, and also bearing her impress, will pay no debt in her capital city. But trade between Calcutta and Bombay on the one side, and the cities on the Thames and Mersey on the other side, is affected only by differences of exchange, and is free and unobstructed.

If a nation need not be deterred from adopting an exclusive silver standard by any fear that it will thereby be made difficult to maintain commerce with nations adopting gold, we have much less reason to be deterred by such a fear from adhering to the double standard of gold and silver. In fact, that standard puts us in the best possible position to trade with all the world, because it keeps us always stocked with both the metals, to meet the varying wants of customers. It is exactly suited to our geographical position, looking to Asia on one side, and Europe on the other, and, to our great destiny, which is to be, if we are true to ourselves, the masters, without a rival, of the world's commerce.

Before a monetary commission of the French Government, in 1869, M. le baron Alphonso de Rothschild, said :

"If the coining of silver was suppressed in France, less would come here, as it would no longer be attracted by the facility which commerce now has, of converting it into coin. It is this power of converting the bullion into money, which attracts silver to France, and causes it to remain, even when the price is for the moment too high to admit of its being coined. It was this which caused France to have, in 1866, that great reserve of silver, which England was obliged to draw upon, paying a large premium and to the profit of French commerce.

"It is another important consideration that the circulation of silver serves as a reserve, when, by reason of the failure of the harvests it is necessary to buy corn in countries in which, as in Russia, the current money is silver. If that metal should be reduced to merchandise in France, as it is in England, commerce would have less facility in procuring it, and the reserve of it in the country would disappear."

In framing and proposing the Bank Act of 1844, Sir Robert Peel showed himself very sensible of this precise difficulty

pointed out by Baron Rothschild, that England, although always liable to need silver, because trading with all the world, had no stock in circulation to draw from, having demonetized that metal. His expedient was to allow the Bank of England to hold one-fifth of its bullion reserve in silver, and that is still the law of that institution. His language was, that having this stock of silver in the bank for the purposes of exportation, "*was a proper remedy for the inconvenience of our standard differing from that of other nations.*" A better treatment would have been to have restored silver to its proper place in the circulation, and then there would have been no inconvenience to remedy.

There are for us positive advantages in having our currency differ from that of England, notoriously subject as that is to frequent and violent fluctuations. It is claimed for our non-exportable greenback currency, that it renders us less sensitive to the mercantile and financial vibrations of the rest of the world, and undoubtedly it does so. Silver has not at all the non-exportable quality, but it is still true, that with the double standard we should be less affected, than with the gold standard, by the periodical struggles of the Bank of England to recruit its bullion. It would only be one part of our money which that institution would struggle to draw to itself.

Do what we will, we shall be sufficiently in the power of British capital, until we obtain emancipation by acquiring for ourselves what we need. London is, at present, the chief seat of the money changers, and in pecuniary transactions it is the lender, not the borrower, who dictates terms. To make securities acceptable to these principal owners of loanable capital, enough of them will be made, with the interest, and sometimes the principal payable, in gold or even specifically in sterling money and in London, to give to that city a dangerous control over the interests of mankind. A most persistent attempt was made to draw even our National Government into those toils, by making at least a part of our National debt payable abroad and in sterling money. The Treasury Department advised it, but Congress steadily rejected all such advice, and made our debt, the whole of it, payable at home and in "*the coin of the United States,*" and of course in either gold or silver coin at the pleasure of the paying party. But if our Government has been strong enough to resist the attempt to subject it to London standards, other great American borrowers, notably the railroad companies, have not been so fortunate.

But we have Asiatic, as well as European relations, and it is to the Orient that time and events must cause us to look more and more. It is within this generation that we have acquired a footing on what Mr. Jefferson called "*the endless shores of the Pacific,*" and it is within the current decade that

we have effectively united the two fronts of our empire by a practicable highway. We are now for the first time fairly face to face with the rich and populous East, the control of whose trade has in all historical times determined the commercial ascendancy of nations. What inconceivable folly will it be, so long as Oriental nations shall prefer silver, to degrade and cheapen the medium of our payments to them by demonetizing it. What inconceivable folly it will be to do all which we possibly can do, to induce them to discard silver altogether, by setting them the example of discarding it, and thus deprive ourselves of the advantages of the silver mines for which we are indebted to the bounty of nature. No more admirable combination of circumstances, to lead on to high national fortunes, can be imagined than the discovery of these mines simultaneously with our occupation of San Francisco Bay and Puget's Sound. To the facility of geographical proximity they added a means of exchange, apparently inexhaustible, and likely to be acceptable during a future indefinitely long, if we would simply abstain from degrading and cheapening our own productions. If we commit that folly, it will not be the first case, in the history of mankind, of a prize won without effort and heedlessly thrown away, or the first illustration of the truth that nations quite as often become great from the want, as from the possession, of natural advantages.

CROSSED CHECKS ON BANKS.

The English financial journals have been discussing, of late, the law of crossed checks which constitutes one of the points of difference between the English banking system and our own, which American bankers of intelligence ought to understand. As we explained some time ago, the English banks for reasons which are not considered valid in other countries, pay checks without requiring the holder to be identified. To obviate the inconveniences of this, several expedients have been adopted, among them that of crossing the check with the name of some banker through whom alone it was to be paid. The object of crossing a check was to prevent a wrongful holder from getting it cashed. Although, however, this plan has been many years in use, it was not legalized till 1857. It was enacted, by the 19 and 20 Vict., c. 25, that if any draft payable to bearer, or order on demand, was crossed with the name of any banker, or the words "and Company" in full or abbreviated, such additions should have the force and effect of a direction to the bankers upon whom it was drawn, to pay it only to, or through some banker. Soon after this law was passed, a person stole a crossed check, erased the crossing and presented it for payment. The bank-

ers paid it over the counter. An action being brought against them, the Court held that the crossing was not an integral part of the cheque, and that it was a mere memorandum; on this view the erasure of it was not a forgery, and if it did not appear on the face of the check when presented for payment, the bankers were justified in paying the check to the bearer. To remedy this defect in the law, it was enacted, by 21 and 22 Vic., c. 79, s. 1, that whenever a cheque or draft on any banker, payable to order on demand, shall be issued crossed with the name of a banker, or with two transverse lines with the words "and Company" or any abbreviation thereof, such crossing shall be deemed a *material part* of the cheque or draft, and shall not be obliterated, or added to, or altered by any person whomsoever, after the issuing thereof; and, the bankers upon whom such cheque or draft shall be drawn, shall not pay such cheque or draft to any other than the banker with whose name such cheque or draft shall be crossed, or if the same is crossed without a banker's name, to any other than a banker.

If any cheque is issued uncrossed, or crossed in blank, any lawful holder of it may cross it with the name of a banker, and then it becomes a material part of the cheque, as in the former case; and any person obliterating, altering or adding to a crossing on a cheque, with intent to defraud, is guilty of felony, and on conviction, may be sentenced to penal servitude for life or for not less than five years, or imprisonment for two years, with or without hard labor, and with or without solitary confinement. A banker, however, is not to be held liable if he pays a cheque which does not at the time of presentment of payment, plainly appear to be, or to have been obliterated, added to, or altered, to any other than a banker, unless he acted *mala fide*, and negligently. Blank forms of cheques are now printed with the crossing — & Co., and when the payee requires cash, the drawer underwrites the crossing with "Pay cash," and signs it. This being done *before* the check is issued, nullifies the crossing, and the banker pays it across the counter.

RAILROADS IN OHIO.—The ninth annual report of the Commissioner of Railroads for Ohio contains the following interesting statistics: There were but 86½ miles of track laid in Ohio last year, 125 miles less than the previous year. Total number of passengers carried 17,193,948, an increase of 1,706,654. Total number of tons of freight carried 25,750,501, an increase of 145,725. The gross earnings of all the lines were \$64,945,325, against \$70,928,194 last year, a decrease of \$6,432,868, or nearly 10 per cent. The net earnings were \$17,515,686, against \$19,798,169 for the year previous, being \$2,272,482 less, or a fraction over 11 per cent. decrease, and amounting to only 3 per cent. upon the paid in capital stock and indebtedness of the companies owning the lines operated. Passenger earnings were \$17,116,524 a falling off of \$5,779.82. The earnings from freight transportation were \$43,230,930, being \$6,377,646 less than the amount last year, a decrease of 12.83 per cent. The total net debt of railway companies in Ohio is \$161,247,086. Total increase of debt \$8,813,720.

THE INSTITUTE OF BANKERS IN SCOTLAND.

In our July number we gave some account of this new enterprise, its object and progress. Our readers are indebted to the courtesy of its Secretary, Mr. Andrew William Kerr, of the Royal Bank of Scotland, Edinburgh, for the further information which we are now enabled to publish.

The objects of the Institute and its character are thus set forth in the opening articles of the Constitution.

I. The name of the Institute shall be "THE INSTITUTE OF BANKERS IN SCOTLAND."

II. The object of the Institute shall be to improve the qualifications of those engaged in Banking, and to raise their status and influence.

III. This object shall be promoted by encouragement and aid offered to the younger gentlemen connected with the various banks in the prosecution of their professional studies, and in their general intellectual improvement; in particular, by Classes, Lectures, and Bursaries; by the formation of Libraries of standard Works on Finance and kindred subjects; by Examinations on such subjects as may be thought suitable; by the issuing of certificates to such as pass the Examinations; and, generally, by any other means suited to attain the aforementioned object.

IV. The Institute shall consist of members and associates, who shall be at the time of their admission, or shall have been formerly, connected with the banks in Scotland.

V. The membership shall be composed of—1. Those who have been elected by the Provisional Committee at the formation of the Institute. 2. Those who shall have passed the higher Examinations to be appointed by the Council, having previously passed the Examinations prescribed for admission as Associates, or been admitted as Associates in terms of Clause VI, § 1 and 3. 3. Those who, on account of their official position in any of the banks or their attainments otherwise, may be elected by the Council, without Examination, as after provided.

VI. The Associates shall be: 1. Those who, prior to 1st June, 1878, shall apply for admission, having been at the date of their application ten years or upwards in the service of any of the banks. 2. Those who shall have passed such Examinations as may be appointed by the Council. 3. Those who, having taken the degree of M.A. or B.A. at any University in the United Kingdom, shall make application for admission.

VII. The Office-bearers of the Institute shall be a President, three Vice-Presidents, a Treasurer, and a Secretary, who, with

fifteen other members of the Institute, of whom at least one shall be connected with each of the existing Edinburgh and Glasgow Banks, shall form a Council, five to be a quorum. The Office-bearers and other Members of Council shall be elected at the Annual General Meeting of the Institute, and shall be eligible for re-election. The election shall be by ballot, subject to rules to be laid down by the Council.

The First Annual General Meeting of the Institute was held in the Hall of the Royal Scottish Society of Arts, Edinburgh, on Tuesday, 6th June, 1876, at seven o'clock P. M., Mr. Gifford, third Vice-President, taking the Chair.

The Chairman, having read several letters of apology for absence, briefly addressed the meeting. The minutes of the Inaugural Meeting, held in the Bank of Scotland, Edinburgh, on 6th July, 1875, were then read and approved. The Council's Report on the progress of the Institute (which is printed herewith) was read by the Secretary. The report was adopted, and ordered to be printed and circulated among the Members and Associates.

The Treasurer gave in his report, after which it was resolved that, in accordance with the provisions of Clause XVIII of the Constitution, subscriptions be levied for the current financial year from Members and Associates resident in Edinburgh and Glasgow, at £ 1 rs. and 5s. respectively, and from those residing elsewhere, at half these rates; and that a fee of 2s. 6d. be charged for attendance at each course of Lectures or each Class, except in the case of Members whose subscriptions shall be held to entitle them to all the privileges of the Institute.

REPORT BY THE COUNCIL OF THE INSTITUTE OF BANKERS IN SCOTLAND, presented to and adopted by the First Annual General Meeting of the Institute, held on 6th June, 1876.

The proposal to found an Institute of Scottish Bankers was first made in December, 1874, and a Provisional Committee having been appointed, with instructions to endeavor to carry the proposal to a successful issue, the result was attained at a meeting held in the Bank of Scotland, Edinburgh, on the evening of the 6th July, 1875, when the Institute was formally constituted, and the office-bearers for the year 1875-6 were appointed.

One of the principal duties of the Provisional Committee was to secure, by co-operation with the Banks individually, a body of gentlemen who should form the original members of the Institute. The number invited to become members was 241, of whom 178 accepted. At the present time, the membership consists of the same number, four of the original members having died, and four having been since elected. The Associates originally numbered 195, and 213 having been since admitted under Clause VI, § 1, and one under Clause VI, § 3 of the Constitution, while five casualties have taken place (consisting of two deaths, two elections to membership, and one resignation) the number at present is 404. The present roll of Members and Associates together thus shows the very satisfactory total of 582.

The Council have the pleasing duty to report, that the Institute has received substantial support from the eight Banks in Edinburgh and Glasgow, without whose cordial assistance the scheme could not have been successfully carried out. To the Managers of the different Banks the Institute is indebted for the

readiness with which they gave their adhesion to the proposal, and to Mr. Davidson particularly, for occupying the position of President, and in that capacity giving valuable advice.

Inaugural addresses were delivered in Edinburgh and Glasgow by Lord Gifford and Sheriff Dickson respectively. The attendance on these occasions was so numerous as to show that a widespread interest was felt in the Institute, and the addresses were listened to with an attention that testified to their appropriateness and excellence.

The general design conceived by the originators of the Institute is expressed in the following words contained in the Constitution :

The object of the Institute shall be to improve the qualification of those engaged in Banking, and to raise their status and influence.

This object shall be promoted by encouragement and aid offered to the younger gentlemen connected with the various Banks in the prosecution of their professional studies, and in their general intellectual improvement; in particular, by Classes, Lectures, and Bursaries; by the formation of Libraries of standard works on Finance and kindred subjects; by Examinations on such subjects as may be thought suitable; by the issuing of Certificates to such as pass the Examinations; and, generally, by any other means suited to attain the aforementioned object.

These means to attain this object, with the exception of Bursaries, for which the Council is not yet prepared to announce arrangements, have been kept in view in both Edinburgh and Glasgow. Classes, Lectures, and Libraries have been inaugurated and the amount of success attending the efforts of the Council has been sufficient to warrant the expectation that future sessions will show a large attendance at the Classes and Lectures. That the Libraries supply a want felt by the readers, is proved by the extent to which the books have been used, and by the fact that, as stated by one of the Librarians, books are got on loan which the borrowers have failed to get from other sources. The Council are desirous that the Libraries should contain every book of any value bearing upon Banking and kindred subjects, so that the collections may thus have a definitely distinctive character; while at the same time, general literature shall not be unrepresented on the shelves.

For practical purposes the Council has been divided into two local Committees,—one for Edinburgh and the other for Glasgow,—each having powers delegated to it by the General Council for carrying out the purposes of the Institute in these towns respectively.

Under these powers the following provisions were made in Edinburgh :

- 1st. A Course of Twelve Lectures, by Professor Hodgson, of the University of Edinburgh, on certain branches of the Science of Political Economy. The number of tickets issued was 177.
- 2d. A Course of Nine Lectures, by Professor Macpherson, of Edinburgh University, on Mercantile Law—Law of Bills and kindred subjects. The tickets issued numbered 179.
- 3d. A Class for Algebra, under the charge of Mr. P. R. Scott Lang. The number of students enrolled was 87.
- 4th. A Class for Arithmetic and Book-keeping, taught by Mr. Fred. Robson. The numbers enrolled and attending closely resembled those in the Class for Algebra.
- 5th. A Library of 312 Volumes of Professional and General Literature. The number of books borrowed has been (to 1st May) 189, the number out on that day was 53, and the number of individual borrowers has been 69.
- 6th. A Reading-room in the same premises as the Library, supplied with a selection of Magazines, Newspapers and other Periodicals.

The Council have reason to be gratified with the attendance at the Lectures and classes, and are therefore encouraged to look forward with confidence to this branch of the work of the Institute in the future.

Reports by the Lecturers and Teachers upon the work of the session, and its results in their respective classes, have been obtained; and the Council have to thank these gentlemen for many suggestions made for future guidance, which will receive careful consideration.

The Reading-room in Edinburgh has not met with the support that was hoped for. To the few who avail themselves of the advantages offered by it, it is no doubt a useful section of the Institute; but, up to the present time, it cannot be regarded as successful if judged of by the number attending. An explanation of the failure to attract readers to the room may possibly be found in the fact that Edinburgh possesses in the Philosophical Institute an establishment which, from its central position and popular management, presents peculiar inducements to many to read there rather than elsewhere. If this be so, the Council are, of course, powerless; but they will be glad to receive and consider any suggestions made with a view to make the room more attractive.

In Glasgow, the arrangements made were similar to those in Edinburgh.

The objects and claims of the Institute were first formally brought under the notice of the Banking community of Glasgow, at a meeting held in the summer of 1875, at which a deputation from Edinburgh attended. The result was very satisfactory; and an interest in the Institute was awakened which, up to the present time, has been steadily maintained.

Two courses of Lectures were delivered, each six in number:

- 1st. By Professor Edward Caird, on the Principles of Political Economy, as seen in the processes of Production and Distribution, and in the use of the precious metals.
- 2d. By Professor Berry, on Law, as more immediately applicable to certain Banking Forms and Practices.

Classes for Euclid and Algebra, and for Arithmetic and Book-keeping, were conducted by Mr. William Ness, Teacher of Mathematics in the Glasgow Academy.

The number who took out tickets for the lectures reached the large total of 532, and the number of entrants to the classes was 166; and the attendance throughout the session was in satisfactory proportion.

The Library in Glasgow contains 324 volumes; the number of books borrowed up to a very recent date was 401; and these were taken by 180 members, and the number of books out at the same date was 84. In this department of the Institute, therefore, the success has been as marked in Glasgow as in Edinburgh.

The Reading-room has been fairly successful, the present average attendance daily being about 45. This may probably be regarded as the number that will be maintained, as the novelty which attracted a larger number at first has now worn off. The leading Reviews, Magazines, Weekly and Daily Newspapers, have been supplied in comfortable quarters, which, fortunately for the Institute, are occupied rent free, through the kindness of the Banks.

Examinations have recently been conducted for admission to the Institute of those applying to become Members or Associates. The number of candidates was 52, and the papers submitted are in the hands of the Examiners.

NOTE.—After the business of the meeting was concluded, the Chairman stated that the Council contemplated the extension of the benefits of the Institute to the employes in the Country Branches. This might be begun by arranging for the supply of books upon Banking and kindred subjects, the books to be the property of the Institute, and kept as such, with the permission of the Banks, in one or other of the offices in the towns to which the books might be sent. The Council believes that many would avail themselves of the opportunities thus afforded for increasing their professional knowledge and usefulness, and the result would probably be that the Institute being thus brought under practical observation in places where it is at present known only in name, an interest would be excited which might lead to other and different methods being used for the further extension of its influence and benefits.

THE BANK CLERKS' ASSOCIATION OF MISSOURI.

FIFTH ANNUAL REPORT.

The fifth annual meeting of this Association was held at the Washington University Hall, St. Louis, on Monday evening, May 22, 1876. The report of the Board of Management was presented, and the election of officers, directors and trustees for the ensuing year was held. An eloquent address was delivered by Mr. E. H. Pullen, representing the New York Association, who had been specially invited for this purpose. We regret that our space does not permit the publication of this spirited appeal to the highest aims of those who are the juniors of their profession to-day, but among whom may be its leaders in the future. We place on record the following abstract of the Annual Report of the Board of Management, presented by the President, Mr. Wm. C. Little.

In submitting this Fifth Annual Report of the management of the affairs of the Association, a brief sketch of the progress with which we have met since the organization of the Association, may not be out of place, and may prove of interest to the members; and will serve, also, as the best method of comparing the present report with those of former years, which, as will be noticed, is decidedly favorable.

Organized on the evening of May 10th, 1871, a few faithful advocates foreseeing the advantages and benefits that would undoubtedly result from such an association, "put their shoulders to the wheel," and by dint of unusual exertion and unselfish interest in its progress, succeeded, during the first year, in acquiring a membership of one hundred and sixteen, with a balance in the hands of the Treasurer of \$672.10. At the end of the second year the membership had been increased to one hundred and fifty-nine, with a balance in the treasury of \$1,225.19; at the end of the third year the membership stood one hundred and sixty-two, with a balance on hand of \$1,798.30; and, according to the last annual report—which was the condition of the Association at the time the present Board took charge of its management—the list of active members numbered one hundred and sixty-eight, with a balance in the treasury of \$2,807.75. As a result of the work of the year now drawing to a close, it will be seen from the appended report of the Corresponding Secretary, that twenty-five new members have been admitted; while we have lost by death, four; by resignation, four; and dropped from the rolls for not conforming to the constitution, ten—leaving a present membership in good standing, of one hundred and seventy-five, an actual increase over last year of seven, making the largest increase in membership since that of the second year.

While we are gratified to note the steady and undoubtedly healthy growth of the Association, we can but acknowledge that it is far from what it should be; and we also know that it is far from what it could be, were the individual members to evince a more active interest, and arouse themselves to the fact that every new member tends to swell the funds in the treasury, and also increases the benefit, in case of death, to the extent of \$2.

In this city alone, the number of persons eligible to membership (including bank directors) will reach nearly one thousand, besides the large number of bankers and bank employes throughout the State; and if every individual member could only be imbued with the feeling that he is personally responsible for the success of the Association, with an united effort from each and all,

the membership could be easily increased to five hundred; and then we would have an Association of which we could justly feel proud, and one that would take its place among the institutions of the land, for doing good and relieving the sufferings of fellow man.

FINANCES.—Our treasury is still in a flourishing condition, and, in keeping with other affairs of the Association, has been greatly improved. The increase has not been quite so large, however, as that of last year, which is accounted for by reason of the increased benefits that have been voted to the families of deceased members.

The accompanying report of the Recording Secretary shows the total receipts, from all sources, to have been \$1,932.97, while there has been paid out, on account of the death of members, \$1,100, and for expenses, \$224.20, leaving a balance in the treasury of \$3,416.52, an increase over last year of \$608.77.

We regret exceedingly to be obliged to make the same old stereotyped report in regard to the

PERMANENT FUND.—The trustees are still burdened with the original \$101 donated to the Association some years ago, and that only. It is to be regretted that the banks do not take more interest in the matter. * * * *

DECEASED MEMBERS.—It becomes our sad duty to report that we have lost by death during the year four members. Mr. Edward Leavy, one of our first members, and who served during one term as a member of the Board of Management, was accidentally thrown from a buggy June 12th, 1875, from the effects of which he died June 16th. Mr. Benjamin W. Darby, who served us faithfully as Corresponding Secretary for nearly two years, died of a severe hemorrhage January 26th, 1876. Mr. C. D. Affleck, the first Treasurer of the Association, drowned April 29th, 1876; and Mr. George D. Barklage, one of the chief originators of the Association, for two years its Recording Secretary, and afterwards elected Vice-President, died May 16th, 1876, of consumption, after a long and tedious illness. In every case a meeting of the Association was promptly called and the usual action taken of passing resolutions, appointing committees, etc., etc.

THE LECTURE COURSE. * * * * Notwithstanding the many benefits that were derived, we cannot conscientiously recommend a continuance of the lectures; for while it proved a success this time, it was accomplished only by the hardest work and closest attention; and we do not consider that the largest amount of benefit that could possibly be obtained would justify the labor and risk that is necessarily involved in it.

PERMANENT ROOMS.—One of the most important matters for consideration at present, and one that will undoubtedly benefit the Association very materially, is that of "*permanent rooms*," or hall, for the use of the Association—a place that will be open at all times to the members, and so arranged that it can be used also for meetings of the Association and Board of Management. The result will be, more frequent meetings and a larger attendance; consequently, more work accomplished, and the Association be better prepared to carry out the objects for which it was established. The present Board have been making strenuous efforts of late to secure such a place, but have not fully succeeded as yet. We sincerely hope that our successors in office will give the matter their immediate attention, and that their efforts may be crowned with success.

During the year a "Book of Applications" has been established, in which the names of members who are out of employment are enrolled. The book has been placed with our Treasurer, Mr. O. E. Owen, at Third National Bank, as the most central location, and more accessible for members and bankers who may desire to make use of it. In addition to this, as soon as the officers are notified that a member has lost his situation, the Secretary at once notifies every bank officer and banker in the city of the fact, giving the name of the member, former position, references, etc. In this manner good positions have been secured for several members, and as the system becomes known, we hope to accomplish greater results in this direction.

RECOMMENDATIONS.—Several complicated questions have arisen during the year, and, under the present constitution, the Board have found it difficult at

times to arrive at a satisfactory conclusion. Therefore it is recommended that a committee be appointed at once to revise the constitution, and report at a special meeting to be called for that purpose, as soon practicable. It is also recommended that an attorney be appointed for the use of the Association, to assist the Board upon any legal points that may arise.

CORRESPONDING SECRETARY'S REPORT.

Number of active members at last report, 168; new members since admitted, 25;—193; deaths, 4; dropped from rolls, 10; resigned, 4;—18; present number, 175; honorary members, 4; total number of members at this date, 179.

C. S. JONES, *Cor. Sec.*

RECORDING SECRETARY'S REPORT.

Assets, May, 1876, \$2,908.75; initiation fees, \$55.00; monthly dues, \$1,022.00; interest, \$185.97; assessments, \$650.00; honorary members, \$20.00;—\$1,932.97;—\$4,841.72.

Death payments, \$1,100.00; expenses, \$224.20;—\$1,324.20.

Balance with trustees, \$101.00; balance with treasurer, \$3,416.52;—\$3,517.52;—\$4,841.72.

F. W. RISQUE, *Rec. Sec.*

The following gentlemen were elected officers for 1876, constituting the Board of Management. *President*, William C. Little; *Vice-President*, H. B. Alexander; *Recording Secretary*, C. D. Ketchum; *Corresponding Secretary*, C. S. Jones; *Treasurer*, O. E. Owen; *Directors*, P. F. Keleher, W. W. Bell, J. R. Loker, W. K. P. Wilson, F. W. Risque, H. J. Braun, E. D. Garesche, E. P. Curtis, Charles Krieger, C. C. Crecelius, T. B. Moore, C. R. Goodin; *Trustees*, Henry Overstolz, William Shields, T. J. Bartholow, Jno. H. McCluney, T. A. Stoddart.

THE LIABILITY OF COLLECTING BANKS.

Two decisions have recently been rendered in the United States District Court for the Northern District of Illinois, which are of marked importance to bankers in general. In one of them, (*Hyde v. First National Bank of Lacon*), it is held that a bank accepting commercial paper for collection, contracts to perform all the acts necessary for its collection; the agents employed therefor by such bank are its agents and not the agents of the owner of the note; and that the liability of the bank to pay over the money collected attaches as soon as the money is paid, either to it or to a sub-agent selected by such bank to collect for it.

Among the points mentioned in the other case (*Essex County National Bank v. Bank of Montreal*) are, that a bank upon which a check is drawn, is liable before acceptance only to the drawer, and cannot be made liable to the holder except by its own consent. That if a bank receiving a check for collection accepts a certification of it instead of requiring immediate payment, this creates between the parties such a new relation as to discharge the drawer, and renders the collecting bank liable for any loss arising to the holder from the failure of the bank upon which the check was drawn. We give below the opinions of Judge Hopkins, in each of the cases in full.

ALBERT G. HYDE ET AL. *v.* THE FIRST NATIONAL BANK OF LACON.

This action was brought to recover of defendant a certain sum of money, charged to have been collected by defendant for plaintiffs, of John Hutchins. Plea, general issue. It was tried, by stipulation, by court.

The evidence showed that John Hutchins, of Lacon, in this State, gave his note to the plaintiffs, residents of New York city, for \$407.63, on the 15th day

of September, 1874, payable in four months, at the First National Bank of Lacon, the defendant. The plaintiffs indorsed the note to the order of A. West, Esq., cashier, for collection for their own account. West then indorsed it to the defendant for collection for Cook County National Bank. Mr. West was the cashier of the Cook County National Bank, and sent the note in letter to defendant, on the 11th day of January, 1875, with instructions "to collect and credit." The defendants kept an account with the Cook County Bank, and then had a considerable sum in that bank. The note was paid to defendant on the 18th of January, 1875, and credited to the Cook County Bank, as other collections in the usual course of business. The defendant remitted, on that day, to the Cook County Bank, more money than his collection amounted to, and had at that time, a large balance due it from that bank.

The Cook County Bank failed on the 19th January, but the defendants had no knowledge of its failure or embarrassment until about noon on the 19th.

The testimony also showed that custom between that bank and defendant, and also between the other Chicago banks and their country correspondents, was to make collections of notes sent there for that purpose, and credit the proceeds to the bank transmitting them. That no account was kept with any other person of such paper sent for collection, and that this custom prevailed as well when the paper was indorsed to the bank sending for collection on account of their own, as when indorsed generally, and accounts of all such transactions, in all cases, were kept in the same way.

These are the substantial facts, and the law applicable as now settled by the Supreme Court of the United States, may be stated as follows: that when an owner of commercial paper sends it to, and it is accepted by, a bank for collection, whether payable at the place where such bank is located, or elsewhere, in the absence of any contract to the contrary, there is an implied agreement with such bank arising from the acceptance of the employment, that it will perform all the acts necessary for the collection, and if not paid, of charging the parties thereto. It is not regarded as the appointment of the bank as the attorney of the owner of the paper, authorized to select other agents suitable and competent for the purpose of collecting the note, but on the contrary "its position is that of an independent contractor, and that the instruments employed by such bank in the business contemplated, are its agents and not the agents of the owner of the note." That its duty is not discharged when it selects responsible agents to perform the duty entrusted to it. That the owner of the paper is not to look to the responsibility of the agents entrusted by the bank with his collections. That the bank to which he commits the paper is alone answerable to him for the performance of all acts necessary to secure his rights, including the payment of the money when collected. 47 N. Y., *Ayrault v. Pacific Bank*, 570. And that the liability to pay over attaches as soon as the money is paid, either to it, or a sub-agent selected by said bank to collect for it.

This being so, it follows that the owner is to look to his immediate contractor, and has no remedy against the under contractor or agent employed by the bank. That such agents or contractors have no privity of control with the owner, and are not liable to him, but are only liable to the party immediately employing them. In short, that the sub-agent employed by the bank, owes no duty to the party who deposited the paper for collection with his principal, and hence is not responsible to him for any damages. This, I understand to be the effect and meaning of the late decision of the Supreme Court of the United States in the case of *Hoover, Assignee, v. Wiese*, 8 Ch. L. N., 193.

Although prior to that decision I had considered the weight of authority was in favor of the owner's having a right of action against the party who actually collected the money upon the note, a secondary agent, unless he had paid it before notice of the owner's claim, or had made advancement upon the paper to the party from whom he received it in such way as to enable him to hold the proceeds on the ground that he was a *bona fide* holder of the paper for value.

But this decision, by declaring that a secondary agent is not liable at all to the owner, completely overthrows the theory upon which such supposed liability was based, and excludes the consideration of the question of the rights of such

agent, as against his immediate principal, and renders immaterial the question as to whether he knew the bank employing him was the owner of the paper or not, for not being answerable to the owner in any case, without some arrangement changing the implied contract, arising from the said employment to collect, it is unimportant to the owner to inquire what right such agent may have against his employers.

In the case of *McBride v. The Farmers' Bank*, 26 N. Y., 450, a recovery was had against the secondary agent, which, at first, seems to be in conflict with the earlier New York cases cited, and followed in the opinion of the U. S. Supreme Court above mentioned. But on examining that case carefully, it appears that the bank gave an order to the owner of the paper, or its agent, for the notes, before the payment of the notes, and that he demanded them of the agent before payment, and that the failure of the bank was *before* payment, which distinguishes it from the case cited, and from this also; for here the money was collected by the defendant before the Cook County Bank failed, and was by this defendant passed to the credit of that bank, the day before the failure, so that the Cook County Bank's liability to the plaintiff for the money attached before its failure, which brings the case, in my judgment, clearly within the doctrine of *Hoover, assignee. v. Wiese, supra.*

It is difficult to reconcile this decision with that of *Dickenson v. Waron*, 47 N. Y., 439, and *Sweeney v. Eaton*, 1 Wallace, 166. But it is not for me to reconcile these cases; the case of *Hoover v. Weise* being the latest expression on that subject, it must be regarded as the law by this court.

The defendant is therefore, entitled to a judgment.

ESSEX COUNTY NATIONAL BANK *v.* THE BANK OF MONTREAL.

This is an action to charge the defendant with the amount of a check transmitted to it for collection under the following circumstances:

P. Becker & Co., of Chicago, on the 3d day of August, 1875, sent their check on the State Street Savings Bank to T. B. Peddie & Co., of New York, for \$856.37. It was indorsed by the payees to the plaintiffs, and by the plaintiffs was indorsed to the German-American Bank, New York, for collection, and by that bank in the usual course of business was indorsed to the Bank of Montreal, of Chicago, the defendant, for collection. It belonged to the plaintiff in this case, but, the plaintiff having no correspondent or agent in Chicago, it employed the German-American Bank to collect it, and that bank employed the defendant according to usage among banks located at different points. The Bank of Montreal received the check about 11 o'clock on the morning of the 9th of August, and soon thereafter sent it by its messenger to the State Street Savings Bank for payment. The messenger presented it at the counter to the teller, who informed him that the cashier was not then in, and that he could not pay it in his absence. The messenger took the check away, and later in the day called again with it and presented it to the same party again, and he made the same reply that the cashier was out, and he could not pay it until he came in. The messenger then asked the teller to certify it, which he did in the usual mode of certifying checks by that institution, and thereupon the messenger took the check away with him. The teller, when he certified the check, charged the amount of it up to the drawer's account, which then exceeded the amount of the check, and credited certificate account with amount of the same. The defendant also sent the check for payment on the next day at about 11 o'clock, and it was not paid because the bank had not the funds to pay it. The bank kept its doors open during all of the 10th of August, but had not the funds to pay the check, and failed to open after that day. The testimony is not very clear as to whether the bank had currency enough on the 9th to pay the check, if payment had been insisted upon, but as this point is not material in the view I have taken of the law of this case, I shall not stop to settle it; when it was presented after certification it was not paid because the bank was insolvent.

The defendants had the check to collect. It was transmitted to them for that purpose, and their duty as collecting agents was to present and demand

payment within the time prescribed by law, and, if not paid, notify the proper parties of its dishonor. If that had been done, the rights and remedies of all parties liable upon it, when it came into their hands, would have remained intact. If loss occurs by the acts or omissions of the party thus assuming the duty of collection it should fall upon the delinquent agent, not upon the absent overseer.

The State Street Savings Bank was not liable to the holder of the check without acceptance. It was liable before acceptance only to the drawer. 6 N. Y. R., *Chapman v. White*, 412. It could not be made liable to the holder of the check except by its own consent. It had the funds of the drawers, and according to the usual course of dealing with its customers was under obligation to pay on demand all checks drawn upon it by them, but a refusal to do so would not give the holder of the check the right to sue the bank. The drawer in such case would be liable, and he could sue the bank immediately, without redeeming the check, and the bank would be liable for damages for its refusal to perform its undertaking with him as depositor. 10 Wallace, *Merchants' Bank v. State Bank*, 604-605 Id.; *Bank of Republic v. Millard*, 152.

This being the law, the duty of the defendant upon receipt of the check for collection was plain. It was to present it for payment, and only for payment. This it did at first, and if it had stopped then there would have been no liability upon it. But it did not; it went farther; it asked for and received the certification of the bank upon the check. By this act a new relation was created between the parties. The amount the check called for was withdrawn from the drawer's account and control, and thereafter they had no right of action for it against the bank. The technical operation of the transaction was a transfer to the holder of the check of the drawers' funds and right of action against the bank. It superseded the previous rights and obligations of the parties, particularly of the drawers.

Before that the drawers could have stopped payment of the check or withdrawn the funds by other checks. After the certification they had no control over the funds or action of the bank in reference to it, nor any right to sue the bank for it. Nor did the bank owe them any duty in relation to it. It no longer possessed the character of a check. If the drawers had taken it up before its certification it would have been useless, but after that they could only get the money by surrendering it. It resembles, after certification, more a certificate of deposit than a check. Now, what was the effect upon the legal rights and liability of the drawers? Did it not discharge them from all further liability upon the check, and if such should be found to be the consequence, does it not follow that the defendants are liable to the owners for the amount? If they have by their acts released the responsible drawers whereby the instrument is made worthless, why shall they not make good the loss?

In *Smith v. Millard*, 43 N. Y. R., 176, it is said that presenting a check for payment and accepting a certificate as good is equivalent to payment. In *Morse on Banking*, p. 282, it is laid down that, if the holder chooses to accept the bank's certification, no matter to suit whose convenience, there can be but one result. The promise of the bank on the drawer's account, accepted as satisfactory by the creditor, discharges the debtor, and by the same action deprives him of all further concern in the premises. The bank no longer owes him any duty which he can enforce, or for the breach of which he can sue. If this is the result of the act of the defendant in accepting the certification of the check, it would seem too clear for discussion that the defendant had incurred a liability to pay the amount of it to its principal. The drawers being released by the certification, and the bank being unable to pay, it follows irresistibly that the plaintiff is entitled to recover of the party releasing the drawers, whereby the amount of the check is lost to them.

It was claimed on the part of the defendant on the trial that the plaintiff must show some damages by the act. If the act released a responsible party that would be damage enough. But the law presumes damages from the negligence or unauthorized act of a collecting agent of commercial paper whereby any party to it is released or not charged—17 Wend. Commercial Bank of

Albany v. Hughs, 94. And if this presumption is not conclusive, but liable to be overthrown by proof to the contrary, it is the duty of the party at fault to show clearly that no damages did result to the holder of the paper from their negligence, which in this case the defendant did not do. It did not clearly show that the check would not have been paid on the 9th of August if payment had been insisted upon. I think the only safe and maintainable doctrine in this case is that the defendant assumed the risk of payment by the bank when it accepted the certification, and if the bank did not pay then they must. In laying down this rule I assume that the certificate operated as a release or payment as to the drawers, and that they were no longer liable upon the paper. This release I regard as the pivotal point in this case, and upon that point I am not forced to rely upon my own judgment. I find the precise question has been decided by the Court of Appeals of New York in the case of the First National Bank of Jersey City *v. Leach*, 52 New York, 350. That was an action on a check drawn by defendant on the 21st of November, 1871, on the Ocean National Bank, payable December 12, 1871. The bank, the plaintiff in that case, discounted it for the payee, and at 11 o'clock A. M. on the 12th day of December, they presented it to the Ocean Bank and got it certified as good. The drawer then had an account there sufficient to pay it, which was on the certification charged up to him on the Ocean Bank books. Within an hour after that the Ocean Bank suspended. The check was again presented on that day for payment, and was duly protested for non-payment. The bank then sued the drawer to recover the amount of it. The Court upon that state of facts held that the plaintiff could not recover; that the certification operated as a payment as between the holder and drawer.

In the opinion it is said "that the law will not permit a check, when due, to be then presented and the money left with the bank for the accommodation of the holder without discharging the drawer." That if the holder chooses to have it certified instead of paid he will do so at the peril of discharging the drawer.

But they say that "this would not discharge the drawer of a check who himself procured it to be certified and then put it in circulation; that the reason of the rule would not apply to him," and conclude the opinion by saying "that upon principle it must be held that the bank holds the money after certification by request of the holder, not at the risk of the drawer, but of the holder of the check."

This is the only direct authority I have found upon this question, from which I judge that the practice of holders of checks getting them certified is not very usual, for if it were other cases would have found their way into the books and come under judicial consideration.

The defendant on the trial cited *Bickford v. First National Bank of Chicago*, 42 Ill., 23d, and *Rounds v. Smith et al.*, 245. From an examination of those cases, I do not see that they conflict with the case of *Bank v. Leach* 52 New York supra. In those cases the checks were certified at the request of the drawer before delivery. This expressly appears in the last case, and the Judge in his opinion in that says "the case in all its important features is the same as *Bickford v. Bank*," so that I must assume that the checks in both these cases were certified by request of the drawer, which presents an entirely different question from this, and leaves the point involved here unconsidered in those cases.

In *Brown v. Leckler et al.*, 43 Ill., 497, cited by the defendant's counsel, the check was also certified by the request of drawer before it was passed by him, so that the reasoning of the Court in that case was not predicated upon the same facts as appear here. But, as I understand those cases, that Court holds that a check operates to transfer the amount named in it to the payee, and authorizes him to sue for and receive it from the bank. If such is the doctrine of that Court, I am not at liberty to follow it, for the Supreme Court of the United States, in the *Bank of the Republic v. Millard*, 10 Wallace, 152, has decided differently. And as the question involved is one relating to commercial securities, and belongs to the domains of general jurisprudence, this Court is

not bound by the decision of the State Courts where the matters arise. *Township of Pine Grove v. Talcott*, 19 Wallace, 666. But, waiving this view and difference between the Courts on this point, I do not think that the decision of the learned Court of Illinois above referred to, when carefully examined, will be found to touch the point involved here. It was not before that Court in either of those cases and, although the general language used might seem to be in conflict with the conclusions I have reached in this case, still when read and considered as used in reference to the fact and question before that Court, no conflict or discrepancy of opinion will be found to exist. Those cases are clearly distinguishable on the facts from this case, and are, therefore, not authority upon the point involved here. I am therefore of the opinion that the defendant is liable for the amount of the check, with interest from the certification, as by its certification the drawer was discharged.

A question was suggested as to the right of this plaintiff to sue the defendant, as it was not its agent, alluding to the recent decision of the Supreme Court of the United States in *Hoover, Assignee, etc., v. Wise et al.*, (8 vol. *Chicago Legal News*, page 193), but it was stated, and not disputed, that the plaintiff's attorneys had authority to sue in the name of the German-American Bank, as well as in the name of the present plaintiff, the real owner, and it was claimed that an amendment under the laws of the State was allowable. In the discretion of the Court, by inserting the name of the German-American Bank as plaintiff in lieu of the present plaintiff. And as a decision making a change necessary has been announced since the commencement of the suit, and as no injury can result, as it appears to the Court, to the defendant thereby, I direct and allow an amendment in that respect by striking out of the process and pleadings the name of the present plaintiff and inserting in lieu thereof the name of the German-American Bank, and as so amended that judgment be entered for plaintiff and against defendant for \$882.76, the amount of the check and interest, with costs of this suit to be taxed.

INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

I. CAN THE HOLDER OF A CHECK DEMAND LEGAL TENDERS?

Can the holder of a certificate of deposit given by a National bank, or the holder of a check drawn on a National bank, demand and compel the bank to pay in legal tenders? If you can find time to reply, it will greatly oblige one whom *Morse* leaves in great uncertainty.

REPLY.—The indebtedness of a bank to its depositors is, like any other debt, payable in lawful money. Where the deposits are received and entered under a specific agreement as "current funds," or "bankable funds," National bank notes only can be demanded. Otherwise the depositor has a right to require legal-tender notes.

II. IS A SURETY RELEASED BY EXTENSION OF TIME?

A, with B as surety, had his note for \$1,500 discounted at bank, payable thirty days after date, with interest from maturity. When the note matured, A sent his clerk to the bank with instructions that he pay \$500, and renew for \$1,000. The bank accepts his proposition. A makes a note signed by himself only, and pays the interest for thirty days in advance, which the bank accepts, without the knowledge or consent of B, the bank retaining the old note. Can the bank hold B or not?

REPLY.—The acceptance of the new note and interest is equivalent to an extension of time on the old note, which, being done without the consent of the surety, releases him.

III. STOPPING PAYMENT OF DRAFTS.

John Smith buys a draft payable to the order of Robinson. The following day he states that Robinson had failed to furnish certain papers as agreed, and requests us to stop payment of the draft. Payment being stopped, a week afterward the draft is presented at the counter of your correspondent, by Robinson, in person, for payment, which is refused, and the draft duly protested. Robinson never having given any value for the draft, would you consider the bank issuing it liable to him for the amount?

REPLY.—Probably not if the fact of "no value received" be proven, but it is the duty of the bank to make the purchaser of the draft take the risk and burden here involved. Smith has no legal right to stop payment of the draft by a mere order. He should obtain a writ of injunction, and the matter would then be decided by court.

IV. POST-DATED CHECKS.

We often have checks presented for payment dated ahead, and invariably hold them until time designated arrives. Recently we sent one for collection, and the President, (a lawyer) of the bank upon which it was drawn contended that all checks were due upon *presentation*, and of course subject to protest. What is your opinion, and does it alter the case if the check is dated when given and made payable at some future time? Would paper drawn in this manner be properly designated a check? This method or custom of dating is very annoying to bank officers. I for one should be glad if this construction as to maturity of checks was correct.

REPLY.—A post-dated check is payable absolutely, without grace, on the day of its date, or at any time thereafter. But it cannot with safety be paid *before* that time, for should the drawer's balance be exhausted thereby the bank would still be compelled to pay his check bearing current date, duly presented, if good before debiting the one post dated. Nor could the expense of protesting a check before its date be legally collected.

A check made payable on a day subsequent to its date is, however, regarded quite differently in law. Some of the best authorities have alternately fixed it as a check and as an inland bill of exchange. If held to be the latter it would of course be entitled to grace. This uncertainty of status ought to be removed by distinct legislation, and in its absence such nondescript instruments should be refused unless they bear the provisions "without grace" or, "with grace," and "acceptance waived."

V. STAMPING COUNTERFEITS.

Are we as a bank authorized to stamp a counterfeit bill that may be offered us? That is to say, have we the legal right to write counterfeit on same?

REPLY.—There is no general law which gives such a right, but in some of the States it is made a duty of the banks to stamp all counterfeits coming into their hands. The recent act of Congress establishing the duties of National bank examiners (which may be found in this number) contains a section which instructs National banks on this point. It would be well if the obligation to check the circulation of counterfeits in this manner were imperative on all banks and bankers.

VI. "NO PROTEST" COLLECTIONS.

The communication upon this subject, published in our June number, has drawn out a shower of letters and postal cards from all parts of the country.

heartily approving the sentiments expressed by cashier Gould, and our comments at the time. Many of these letters contain instances of the loss and annoyance entailed upon banks by such collections, and if the offending "correspondents" were readers of this magazine, we would publish some of these for their instruction. But to all bankers the story is too well known to need repetition. Among the facts elicited, however, it appears that some banks have already undertaken, on their own account, to check this growing nuisance. The First National Bank of Madison, Wisconsin, on its printed form of acknowledging receipt, meets it squarely thus :

COLLECTIONS NOT SUBJECT TO PROTEST.

The large number of drafts for very small sums, drawn by dealers on their customers, with "No Protest," the great proportion of which are returned without expense, other than to the party *attempting* to collect, compels us to adopt the rule of making charge, sufficient at least to cover costs of stationery and postage.

No attention will be paid to this class of collections unless accompanied by 25 cents to cover expenses, whether collected or not.

WAYNE RAMSAY, Cashier.

The National Bank of Rolla, Mo., makes the same charge on all collections dishonored and returned, and adopts a scale of charges on collections paid "with exchange," which must afford the profit seldom realized of late, though fairly earned, in this branch of the business.

Mr. Gould requests that bankers who have read his article drop to his address (First National Bank, Portland, Maine,) a postal card stating yea or nay to his conclusions. This may lead to some effective concert of action in a matter which is not merely a source of annoyance, but which in the aggregate involves a very considerable cost of time, labor and money.

THE POSITION OF SILVER.

The committee of the British Parliament appointed to inquire into the causes of the depreciation of silver have presented a report of which the concluding portions are as follows :

To sum up the more striking facts which have been brought before your committee, the situation at the present moment appears to be this :

1. The total annual production of silver has risen to upwards of £14,000,000, from an average of about £8,000,000 to £9,000,000 in 1860.

2. Of this amount of £14,000,000 the mines of the United States are estimated to have produced about £7,000,000, with the prospect of an increase for some years to come. On the other hand, if the price of silver should remain as low as at present there may be some diminution in the production elsewhere.

3. Germany has still to dispose of an amount which is certainly not less than £8,000,000, with the possibility that it may exceed £20,000,000; but with the possibility, on the other hand, that a considerably larger sum than the estimated amount may be ultimately required for subsidiary coinage.

4. The Scandinavian kingdoms have discontinued the use of silver; but the amounts of demonetized silver coin which they have thrown or can throw on the market are not important.

5. Austria has apparently been exchanging silver for gold, the amount of silver held in the Imperial Bank having diminished from £10,000,000 to £6,600,000 since 1871.

6. Italy has been gradually denuded of her silver currency. Since 1865 large amounts have been exported; her forced paper currency has apparently expelled the whole of the metallic currency, of which the silver coins amounted, at the beginning of 1866, to about £17,000,000.

7. France, on the other hand, has for some years past been replenishing her stock of silver, of which during the last four years her imports have exceeded her exports by £33,500,000.

8. England, Russia and Spain have each been buyers to the extent of some millions.

9. Japan and China and other countries in the East have absorbed a certain amount.

10. India still takes silver, but in greatly decreased amounts.

11. The Home Government has bills to sell to the extent of £15,000,000 per annum, which debtors to India can buy in the place of remitting bullion. This total has been gradually reached, and represents an excess of more than £10,000,000, compared with twenty years ago.

12. The gross remittances of silver to India during the last four years have been £15,000,000, compared with £28,900,000 in the four previous years.

Legislatively, the position is as follows:

Germany is gradually demonetizing silver, and looks forward to its use only for subsidiary coinage.

The United States is carrying out a policy of introducing silver subsidiary coinage in the place of all fractional paper currency now afloat, and of coining full-weighted silver coins, but only on a contracted scale, and only available for legal tender for a limited amount.

The members of the Latin Union and Holland have adopted an expectant attitude; but meanwhile limit, as far as possible, the coinage of silver.

No indications are given of any intention on the part of Russia and Austria to pass any laws with regard to their currency.

The actual facts which have been enumerated speak for themselves; and it will be seen at once which of them are in favor of a rise in the price of silver, and which of them tend in a contrary direction. It is important, too, that the temporary character of some of these facts, and the normal character of others, should be fully taken into account. The surplus stock of Germany will in all probability weigh heavily on the market for some time to come; still it is a temporary circumstance. On the other hand, the United States will afford temporary relief to the market by retaining for her own coinage considerable amounts of the silver there produced. It is indeed possible, according to the evidence adduced, that the United States will retain as much silver for her new coinage operations as Germany may have to sell as the result of hers.

The case of France deserves especial attention. The replenishment of her stock of silver can scarcely be regarded as other than a temporary circumstance. During the last four years, out of a total of £76,000,000 of disposable silver, France absorbed £33,500,000. The relief thereby given to the market must have been immense. It is impossible to assume that it can be continued on the same scale. The natural inference to be drawn would be in the opposite direction.

With regard to India and the East, hitherto the largest consumers of silver, so much must depend upon the prosperity of the populations, on the abundance of the crops—in fact on their powers of production—that it is impossible to make any forecast; and, as regards actual facts, no more can be stated than that, on the one hand, they have always possessed a very large power of absorbing bullion, while, on the other, that power has been diminished by the growth of the sums annually payable by India to the Home Government.

The only facts in any calculation as to the future which are certain, and appear to be permanent, are the increased total production of silver and the effect caused by the necessity of the Indian Government to draw annually for a heavy amount. Both are adverse to the future value of silver, as far as they go; but they may be partially counterbalanced by changes in the trade with the East.

As regards Europe, much must depend upon the action taken by the gov-

ernments of the various countries where the question of the currency to be adopted is still unsettled. Your committee have not considered it to be within the scope of the questions referred to them to make inquiry as to the intentions of these governments, though many references to their views will be found in the various official documents procured for the committee by the Foreign Office. Your committee on this point would simply remark that it is obvious that, if effect should be given to the policy of substituting gold for silver, wherever it is feasible, and giving gold for the sake of its advantages in international commerce, the preference even among populations whose habits and customs are in favor of silver, and thus displacing silver from the position (which it has always occupied) of doing the work of the currency over at least as large an area as gold, no possible limits could be assigned to the further fall in its value, which would inevitably take place; but your committee are bound to refrain from giving any opinion on the expediency of such a policy or the necessity for its adoption.

NEW ACTS OF CONGRESS.

An Act authorizing the appointment of RECEIVERS OF NATIONAL BANKS, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever any National banking association shall be dissolved, and its rights, privileges, and franchises declared forfeited, as prescribed in section fifty-two hundred and thirty-nine of the Revised Statutes of the United States, or whenever any creditor of any National banking association shall have obtained a judgment against it in any court of record, and made application, accompanied by a certificate from the clerk of the court stating that such judgment has been rendered and has remained unpaid for the space of thirty days, or whenever the Comptroller shall become satisfied of the insolvency of a National banking association, he may, after due examination of its affairs, in either case, appoint a receiver, who shall proceed to close up such association, and enforce the personal liability of the shareholders, as provided in section fifty-two hundred and thirty-four of said statutes.

SEC. 2.—That when any National banking association shall have gone into liquidation under the provisions of section five thousand two hundred and twenty of said statutes, the individual liability of the shareholders provided for by section fifty-one hundred and fifty-one of said statutes may be enforced by any creditor of such association, by bill in equity in the nature of a creditor's bill, brought by such creditor on behalf of himself and of all other creditors of the association, against the shareholders thereof, in any court of the United States having original jurisdiction in equity for the district in which such association may have been located or established.

SEC. 3.—That whenever any association shall have been or shall be placed in the hands of a receiver, as provided in section fifty-two hundred and thirty-four and other sections of said statutes, and when, as provided in section fifty-two hundred and thirty-six thereof, the Comptroller shall have paid to each and every creditor of such association, not including shareholders who are creditors of such association, whose claim or claims as such creditor shall have been proved, or allowed as therein prescribed, the full amount of such claims and all expenses of the receivership, and the redemption of the circulating notes of such association shall have been provided for by depositing lawful money of the United States with the Treasurer of the United States, the Comptroller of the Currency shall call a meeting of the shareholders of such association by giving notice thereof for thirty days in a newspaper published in the town, city, or county where the business of such association was carried on, or if no newspaper is there published, in the newspaper published nearest thereto, at which meeting the shareholders shall elect an agent, voting by ballot, in person or by proxy, each share of stock entitling the holder to one vote; and

when such agent shall have received votes representing at least a majority of the stock in value and number of shares, and when any of the shareholders of the association shall have executed and filed a bond to the satisfaction of the Comptroller of the Currency, conditioned for the payment and discharge in full of any and every claim that may hereafter be proved and allowed against such association by and before a competent court, and for the faithful performance and discharge of all and singular the duties of such trust, the Comptroller and the receiver shall thereupon transfer and deliver to such agent all the undivided or uncollected or other assets and property of such association then remaining in the hands or subject to the order or control of said Comptroller and said receiver, or either of them; and for this purpose, said Comptroller and said receiver are hereby severally empowered to execute any deed, assignment, transfer, or other instrument in writing that may be necessary and proper; whereupon the said Comptroller and the said receiver shall, by virtue of this act, be discharged and released from any and all liabilities to such association, and to each and all of the creditors and shareholders thereof; and such agent is hereby authorized to sell, compromise, or compound the debts due to such association upon the order of a competent court of record or of the United States circuit court for the district where the business of the association was carried on. Such agent shall hold, control, and dispose of the assets and property of any association which he may receive as hereinbefore provided for the benefit of the shareholders of such association as they, or a majority of them in value or number of shares, may direct, distributing such assets and property among such shareholders in proportion to the shares held by each; and he may, in his own name or in the name of such association, sue and be sued, and do all other lawful acts and things necessary to finally settle and distribute the assets and property in his hands. In selecting an agent as hereinbefore provided, administrators or executors of deceased shareholders may act and sign as the decedent might have done if living, and guardians may so act and sign for their ward or wards.

SEC. 4.—That the last clause of section fifty-two hundred and five of said statutes is hereby amended by adding to the said section the following proviso:

“And provided, That if any shareholder or shareholders of such bank shall neglect or refuse, after three months' notice, to pay the assessment, as provided in this section, it shall be the duty of the board of directors to cause a sufficient amount of the capital stock of such shareholder or shareholders to be sold at public auction, (after thirty days' notice shall be given by posting such notice of sale in the office of the bank, and by publishing such notice in a newspaper of the city or town in which the bank is located, or in a newspaper published nearest thereto,) to make good the deficiency; and the balance, if any, shall be returned to such delinquent shareholder or shareholders.”

SEC. 5.—That all United States officers charged with the receipt or disbursement of public moneys, and all officers of National banks shall stamp or write in plain letters the word “counterfeit” “altered” or “worthless,” upon all fraudulent notes issued in the form of, and intended to circulate as money, which shall be presented at their places of business; and if such officers shall wrongfully stamp any genuine note of the United States, or of the National banks, they shall, upon presentation, redeem such notes at the face-value thereof.

SEC. 6.—That all savings banks or savings and trust companies organized under authority of any act of Congress shall be, and are hereby, required to make, to the Comptroller of the Currency, and publish, all the reports which National banking associations are required to make and publish under the provisions of sections fifty-two hundred and eleven, fifty-two hundred and twelve and fifty-two hundred and thirteen of the Revised Statutes, and shall be subject to the same penalties for failure to make or publish such reports as are therein provided; which penalties may be collected by suit before any court of the United States in the district in which said savings banks or savings and trust companies may be located. And all savings or other banks now organized, or which shall hereafter be organized, in the District of Columbia, under any

act of Congress, which shall have capital stock paid up in whole or in part, shall be subject to all the provisions of the Revised Statutes, and of all acts of Congress applicable to National banking associations, so far as the same may be applicable to such savings or other banks: *Provided*, That such savings banks now established shall not be required to have a paid-in capital exceeding one hundred thousand dollars.

Approved, June 30, 1876.

THE PAPER MONEY CIRCULATION.

STATEMENT of the Comptroller of the Currency, showing the Issue and Retirement of NATIONAL BANK NOTES and LEGAL-TENDER NOTES under the acts of June 20, 1874, and January 14, 1875, to July 1, 1876.

National bank notes outstanding when act of June 20, 1874, was passed.....	\$ 349,894,182
“ “ “ issued from June 20, 1874, to January 14, 1875.....	\$ 4,734,500
“ “ “ redeemed and retired between same dates 2,767,232	
Increase from June 20, 1874, to January 14, 1875.....	1,967,268
Outstanding January 14, 1875.....	351,861,450
National bank notes redeemed and retired from January 14, 1875, to July 1, 1876.....	\$ 30,675,911
“ “ “ surrendered between same dates 5,617,478	
Total redeemed and surrendered 36,293,389	
“ “ “ issued between same dates.....	15,331,085
Decrease from January 14, 1875, to July 1, 1876.....	20,962,304
Amount outstanding July 1, 1876.....	<u>\$330,899,146</u>
Greenbacks on deposit in the Treasury June 20, 1874, to retire notes of insolvent and liquidating banks.....	\$ 3,813,675
Greenbacks deposited from June 20, 1874, to July 1, 1876, to retire National bank notes.....	56,543,633
Total deposits.....	60,357,308
Circulation redeemed by Treasurer between same dates without reissue	33,447,976
Balance of deposits July 1, 1876.....	26,909,332
Greenbacks retired under act of January 14, 1875.....	\$ 12,227,716
Greenbacks outstanding July 1, 1876.....	369,772,284

NOTE.—The amount of National bank notes received from the engravers from June 30, 1874, to July 1, 1876, was \$272,376,512. The amount of new currency issued during the same period was \$218,050,814. The amount of new currency issued in the last fiscal year was \$90,730,265. The total amount of mutilated currency received during the same year was \$106,473,190. The amount of currency in the vaults on July 1, 1876, was \$89,800,200.

JNO. JAY KNOX, *Comptroller of the Currency.*

THE NATIONAL BANK NOTE CIRCULATION.

Statement of the Comptroller of the Currency, showing by States the amount of National bank circulation issued, and the amount of legal-tender notes deposited in the Treasury to retire bank circulation, June 20, 1874, to July 1, 1876.

STATES AND TERRITORIES.	Additional National Bank Circulation Issued from June 20, 1874, to July 1, 1876.	LEGAL-TENDER NOTES DEPOSITED IN THE U. S. TREASURY TO RETIRE NATIONAL BANK CIRCULATION FROM JUNE 20, 1874, TO JULY 1, 1876.		
		Deposits for Re- demption of Notes of Liqui- dating Na- tional Banks.	Deposits to Re- tire Circula- tion under Act of June 20, 1874.	Total Deposits.
Maine.....	\$741,440	\$41,200	\$480,000	\$521,200
New Hampshire.....	362,760	27,400	.....	27,400
Vermont.....	752,280	134,807	296,400	431,207
Massachusetts.....	5,001,045	96,400	4,184,295	4,280,695
Rhode Island.....	156,200	.....	374,390	374,390
Connecticut.....	628,810	27,050	803,200	830,250
New York.....	1,539,810	614,000	12,861,341	13,475,341
New Jersey.....	457,335	23,060	502,640	525,700
Pennsylvania.....	2,771,820	426,407	3,492,200	3,918,607
Delaware.....	4,900	.....	.....	.....
Maryland.....	105,510	166,600	1,033,100	1,199,700
District of Columbia....	153,000	299,719	427,500	727,219
Virginia.....	207,100	706,864	592,415	1,299,279
West Virginia.....	35,370	731,060	204,300	935,360
North Carolina.....	305,060	.....	413,400	413,400
South Carolina.....	6,700	.....	908,380	908,380
Georgia.....	90,000	169,000	326,000	495,000
Florida.....	45,000	.....	.....	.....
Alabama.....	90,000	.....	.....	.....
Louisiana.....	32,130	592,062	1,844,250	2,436,312
Texas.....	62,100	.....	184,340	184,340
Arkansas.....	.....	.....	90,000	90,000
Kentucky.....	1,919,640	315,000	786,000	1,101,000
Tennessee.....	234,000	191,501	408,859	600,360
Missouri.....	110,470	146,391	3,383,559	3,529,950
Ohio.....	796,520	786,331	1,262,990	2,049,321
Indiana.....	1,282,570	430,577	3,164,752	3,595,329
Illinois.....	785,475	677,300	5,435,460	6,112,760
Michigan.....	300,920	116,400	1,551,800	1,668,200
Wisconsin.....	50,900	292,800	687,400	980,200
Iowa.....	553,500	304,067	1,336,050	1,640,117
Minnesota.....	326,620	108,309	879,840	988,149
Kansas.....	30,600	400,571	121,500	522,071
Nebraska.....	.....	45,000	40,480	85,480
Colorado.....	126,000	58,925	135,000	193,925
Utah.....	.....	161,191	196,800	357,991
Montana.....	.....	.....	45,000	45,000
Total.....	\$20,065,585	\$8,089,992	\$48,453,641	\$56,543,633
Legal-tender notes deposited prior to June 20, 1874, then remaining	.....	.....	.....	3,813,675
Total Deposits.....	.....	.....	.....	\$60,357,308

JNO. JAY KNOX, *Comptroller of the Currency.*

BANKING AND FINANCIAL ITEMS.

THE ISSUE OF SILVER.—The following is the full text of the joint resolution for the issue of silver coin, which passed Congress in July and was approved by the President July 24th.

Resolved, That the Secretary of the Treasury, under such limits and regulations as will best secure a just and fair distribution of the same through the country, may issue the silver coin at any time in the Treasury to an amount not exceeding \$10,000,000 in exchange for an equal amount of legal-tender notes, and notes so received in exchange shall be kept as a special fund separate and apart from all other money in the Treasury, and be issued only upon the retirement and destruction of a like sum of fractional currency received at the Treasury in payment of dues to the United States, and said fractional currency, when so substituted, shall be destroyed and held as part of the sinking fund, as provided in the act approved April 17, 1876.

SEC. 2.—That the trade dollar shall not hereafter be a legal tender, and the Secretary of the Treasury is hereby authorized to limit from time to time the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same.

SEC. 3.—That in addition to the amount of subsidiary silver coin authorized by law to be issued in redemption of the fractional currency, it shall be lawful to manufacture at the several mints, and issue through the Treasury and its several offices, such coin to an amount that, including the amount of subsidiary silver coin and of fractional currency outstanding, shall in the aggregate not exceed at any time \$50,000,000.

SEC. 4.—That the silver bullion required for the purposes of this act shall be purchased from time to time, at the market rate, by the Secretary of the Treasury, with any money in the Treasury not otherwise appropriated, but no purchase of bullion shall be made under this resolution when the market price for the same shall be such as will not admit of the coinage and issue as herein provided without loss to the Treasury; and any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to subsidiary coinage, provided that the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed \$200,000.

THE TREASURY DEPARTMENT.—On June 29 the Senate confirmed Albert U. Wyman to be Treasurer of the United States, vice John C. New resigned; and James Gilfillan, previously Cashier of the Treasury, to be Assistant-Treasurer.

THE HON. LOT M. MORRILL took charge of the Treasury Department on the afternoon of July 7th. The first official act of the Secretary was the approval of the bond of Mr. A. U. Wyman as Treasurer. The approval of Mr. Wyman's bond relieved Mr. J. C. New from the Treasurership, who transferred to his successor the office, in which business was resumed on the eighth, after several days' suspension.

A **CIRCULAR** from the Comptroller of the Currency has been sent to the various National banks, requesting the cashier of each bank to furnish a detailed account of the amount of municipal, county and State taxes demanded of them during 1875; also, the amount paid for revenue stamps during the same period. The object of the inquiry is to obtain reliable data on which to base the statements of these taxes in the Comptroller's report to Congress next December.

THE REDEMPTION BUREAU.—The receipts of National bank notes for redemption for the week ending July 22d, and for the same week of last year, were as follows:

	<i>From</i>	1875.	...	1876.
New York.....		\$ 2,250,000	...	\$ 2,168,000
Boston		1,020,000	...	1,457,000
Philadelphia.....		166,000	...	510,000
Chicago.....		98,000	...	67,000
Cincinnati		23,000	...	36,000
Miscellaneous.....		837,000	...	1,115,000
Total.....		\$ 4,400,000	...	\$ 5,353,000

NEW YORK.—Mr. S. M. Swenson admitted as partners in his business, on July 1st, 1876, Eric P. Swenson and Daniel J. Kerr. The style of the firm is S. M. Swenson, Son & Co.

The banking firm of Livermore, Clews & Co., consisting of Messrs. Edward Livermore, Henry Clews and Wm. F. Livermore, opened for business on July 11th, at 3 Nassau and 16 Wall Streets. Mr. Edward Livermore returns to active business after a retirement of some years.

THE LOANER'S BANK.—J. T. Hubbard, receiver of the suspended Loaner's Bank, has filed his report of the condition of the bank. It places the cash assets at \$5,574; other nominal assets, \$410,075; total, \$415,650; liabilities, \$281,630. Included in the nominal assets, however, are many old notes and loans, second mortgages, &c., which are of little, if any, value. The receiver, in his report, does not make any estimate of the actual value of the assets, but believes that there is no probability of the depositors being paid in full. Strong efforts have been made since the bank suspended looking to a reorganization and resumption of business, but they all failed, and the receiver will now proceed to wind up its affairs.

PUNISHMENT OF COUNTERFEITERS.—The counterfeiters of National bank notes, who were caught in Williamsburgh in June, and George White, the engraver of the plates, pleaded guilty in the United States Courts at Brooklyn on July 10th. Their counterfeitings on the Hampden National Bank of Westfield, Mass., had passed as genuine at several banks. White had plates prepared for counterfeitings on the First National Bank of Northampton, Mass., the National Bank of Castleton, N. Y., the Third National Bank of Providence, R. I., and the First National Bank of Newburgh. At the house in Williamsburgh the officers seized about \$75,000 in counterfeit bills. Henry Harrison alias Thomas Congdon, pleaded guilty to the fourth count in the indictment, charging him with having possession of a metallic plate with the intention of using it in the manufacture of counterfeit money. Judge Benedict sentenced him to ten years' hard labor in the Penitentiary and a fine of \$750. Charles Conklin, the printer of the bills, who had never engaged in the business before, was sentenced to five years in the Penitentiary at hard labor and \$750 fine. White, who is 67 years old, was sentenced to ten years' hard labor in the Penitentiary and \$1,000 fine.

THE RIGHTS OF BROKERS CARRYING STOCKS.—E. P. Pickering, of Buffalo, sued E. D. Randolph & Co., brokers of New York, for \$6,400, the excess over seven per cent. per annum in the interest which they had charged him on advances made in carrying 800 shares of American Express Co. stock during a period including the Chicago and Boston fires and the panic of 1873.

The defendants charged at one time 1-32 per cent. per day, at others 1-24, and on one occasion as high as $\frac{1}{8}$, each time according to the state of the money market. The difference claimed is the difference between seven per cent. and those charges.

The plaintiff called Mr. Randolph, who testified that he had not himself lent any money whatever to carry plaintiff's stock, but had borrowed the money necessary to carry his customer's stock, from others, and had paid the market rates for the money, pledging his customers' stocks and sometimes the firm's bonds. He aggregated the price of the loans, and charged an average to each of the customers.

The suit was dismissed by Judge Dykman, the plaintiff's own letters, produced in Court, showing that he thanked the defendants for charging much lower rates than he expected. The Court held that on the evidence for plaintiff, the defendants simply charged what they had been compelled to pay for the money to carry those stocks.

TWICE PLEDGED COLLATERAL.—Henri Hennequin & Co., French merchants, had a running credit for \$6,000 on Clews, Habicht & Co., of London, procured through Henry Clews & Co., on the deposit with the latter, of \$29,000 of Toledo, Peoria & Warsaw R. R. bonds as security. On the failure of both banking houses Hennequin & Co. applied for a return of their pledge, but Henry Clews & Co. had meantime pledged the bonds with Frederick Butterfield & Co., for loans of about \$700,000. They gave the depositors instead 29 first-mortgage bonds of Burlington, Cedar Rapids & Minnesota R. R. On the trial of a suit against Butterfield & Co., to recover the Toledo, Peoria & Warsaw R. R. bonds, the plaintiffs, Messrs. Hennequin declared they took the others merely as security for the return of their own. In the Superior Court of this city, Special Term, Judge Sedgwick decided that Butterfield & Co. made the loans to Clews & Co. in good faith, in the usual way of borrowers, supposing them to be the owners of the collateral. The complaint as against Butterfield & Co. was dismissed, leaving the plaintiffs to such satisfaction as they can get from Clews & Co.

ARKANSAS.—The German Savings Bank at Little Rock, which has been in business fourteen months, has made a cash dividend of fourteen per cent., and a surplus fund of \$9,625. The directors have determined to make no more cash dividends until the surplus shall be equal to the capital, now \$75,000, and that thereafter ten per cent. of the net profits shall be added annually to that account.

SAN FRANCISCO.—The banking firm of Donohoe, Kelly & Co. have had an accession to their membership, in Messrs. John W. Flood and Howard Havens, whose interest dates from July 1.

DIVIDEND.—The Comptroller of the Currency has declared a fifth and final dividend of 25 per cent. in favor of the creditors of the First National Bank of Washington, D. C., making in all a dividend of 100 per cent.

UNJUST SUSPICION.—Two years ago, the paying teller of the Second National Bank, of Boston, Mr. H. W. Edmonds, was discharged because he could not account for the disappearance of ten thousand dollars. A few weeks ago the money was found in a crevice of the safe into which it had slipped.

MISSISSIPPI.—A new banking house at Aberdeen, organized under State charter, has commenced business. The style of the bank is "Gattman & Co.," and their capital, \$100,000 paid in, with the right of increase to \$200,000. New York Correspondent, The Merchants' Exchange National Bank. Their card, at end of this number, tenders attention to the interests of correspondents.

MISSOURI.—The following aggregate statement of the condition of the banks in St. Louis on the first day of July, 1876, is compiled from public and private statements by Mr. Chase, Manager of the St. Louis Clearing House.

	Capital and Surplus.	Savings and Time Deposits.	Demand Deposits.	Cash and Discounts, Exchange, and Bonds.	Loans, and Bonds.
7 National Banks.....	\$6,689,831	\$1,048,533	\$9,032,963	\$5,059,162	\$10,886,323
28 State Banks.....	10,059,916	10,570,412	14,374,043	5,827,505	27,401,811
35 Clearing-House Banks.....	16,749,747	11,618,945	23,407,006	10,886,727	38,288,134
15 Banks not in Clearing House.	1,330,850	2,533,707	1,489,853	873,574	4,154,114
50 Banks in St. Louis.....	18,080,597	14,152,652	24,896,859	11,760,301	42,442,248
57 Banks 1st January, 1876.....	19,559,542	16,144,337	24,562,084	11,788,495	45,928,085
Increase last six months			334,775		
Decrease " "	1,478,945	1,991,685		28,194	3,486,837

On January, 1876, the seven National Banks had of bonds deposited at Washington, \$793,400, to secure \$706,690 circulation. On July, 1876, there were of bonds \$842,950; circulation \$728,690.

St. Louis.—The Central Savings Bank of St. Louis suspended business on July 7th, and made an assignment for the benefit of its creditors and stockholders. It is thought that the assets will pay its depositors nearly in full, if not quite, but after considerable delay, as the bank has been burthened with much dead weight of slow paper.

MISSOURI.—The United States Supreme Court decision annulling certain bonds of Mount Pleasant township, Bates county, in this State, has caused considerable excitement among the people of half a dozen counties in Western Missouri. In 1868 the Legislature of that State passed an act to authorize townships to subscribe money in aid of railroads.

The act authorizes a subscription on the approval of two-thirds of the qualified voters who vote on the proposition; the constitution authorizes it only on the approval of two-thirds of the whole number of qualified voters in the township. The act, therefore, attempted to authorize what the constitution positively prohibited; it is therefore void, and the bonds issued under it are worthless. The belief is that the decision sweeps out of existence all the township railroad bonds issued in the State. The following statement, compiled by the *St. Louis Republican*, from the last State Auditor's report, shows approximately the amount of these bonds outstanding: Adair \$46,000, Bates \$155,000, Cape Girardeau \$136,000, Cass \$600,000, Clark \$25,000, Cooper \$170,000, Crawford \$54,000, Howard \$100,000, Jackson \$417,000, Johnson \$160,000, Linn \$103,000, Lafayette \$312,000, Livingston \$12,000, Marion \$200,000, Randolph \$65,000, Pike \$315,000, Saline \$75,000, Schuyler \$15,000. Total, \$2,990,000.

This list is not complete, for several counties that have considerable township railroad debts, Boone being one of them, were not returned to the auditor's office at the date of his last report. Besides, a large proportion of this township debt is in arrears for interest, the coupons having been in litigation for several years. The entire township indebtedness on railroad account is estimated at \$3,300,000, all of which is dissipated into thin air by the Court's decision. The people of Bates, Cass, Jackson, Johnson, and Lafayette certainly take this view, and there is as much rejoicing in that part of the State over the decision, as though some great blessing had suddenly descended on the people. It destroys really all the Cass county debt, one-third the Lafayette county debt, two-thirds that of Marion country, and nearly one-third that of Pike county; and, as the decision comes from the Court of last resort, it is supposed that no further litigation on the part of the bondholders is possible.

TRAVELING SHARPEERS.—An attempt was recently made to defraud the South Cleveland Banking Company, of Cleveland, O., by a man of gentlemanly appearance. He tendered a certificate of deposit of the Fifth National Bank of New York, for \$2,500, and sought to have it cashed; but, fortunately without success, as the paper was a forgery. A similar experiment was tried on the Centennial National Bank, Philadelphia, by a person of prepossessing address—but likewise without succeeding.

The National Bank of Commerce, Cincinnati, and the First National Bank of Newport, Ky., were each invited in June to cash a draft presented by a stranger with a letter of introduction apparently from an Eastern Bank, all being forgeries. The attempts were failures, and in Newport, cashier Youtsey, suspecting fraud, caused the holder to be arrested.

TEXAS.—Messrs. James H. Raymond & Co. have organized a new banking firm at Austin, which continues the established business of Messrs. Raymond & Whitis. The present partners are James H. Raymond, Frank Hamilton, and James R. Johnson. Their card will be found, as usual, in the supplement to the *BANKER'S MAGAZINE*.

Victoria.—Mr. J. M. Brownson has formed a copartnership with Mr. Eugene Sibley, and will hereafter conduct his banking business under the style of Brownson & Co. A reference to their card in the usual place will show the specialties for which they invite correspondence. Messrs. Donnell, Lawson & Co. are their New York Correspondents.

FOREIGN COMMERCE OF NEW YORK.—We are indebted to the *Journal of Commerce* of this city for the following tables showing the foreign commerce of the port for the last fiscal year. The total imports at this port for the month of June exhibit a decline of about seven million dollars as compared with the same month of last year, and of nearly twelve millions as compared with the corresponding period of 1874.

FOREIGN IMPORTS AT NEW YORK FOR THE SIX MONTHS FROM JANUARY I.

	1874.	1875.	1876.
Entered for consumption...	\$ 90,222,199	\$ 79,295,382	\$ 65,265,116
Entered for warehousing..	65,490,757	55,179,524	47,741,080
Free goods.....	60,349,392	50,236,507	43,079,705
Specie and bullion.....	2,510,650	7,540,977	2,251,285
Total entered at port...	\$ 218,572,998	\$ 192,252,390	\$ 158,337,186
Withdrawn from warehouse	57,063,661	48,660,956	41,757,396

This shows a decline in the imports since January 1 of \$ 33,915,204 as compared with last year, and of \$ 60,235,812 as compared with the same period of 1874. In the first six months of 1873 the imports were \$ 221,047,982, or nearly sixty-three millions more than during the six months just ended.

The month of June closes the fiscal year. The imports at New York for this period have been as below. For the year ending June 30, 1873, they were \$ 420,374,032, a difference of \$ 113,660,317, or nearly forty per cent.

FOREIGN IMPORTS AT NEW YORK FOR THE FISCAL YEAR ENDING JUNE 30.

	1874.	1875.	1876.
Entered for consumption	\$ 165,478,543	\$ 162,538,613	\$ 132,027,678
Entered for warehousing	116,407,703	94,900,869	81,902,121
Free goods.....	95,880,050	98,485,746	84,635,051
Specie and bullion.....	18,324,557	11,437,898	8,148,865
Total entered at port...	\$ 396,090,852	\$ 367,363,126	\$ 306,713,715
Withdrawn from warehouse	113,783,469	96,378,837	89,607,453

The decline last year was almost wholly in general merchandise. Receipts of foreign dry goods formerly comprised a little more than one-third of the total imports at this port. For the last three or four years they have been less than 30 per cent. of the aggregate.

EXPORTS FROM NEW YORK TO FOREIGN PORTS FOR SIX MONTHS FROM JANUARY I.

	1874.	1875.	1876.
Domestic produce.....	\$ 138,165,775	\$ 117,188,914	\$ 118,810,717
Foreign free goods.....	1,148,252	1,300,257	1,650,759
Foreign dutiable.....	4,119,582	3,028,397	3,595,853
Specie and bullion.....	29,618,666	50,355,338	28,626,333
Total exports.....	\$ 173,050,275	\$ 171,872,906	\$ 152,683,662
Do. exclus. of specie	143,431,609	121,517,568	124,057,329

The great decrease in the imports has called for diminished shipments of specie to the other side. The comparison of the exports at this port for the fiscal year just ended is as follows:

EXPORTS FROM NEW YORK TO FOREIGN PORTS FOR THE FISCAL YEAR ENDING JUNE 30.

	1874.	1875.	1876.
Domestic produce.....	\$ 293,469,949	\$ 253,225,037	\$ 249,303,527
Foreign free goods.....	1,997,436	2,495,472	2,371,677
Foreign dutiable.....	8,721,748	6,305,583	7,326,725
Specie and bullion.....	50,459,043	81,958,900	45,827,645
Total exports.....	\$ 354,648,176	\$ 343,984,992	\$ 304,829,574
Do. exclus. of specie	304,189,133	262,026,092	258,001,929

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from July No., page 76.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
	N. Y. City....	Livermore, Clews & Co..	3 Nassau Street.
	"	Limburger & Thalmann..	11 Broad Street.
COL	Lake City.....	Hinsdale County Bank. .	Chemical National Bank.
		H. A. McIntyre, <i>Pr.</i>	H. J. Alexander, <i>Cas.</i>
DEL	Smyrna	Fruit Growers' Nat. Bank.	.....
	\$ 70,000	G. H. Raymond, <i>Pr.</i>	N. F. Wilds, <i>Cas.</i>
GA.....	Columbus.....	Nat. Bank of Columbus...	.....
	\$ 100,000	J. Rhodes Browne, <i>Pr.</i>	G. W. Dillingham, <i>Cas.</i>
IOWA...	Des Moines...	Capital City Bank, (Sigler & Christy.)	.....
"	Des Moines...	State Bank of F. R. West & Sons.	.....
MICH...	Greenville....	Leroy, Moore & Co.....	.....
"	Lexington	Lexington Bank, (B. R. Noble.)	National Trust Co.
"	Litchfield	C. G. Conklin & Co.....	Merchants' National Bank.
"	Vassar.....	T. North & Co.....	National Trust Co.
MISS ...	Aberdeen	Gattman & Co.....	Merch. Exchange Nat. Bank.
	\$ 100,000		
N. Y....	Elmira	Farmers' and Mech. Bk..	Continental National Bank.
		L. M. Smith, <i>Pr.</i>	H. L. Bacon, <i>Cas.</i>
OHIO ...	Tiffin	The Commercial Bank....	Amer. Exch. Nat. Bank.
		Warren P. Noble, <i>Pr.</i>	S. B. Sneath, <i>Cas.</i>
PA.....	Sandy Lake ..	Brown & Foster .....	.....
"	Towanda	Citizens' National Bank ..	.....
	\$ 150,000	J. P. Kirby, <i>Pr.</i>	G. A. Guernsey, <i>Cas.</i>
TEXAS .	Houston	Fox & Wettermark.....	Forster, Ludlow & Co.
VA.....	Abingdon.....	Greenway Bros. & Co....	Kountze Brothers.
WIS....	Eau Claire ...	Chippewa Valley Bank...	.....
		H. C. Putnam, <i>Pr.</i>	V. W. Bayless, <i>Cas.</i>
"	Reedsburg	Samuel Ramsey.....	Vermilye & Co.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized June 23 to July 20, 1876.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2336	Fruit Growers' National Bank, Smyrna, DEL.	George H. Raymond.... N. F. Wilds	\$ 70,000	\$ 41,000
2337	Citizens' National Bank, Towanda, PA.	J. P. Kirby..... George A. Guernsey	150,000	150,000
2338	National Bank of Columbus, GA.	J. Rhodes Browne..... G. W. Dillingham	100,000	100,000

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from July No., page 75.)

August, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. City,	Continental Nat. Bank...	W. J. Harris, <i>Cas.</i> ...	C. F. Timpson.
"	Fourth National Bank....	O. D. Baldwin, <i>Asst Cas</i>	F. E. Lathrop.*
CT.....	Windham Co. Nat. Bank, Bkl'n	John P. Wood, <i>Cas.</i> ...	C. C. Crandall.
"	City Nat. Bank, New London	I. N. Harris, <i>Pr.</i>	N. P. Haven.
ILL....	First National Bank.....}	A. L. Clarke, <i>Pr.</i>	James Beggs.
	Arcola. }	Geo. L. Wicks, <i>Cas.</i> ...	A. L. Clarke.
"	Second National Bank, Peoria.	B. F. Blossom, <i>Cas.</i> ...	T. G. McCulloh.
IND....	Wash. Nat. Bank, Washington	Richard N. Read, <i>Cas</i>	S. H. Taylor.
IOWA .	First Nat. Bank, Clarinda.....	S. West, <i>Cas.</i>	A. B. Cramer.
KY.. .	Citizen's Nat. B'k, Louisville	H. C. Rodes, <i>Cas.</i>	O. V. Wilson.
LA . . .	Louisiana National Bank.}		
	New Orleans. }	T. L. Airey, <i>Pr. pro tem.</i>	.....
ME....	Marine Nat. Bank, Bath.....	S. D. Bailey, <i>Pr.</i>	B. C. Bailey.
"	Cumberland National Bank. }		
	Portland. }	H. N. Jose, <i>Pr.</i>	Alvah Conant.*
"	Merchants' Nat. B'k, Portland	J. E. Gilman, <i>Act'g Cas</i>	.....
MASS..	First Nat. Bank, Leominster.	Samuel Putnam, <i>Pr.</i> ...	John H. Lockey.
"	First National Bank, Marlboro.	William Gibbon, <i>Pr.</i>	Mark Fay.
"	Crocker National Bank.....}		
	Turners Falls. }	D. P. Abercrombie, <i>Cas</i>	S. Sewall, Jr.
"	Nat. Mt. Wollaston Bank, }		
	Quincy. }	Jos. W. Robertson, <i>Pr.</i>	John Q. Adams.
MICH. .	Ann Arbor Savings Bank, }		
	Ann Arbor. }	Christian Mack, <i>Pr.</i> ..	R. S. Smith.*
"	Nat. Exch. Bank, Albion.....	Lyman B. Miner, <i>Cas.</i>	G. W. Davis.
MO.....	Central Nat. B'k, Booneville.	W. L. Stephens, <i>Act Cas</i>	.....
"	Second Nat. Bank, St. Louis.	E. D. Jones, <i>Vice-Pr.</i>	Geo. L. Joy.
NEB....	State National Bank, Lincoln.	D. B. Alexander, <i>Pr.</i>	S. G. Owen.
N. J. . .	Essex County National B'k, }		
	Newark. }	W. H. Curtis, <i>Cas.</i> ...	C. S. Graham.
PA.....	Third Nat. B'k, Allegheny....	H. A. Spangler, <i>Cas.</i>	W. A. Clemens.
"	Second Nat. Bank, Allentown	Reuben Stahler, <i>Cas.</i>	F. E. Samuels.
"	First Nat. Bank, Meyersdale.	L. S. Keim, <i>Cas.</i>	J. M. Olinger.
"	First Nat. Bank, Pittston.....	W. L. Watson, <i>Cas.</i> ...	H. S. Phillips.
TENN .	Nat. Bank of Shelbyville.....	B. R. Whitthorne, <i>Cas.</i>	A. Frierson.
TEXAS.	Farm. & Merch'ts' B'k, Paris. .	C. W. Mertz, <i>Cas.</i> , ...	J. M. Smith.
VT.....	Commercial Bank, Burlington	D. N. Burton, <i>Cas.</i> ...	R. J. Wright.
WIS. ...	First Nat. Bank, Boscobel... .	M. D. Tillotson, <i>Cas.</i>	Herman A. Meyer.
"	First Nat. B'k, Chippewa F's.	L. M. Newman, <i>Cas.</i> ...	V. W. Bayless.
"	Farmers & Merchants' Bank, }	J. W. Ostrander, <i>Pr.</i>	Henry Yale.
	Jefferson. }	Henry Yale, <i>Cas.</i>	Adam Grimm.*

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from July No., page 75.)

- GA..... Planters and Miners' Bank, *Cartersville*; in liquidation.
 IOWA... Capital City Bank, *Des Moines*; succeeded by Christy & Sigler.
 " National State Bank, *Des Moines*; succeeded by F. R. West & Sons.
 MICH.... M. H. Norton & Co., *Greenville*; succeeded by Le Roy, Moore & Co.
 " North & Noble, *Vassar*; succeeded by T. R. North & Co.
 MO..... Central Savings Bank, *St. Louis*; suspended and assigned.
 N. Y.... Watkins National Bank, *Watkins*; receiver appointed.
 " Bank of Fairport, *Fairport*; closed.
 N. H.... Rockingham Ten Cents Savings Bank, *Portsmouth*; suspended.
 OHIO... W. H. Kelley & Co., *Cleveland*; assigned.
 " J. Reynolds & Co., *Ripley*; assigned.
 TEXAS.. Raymond & Whitis, *Austin*; succeeded by James H. Raymond & Co.
 " .. Abbott & McDonald, *Hillsboro*; succeeded by Abbott & Sturgis.
 " .. Harbert, Blancks & Co., *Luling*; succeeded by W. R. Johnston & Co.
 VA..... Agency Lynchburg I. & B. Co., *Abingdon*; succeeded by Greenway Bros. & Co.

THE PREMIUM ON GOLD AT NEW YORK.

JUNE—JULY, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
July	11 3/4	17 1/2	June 26	12	12 1/2	July 11	11 3/8	11 7/8
August	12 3/4	14 3/4	27	11 7/8	12	12	11 3/8	11 3/4
September ...	13 3/4	17 1/4	28	12	12 1/2	13	11 3/8	11 5/8
October	14 1/2	17 3/8	29	12 1/2	12 3/8	14	11 3/8	11 5/8
November....	14 1/2	16 3/8	30	12 3/8	12 1/2	15	11 3/8	11 1/2
December ...	12 3/8	15 1/4	July 1	12 1/4	12 3/8	17	11 1/2	11 5/8
1876.			3	Holiday.		18	11 1/2	11 5/8
January	12 3/8	13 3/4	4	Holiday.		19	11 1/2	11 3/4
February	12 3/4	14 1/8	5	12 1/8	12 3/8	20	11 5/8	11 3/8
March	13 3/4	15	6	11 7/8	12 1/2	21	11 3/4	11 7/8
April	12 1/2	13 3/8	7	11 7/8	12 1/2	22	11 3/4	11 7/8
May	12 1/4	13 1/4	8	12	12	23	11 3/4	11 3/4
June.....	11 7/8	13	10	11 3/4	11 7/8	25	11 3/4	11 7/8

THE TAXATION OF BANKING CAPITAL.—Mr. John C. Hopper, Secretary of the National Revenue Reform Association of this city, has been for some time engaged in a work which is a good one for the banking community. He has voluntarily undertaken to do what has been left undone by others, and by calling upon bank officers and members of Congress, has given an impetus towards unity of action which bids fair to accomplish some relief from the burden which is becoming insupportable.

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	<i>June 1, 1876.</i>	<i>July 1, 1876.</i>
Bonds at six per cent.	\$ 984,999,650 ...	\$ 984,999,650
Bonds at five per cent.	710,041,800 ...	710,685,800
	<u>\$ 1,695,041,450</u>	<u>\$ 1,696,695,450</u>

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000 ...	\$ 14,000,000
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DEBT ON WHICH INTEREST HAS CEASED....	\$ 5,135,030 ...	\$ 3,902,402
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DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.....	\$ 370,191,705 ...	369,839,201
Certificates of deposit	34,385,000 ...	32,840,000
Fractional currency.....	37,359,474 ...	34,446,595
Coin certificates.....	25,714,800 ...	28,684,400

	<u>\$ 467,650,979</u> ...	<u>\$ 465,807,196</u>
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Total debt	\$ 2,181,827,460 ...	\$ 2,180,395,067
Interest	31,788,757 ...	38,514,004

TOTAL DEBT, principal and interest.....	\$ 2,213,616,217 ...	\$ 2,218,909,071
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CASH IN THE TREASURY.

Coin	\$ 66,624,766 ...	\$ 73,625,584
Currency	9,285,708 ...	13,004,141
Special deposit held for redemption of certificates of deposit, as provided by law....	4,385,000 ...	32,840,000
	<u>\$ 110,235,471</u> ...	<u>\$ 119,469,726</u>

Debt, less cash in the Treasury, June 1, 1876	\$ 2,103,320,742 ...	.....
" " " July 1, 1876	.....	\$ 2,099,439,349

Decrease of debt during the past month	\$ 4,617,515 ...	\$ 3,881,397
Decrease of debt since June 30, 1875.	25,367,983 ...	29,249,381

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.....	\$ 64,623,512 ...	\$ 64,623,512
Interest accrued and not yet paid	1,615,537 ...	1,938,705

Interest paid by the United States.....	30,141,513 ...	30,141,513
Interest repaid by transportation of mails, &c.	6,851,349 ...	6,852,491

Balance of interest paid by the U. S. ...	\$ 23,290,163 ...	\$ 23,289,021
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FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE—1876.

(For previous quotations see BANKER'S MAGAZINE for February, 1876.)

STOCKS.	JANUARY.		FEBRUARY.		MARCH.		APRIL.		MAY.		JUNE.	
	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.
U. S. Six per cts. of 1881, Coupon Bonds...	120 $\frac{3}{4}$	122 $\frac{3}{4}$	122 $\frac{1}{2}$	123 $\frac{3}{4}$	122 $\frac{1}{2}$	123 $\frac{3}{4}$	121 $\frac{3}{4}$	122 $\frac{3}{4}$	122 $\frac{3}{4}$	122 $\frac{3}{4}$	122 $\frac{3}{4}$	124 $\frac{1}{2}$
“ Five-Twenty of 1865. “ “ “ “	116 $\frac{1}{2}$	117 $\frac{1}{2}$	117 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	117 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	115 $\frac{1}{2}$	116 $\frac{1}{2}$
“ “ “ “ “ “ “ “	117	119 $\frac{1}{2}$	119 $\frac{1}{2}$	120	118 $\frac{1}{2}$	119 $\frac{1}{2}$	118 $\frac{1}{2}$	120 $\frac{1}{2}$	118 $\frac{1}{2}$	119 $\frac{1}{2}$	119 $\frac{1}{2}$	121
“ “ “ “ “ “ “ “	119 $\frac{1}{2}$	122 $\frac{1}{2}$	121	122 $\frac{1}{2}$	121 $\frac{1}{2}$	121 $\frac{1}{2}$	120 $\frac{1}{2}$	121 $\frac{1}{2}$	120 $\frac{1}{2}$	121 $\frac{1}{2}$	121 $\frac{1}{2}$	123 $\frac{1}{2}$
“ “ “ “ “ “ “ “	120	123	123 $\frac{1}{2}$	123 $\frac{1}{2}$	123	123 $\frac{1}{2}$	122 $\frac{1}{2}$	122 $\frac{1}{2}$	122 $\frac{1}{2}$	123	123 $\frac{1}{2}$	124 $\frac{1}{2}$
“ “ “ “ “ “ “ “	118	119 $\frac{1}{2}$	119 $\frac{1}{2}$	121 $\frac{1}{2}$	118 $\frac{1}{2}$	119 $\frac{1}{2}$	118 $\frac{1}{2}$	119	118 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$
“ “ “ “ “ “ “ “	116 $\frac{1}{2}$	118 $\frac{1}{2}$	117 $\frac{1}{2}$	118 $\frac{1}{2}$	118 $\frac{1}{2}$	119	117 $\frac{1}{2}$	119	117 $\frac{1}{2}$	117 $\frac{1}{2}$	116 $\frac{1}{2}$	117 $\frac{1}{2}$
“ “ “ “ “ “ “ “	122 $\frac{1}{2}$	125	125	128	126 $\frac{1}{2}$	127 $\frac{1}{2}$	126 $\frac{1}{2}$	127	126 $\frac{1}{2}$	127 $\frac{1}{2}$	124 $\frac{1}{2}$	126 $\frac{1}{2}$
“ “ “ “ “ “ “ “	39 $\frac{1}{2}$	46	44	46	43	44	36	40	35	36	...	...
“ “ “ “ “ “ “ “	119 $\frac{1}{2}$	125	119 $\frac{1}{2}$	122 $\frac{1}{2}$	119 $\frac{1}{2}$	121	108	119 $\frac{1}{2}$	104 $\frac{1}{2}$	114 $\frac{1}{2}$	105	110
“ “ “ “ “ “ “ “	47	50	45 $\frac{1}{2}$	49	41 $\frac{1}{2}$	45 $\frac{1}{2}$	40	43 $\frac{1}{2}$	39 $\frac{1}{2}$	43	40	41 $\frac{1}{2}$
“ “ “ “ “ “ “ “	17 $\frac{1}{2}$	18 $\frac{1}{2}$	17	20 $\frac{1}{2}$	17 $\frac{1}{2}$	19	16	18	14 $\frac{1}{2}$	16	14 $\frac{1}{2}$	15 $\frac{1}{2}$
“ “ “ “ “ “ “ “	23 $\frac{1}{2}$	24 $\frac{1}{2}$	23 $\frac{1}{2}$	24 $\frac{1}{2}$	22 $\frac{1}{2}$	23	22 $\frac{1}{2}$	23	21	21	...	...
“ “ “ “ “ “ “ “	8	9 $\frac{1}{2}$	8 $\frac{1}{2}$	10 $\frac{1}{2}$	7	9 $\frac{1}{2}$	...	...	5 $\frac{1}{2}$	7	...	9 $\frac{1}{2}$
“ “ “ “ “ “ “ “	8	10 $\frac{1}{2}$	9	11	7 $\frac{1}{2}$	10	7	7 $\frac{1}{2}$	6 $\frac{1}{2}$	7 $\frac{1}{2}$	6	10 $\frac{1}{2}$
“ “ “ “ “ “ “ “	73 $\frac{1}{2}$	80 $\frac{1}{2}$	70 $\frac{1}{2}$	79 $\frac{1}{2}$	66 $\frac{1}{2}$	70 $\frac{1}{2}$	63 $\frac{1}{2}$	69	63 $\frac{1}{2}$	67 $\frac{1}{2}$	66 $\frac{1}{2}$	71 $\frac{1}{2}$
“ “ “ “ “ “ “ “	36 $\frac{1}{2}$	39 $\frac{1}{2}$	29 $\frac{1}{2}$	38 $\frac{1}{2}$	18 $\frac{1}{2}$	29 $\frac{1}{2}$	16 $\frac{1}{2}$	21 $\frac{1}{2}$	19 $\frac{1}{2}$	28 $\frac{1}{2}$	21 $\frac{1}{2}$	27 $\frac{1}{2}$
“ “ “ “ “ “ “ “	101 $\frac{1}{2}$	104 $\frac{1}{2}$	106	112	105 $\frac{1}{2}$	108 $\frac{1}{2}$	107	108 $\frac{1}{2}$	107	111	108 $\frac{1}{2}$	110 $\frac{1}{2}$
“ “ “ “ “ “ “ “	80 $\frac{1}{2}$	85 $\frac{1}{2}$	85	91	86	87 $\frac{1}{2}$	85	87 $\frac{1}{2}$	86	90	89	90 $\frac{1}{2}$
“ “ “ “ “ “ “ “	57	59 $\frac{1}{2}$	58 $\frac{1}{2}$	67	60 $\frac{1}{2}$	64	60	63	61 $\frac{1}{2}$	63 $\frac{1}{2}$	58	63 $\frac{1}{2}$
“ “ “ “ “ “ “ “	58	62 $\frac{1}{2}$	61	76 $\frac{1}{2}$	70	74 $\frac{1}{2}$	67	74	69 $\frac{1}{2}$	71 $\frac{1}{2}$	71	75
“ “ “ “ “ “ “ “	104 $\frac{1}{2}$	112 $\frac{1}{2}$	111	117 $\frac{1}{2}$	112 $\frac{1}{2}$	116 $\frac{1}{2}$	112	113 $\frac{1}{2}$	108	112 $\frac{1}{2}$	105	110 $\frac{1}{2}$
“ “ “ “ “ “ “ “	15 $\frac{1}{2}$	18	16 $\frac{1}{2}$	18 $\frac{1}{2}$	17 $\frac{1}{2}$	23 $\frac{1}{2}$	13 $\frac{1}{2}$	20 $\frac{1}{2}$	13	15 $\frac{1}{2}$	13 $\frac{1}{2}$	15
“ “ “ “ “ “ “ “	30	35 $\frac{1}{2}$	...	...	35	39	...	...	...	...	20	20
“ “ “ “ “ “ “ “	130 $\frac{1}{2}$	136 $\frac{1}{2}$	136 $\frac{1}{2}$	145	139	143 $\frac{1}{2}$	136 $\frac{1}{2}$	139 $\frac{1}{2}$	137	139	135 $\frac{1}{2}$	140

N. Y., New Haven and Hartford R. R.....	146	151	150	151 1/2	155	159	154	158 1/2	154	156	152	157
Michigan Central Railroad Company.....	57	63 1/2	59 1/2	61 1/2	59 1/2	65 1/2	48 1/2	61 1/2	43	50 1/2	46 1/2	51 1/2
Lake Shore and Michigan Southern R. R....	60 1/2	68 1/2	59 1/2	67 1/2	58 1/2	66	52 1/2	61	51 1/2	56	52 1/2	57 1/2
Panama Railroad Company.....	127	136	130	133	128	138	127	130	128	140	136	139
Union Pacific Railroad Company.....	67 1/2	74 1/2	65 1/2	71	62	70	62 1/2	65 1/2	57 1/2	65	59	63 1/2
Illinois Central Railroad Company.....	97 1/2	100 1/2	97 1/2	102	98	103 1/2	96	99	95	97	96	98
Cleveland and Pittsburgh Railroad Co.....	89 1/2	95	93	95 1/2	93 1/2	98	93	96 1/2	92 1/2	94 1/2	92 1/2	93 1/2
“ Col., Cin. and Ind. Railroad.....	57	61 1/2	53 1/2	57 1/2	50 1/2	60 1/2	50	56	45	50	42	48 1/2
Chicago, Rock Island and Pacific R. R.....	104 1/2	109 1/2	108	111 1/2	109	111 1/2	103 1/2	106 1/2	103 1/2	106	105 1/2	109 1/2
Pittsburgh, Ft. Wayne and Chicago R. R....	97 1/2	101 1/2	100 1/2	103	102 1/2	105	101 1/2	103 1/2	102	104	100 1/2	103 1/2
Chicago, Burlington and Quincy Railroad...	114	117 1/2	116	121 1/2	118 1/2	119 1/2	117	120	117	118 1/2	114 1/2	116 1/2
“ and Alton Railroad Company.....	98 1/2	105 1/2	100 1/2	105	101	106 1/2	97	104 1/2	97 1/2	98 1/2	98 1/2	103
“ “ Preferred.....	106 1/2	109	106	110	110 1/2	111	103 1/2	107 1/2	104 1/2	105	107	110
“ and Northwestern Railroad Co.....	38 1/2	43	40 1/2	45 1/2	41 1/2	44 1/2	38	42 1/2	39 1/2	41	39 1/2	43 1/2
“ “ “ Pref.....	56 1/2	64 1/2	61 1/2	67 1/2	61 1/2	66 1/2	56 1/2	62 1/2	55 1/2	60	59	67 1/2
“ Milwaukee and St. Paul R. R.....	35 1/2	42 1/2	40 1/2	46 1/2	40 1/2	46	37 1/2	41 1/2	35 1/2	39 1/2	38	42 1/2
“ “ “ Pref.....	66 1/2	77	74 1/2	80 1/2	65 1/2	84 1/2	62 1/2	67 1/2	61	67 1/2	67 1/2	72 1/2
Toledo, Wabash and Western R. R. Co.....	3	6 1/2	3 1/2	6 1/2	3	4 1/2	2 1/2	3 1/2	2	3	1 1/2	2 1/2
“ “ “ Pref.....	5	6	...	...	...	...	...	...	...	...	...	...
St. Louis and Iron Mountain R. R.....	15	21 1/2	19 1/2	25 1/2	22	26 1/2	19 1/2	22	17 1/2	19	17	18
Pacific Railroad Company of Missouri.....	11	15 1/2	11 1/2	14 1/2	12 1/2	16	13 1/2	16	12 1/2	14	14	12 1/2
St. Louis, Kansas City and N. R. R. Pref....	4	6	5 1/2	7 1/2	6 1/2	7	5 1/2	6 1/2	5 1/2	5 1/2	5 1/2	6
“ “ “ “ Pref.....	22 1/2	31 1/2	26 1/2	33	29 1/2	32 1/2	28	31	28	29 1/2	28	29 1/2
Atlantic and Pacific Railroad, Preferred....	4	7	5 1/2	7	4	5	3	4	2	3	1 1/2	2 1/2
Del., Lackawanna and West. R. R. Co.....	117 1/2	120 1/2	116	120	117 1/2	120	104 1/2	119 1/2	102 1/2	111	104 1/2	109
Alton and Terre Haute Railroad.....	5	7 1/2	5 1/2	5 1/2	5 1/2	5 1/2	3 1/2	3 1/2	...	...	6	7 1/2
“ “ “ Pref.....	20	24	22	22 1/2	19 1/2	21	15	15	...	...	...	...
Morris and Essex Railroad Company.....	101 1/2	102 1/2	102 1/2	105 1/2	105	106	101 1/2	106	102 1/2	104 1/2	101	104 1/2
New Jersey Central Railroad Company.....	137	138	138	143	138	142 1/2	136	138 1/2	134 1/2	135 1/2	136 1/2	138
Rome, Watertown and Ogdensburg R. R....	...	...	...	...	...	...	...	...	...	...	...	...
Rensselaer and Saratoga Railroad Co.....	...	...	...	...	...	...	...	...	...	...	...	...
Ohio and Mississippi Railroad Company.....	...	...	...	...	...	...	...	...	...	...	...	...
“ “ “ Pref.....	16 1/2	24 1/2	21	24 1/2	19 1/2	22 1/2	15	...	119	119	119	120
Hannibal and St. Joseph Railroad.....	34	51	49	50 1/2	40	42	33	41 1/2	15 1/2	17 1/2	15 1/2	17 1/2
“ “ “ Pref.....	18 1/2	22 1/2	18	22 1/2	15 1/2	19	13 1/2	17 1/2	13	15 1/2	12 1/2	14 1/2
“ “ “ Pref.....	26	33 1/2	28	32 1/2	25 1/2	29 1/2	24	25 1/2	20 1/2	24 1/2	21 1/2	24
Col., Chicago and Ind. Central Railroad...	3 1/2	0 1/2	5	5 1/2	3 1/2	5	4 1/2	5	4	4 1/2	4	4 1/2

NOTES ON THE MONEY MARKET.

NEW YORK, JULY 24, 1876.

Exchange on London at sixty days' sight, 4.88 a 4.88½, in gold.

In the money market there are several points of interest, although the dullness which has so long prevailed continues unabated. The rates for call loans are extremely low and money is offered at three to four per cent., while balances are lending to Government houses at one to one and a half per cent., and to the Stock Exchange houses at two per cent. In discounts there is little change, the amount of choice paper in market being extremely limited. One of the facts of interest in the loan market is the export of specie, which amounted last week to \$2,620,887, making the total since January 1st \$36,546,223. This aggregate compares as follows with the exports of previous years :

1876 ..	\$36,546,223 ..	1867 ..	\$36,758,393 ..	1859 ..	\$49,396,196
1875 ..	57,938,711 ..	1866 ..	51,294,597 ..	1858 ..	15,714,719
1874 ..	32,819,183 ..	1865 ..	18,669,751 ..	1857 ..	28,216,610
1873 ..	36,062,699 ..	1864 ..	30,618,045 ..	1856 ..	20,533,534
1872 ..	53,157,710 ..	1863 ..	25,824,265 ..	1855 ..	19,268,728
1871 ..	49,883,707 ..	1862 ..	37,604,376 ..	1854 ..	20,200,041
1870 ..	27,037,193 ..	1861 ..	3,258,976 ..	1853 ..	12,584,824
1869 ..	20,294,770 ..	1860 ..	29,718,553 ..	1852 ..	15,596,508
1868 ..	58,750,660 ..				

Another feature of the money market is the increase of the greenback reserves, which amount to fifty-seven millions, a larger sum than the average of previous months of this year. On 24th July, 1875, the greenback reserves were \$75,015,200; on July 25, 1874, \$63,714,800, and on 26 July, 1873, \$49,957,000. The total reserves of specie and legal tenders for the last two weeks, show the following changes :

	July 15.	July 22.	Changes.
Specie	\$22,440,100 ..	\$20,681,400 ..	Dec... \$1,758,700
Legal tenders.....	54,677,500 ..	57,198,200 ..	Ine... 2,520,700
Total reserve.....	\$77,117,600 ..	\$77,879,600 ..	Inc... \$762,000
Reserve required against deposits.....	56,041,875 ..	56,176,450 ..	
Excess of reserve above legal requirements.	21,075,725 ..	21,703,150 ..	Inc... 627,425
Loans	252,961,100 ..	251,682,100 ..	Dec... 1,279,000

Among other indications of the money market, we may mention the disposition on the part of the interest-paying banks, to diminish the rates allowed to

depositors. Indeed, with money at two per cent. or lower, it is not easy to see how any banking establishment can afford to pay three or four per cent. for deposits. A similar result of the ease in money is reported at Chicago, where the banks are also reducing the interest allowed on balances. The loans of our New York banks have begun to increase during the month, though there was a falling off last week. The deposits are higher than they have been for the last three months, as will be seen from the subjoined table of the weekly averages reported by the New York Clearing House.

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Jan. 3.....	\$ 264,062,500	\$ 20,233,300	\$ 39,724,900	\$ 18,795,000	\$ 204,508,100	—
" 8.....	263,044,000	21,149,600	39,328,600	18,595,800	210,820,200	\$ 10,773,155
" 15.....	261,652,100	23,309,100	44,532,500	18,515,600	216,058,500	13,856,970
" 22.....	260,806,900	22,773,200	46,367,900	17,892,000	217,324,200	14,810,055
" 29.....	262,207,000	22,481,700	48,030,000	17,757,300	220,023,900	15,505,720
Feb. 5.....	266,067,400	23,570,800	47,356,200	17,449,300	224,509,100	14,799,725
" 12.....	266,556,700	24,504,600	47,895,600	17,293,500	225,558,500	16,010,575
" 19.....	268,011,400	22,044,900	48,967,800	17,183,100	224,762,200	14,822,150
" 26.....	268,480,000	20,706,200	49,013,100	17,022,000	224,337,400	13,634,950
Mar. 6.....	270,162,800	22,701,600	46,945,200	16,882,500	226,426,400	13,040,200
" 11.....	270,748,400	23,139,800	47,629,500	16,697,700	227,102,800	13,993,600
" 18.....	263,806,700	22,369,400	45,608,100	16,483,300	220,584,900	12,831,275
" 25.....	261,254,000	21,504,000	43,773,900	16,199,700	214,181,600	11,732,500
April 1.....	261,351,200	21,174,100	41,718,500	16,364,000	211,561,100	9,995,325
" 8.....	261,786,200	20,336,000	38,700,400	16,297,600	207,993,300	7,038,875
" 15.....	258,297,900	19,400,800	38,826,800	16,239,100	205,549,500	6,851,975
" 22.....	253,752,400	18,077,300	41,396,800	16,232,000	203,262,400	8,658,500
" 29.....	252,117,200	17,076,600	43,089,300	16,262,800	202,529,100	9,533,625
May 6.....	257,015,600	19,804,400	39,182,200	16,199,400	205,669,000	7,569,350
" 13.....	255,808,800	18,881,000	42,643,400	16,140,500	207,990,300	9,549,325
" 20.....	253,210,500	18,399,300	45,689,800	16,112,700	217,993,500	12,090,725
" 27.....	251,492,700	17,388,500	49,290,400	16,059,200	208,978,700	14,414,225
June 3.....	250,679,500	17,488,800	51,766,500	15,943,800	211,196,600	16,456,150
" 10.....	249,370,700	15,729,100	53,060,000	15,810,100	210,830,500	16,081,475
" 17.....	246,862,100	15,318,200	54,360,200	15,646,400	208,602,000	17,527,900
June 24.....	248,397,400	14,900,400	54,204,100	15,603,500	208,751,800	16,916,550
July 1.....	251,883,300	18,391,800	54,778,400	15,539,200	216,055,200	19,056,400
" 8.....	255,653,300	23,650,600	53,331,200	15,563,600	223,704,100	21,105,775
" 15.....	252,961,100	22,440,100	54,677,500	15,442,300	224,167,500	21,075,725
" 22.....	251,682,100	20,681,400	57,198,200	15,257,300	224,705,800	21,703,150

The Clearing-House exhibit of the Boston banks for the past month is as below:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 24.....	\$ 128,932,900	\$ 1,462,100	\$ 7,295,600	\$ 76,447,700	\$ 22,610,800
July 1.....	129,797,000	1,977,000	7,588,900	78,527,900	22,565,000
" 8.....	130,055,900	2,794,700	7,144,600	78,314,900	22,776,100
" 15.....	129,423,300	2,750,500	7,244,600	78,451,600	22,664,300
" 22.....	128,788,600	2,551,600	7,527,300	76,753,700	22,319,100

The Philadelphia bank statements for the same time are as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 24.....	\$ 60,384,520	\$ 460,049	\$ 15,357,596	\$ 49,547,268	\$ 10,214,054
July 1.....	60,960,923	554,739	16,138,459	52,156,114	10,199,536
" 8.....	60,947,476	697,683	16,345,273	51,381,870	10,190,421
" 15.....	60,575,336	747,307	16,290,740	51,484,229	10,214,484
" 22.....	60,577,153	769,582	16,493,991	51,802,279	10,141,056

The stock market is dull. Governments are quiet, but firm. In stock securities little is doing. Railroad bonds of well-known lines are in favor for investment. Railroad shares and miscellaneous shares are neglected.

From London we learn by cable that at the stock exchange our government securities are strong and close at an advance of $\frac{1}{4}$ to $\frac{1}{2}$. Canadian railways are lower. Discounts in Lombard street are reported as being during the whole of last week almost at a standstill. There was a large supply of floating capital for which no adequate employment could be found. The bank return was one of the strongest ever known. The favorable condition of the money market caused extreme buoyancy in consols, and the advances have been extraordinary. Purchases have been made freely by bankers and others who were unable to employ their surplus balances. These reports have given a little more firmness to the quotations in Wall Street. For railroad bonds we note sales at the following quotations: N. J. Central 1st consolidated, $101\frac{1}{4}$; Chic. & Northwestern consol. coupon gold bonds, $95\frac{1}{2}$ @ $95\frac{1}{4}$; Hannibal & St. Joseph 8s convertible, 81; Ohio & Miss. consolidated, 94; U. Pacific R. R. 1st m., $103\frac{1}{8}$; ditto sinking fund, 94; Pitts., Ft. W. & Chic. 2d, $109\frac{1}{4}$; Central Pacific 1st, California branch, $91\frac{1}{4}$; ditto land grants, $93\frac{3}{4}$; Bellevue & So. Illinois 1st, $92\frac{1}{2}$ @ 93 ; Toledo & Wabash 1st mtge., $93\frac{1}{2}$; St. Paul 1st, C. & M. division, $97\frac{1}{2}$; ditto consol. s. f., $90\frac{1}{2}$; Lehigh & Wilkesbarre consol., $87\frac{1}{2}$ @ $87\frac{1}{2}$; Rock Island & Pacific 7s, $109\frac{1}{8}$. Subjoined are our usual quotations:

QUOTATIONS:	June 30.	July 5.	July 10.	July 17.	July 24.
Gold.....	$112\frac{3}{8}$..	$112\frac{3}{8}$..	$111\frac{1}{2}$..	$111\frac{1}{2}$..	$111\frac{1}{2}$
U. S. 5-20s, 1867 Coup.	$122\frac{3}{8}$..	$119\frac{3}{8}$..	$119\frac{3}{8}$..	$119\frac{1}{2}$..	$119\frac{3}{8}$
U. S. 5s of 1881 Coup.	117 ..	$117\frac{3}{4}$..	$117\frac{3}{4}$..	$117\frac{3}{8}$..	$118\frac{3}{8}$
West. Union Tel. Co. .	$66\frac{1}{2}$..	$71\frac{1}{4}$..	$71\frac{1}{2}$..	$71\frac{1}{4}$..	$70\frac{1}{2}$
N. Y. C. & Hudson R.	$105\frac{1}{2}$..	$108\frac{3}{4}$..	$107\frac{1}{2}$..	$108\frac{3}{4}$..	$106\frac{1}{2}$
Lake Shore.....	$54\frac{1}{2}$..	$58\frac{3}{4}$..	$56\frac{1}{2}$..	$54\frac{1}{2}$..	$53\frac{3}{4}$
Chicago & Rock Island	109 ..	$109\frac{3}{8}$..	$109\frac{1}{4}$..	109 ..	109
New Jersey Central...	$75\frac{1}{2}$..	$72\frac{1}{2}$..	$72\frac{1}{2}$..	$72\frac{1}{2}$..	$65\frac{1}{2}$
Erie	$13\frac{1}{2}$..	$14\frac{1}{2}$..	$14\frac{1}{2}$..	$14\frac{1}{2}$..	$14\frac{1}{2}$
Chic. & North Western	$42\frac{1}{2}$..	$42\frac{3}{8}$..	$42\frac{1}{2}$..	42 ..	$41\frac{1}{2}$
Union Pacific.....	60 ..	63 ..	63 ..	61 ..	$60\frac{1}{2}$
Bills on London.....	$4.87\frac{3}{4}$ - $4.89\frac{1}{2}$..	4.88 - 4.90 ..	4.89 - 4.91 ..	$4.88\frac{1}{2}$ - $4.90\frac{1}{2}$..	$4.88\frac{1}{2}$ - $4.90\frac{1}{2}$
Treasury balances, cur.	$\$37,388,212$..	$\$34,311,465$..	$\$34,179,539$..	$\$32,312,812$..	$\$30,491,185$
Do. do. gold.	$38,931,818$..	$36,111,663$..	$35,327,404$..	$33,606,967$..	$33,792,816$

Gold has advanced one-half per cent. on the rumor from Washington relative to the prospects of the bill for the issue of legal-tender paper. This bill authorizes the issue by the United States of coin notes in exchange for bullion, bars of gold and silver, the gold to be computed at its coining value, and the silver at the rate of $412\frac{1}{2}$ grains standard silver to the dollar. Seventy-five per cent. of the bullion thus received is to be held in the mints and assay offices for the purpose of redeeming the coin certificates whenever they may be presented. The coin notes thus authorized to be issued are made a legal tender, without limit, for all dues to the United States and the silver coin for all debts of every nature, public and private, not specified to be paid in gold coin. The most important amendment reported by the Committee is one directing the coinage of silver dollars in the mints of the United States.

The Treasury now holds $\$310,249,850$ in bonds to secure National bank circulation, and $\$18,723,000$ to secure public deposits. The United States

bonds deposited for circulation last week were \$492,000. The United States bonds held for circulation withdrawn during the week were \$1,165,000. The aggregates compare as follows :

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
1875.						
July 24....	\$ 350,764,469	\$ 374,753,362	\$ 18,792,200	\$ 393,545,562	\$ 66,926,937	\$ 22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,502,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
1876.						
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 21....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21....	337,635,219	347,800,350	18,623,000	366,423,350	76,148,711	28,457,600
May 20....	335,197,105	344,883,850	18,623,000	363,506,850	.....	.....
June 17....	332,322,678	342,349,550	18,823,000	361,163,550	65,664,354	22,874,000
July 18....	331,839,109	340,249,850	18,723,000	*360,772,284	61,848,009	36,588,600

By the silver bill which was passed 13th July, and received the signature of the President to-day, the sum of ten millions of subsidiary silver coin is authorized to be issued by the Secretary of the Treasury in exchange for greenbacks which are to be held as a special fund for the redemption of fractional notes as presented, and these fractional notes are to be destroyed and counted as part of the Sinking Fund. The second section demonetizes the trade dollars, but gives power to the Secretary to issue them in such amount as he may deem sufficient to meet the export demand. The third section authorizes the issue of subsidiary silver coin to the amount of \$50,000,000; that is, it fixes the limit of such issue at this amount. The fourth section authorizes the Secretary of the Treasury to buy silver bullion for conversion into subsidiary coin with any money in the Treasury, but restricts the amount which may be so invested in bullion at any one time to \$200,000. A copy of this act will be found elsewhere.

The customs receipts at the port of New York are shown in the annexed summary for the month of June, for six months, and for the fiscal year :

	1874.	1875.	1876.
In June.....	\$ 7,809,243 17	\$ 6,656,462 06	\$ 6,619,735 25
Add 5 months.....	48,988,610 10	47,284,772 28	43,211,461 68
Six months.....	\$ 56,887,853 27	\$ 53,941,234 34	\$ 49,831,196 93
Fiscal year.....	110,423,272 32	108,154,668 50	101,278,545 78

For the fiscal year ending June 30, 1873, the total cash duties received here amounted to \$126,374,609, which shows a decrease from that point of over twenty-five million dollars per annum.

Foreign exchange has been rather more firm, and closes flat at 4.88½ for bankers' sixty-days' bills on London, and at 4.87 for sixty-days' commercial sterling Cable transfers are 4.91½. Exchange on Paris is quoted at 5.16¼ for

* Outstanding greenbacks.

sixty-days and $613\frac{1}{8}$ for sight bills. To throw some light on the probable movements of the foreign exchanges in the early future. The Bureau of Statistics has compiled an estimate of the aggregate gold values of the imports and exports, specie omitted, for the year ended June 30. Including in the exports the value of the foreign goods re-exported, amounting to from fourteen to seventeen million dollars a year, the imports and exports for the last six years compare as follows :

<i>Year.</i>	<i>Imports.</i>	<i>Exports.</i>
1871.....	\$ 520,223,684 ..	\$ 442,820,178
1872.....	626,595,077 ..	444,177,586
1873.....	642,136,210 ..	522,479,317
1874.....	567,406,342 ..	586,283,040
1875.....	533,005,436 ..	513,441,711
1876.....	460,000,000 ..	536,000,000
Total.....	\$ 3,349,366,749 ..	\$ 3,045,201,832

These figures have a certain effect in elucidating the tendency of the foreign exchanges though they constitute of course a small part only of the data needful for that purpose, and their interpretation is often attempted by persons who wholly misunderstand the kind and degree of information to be deduced from them.

Our usual summary of the import and export movements at New York is embraced in abstract which will be found upon page 157 of this number.

DEATHS.

At BROOKLINE, MASS., on Monday, April 10, 1876, aged sixty-five years, WILLIAM B. TOWNE, Cashier of the Souhegan National Bank of Milford, N. H.

At ALBANY, N. Y., on Monday, July 10, aged eighty years, EZRA P. PRENTICE, formerly President of the National Commercial Bank of Albany.

At BROOKLYN, N. Y., on Sunday, July 16, aged forty-three years, J. H. L. MORFORD, Cashier of the National Currency Bank of New York City.

At LAKE MAHOPAC, N. Y., on Saturday, July 15, aged thirty-two years, FREDERIC E. LATHROP, Assistant Cashier of the Fourth National Bank of New York City.

At ANN ARBOR, MICH., on Friday, July 14, aged seventy-four years, RANSOM S. SMITH, President of the Ann Arbor Savings Bank.

At PALMYRA, N. Y., on Thursday, July 20, aged sixty-seven years, GEORGE W. CUYLER, President of the First National Bank of Palmyra.

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SEPTEMBER, 1876.

No. 3.

CONGRESS AND THE SILVER QUESTION.

As Congress has appointed a special committee of three members of each House, to inquire and report upon the silver and currency questions, we may hope that a mass of information will be gathered, which will enable our people to discuss with more intelligence and precision, the various topics that have the chief practical importance for the solution of the silver difficulty. The mines of this country now produce more silver than those of all the rest of the world. Our first duty therefore will clearly be to find out whether the consumption of silver is likely to continue, or to suffer any notable changes. From time immemorial, there has been a good demand for silver in Europe, and a much larger demand in Asia and the Orient. Indeed, so great has been the absorbing power of the Eastern markets for silver, that until lately, no one seems to have entertained the slightest fear that this ancient outlet for silver would ever be closed up or seriously limited. Within a few months, however, the theory has been current in London, that a revolution was coming, and that India would cease to absorb silver as freely as heretofore. This theory was devised and promulgated, in all probability, by the speculators who are said to have made large gains by depressing the market. However this may be, they had it all their own way till the price of silver fell to forty-seven pence an ounce, when two facts began to be perceived, which had not previously attracted notice. One of these was, that silver was very scarce for delivery. Some time ago, we called attention to this scarcity, which is destined perhaps, to produce more active movements in the price

of silver than have been yet developed. Who are the parties that have been buying up and obtaining control of the limited supply of silver in market has not transpired. Until more is known, it will be plainly impossible to measure the force of this new influence which has begun to operate on the prices; especially as the advance in the silver market is due, in part, to a multitude of other causes. The second fact to which we referred is, that the available supplies of silver from Germany and elsewhere had fallen far short of expectation. This was confirmed in part by the report of Mr. Goschen's committee, and by a letter from the agent of the German Government in London. This gentleman, Mr. Pietsch, states that the whole amount of silver put on the market by the Imperial Government of Germany, has not exceeded two to three millions sterling a year, and that the present available stock is but £ 300,000 to £ 400,000, and is not likely at any time to accumulate excessively, as the old silver coinage is coming in for redemption very slowly. Mr. Pietsch also says, that the total surplus silver available in Germany for sale, will not exceed seven and a half millions sterling altogether. A copy of this letter will be found on another page, and it will be read with the more interest, as it seems to have done so much to moderate the excessive pressure of the silver panic in London.

Other facts which helped to allay the excitement were soon forthcoming. It was stated that one of the most urgent reasons for the fall in silver was the sale of bills on India by the British government. These bills were forced on a market reluctant to receive them, and their amount was greater last year than usual. This excessive sale of government bills on India is probably temporary, but its effects on the silver market have been very conspicuous. We have no report of the aggregate for the last six months, but that of the year 1875 compares as follows with those of the previous nine years. It shows that the average sale of bills on India by the British government, from 1866 to 1874, was \$39,100,000, while the sales for 1875 were \$81,500,000, or more than double:

BILLS ON INDIA SOLD BY THE BRITISH GOVERNMENT, 1866-1875.

Years.	Silver sent to the East.	Gov't bills on India.	Imports of silver into Gt. Britain.	Silver coined in Gt. Britain.	Av. price silver in London. P. oz. pence.
1866	\$ 11,800,000	\$ 35,000,000	\$ 53,900,000	\$ 2,450,000	61½
1867	3,200,000	28,050,000	40,100,000	950,000	60
1868	8,150,000	20,700,000	38,550,000	1,500,000	60
1869	11,800,000	18,500,000	33,650,000	850,000	60 7/8
1870	7,900,000	34,900,000	53,250,000	1,650,000	60½
1871	18,500,000	42,200,000	82,600,000	3,500,000	60½
1872	28,250,000	51,050,000	55,750,000	6,200,000	60 7/8
1873	12,500,000	69,700,000	61,500,000	5,400,000	58½
1874	35,150,000	51,800,000	59,000,000	4,450,000	58 7/8
1875	18,550,000	81,500,000	47,500,000	2,950,000	56½

It is generally acknowledged that the forcing upon the market of so excessive an amount of India bills has been a prominent cause of the depression of silver in London. The question is, whether the excess is likely to be continued. It is singular that so little attention has been given to this point. Almost all the English writers treat the silver panic as if it was the result of a permanent arrest of the current of silver to the Orient. Even Mr. Goschen's committee has made the mistake of leaving this important question in too much obscurity. The Congressional committee will no doubt give, in their report, such a clear view of the facts as to refute some of the errors which prevail on this subject in the United States. It is of the highest importance for us to distinguish the permanent forces, which are now acting on the silver market, from the forces that are not permanent.

In England, France, Switzerland, Germany, and other countries, similar investigations are being made both by independent inquirers and by official authority. But there is this difference. The inquiry proposed by Congress is much broader in its scope, and the report of our committee ought therefore, to be more comprehensive and complete than any of the foreign reports hitherto published. Among the wide range of questions which our committee have to investigate, we may mention two or three which are of grave importance, and are second only to the silver question itself. There is, for instance, the question of the double standard. The committee are instructed to inquire into the reasons for and against the revival of the double standard, and into the relative proportion of the values of the two metals. It is thus incumbent upon them to find out whether gold has not appreciated in value; and if so, to what extent, and during how many years the appreciation has taken place. The evidence seems to point to the year 1870 as the approximate period when the new movement of appreciation in gold began. If this view is correct, then the old movement of depreciation of gold, which began about 1850, continued twenty years. Some authorities estimate this depreciation at twenty per cent. On this theory, the extent to which gold depreciated in consequence of the new Australian and Californian supplies, averaged one per cent. a year. If the reaction since 1870, had proceeded at the same rate, gold would have recovered nearly one-third of the value it had lost. But the movement has probably been much more rapid, for several reasons. The German, French, English, and other European Governments are all accumulating gold with great rapidity. Since 1874, the chief banks of Europe have locked up nearly 160 millions of dollars, and their accumulations of gold are still increasing. The subjoined table shows the present stock of specie held by these banks compared with that of the same date in 1874:



SPECIE IN THE CHIEF BANKS OF EUROPE, AUGUST, 1874 AND 1876.

Bank of England.....	£ 30,037,000	..	£ 22,478,000
Bank of France.....	83,508,000	..	49,996,000
Bank of Germany.....	26,669,000	..	35,447,000
Bank of Austria.....	13,600,000	..	14,375,000
Bank of Belgium.....	5,464,000	..	4,028,000
	£ 159,278,000	..	£ 126,324,000

From these figures it appears that an unprecedented effort is making in Europe to lock up gold, so that the accumulation is £160,000,000 sterling, or \$800,000,000, one-third of which has been locked up in the last two years. It is easy to see that this accumulation, which is so formidable in its magnitude, must have had considerable influence in aiding the appreciation of gold. But this is only one of a number of forces which have tended to accelerate the upward movement. The rapidity with which the colossal negotiations were conducted for the payment of the French indemnity, and the adoption of a gold standard by the empire of Germany, have done much to aid the perturbation in the movements of gold in Europe. Moreover, it is pointed out as one of the numerous proofs of the appreciation of gold that general prices have fallen, and that almost all the commodities known to commerce have receded in their gold price since 1870, just as previous to that period the gold prices of such commodities advanced. Finally, it is urged that, as gold is thus fluctuating, it is no more fit to be the exclusive standard of value than is the single metal, silver. From all these arguments put together the bi-metalists contend that, although gold by itself is not a perfect standard of value, and although silver by itself is open to still more conspicuous objections, yet, we are obliged to use them both. These two metals are the only monetary standards known to science and to commerce, and we must exert ourselves to devise some expedient for making each metal correct the defects of the other. Just as human ingenuity by the compensating pendulum makes our chronometers more perfect, so by some compensating expedient gold and silver as measures of value are to be combined into one monetary instrument of circulation. How far this ingenious project is practicable, and under what conditions there is the most promise of success, is one of the questions which the committee will find surrounded with much difficulty. Besides these investigations as to gold and silver, the committee are instructed to report on some important points relative to currency reform. They are to inquire whether Government notes should be kept in circulation after the restoration of specie payments, and what are the best expedients by which resumption can be

facilitated and accomplished. We shall recur to these and other topics prescribed to the committee. At present we simply point them out in illustration of the difficult nature, the wide scope, and the vast importance, of the work which the committee have to do.

THE BANKS AND THE GREENBACKS.

BY DR. GEORGE MARSLAND.

The opinion was formerly very general that the National unity was preserved by the issues of greenbacks under the legal-tender law of February, 1862, and that the civil war could not have been otherwise carried on or brought to a successful issue. It this view be correct, there was a paramount necessity for the paper-money system, and its evils must be accepted as unavoidable. This conclusion, however, has always been rejected by a large body of financial men in this country. Our New York Clearing-House banks very early set themselves in hostility to the proposed issues of paper money; and to prevent the necessity of resorting to so dangerous an expedient of war finance, they organized a syndicate soon after the outbreak of the war. This syndicate comprised all the Clearing-House banks of New York, Boston and Philadelphia, and during the summer and autumn of 1861 it lent to the Government nearly one hundred and fifty millions of dollars. It also expressed its ability to provide all the means which the Treasury needed to borrow for the efficient carrying on of the war. Unfortunately, Mr. Secretary Chase became dissatisfied with the financial policy recommended by the syndicate, and threw their arrangements into confusion by the issue of fifty millions of demand notes, under the Act of 17th July, 1861. In his report to Congress in December, 1861, Mr. Chase stated that twenty-four millions of demand notes had then been issued, and he proposed to subvert the banking system of the country, and to establish a National banking system in its place. We learn, however, from Mr. Spaulding's History, that Mr. Chase was prepared at that time with no well-digested banking scheme, and that no draft of his proposed banking law had been prepared. The syndicate had, however, been embarrassed and weakened. Mr. Chase had caused the banks throughout the country to take the alarm. He had crippled their credit and their power to help the Government. The necessity was thus created for the issue of paper money, for the negotiation of further loans had become wholly impossible through the usual channels. On Mr. Chase, therefore, many persons have charged the responsibility for the subsequent passage of the legal-tender law and the excessive issues of paper money. It was certainly his policy that created the necessity before which Congress and the

country saw that there was no alternative but to issue paper money, or to give up the conflict with secession. It is to be regretted that this part of the annals of our war finance is involved in so much obscurity. Much has been written on the later movements of Mr. Chase after the legal-tender law had been passed. But the earlier months of his Treasury management, prior to the passage of that law, has been less carefully explored, though its economic importance cannot be overestimated. When the history of this preliminary period of our war finance comes to be written, we shall, perhaps, find that, while Mr. Chase was nominally responsible, several other leading statesmen were almost equally to blame for the events which culminated in the passage of the legal-tender law. The time seems now to be approaching when these questions can be explored and discussed with conspicuous advantage to the public interests. One of the practical points of importance that meets us at the threshold of our investigation is as to the ability of the syndicate to raise all the money required for the war by the methods which they had set on foot, and which were copied, with some needful modifications, from similar methods that had met with distinguished success when adopted by other countries. In reply to this question, we say, that the syndicate worked well until its operations were embarrassed by the issue of demand notes, contrary to the urgent remonstrances repeatedly addressed to Mr. Secretary Chase, both in this city and at Washington. As an illustration of the efforts that were made to prevent the suicidal policy of issuing paper money, we will quote the following letter to Mr. Chase, from a leading member of the syndicate, the president of one of the largest banks in this city. This communication is dated 12th September, 1861, and it offers authentic and suggestive evidence on most of the questions we have raised. It shows, first, that the syndicate were willing to find all the money needful for the prosecution of the war. Secondly, that their organization for the negotiation of securities and the payment of claims through the Clearing House was efficient for the purpose intended. Thirdly, that this organization would have prevented that perilous inflation of the currency which doubled the cost of the war, and inflicted on the country monetary trouble of which we do not even now foresee the end. Finally, it proves that the syndicate was not only willing, but deemed itself able, to carry out the work allotted to it of aiding the Treasury, however long the war might last. Whether the syndicate would have fulfilled these functions, is of course open to question. What is certain is, that Mr. Chase rejected the conditions on which it relied for success. He would not use the Clearing House for the Treasury payments, nor would he refrain from issuing the Gov-

ernment demand notes, which he began to pay out 10th August, 1861, a few weeks prior to the date of the letter before us, which is as follows :

“When, in response to your earnest appeal, the banks in New York, Boston and Philadelphia, united in an effort to supply the means required to sustain the Government, they were impelled to do so by the imminent peril which beset the nation, and by the fact that, with an exhausted Treasury, large obligations already incurred, and still larger rapidly pressing, we had no practical resource but the issue of paper money, *i.e.*, promises to pay on demand, without the power to redeem them. To avert the evils of an irredeemable and constantly depreciating paper currency thus threatened, whose consequences were clearly seen to involve, not only the community, but themselves in eventual ruin, the banks at once adopted a plan of organization for the purpose of drawing out the capital of the country, and loaning it to the Government, to be paid by future revenues on the restoration of peace, enabling Government to supply its necessities by obligations in the usual and legitimate form of debt rather than by the creation of fictitious money. To do this, the banks in the three cities have formed themselves into a confederation practically corresponding to the Constitution of the Government, making together substantially one institution, for the purpose of the National loan, with an aggregate capital of one hundred and twenty millions of dollars, while each bank as usual conducts its special affairs. By means of this organization they have secured the power to take promptly the first fifty millions, and by their example have gained for the loan the confidence of the public, and unless disturbed by apprehensions of danger from an emission of paper money by Government they will endeavor to carry through the whole amount contemplated : 1. By offering the loan for sale to the public at cost, for the common benefit, thus preventing depreciation by competition in sales among the various parties interested. 2. By holding the specie reserve in banks in each city as a common fund, subject to an average distribution on its receding below an agreed standard. Fortunately, at this crisis, the financial position and resources of the country are strong beyond all precedent in our history ; and as compared with other nations who have passed successfully through similar trials, they are fully equal to any probable exigencies. Specie, already greatly exceeding any former supply, is still flowing into the country. Our crops for two years have been so abundant as to leave still a large excess for exportation ; and exchanges with Europe, yet in our favor, are only likely to turn against us by some fatal error in our financial policy. With all these conditions favoring the movement, there is every reason to believe that the proposed plan will supply all the means the Government will

require. Why, then, should they resort to any other expedient? When the proposed system of raising means by the banks was reported by a committee of ten, they were almost unanimously in favor of affixing to it a condition that Government should not issue demand notes. That condition was only yielded from a reluctance to endanger or embarrass your appeal in so solemn a crisis, and because of your remonstrance against being compelled to give an *official pledge against the use of a legal enactment*, and, still further, because of your assurance that it would only be resorted to when other means of raising money should fail. The banks, therefore, feel the most implicit confidence that these issues will be confined to a very inconsiderable sum, and not be extended beyond a small amount, for which a specific specie amount will be pledged. Allow me to express to you some of the reasons which present themselves against the issue of Government demand notes.

"1. It is evident that we can supply the means to carry the war successfully through, and without financial embarrassment, so long as exchanges can be kept generally in our favor and large coin exportations from the country be prevented. This can be done only by maintaining in our banks and Government the highest practicable specie standard, relatively to other nations, and thus compelling commerce to contribute to the expenditures of Government by purchase of our surplus productions, the profits of which will be absorbed by the National loan. There are some mitigating circumstances even in a civil war. The expenditures are almost exclusively within our own States, and there are few materials which are not drawn from our own industry. It can be made substantially a family matter.

"2. An expansion of currency is our greatest danger. By emitting paper money the Government are, to that degree, promoting the evils which we have organized to avert. Money is the measure of prices; and, whether in coin or paper, an addition to its volume tends to its depreciation as compared with all other material interests; or, what is the same thing, to an advance in prices. By enhancing prices of our surplus products their exportation is to that extent prevented. By an increased price obtained for foreign goods our specie currency is superseded by paper issues and sent abroad, and we awake to find the basis of credit, as well of Government as of banks, taken away.

"3. This result is especially probable with Government paper, which is supposed to possess superior value, and will therefore be the more readily substituted for coin. Government's promises to pay are certainly no better, while it relies upon banks for means to redeem its promises, than are the notes of banks themselves secured by capital. They only the more readily promote expansion, because of the greater

faith which the public have in them. An expansion of paper money therefore inevitably tends, by the enhancement of prices, to the expulsion of coin from circulation, and from the country, and the suspension of specie payments. Experience has proved that such issues of Government are not less exempt from final loss than those issued by private corporations.

"4. By an expansion of paper money and the consequent advance in prices, the cost of the war and the amount of the National debt are greatly increased.

"5. There is also in the expansion of paper money a tendency to stimulate private credit, which in time of war is especially dangerous. War is exhausting. It prevents large surplus production. Expansion of credit under such circumstances has therefore few modifying influences, but must sooner culminate in panic and disaster. The banks by their organization are merely restricting their ordinary loans, and diverting them to Government use, until they can distribute the National debt among the people, and until industry shall resume its wonted channels.

"6. Is not the creation of paper money a novel function of Government in the present age? No leading nation now directly exercises it. England and France have confined this power to banks with special capitals, and independent management, and under important legal restrictions. It certainly seems contrary to the spirit of our Constitution, and is a total reverse of the policy of our Government for the last fifty years. Would it not place in the hands of an administration the power to govern the material interests of the Nation, and to derange if not to regulate prices at will? and by an expansion or contraction of the volume of money in circulation, to change the value of contracts between citizens? Surely, the exercise of a new power, involving such vast consequences, will not be entered upon without the gravest consideration.

"7. The issue of paper money by Government engaged in war is especially dangerous, because public confidence is liable to sudden change by every success or reverse of our army. At the very moment when the Treasury may require additional resources for the renewal of operations, or to re-instate its position, it is certain to be more embarrassed by a rapid return of its demand notes. This effect was strikingly illustrated on the morning when the news of the disaster at Bull Run reached New York. Before its receipt, the Assistant Treasurer was engaged in securing a subscription for Treasury notes, under an authority to issue five millions. He could easily have trebled the amount, when suddenly, by a flash of the telegraph, the eager demand changed into a more intense desire to sell, at a depreciated rate, and was never renewed. Government, surely, cannot afford to issue obligations liable to such results. The Treasury department

would be a bed of thorns, when a single casualty might involve it and the Nation beyond the power of restitution. The banks who have undertaken the loan, and all others who have purchased it, are equally interested, since a destruction of Government credit, based upon loans, would be equally and even more fatal to their investment, which is payable at a future day. All are therefore interested in avoiding a danger whose results are shared alike. Why should Government voluntarily incur a liability that might impair its power to place another dollar of its loan, cripple the banks by depreciating the value of that which they have assumed, and, after all, be driven to the issue of an irredeemable currency, under more unfavorable circumstances than at first?

"8. An expansion of the currency is a popular measure, and especially seductive, because of its temporary stimulating effect upon prices, and the apparent prosperity which it engenders. When the peril is greatest and nearest its culmination there are no striking signs of warning. Government has no facilities for meeting such contingencies. All its machinery implies deliberation and forecast, and is inconsistent with the necessities which arise in sudden financial emergencies. It is comparatively isolated in the exercise of its functions, and does not, like the banks, so pervade society as to feel those delicate indications of danger, which financial experience only can comprehend.

"9. Having commenced to raise the requisite means by loans through the medium of banks, it is for the interest of all that government should avoid any new financial expedients that will disturb the usual current of business. Banks as now organized, are supplying the needful increase as far as practicable. Indeed, the danger is always in the direction of over issue. The government issues are not proposed as a substitute for, but an addition to those of the banks; thus powerfully accelerating the speed with which the country tends towards danger, and all this during a feeble condition of business, which requires *less* rather than *more* of the medium of exchanges. So far as the proposed issues of Government are a substitute for those of banks, it is depriving them of the means on which they rely to carry successfully through the Government loan. It is unquestionably the true interest of the Government to extend the maturity of its every financial engagement beyond the continuance of the war. Why then should it occupy the very position by which the banks expect to enable it to do so? Besides this, as the banks must supply the coin basis for the Government notes, it is substantially an increase of their circulation without their ability to control it. And, as the banks must largely expand their credit to meet their engagements to Government, they will necessarily require that the specie reserve should not remain

locked up in the vaults of the treasury, but return to their own, with the least possible delay. If Government withdraw the coin as a basis for its issues, while the banks are thus also expanded, it is evident that both fabrics must rest on the same foundation, and cannot stand.

“10. If an expansion of the circulating medium should become necessary, it is better that banks which invest in the loan should supply it, because they issue a paper of superior value, combining both their own capital and credit, and that of the Government. And also, because the demand for the loan so created, is of vastly greater service to the nation, by sustaining its credit and the price of its stock. They thus enable it to obtain money at the lowest rate, economising the cost of the war, and give to the National loan a tone and character at home and abroad. During the twenty years of war in which England was engaged, from 1797 to 1817, with a population considerably less than that of the Eastern States, her National debt swelled to the incalculable sum of four thousand three hundred million dollars. The burthen was doubly aggravated from the fact that the average price of consols for the whole period, was about sixty-one per cent., and that payable in a paper currency depreciated from ten to twenty per cent. below the gold standard. Surely no considerations of fancied convenience should tempt us to incur the hazard of a similar state of things. In case the Government attempts to supply not only a credit fund for the investment of the National savings, but at the same time furnish a National paper currency, is it not plain that a suspension of specie redemption by it would inflict a depreciating currency upon the community, which the banks would be compelled to receive in payment of debts, thus increasing the amount of government obligations in their hands, impairing the value of their previous investment in the three years loan, and forcing them also to suspend? In that case our Government securities at once cease to attract capital from abroad, and our power of immediate National restoration is gone. Rather than this, it would be safer for the banks to suspend, and that the Government be preserved superior to all its subjects, its character and credit maintained, as a basis for reconstruction. But bank paper is not liable to so great expansion as government paper. It is limited by law, by securities pledged for its redemption, by public vigilance and apprehension. Government, on the contrary is all controlling, and commands the unbounded confidence of the people, moral power to compel its circulation, and no experience to govern its action. The law has limited its first issue to fifty millions, which would be an addition of about one-third to the paper circulation of the loyal States. Should this experiment meet a temporary success, it would doubtless be increased at the December session. By that time all the fancied good and little

of the real evil will have been developed. It is therefore all-important that correct public sentiment be previously aroused and distinctly expressed. The plan so wisely adopted for supplying the treasury by distributing the loan through the medium of the banks, is meeting a success exceeding all reasonable expectations. Even before the notes are ready for delivery the public are flocking to the treasury with their money to purchase them. The banks have responded in coin, without inconvenience to the drafts upon them, and they find that with the large disbursements of Government, the specie necessarily and rapidly returns to them, having stimulated the industry of the people in its passage. The capital of the nation is being absorbed in the loan, and there are the most encouraging signs that this will continue in accelerated ratio. All classes of society, from highest to lowest, are zealous in their praises of the stock, and the doubts and apprehensions respecting the stability of the nation, which before so generally prevailed, have in a great measure ceased. All this is well enough, why not let well enough alone?"

For several reasons this letter merits a prominent place among the documents illustrative of an important and critical period in our war finance. Unlike most of the letters on such subjects which have been published during the last fifteen years, it deals very sparingly in theories, in dogmatism, or in vague generalizations. It is a practical letter, and the best proof of its value is that the scheme it recommends actually raised for the Government the only large sum of money which was borrowed legitimately in specie during the war. Secondly, it is important because of the evidence it supplies that the war could have been conducted without paper money, and without any suspension of specie payments. The associated banks constituting the Syndicate, held sixty millions of specie, and their experience with the first fifty millions of the loan proved that all the specie they paid out returned to them within the space of two or three weeks. The settlement of the "Trent" difficulty was favorable to the sale of our bonds in Europe, and the foreign exchanges were in a condition which promised financial stability. In presence of these and many other auspicious circumstances, Mr. Chase certainly assumed an immense burden of responsibility when he refused the two conditions which experience showed to be indispensable to the maintenance of specie payments. These two conditions were, the use of the Clearing House as a medium of payment conformable to the law passed for that purpose in August, 1861, and the refusal to issue demand notes or any other form of paper money; there is reason to believe that, in after years, Mr. Chase was convinced, when it was too late, that this was the great mistake of his whole career. With characteristic spirit he refused to shift the blame to the shoulders of other persons, who, as we

now know, were also blameworthy in the matter. What Mr. Chase did, however, was to point with much satisfaction to those parts of his reports in which he warns Congress of the perils of paper money. From the bench of the Supreme Court, he quoted, as Chief Justice, on a memorable occasion, the emphatic statement in his report of December, 1861, above referred to, in condemnation of the policy of paper money. We have no desire to investigate the question as it affects Mr. Chase personally, but the truth of history requires even his friends to admit that while deprecating the evil, and pointing out the mischiefs, of paper money, he adopted a course which led the country into it.

THE GROWTH OF MUNICIPAL DEBTS.

The rapid increase of material wealth and productive power, has been attended during the last thirty years by an unexampled increase of private and corporate expenditure. Hence, much attention has been given for some years past, in this country and abroad, to the subject of municipal debts. The temptations to municipal extravagance are no longer so strong as they once were, and various circumstances are keeping it in check. The recent municipal trouble at Chicago, notwithstanding the injury it has inflicted on the credit of that city, and on municipal obligations generally, has at least the merit of fixing the public mind upon some important aspects—the controversy on municipal debts—and of putting in a clear light the more prominent abuses connected with them. Few persons who have not given to this controversy special attention, are aware of the vast pressure of these debts in the resources of our people. The subjoined table shows the amount of the debts of the chief cities of the United States with the sinking fund deducted:

MUNICIPAL DEBTS OF CHIEF CITIES IN THE UNITED STATES.

	<i>Assessed valuation.</i>	<i>Debt.</i>	<i>Ratio to valuation.</i>	<i>Debt per head.</i>	<i>Tax rate per \$1,000.</i>
New York	\$ 1,100,943,700 .	\$ 116,773,724 .	10.60 .	\$ 126 00 .	\$ 29 25
Buffalo.....	39,968,105 .	7,264,291 .	18.62 .	60 50 .	35 55
Toledo	19,798,580 .	3,556,754 .	17.90 .	111 10 .	44 40
Brooklyn	225,176,755 .	35,031,263 .	15.55 .	88 00 .	34 10
St. Louis.....	160,125,700 .	17,345,000 .	10.77 .	55 50 .	20 00
Baltimore	231,503,129 .	24,325,417 .	10.50 .	90 00 .	18 00
Cincinnati.....	184,498,585 .	19,234,000 .	10.42 .	92 00 .	28 82
Philadelphia...	595,413,478 .	59,686,223 .	10.00 .	88 00 .	21 50
Cleveland	73,205,377 .	6,386,900 .	8.72 .	67 20 .	18 15
Newark	104,419,098 .	8,698,000 .	8.23 .	82 00 .	19 80
Detroit	27,774,630 .	2,282,900 .	8.22 .	22 50 .	39 20
Chicago.....	303,705,140 .	24,323,196 .	8.00 .	61 10 .	18 00
Pittsburgh.....	172,834,169 .	12,980,617 .	7.51 .	92 00 .	.....
Providence....	122,024,100 .	7,757,400 .	6.36 .	77 50 .	14 50
Boston	793,767,900 .	27,082,778 .	3.58 .	82 00 .	12 66
San Francisco.	264,229,444 .	3,441,000 .	1.32 .	22 90 .	21 00

There is every indication that we are approaching the close of the great period of expansion which has stimulated the desire and the ability in this country to create municipal debts with such lavish facility. Still, it does not seem quite clear what means are proper in some of our larger cities, to put an effectual check upon municipal extravagance. There are numerous obstacles in the path of reform; and how they are to be surmounted is a difficult question. The rapid progress of this mischievous tendency of municipal governments to run into debt, may be illustrated by the history of the largest of these debts, that of the city of New York. Our net debt, after deducting the sinking fund, has been chiefly created since the war. Its aggregate is now nearly four times as much as in 1865, as will be seen from the following table:

Year.	Valuation.		Net Debt.		Ratio of Debt to Valuation.
1830	\$ 125,288,518	.....	\$ 774,556	.....	.62
1835	218,723,703	.....	902,535	.....	.41
1840	253,233,517	.....	10,775,386	.....	4.25
1845	239,995,517	.....	18,029,581	.....	5.67
1850	286,161,816	.....	12,205,176	.....	4.26
1855	486,998,278	.....	15,024,419	.....	3.58
1860	576,631,706	.....	18,901,440	.....	3.21
1861	581,581,971	.....	20,087,301	.....	3.45
1862	571,972,435	.....	21,695,506	.....	3.78
1863	594,154,543	.....	26,185,190	.....	4.40
1864	634,094,940	.....	33,769,601	.....	5.32
1865	608,827,855	.....	35,973,597	.....	5.91
1866	736,989,908	.....	33,654,683	.....	4.56
1867	831,836,513	.....	32,914,421	.....	3.95
1868	908,436,527	.....	35,983,647	.....	3.96
1869	965,326,614	.....	47,791,840	.....	4.95
1870	1,047,388,449	.....	73,373,552	.....	7.05
1871	1,076,249,483	.....	88,369,386	.....	8.20
1872	1,104,098,087	.....	95,582,153	.....	8.60
1873	1,129,291,023	.....	106,363,471	.....	9.40
1874	1,154,029,176	.....	115,187,969	.....	9.97
1875	1,100,943,700	.....	116,773,724	.....	10.60

One of the financial problems of popular governments has always been to devise means to stop the rapid accumulation of debt. The first bonded debt incurred by this city was authorized by an Act of the Legislature, June 8, 1812, to meet the "great expenses incurred in the erection of buildings and wharves, and for the purpose of carrying into operation the plan for laying out the said city into streets, avenues, and public squares." A public loan of \$900,000 was therefore authorized, as "a permanent arrangement of the finances of the city." In the year 1820, an additional 6 per cent. loan of \$400,000 was authorized, and it was followed by another of \$700,000 in 1825, most of the prior debt having been meanwhile paid off. The aggregate outstanding debt in 1829 was \$889,639, and it was further reduced to \$774,555 in 1830, and to \$741,913 in 1831. The next increase was for the introduction of the Croton water, and the authorizing Act required

the approval of the Common Council of the report of a special commission, but a subsequent ratification by popular vote; the amount authorized was \$2,500,000. If similar precautions had been used to prevent the increase of debts in all our large cities during the last ten years, a large amount of our existing municipal obligation would never have been incurred. We repeat that, among the minor financial problems of the day, some of the most pressing and vital arise out of municipal debts, and the dangerous facilities which exist for their increase.

CLEARING METHODS AND THEIR LEGAL RECOGNITION.

As we are compiling the statistics of the Clearing Houses in the United States and elsewhere, we shall be glad if our readers who are in possession of information as to the clearing methods in use abroad, or in this country, would communicate to us any facts illustrative of this interesting subject. We find in the London *Bankers' Magazine* for August a law case, the report of which incidentally throws light on the clearing methods adopted in New Zealand. There is no Clearing House there, but the banks have adopted the system used at Edinburgh in Scotland. The suit in question originated at the town of Dunedin, and the daily exchanges of the banks there are stated at £80,000 to £100,000. There are two exchanges per day from 9 to 10 a. m., and the other from 12 to 1 p. m. The system is said to have continued for many years, and, as will be seen, it is fully recognized by the courts of law. To illustrate this, we will give a brief account of the case, which is somewhat unique. A customer of the Colonial Bank of New Zealand drew a check on that bank and paid it to a lady who conducted a school in the city of Dunedin, in settlement of a debt. The schoolmistress paid the check into another bank where she kept an account. This institution, which is called the National Bank, sent the check in question with its exchanges to the Colonial Bank on the same day. Unfortunately, however, these exchanges were not handed in till 2.10 p. m., instead of being sent from 12 to 1 p. m., as the custom of the banks require. The Colonial Bank refused to receive the exchanges, for the sole reason that they were too late. But the exchange clerk said his orders were to leave the checks, and he left them on the counter, under a protest from the clerk of the Colonial Bank, who was ordered not to recognize the documents as properly in his hands. At a later hour the clerk of the National Bank returned and took the checks to the ledger-keeper, and asked him to mark them for the clearing. This request was refused on the ground that the checks were

too late for that day's clearing, and must go over to that of the next day. A third application to the accountant of the bank elicited a similar refusal. On this the National Bank sent notices of dishonor to several persons, and reserved the rest of the exchanges for the next day's clearing, when they were paid. Among the notices of dishonor one was sent to the schoolmistress, who was very much excited by the message, which she probably understood very imperfectly, and attached to it some vague notions of stigma or perhaps of personal insult. However this may be, her excitement seems to have communicated itself to the social circles in which she and her debtor moved. The latter gentleman went to his lawyer, and after a brief and unsatisfactory correspondence with the bank brought the suit for libel, and got a verdict of £250. He proved that he had funds in the Colonial Bank to meet his check; that the check would have been paid if presented, and that there was no truth in the written notice of the National Bank that the check had been presented and dishonored.

Clearly, it was essential that he should prove that the presentation of his check, with a bundle of other documents too late for the exchanges of the day, did not amount to a legal presentation for payment. If the check was never legally presented by the National Bank it was not legally refused by the Colonial Bank. Consequently, it was not a dishonored check, and the written statement of dishonor was a libel. Being written falsely, the law implied malice, and gave damages either nominal or substantial, as the jury might decide. The chief question which interests us in this case is as to what constitutes legal presentation of a check for payment. The Court set this point in a very clear light in the decision as follows: "The legal effect of the system of exchanging seems to me to be this: that it amounts to a usage or convention among bankers that, if negotiable securities held by them are presented under particular circumstances and at particular times, they shall be paid—not in cash, but by a set-off of other negotiable instruments, the balance only being paid in cash. A usage of this kind, I take it, if satisfactorily proved to exist, would be thus far binding. It in no way varies the terms of written negotiable instruments, but merely, as the phrase is, it annexes an incident to them, the incident being that, if the holder is a banker, payment—not in cash, but by a particular mode of set-off—may be made, if he on his part conforms to the conditions the usage imposes as necessary to entitle him to that privilege. But I do not think that it would be binding, so that if instruments are held by a banker they are not payable at any time when they would be if held by one of the public, because that would contradict the terms of a written instrument which is payable to bearer at

a reasonable time, and to all bearers alike. A presentment for exchange is a presentment for payment, if it be made in a particular manner, if any, or at any particular time, if any, which the usage prescribes. If instruments are improperly and irregularly presented as an exchange, by being presented in a different manner, or at a different time than that prescribed by usage, still, the presenting banker can present them for payment in the same way and at the same times as any other of the public could present similar instruments. We have to find out whether the instrument in question was presented either as in exchange or for payment in the ordinary way. Presentment in either case is presentment for payment, and a sufficient presentment." The jury found, as we have said, that in neither of these two ways had the check been legally presented for payment. It was not presented for payment in the exchanges because it was too late, and it was not presented for payment over the counter at all. This case is the first we remember in which a suit for libel depended so completely upon the legal recognition and interpretation of Clearing-House methods.

ADAM SMITH'S CENTENARY.

In our July number we gave some account of Adam Smith, the great founder of economic science. The Society of Political Economy at Paris has been considering the project proposed by M. Maurice Block and the *Journal des Economistes*, to celebrate the hundredth anniversary of the publication of Adam Smith's *Wealth of Nations*. At the April meeting of the society a letter was read, containing a like proposal from the President of the Society of Political Economy of Belgium. Some months ago a meeting was held in the city of New York to make arrangements for an appropriate celebration. In England a banquet was held on the 31st May to do honor to the memory of the chief founder of, what Mr. Bagehot and some other writers have called, "English Political Economy." Whether any of the other proposed celebrations in this city or abroad will actually take place is by no means certain. In Paris there seems to be a desire on the part of a few of the leading Economists to detract from the acknowledged merits of Adam Smith, as they have been recognized all over the world for the last hundred years. This spirit of detraction has shown itself at intervals, but very cautiously. The most pronounced exhibition of it was given by M. Chevalier, in a lecture at the College de France, about two years ago. It was boldly claimed by the lecturer that Quesnay had a right to the precedence in the first honors of founding the system of Modern Political Economy. It is quite amusing to observe

the ingenuity with which Chevalier turns the well-known incidents of Adam Smith's two visits to Paris in 1762 and 1765, so as to offer support to the precedence M. Chevalier wishes to establish. Indeed, his whole argument rests on the theory that Adam Smith frequently saw Quesnay in Paris, and therefore must have learned a great deal from him. Now, as Adam Smith bestows in his work much commendation upon Quesnay, and calls him "the very ingenious and profound author of the system" of the physiocrats, and as Smith declared publicly that, if Quesnay had not died before the *Wealth of Nations* was published, the work would have been dedicated to him, it does appear, to an unbiassed observer, that M. Chevalier need not have labored at such great length in his lecture to prove what everybody knows so well, that during the twelve months which Adam Smith spent at Paris, in 1765 and 1766, he had frequent opportunities of conversing with Turgot, Quesnay, the Abbe Morrellet, and other eminent Economists. Still less needful was it for M. Chevalier to contend with so much warmth, as if anybody ever questioned it, that Quesnay published his system many years before the *Wealth of Nations* appeared, and that Adam Smith had abundant means of perusing Quesnay's books, and of benefiting by his researches, even before either of these two great Economists had ever met at Versailles or at Paris. That Adam Smith had done faithfully all that Chevalier has charged upon him, in regard to the study of Quesnay's system, is familiar to every reader of the refutation of that system in the *Wealth of Nations*. Still, M. Chevalier repeatedly mentions it as a striking circumstance, full of significance for his purpose, that "in 1766, when Adam Smith was daily conversing with the Economists at Paris, Quesnay's books had probably been long and well known to him, for they were published several years before." In these and other arguments of M. Chevalier's, he is simply trifling with his subject. Nor does it help his purpose to quote from Dupont de Nemours, a letter in which the writer says of himself and Smith, that they were "condisciples chez Quesnay." A very different testimony, as we shall shortly see, was given to the merits of Adam Smith, by M. Leon Say, the Finance Minister of France, who was present at the London meeting to celebrate the first centennial of the *Wealth of Nations*.

The meeting was convened by the "Political Economy Club," and Mr. Gladstone occupied the chair. With a view to give a definite form to the discussion, the following question had been previously agreed upon: "What are the more important results which have followed from the publication of the *Wealth of Nations* just one hundred years ago, and in what principal directions do the doctrines of that book still remain to be applied?" Mr. Robert Lowe being

called upon to open the discussion began by analyzing the methods and powers of Adam Smith. First, he said Smith was gifted with a most remarkable faculty of exposition. He had a force and vigor in treating a subject which few people could emulate. He had also a peculiar power to enter into the minds of mankind. He had the faculty of anticipating and foreseeing what they would do under certain circumstances. This intuitive insight enabled him to separate the permanent elements from the temporary elements in every economic investigation to which he applied his mind. It was this incisive power—this peculiar insight—this forcible grasp of mind—which enabled him to make economics a deductive science. The test of any science is prevision or prediction. It is because economic science, as taught by Adam Smith, so effectually fulfills this function of prevision, that it ought to raise him to a very high rank among those who have cultivated the more abstruse parts of knowledge. Mr. Mill had spoken harshly of Adam Smith, saying, that he is often obsolete, always imperfect, and that the science in his time was in its infancy. There is some truth in these charges, but it is counterbalanced, and far more than redeemed, by the wonderful force and truth of those maxims and principles which he has evolved and expressed with such inimitable clearness and power. When the original thinker has struck out an idea it is easy to find men who can do the systematizing part of the work. If Adam Smith was the Plato of Political Economy, Ricardo was its Aristotle. A signal proof of the extraordinary power which Adam Smith had was his ability, which no man ever had before to the same extent, of condensing truth into a few memorable words which mankind could retain and act upon. Errors, of course, he had, like the rest of us. In what he said about rent as an element of value, about the usury laws and about the navigation laws, Smith made some mistakes. But there is this peculiarity about his errors, he never presses his generalizations too far, as so many of his professed followers have done; on the contrary, he was led into error because he had not sufficient confidence in the generalizations he had made, and waited to have them verified by experience. On the whole, if there be a want of system in his book, its merits amply compensate for the want of it.

Passing next to the advantages present and prospective of the labors of Adam Smith, Mr. Lowe said that one of his great merits was that he had enabled us to condense the whole theory of wealth and poverty into four words. He showed that, as the causes of wealth are two—work and thrift—so the causes of poverty are two—idleness and waste—and that these simple propositions contain all that is necessary to be known, and, perhaps, all that can be known, about the production and accumulation of wealth. As to

the ignorance in which Adam Smith found mankind on economic subjects, a notable instance was cited from a conversation, in which Dr. Johnson told Mr. Boswell his views on trade. "As for mere wealth, that is to say, money, a man cannot increase his store without making another poorer." Such is the deliberate opinion of the sage who, in the estimation of that time, stood far above Adam Smith. What Adam Smith laid down on the subject was the maxim, now universally acknowledged, that trade and commerce enrich both buyers and sellers at the same time. Mr. Pitt, the great War Minister of George III, was one of the earliest converts of distinction won by the *Wealth of Nations*. The first French treaty was the earliest fruit of Pitt's conversion. Huskisson, under the same reforming influences, relaxed the navigation laws and destroyed the colonial monopolies. Later still, we see a severe struggle in which Smith supplied all the arguments which won the glorious triumph of the abolition of the corn laws. The legislation of Sir Robert Peel was an enormous stride in advance. The measures of Mr. Gladstone were the very crown of the edifice. He had left nothing for his successors to do, at least in the direction of carrying out the principles of Adam Smith.

Mr. Lowe next touched briefly upon the subject of reciprocity and limited liberality, and then entered upon the inquiry as to the future results to be anticipated from Adam Smith's work. After some remarks on the French treaty of 1860, and on endowments for educational purposes, he advanced to the labor question and the evils of trades-unions. There is nothing more lamentable, he says, in these times, when we have for so many years enjoyed the full light of Adam Smith's teaching, than to see the errors and follies into which mechanics and laboring people are led. Such, for instance, as the rule, that a man shall not hold a brick and a trowel in the same hand; that you shall not be allowed to get your stone or other things except from a particular place; that you shall not chase, that is, you shall only work at a very moderate pace, and that you shall not attempt to distinguish yourselves in any way; all contrivances in order to waste the capital of the master, and really, in the end, to injure the persons they are intended to benefit. He said there could be no better doctor for such a disease than Adam Smith. As education spreads, these things will diminish; and there is the greatest possible hope that, as Adam Smith has eaten out so many other diseases that were injuring the public, he will also destroy this. He was not sanguine as to any very large or startling development of political economy, and said that the controversies which we now have in political economy, although they offer a capital exercise for the logical faculties, are not of the same thrilling importance as those of earlier days; the great work has been done.

M. Leon Say next spoke of the obligations of France, and the world, to Adam Smith; the physiocrats, he said, under Quesnay and his school had prepared the ground in which Adam Smith afterwards cast the seeds of economic truth. The excitement of the French revolution swept away from the public mind the political and economic ideas which had previously been the recreation or the business of the philosophic classes in France. Under the empire, the economists were not in favor, but they pursued their favorite studies in obscurity. In November, 1814, M. J. B. Say, the grandfather of the speaker, visited England, and went to Glasgow, that he might sit in the seat from which Adam Smith had delivered his lectures on political economy. He took his head in his hands in the hope, as he said, to carry back with him to France a spark of the genius of the master. This spark he did indeed carry away, and what a glorious light he kindled by it for France. He drew around his chair a crowd of students, who, for the first time, heard expounded the true principles of economic science. He created a new School; political economy forthwith took root; it was no longer an exotic. It became naturalized. It was French. Still the doors of the government offices were closed upon it. Economic science was looked on by the official world as something dangerous, as a weapon loaded and primed and ready to go off and do mischief when least expected. Thus J. B. Say did not see his efforts crowned with success. He would have been greatly astonished to see his grandson charged with the duties of Minister of Finance, and, at the same time priding himself that he belonged to the school of Adam Smith. M. Say proceeded to speak of commercial treaties, and of the prevalent error of discussing the questions of political economy from the point of view of the producer and of neglecting to look at them from the equally important point of view of the consumer. He concluded by remarking that according to Adam Smith, there are three conditions under which a country can alone prosper: the due administration of justice; the freedom of labor; and freedom from war. "If," said he, "we fulfil these conditions, and march with a sure and swift pace in the paths of progress and civilization, shall we not render by our conduct a homage more and more brilliant to the memory of the great British economist?"

After a few words from Mr. Norman, the oldest member of the club, who said he had joined it fifty-five years ago, Mr. Gladstone paid a compliment to the United States and to Mr. McCulloch, who was present but desired not to speak in response. He then called on M. Laveleye, who described the two Continental schools of political economy, the historical and the deductive, and declared in the words of an American economist, that, after Shakespeare there was no man who had shed more lustre on the name of England than Adam Smith.

The next speakers were Mr. Thorold Rogers, Mr. Newmarch and the Chairman. Mr. W. E. Forster next spoke of the relations of Political Economy to legislation, and the subject was concluded by the Hon. Secretary of the club, Mr. Courtney. Mr. Bagehot did not speak at the meeting, but he has given a sketch of Adam Smith in the *Fortnightly Review*. We give the following quotation from that paper:

"The founder of the science of business was one of the most unbusinesslike of mankind. He was an awkward Scotch professor, apparently choked with books and absorbed in abstractions. He was never engaged in any sort of trade, and would probably never have made sixpence by any if he had been. His absence of mind was amazing. . . . The wonder that such a man should have composed the *Wealth of Nations*, which shows so profound a knowledge of the real occupations of mankind, is enhanced by the mode in which it is written. It was the exclusive product of a lifelong study, such as an absent man might, while in seeming abstraction, be really making of the affairs of the world. On the contrary, it was in the mind of its author only one of many books, or rather a single part of a great book, which he intended to write. A vast scheme floated before him, much like the dream of the late Mr. Buckle as to a History of Civilization, and he spent his life accordingly in studying the origin and the progress of the sciences, the laws, the politics, and all the other aids and forces which have raised man from the savage to the civilized state. The plan of Adam Smith was indeed more comprehensive even than this. He wanted to trace not only the progress of the race, but also of the individual; he wanted to show how each man, being born (as he thought) with a few faculties, came to attain to many and great faculties. He wanted to answer the question, how did man—race or individual—come to be what he is? These immense dreams are among the commonest phenomena of literary history; and as a rule, the vaster the intention, the less the result. The musings of the author are too miscellaneous, his studies too scattered, his attempts too incoherent, for him to think out anything valuable, or to produce anything connected. But in Adam Smith's case the very contrary is true; he produced an enduring particular result in consequence of a comprehensive and diffused ambition. He discovered the laws of wealth in looking for 'the natural progress of opulence,' and he investigated the progress of opulence as part of the growth and progress of all things."

As there is no time to be lost, if our American Economists desire to observe Adam Smith's Centenary, we hope that the Academy of Sciences, or some other body of men among us, will take measures to celebrate the anniversary in some appropriate way immediately after the summer vacation.

THE CURRENCY MOVEMENTS IN ITALY.

Italy, as is well known, is contemplating the resumption of specie payments. The Italian monetary law of April, 1874, invited the ministers of finance and commerce to draw up an account of the paper money which was first issued in May, 1866, and to present a report on the best mode of resumption. That document, which is of great length, was recently presented to the Chamber of Deputies at Rome, and forms a complete exposition of the economic situation of Italy. The *Journal des Debats* lately published a summary of that paper by M. de Reinach. He shows that when the paper currency was decreed in 1866 the accumulated deficits in the State budgets amounted to 2,000 millions of francs. Since 1861 a sum of 225 millions of rente had been created; but the price had fallen to forty-five for the Five per cents., and a further issue had become impossible. By these and other extraordinary resources the deficit had been covered to the amount of 1,700 millions, and a balance of 300 millions remained unprovided for. The ordinary revenue had, however, not remained stationary; the receipts, which in 1861 amounted to 458 millions only, had increased to 637 millions in 1865; but on the other hand, the augmentation in the expenditure had been still more rapid, having advanced in the same period from 812 millions to 1,069 millions. At the same time the commercial balance in the four years showed a deficit of 1,340 millions. The Government had employed all its available resources, the State railways and crown lands had been alienated as far as was possible, and the establishment of a forced circulation, with the creation of a State paper money, became a matter of absolute necessity. The consequence of the law, and of the requirements of the treasury, was, that the paper circulation, which had been only 247 millions of francs in April, 1865, rose in 1874 to 1,500 millions. During that period the depreciation of the paper money fluctuated between nineteen per cent in 1866, and three per cent. only in 1870; in 1876 it is seven per cent. The price of the Italian Five per cents. rose from forty in 1866, to seventy in 1871, then fell to sixty-nine in 1873, and is now above seventy-two. The frequent variations in the premium on gold, was a cause of great uncertainty in trade, as the conditions of a contract made when paper compared with gold was at a discount of ten per cent., were completely changed when the depreciation rose to fifteen per cent., or fell to five per cent. only. On the other hand, the *regime* of the paper circulation produced a great advance in the economic education of the country. Before 1859, bank

notes could scarcely be said to be an instrument of credit or of circulation, being principally employed as a security against robbery. The inhabitants of the rural districts in the north recognized no other value than the twenty-franc gold pieces, and those of the south those only of the silver piastre. Between 1866 and 1874, the six banks of issue had increased the number of their offices or branches, from fifty-two to ninety-five, and Italy, with twenty-seven millions of inhabitants, had more facilities for banking than France at present with thirty-six millions. A fact remarked in countries with a forced paper currency is that, not being subject to the periodical influences of the scarcity or abundance of metal, they are less sensible to changes in the rate of interest. Thus, between 1866 and 1874, the National Bank of Italy has only changed its rate three times, not rising above six per cent., nor falling below five; while, during that time the rate in Belgium and Holland had changed more than fifty times, ranging from two-and-a-half to seven per cent., and in England the fluctuations had been still more frequent, and within wider limits. With respect to the second part of the report, the ministers are forced to admit their inability to propose any measures for the prompt termination of the forced currency. All that could be done was to diminish the inconveniences of it, by depriving the notes of each of the six banks of issue of their local character. That object was obtained in the Act passed by the union of the six banks into a Syndicate, for the issue of the milliard of Government paper, and their own notes to the amount of the triple of the capital, with a reciprocal forced circulation in each of the other provinces. To terminate the forced circulation, the Government would have to first redeem the nine hundred millions of its notes already issued. To borrow that sum would be to charge the budget, which already shows a deficit, with an additional sum of fifty millions annually. A proposal supported by several deputies was to redeem a sum of fifty millions annually; but until the revenue leaves a surplus of receipts, that measure will be impracticable. When that result shall have been attained, the surplus may be either employed in the amortisation of an equal amount of notes, or in covering the interest of a loan for the entire withdrawal of the State paper money. The further movements of the currency reformers in Italy will be watched with the more interest, as it will probably influence the prospects of specie re-
sumption in other countries.

THE SCOTCH BANKING SYSTEM IN ENGLAND.

We lately referred to the labors of the Parliamentary committee appointed to inquire into the restrictions and privileges created by the law for the English banking system. This committee was agreed to by the House of Commons 17th March, 1875. It sat from April 22d to July 22d, when it made its preliminary report containing the evidence of the various witnesses without comment. The committee asked to be re-appointed the following year, but there is little prospect that this will be done. The circumstances which led to the appointment of the committee are well known. They were briefly these: The Scottish banks finding, of late years, that their deposits, on which they pay interest, were accumulating, while the outlets were too narrow for their employment in Scotland, determined to open branches in London. Two benefits were expected from these branches: First. The Scotch banks would be able to do their London business themselves, instead of employing agents to do it on commission. The saving from this change would be all the greater inasmuch as for some years the Scotch mercantile firms, in Glasgow and elsewhere, had acquired the habit of making their bills and promissory notes payable in London. This tendency of Scotch finance to make London its objective point has operated for several years, and a large volume of business was thus created which the Scotch banks thought they might do themselves, instead of paying the London banks to do it for them. Secondly. There was another benefit which the Scotch banks promised themselves from their new establishments in London. These branches would give new facilities and would open larger outlets for the outflow of the idle deposits with which the Scotch banks were embarrassed. At London these institutions would be brought into direct contact with the large borrowers of money. They would be able to accept bills and to enter into other financial fields of enterprise, which, though commonly supposed to be risky, were remunerative and attractive to some of the London banks. In view of these and other advantages the Scotch banks determined to go to London and to open an active competition for the business to be done there.

The London banks took the alarm and tried to prevent the movement by various strategic manœuvres, which failed for want of skill rather than of industry. The English banks, both in and out of London, bound themselves together, in a compact organization, to resist the Scotch invasion. When this union, after much delay, was completely perfected, they appealed to the public and to Parliament. Their arguments

were two; first, they declared that the Scotch banks were forbidden by law to set up branches in London; secondly, they added that if these banks were not forbidden they ought to be. Common sense would seem to have suggested to the English banks the obvious policy of choosing one of these two lines of defence at a time, and of concentrating their whole force upon it. When one defence had been pushed to the utmost, then the other could have been taken up and worked with the same resolute energy. For example, if the law was really against Scotch banks, nothing could be more easy than to bring the controversy into court and have it settled as promptly as possible, and if the English banks were beaten in the courts, then it would be open to them to go to Parliament and to demonstrate, not on narrow, selfish grounds, but by great general principles and established facts, that the public interests demanded that a law should be passed shutting the Scotch banks out of London. Neither of these obvious plans was adopted. The English banks weakened their case with the public by declaring in one breath that the law forbade the Scotch banks from competing in London with the English banks, and yet that the law must be altered so as to protect the English banks more completely from the threatened competition. The consequence might easily have been foreseen. During the whole controversy the banks have never secured the sympathy of public opinion, and there is scarcely any chance of their obtaining new legislation. Whether they will carry their case into the courts, as they might have done at the beginning of the controversy, appears now to be doubtful.

Two chief questions were involved in the inquiry of the Parliamentary committee: they had to inquire, first, into the present state of the English banking law; and, secondly, into the reasons why the law should be changed. As to the former point, the most important evidence was that of Mr. Fitz-James Stephen, a barrister of high standing, who has given much attention to the banking system and its relation to the English law. Mr. Stephen gave it as his opinion that under the English banking law of 1697, as modified by later statutes, the Scotch banks were not authorized to open branches in London, except they ceased to issue bank notes in Scotland. His evidence will be found very interesting, containing as it does, a digest of the English banking laws related to the questions before the committee. Subjoined is the most important part of Mr. Stephen's testimony from the official report:

"There are a great many acts of Parliament on the subject, qualifying one another, and I have put the law into a certain number of propositions in which the language of the acts had, as far as possible, been exemplified by the acts dating from 1697 downwards to the present time. My first

proposition is, that the Bank of England may issue notes for not less than £5, upon the conditions as to the whole amount contained in the bank charter accounts. The second proposition is this—that private bankers in any part of England, and joint-stock banks, carrying on the whole of their business beyond sixty-five miles from London, and not having any house in London, are allowed to issue notes for not less than £5, subject to the regulation of the bank charter act, which restricts the issue of notes beyond a certain amount. The third proposition is, that every bank entitled to issue notes, which becomes bankrupt, ceases to carry on business; or any private bank which becomes a joint-stock bank loses its right to issue such notes. Fourthly: that private banks and joint-stock banks may have agents in London for payment of the notes which they issue. Fifthly: no joint-stock bank which issues notes, except those specified in proposition two, may carry on business in any part of England. Sixthly: any joint-stock bank which does not issue notes may carry on all other branches of banking business in any part of the kingdom. These are the propositions which seem to me to embody the existing law on the subject. The act of 1697, William and Mary, simply establishes the Bank of England, and sets forth that no other bank of issue shall be allowed in the kingdom, meaning England, as it was before the act of union between England and Scotland; and by that it was intended to prevent a foreign bank, say the Bank of Amsterdam, establishing a branch here. Another act passed in the reign of Anne, in 1707, provides that, during the continuance of the Bank of England, it shall not be lawful for any body, politic, public, or corporate, or any persons united in partnership exceeding six in number, to issue notes. Up to 1800 no other bank of issue, save the Bank of England or private banks, could lawfully issue notes. If a foreign bank carried on business and issued notes in England, they could be prevented by the statutes of William and Anne. A concern like, say the Bank of Amsterdam, being a bank of issue, would not be entitled to open a branch for deposits in London. It seems to me that, according to law, no bank except the Bank of England has the power of issuing notes in the way I have mentioned. The first qualification of the old acts, was in 1826, which allowed joint-stock banks to issue notes if at a distance of sixty-five miles from London, with the condition that these banks should possess no branch in London. I am not aware that there are any Scotch, Irish, or foreign banks carrying on business in London. If Scotch banks cash notes at their own agencies, say in Newcastle, they will be doing an illegal thing, and certain clauses of the act of 1826 bear out my view of the subject, providing for the registration of both English and Scotch banks. The Act abolished the issue of £1 notes in England, although it allowed their

continuance in Scotland. I think it would be illegal for Scotch or Irish banks to issue notes, but I do not think it at all clear that the notes might not circulate amongst other people not being bankers. I cannot take the preamble of the bill of 1826 as evidence that there was an agency at that time. It would raise a difficult point of law in the case of a banker who took the notes simply as cash, and issued them to his customers afterwards. I do not know how far that might bring him within the prohibition. The Bank Charter Act provides that no new bank of issue shall be established in the United Kingdom, and no one shall issue a larger amount of notes than that specified in 3 and 4 William IV. When the London and Westminster Bank was established counsel were consulted as to whether a joint-stock deposit bank was permissible under the statute. They were of opinion that it was, and accordingly other clauses were introduced into the bill. The words were put into the Act to the effect that not only must they not issue notes in certain places, but in England none at all. My view is that the Bank of England has been granted a monopoly with regard to the issue of notes. I think that the circulation of Scotch notes would be illegal; that the Act of 1828 prohibited their being uttered or circulated in England. These acts do not interfere with the system which was popular in Scotland, and it seems to me that legislation has put the two systems upon entirely different footings. I cannot see why, if English banks are prohibited from issuing their notes in or near London, that restriction should be removed in the case of Scotch banks."

Mr. Stephen proceeded to show that the principle of monopoly of the Bank of England ran through all laws from 1697 till the present time. First of all, the Bank of England had a monopoly of issue; afterwards the power to issue notes was given to private or joint-stock banks, and then it was withdrawn from them in part, so that all note-issuing banks were prohibited in England, except such as were doing business there prior to the passage of the Bank Act of 1844. On these principles, he argued, that the Scotch banks, so long as they continue banks of issue, were not competent under the law to open branches in London.

Against this legal argument several considerations have been urged. There are only two which need notice in this place. First, it is argued that if Mr. Stephen's view of the law is correct, a change should be made in it of an opposite character to that demanded by the English bankers. The day is past when legal restrictions giving a monopoly to one set of banks in Great Britain can be maintained to the detriment of another class of banks. The spirit of British legislation for many years has been hostile to monopolies and in favor of freedom. This argument has been pressed with

so much force by the *London Times*, that it has evidently been in the opinion of that journal the great popular argument by which the English banks have been defeated in their conflict with public opinion. Secondly, it is contended that if the law, as Mr. Stephen expounds it, prohibits the Scotch banks from opening branches in London unless they cease to emit bank notes in Scotland, the same prohibition will hold in regard to other foreign banks. The argument is, that as the statute of 1697 provided that no foreign bank could have any branch even for deposit purposes in London, and inasmuch as this prohibition has never been repealed, and is sought to be enforced against the Scotch banks, it must also be enforced against all other foreign banks of circulation. But this view of the law is too extravagant, and it has never been held before. On the contrary, a number of foreign banks which issue notes at home, have opened offices in London, and this right has existed for many years without question. To show the extent to which this principle has been accepted, the subjoined table has been compiled, of some of the foreign banks which have offices in London, although they issue notes in the foreign locality where their chief office is situated.

FOREIGN AND COLONIAL BANKS IN LONDON HAVING NOTE-ISSUES ABROAD.

<i>Name of Bank.</i>	<i>Capital and Surplus.</i>	<i>Deposits, &c.</i>	<i>Circulation abroad.</i>
Austrian Joint Stock.....	£ 520,000	£ 1,780,000	£ 236,000
Bank of Australasia.....	1,423,000	2,976,000	300,000
Bank of British North America.....	1,250,000	1,558,000	896,000
Bank of British Columbia.....	323,000	575,000	—
Bank of New South Wales.....	1,333,000	7,346,000	725,000
Bank of New Zealand.....	780,000	3,433,000	427,000
Bank of South Australia.....	625,000	802,000	87,000
Bank of Victoria.....	700,000	2,782,000	809,000
Chartered Mercantile Bank of India, &c.	805,000	3,312,000	—
Chartered Bank of India, &c.....	800,000	1,619,000	—
Colonial Bank.....	677,000	2,799,000	424,000
Commercial Banking Company of Sydney.	815,000	3,315,000	894,000
English, Scottish, and Australian Chartered.	652,000	1,206,000	142,000
Hong Kong & Shanghai Banking Company.	1,200,000	2,953,000	290,000
Imperial Ottoman Bank.....	4,371,000	3,111,000	203,000
London Bank of Mexico, &c.....	540,000	868,000	573,000
London Chartered of Australia.....	1,120,000	1,663,000	143,000
London and River Plate.....	775,000	738,000	850,000
London and South Africa.....	400,000	284,000	79,000
Mercantile Bank of River Plate.....	452,000	2,656,000	81,000
National Bank of Australasia.....	938,000	2,021,000	323,000
National Bank of New Zealand.....	315,000	681,000	113,000
Oriental Bank Corporation.....	2,000,000	10,548,000	718,000
Standard Bank of British South Africa...	458,000	1,410,000	533,000
Union Bank of Australia.....	1,650,000	4,160,000	376,000
Totals.....	£ 24,722,000	£ 64,596,000	£ 7,222,000

It seems to us that the question has been decided on a false issue. If the English banks had wished to obtain an

authoritative interpretation of the law so as to restrain their rivals, the Scotch banks, and to stop them from opening branches in London, the course adopted for this purpose was a very unfortunate one. The courts were open to them, and it was their first duty to find out whether the law as it stood gave them any remedy. This point being cleared up, they could have gone to Parliament with a simple intelligible grievance. They could have said, the law as it stands does not prevent a great public injury which threatens the whole British banking system, from the proposed establishment of the Scotch banks in London. These banks are overloaded with deposits, and are weak in cash reserves. In times of panic these Scotch banks have always been a source of weakness to our banking system, and if allowed to open branches in London they will be more dangerous than ever.

If this simple case had been presented and proved and generally accepted, we do not say that the English banks would have won the victory they aspire to. We are not sure that they ought to win it. What they would have done, however, is of still greater importance. They would have obtained a fair, full, and impartial hearing from the British public, and they would have appeared before Parliament as citizens anxious to preserve their country from the evils of future panics, rather than as tradesmen who wanted to protect themselves from the competition of rivals in business. A further advantage would have been gained, in that, Parliament would have seized, discussed, and perhaps, decided the two questions on which the whole controversy turns. First. Can the Scotch banks be safely admitted to the privileges which they seek? and if so, what conditions must be imposed upon these banks and upon the English banks to meet and to prevent the increased perils of future financial panics. Of these conditions two of the most important are the requiring of every bank to keep in its own coffers an ample supply of coin reserves; and secondly, to give guarantees to the public that such reserves were really in the vaults of the bank, by the publication of attested weekly statements in the newspapers containing the details of the liabilities and cash reserves. This system of safeguards has been tested in other countries, and new arguments in its favor are suggested by the recent efforts of the Scotch banks to establish themselves in London.

Another result which the English banks would have accomplished if they had managed their case more skillfully before the House of Commons is, that the report of the committee now before us would have been less desultory. It is impossible that the committee should have avoided fixing its attention upon the two great banking questions of the day, panics and cash reserves. The most meagre attention is really given to these two questions in the report. Some of the witnesses started casually the most suggestive topics, but the commit-

tee seldom explored them with much minuteness. Two high officials of the Bank of England were examined, but little information was elicited in comparison with what might have been expected. One of them stated incidentally that the Scotch banks enhanced the perils of the panic of 1847, by the exhaustion of their cash reserves and the consequent urgency of their entreaties for help at the Bank of England. It is somewhat singular that the committee were not led by this and other testimony to regard bank panics and bank reserves as worthy of the most thorough examination, in connection with the subject before them.

We must not close this paper without a brief reference to a remedy for the evil which has been proposed by some of the English banks, and is supported by a powerful body of influence among them. It is set forth by Mr. Dod in an elaborate essay in the journal of the Statistical Society for March, 1875. As it seemed to be settled that the Scotch banks could not be kept out of England, Mr. Dod proposed that they should be allowed free permission to open branches there. But to do away with all partiality he would put all the banks, English and Scotch, on the same level in regard to the issue of notes. He would repeal the privileges given to the Bank of England and to other banks of issue by the act of 1844, and he would confer the right of issuing bank notes upon all banks on conditions somewhat like those of our National banking law. We shall discuss Mr. Dod's plan hereafter. He expounds it as follows:

"Three plans of securing the note issues of the banks are suggested. First, we may make the bank-note a first charge on the issuer's estate in the event of failure. Secondly, we may require government securities to be lodged with the government to cover the amount of the maximum issue. Thirdly, we may combine the first two plans, and we may make the note a first charge on the estate of the issuer, and we may require security for the whole or part of the authorized maximum of circulation. With regard to the first plan, that of making the note a first charge on the issuer's estate in the event of failure, the objection has been made that in the event of a bank getting into difficulties the depositors would make a run upon it in order to put themselves in the position of note holders. But it cannot be supposed that depositors who, under the present position of the issues, would not run upon the bank for legal tender, would, if the notes ranked preferentially to other liabilities, run upon the bank for payment in its notes.

"2. To the proposition to require each issuer to lodge with the State government securities to cover the amount of his maximum issue, it might be objected that this would secure the ultimate payment of the note, but could afford no guarantee of its immediate convertibility. To this, it may be re-

plied, that the State is by no means called upon to see to the immediate convertibility of a non-legal-tender note. Though it may be politic to organize measures for the protection of the holder from loss; but, in any case, notes secured by the deposit of consols with the State, would be practically convertible so far as the public were concerned, for as the discredit of the Government-Security note of one issuer might affect the notes of other issuers in the same district, it would be the policy of these issuers to give credit for the notes of the failed banks—knowing their ultimate sufficiency—rather than allow the system of note issues in which they were themselves interested to suffer discredit. This is precisely the course which the Scotch banks, after a couple of days hesitation, adopted with regard to the notes of the Western Bank when it failed some years ago, and they obtained a permanent accession of business by so doing, avoiding of course a loss of interest by having the notes marked as presented for payment.

3. "The third alteration comprises the two-fold security of making the notes a first charge on the estate of the issuer, and of requiring security for the whole part of the authorized maximum of circulation. If the notes were made a first charge on the estate it would probably be sufficient to require the provision of government security for one-half of the maximum of authorized circulation. Probably too, it would be quite unnecessary to bind the banks to hold coin or other legal tender. A bank failing to pay its notes on demand, would forfeit the privilege of issue. This of itself ought to insure the maintenance of an adequate supply of legal tender; but a monthly return should be required, for publication, of the average weekly amount of legal tender held, and every bank should be obliged to publish a balance sheet annually, in a prescribed form. . . . If it should be urged as an objection to the extension of the country issues, that the pressure on the Bank of England during a time of revulsion or threatened crisis, already too great, would be made worse, for the reason that provincial banks would have not only their deposits, but likewise their circulation to protect, and would require to hold for that purpose an increased amount of legal tender; it may be replied that the notes would command confidence by bearing on the face of them the conditions as to security under which they were issued. Moreover, it is to be hoped that the days of the reliance of our banking system on the single attenuated reserve of the Bank of England are already numbered, and that the regular publication of the amount of legal tender held by each bank, will be enforced to secure the permanent maintenance by every considerable bank, of a tangible reserve in coin or legal-tender notes. The extension of the country issues would facilitate the formation of such reserves by throwing free a considerable amount of the legal tender now in circulation."

CHANGES FROM GOLD TO SILVER UNDER THE OPERATION OF THE DOUBLE STANDARD.

BY GEORGE M. WESTON.

Lord Liverpool may be said to be the author of the British single standard of gold. He had recommended it in a letter to the King on the coinage in 1805, and as Prime Minister in 1816, he influenced the legislation adopting it. The main reason for it, assigned by him, was the following :

“From the beginning of the reign of James I to William III gold and silver coins were alternately exported, to the great detriment of the public, as often as individuals could profit thereby.”

Lord Liverpool does not point out in what this “*great detriment to the public*” consists, and it will be found upon examination, that there is no “*detriment*” in it, “*great*” or small, but on the contrary, a positive profit and advantage.

It is undoubtedly true that the double standard, giving to the debtor the option of the metal in which he will pay, insures the most general circulation of the metal which is the cheapest for the time being. As gold is sometimes the cheapest, and sometimes silver, they will be, of course, alternately exported, but the resulting “*great detriment to the public*” is not apparent.

The late Alexander Baring was not aware of any “*detriment*” having been experienced in England. In his testimony before a Parliamentary Committee in 1828, he admitted that the market rates between the two metals, “*will vary with the variations in the relative value of the metals, however wisely you may adjust the difference,*” and that as a consequence, under the double standard, “*the practical currency may change from one to the other.*” But he was unable to see any disadvantage in that, and continued to insist that England should return to the double standard, abandoned twelve years before.

The first example of the kind in our own National history, commenced in 1821, when, in consequence of a large demand for gold in England, where gold payments were then resumed, there was a premium on gold large enough to take it out of our circulation and send it abroad. This continued until 1834, when our legal ratio of gold to silver was changed, and gold became rather the cheaper metal of the two at the new prices fixed by the mint.

While this gold exportation was going on, there was some alarm and some agitation in favor of a single standard of gold, as a means of getting back that metal into our active currency. The evidence of this agitation will be found in a

report made to Congress by the Secretary of the Treasury, May 4th, 1830, and the papers accompanying it. Among them will be found a copy of the testimony of Alexander Baring, given in London in 1828, exhibiting the disastrous fluctuations of such a narrow standard as gold alone, and an energetic remonstrance of Albert Gallatin against the demonetization of silver, Mr. Gallatin declaring that all public and private contracts in America had been entered into on the basis of the dollar of so many grains of pure silver. A letter of Samuel White, cashier of the U. S. Bank at Baltimore, is also found, exhibiting high intelligence and a thorough knowledge of every detail of the case. Mr. White was quite unable to see that "*great detriment to the public*" which so afflicted Lord Liverpool. Of the drain of gold, and the substitution therefor of the other metal, he says :

"If any evil or real inconvenience has been experienced, I must confess my inability to perceive it. The matter appears to resolve itself into the simple calculation, whether or not we have sustained pecuniary loss by the conversion of the gold portion of our specie into silver coin, at the rate of five per cent. premium which was obtained."

The gold thus exported would be sure to come back again on the next turn of the market, and with a new profit on the silver exported in its place. It is true that "*individuals*" might "*profit thereby*," but those individuals would be our own citizens, and their profit would be at the expense of foreigners, and not at our expense.

It is true that if the exportation was of silver, the necessary medium of the smaller exchanges, there would be an inconvenience, but that is easily met by the expedient of a token currency, which we actually adopted in 1853, sufficiently reduced in value to be unavailable for export, and yet not so much reduced as to be unacceptable for the uses made of it. It is doubtful if such reduced coins can constitutionally be made in this country a legal tender for any sum, but they would always be current as "*voluntary money*," (which is a phrase of Mr. Gallatin,) if not issued in excess of the demand for such coins. Either by force of law, or by a pressure of convenience equal to the force of law, small silver tokens can be so maintained in common use, that mischief will not result, if an oscillation of market values sends the mass of our silver abroad, and substitutes gold for it. The reserves of banks and of public treasuries and private hoards, would, in such a case, be of gold rather than silver. Undoubtedly silver is better for the two first purposes, as affording less facilities for robbery.

The agitation of 1830 was disposed of by a report made to the U. S. Senate by Mr. Sanford, (Senate document No. 3, second session, twenty-first Congress,) in which it is well said :

"Experience has shown that a suitable adjustment will, in

general, secure adequate portions of the two species of coins during a long period. Minute variations in the relative value of gold and silver, occur without end; they are generally of short duration; and they are, in general, vibrations which compensate each other, and leave the average of relative value unvaried."

"The necessity of occasional adjustments is a small inconvenience, when compared with the great inconvenience of using only one of the metals; and such has been the experience of mankind."

"Strange indeed, must be that policy which can tolerate five hundred different kinds of paper money, and cannot tolerate both gold and silver."

"The constitution of the United States evidently contemplates that the money of this country shall be gold and silver. Our system of money, established in 1792, fully adopts the principle that it is expedient to coin and use both metals as money, and such has always been the opinion of the people of the United States."

The next agitation followed the California discoveries of 1848, which relatively cheapened gold and caused silver to be exported, and to a degree which caused a troublesome scarcity of small change. This difficulty was met by the act of 1853, creating a small silver token currency of reduced value. This act was matured and presented to the Senate in 1852, by Mr. Hunter, Chairman of the Finance Committee, with an elaborate report. It is truly remarkable that such an act should be treated as demonetizing silver. It did no such a thing. On the contrary, Mr. Hunter denounced the adoption of either one of the metals alone, as ruinous to debtors, to property and to industry; delaring:

"The mischief would be great indeed, if all the world were to adopt but one of the precious metals as the standard of value. To adopt gold alone, would diminish the specie currency more than one-half; and the reduction the other way, should silver be taken as the only standard, would be large enough to prove highly disastrous to the human race."

The act of 1853 left the silver dollar untouched, a full legal tender for all sums, and its coinage demandable as of right by any depositor at the mint of silver bullion. And in point of fact, confidently as it has been affirmed that its coinage practically ceased in 1853, and that it was unknown as a coin for twenty years prior to 1873, the official returns of the mint show that the coinage of it increased six-fold after 1853. And it is apparent that a portion of this subsequent coinage was for the purpose of circulation in this country, and not for export.

The total coinage of the silver dollar at Philadelphia and the branch mints, from 1792 to 1873, was \$8,045,838, or at an average rate of one hundred thousand dollars per annum

The coinage in the three years from 1859 to 1861, both inclusive, was \$1,488,930, and that this was for home use, is shown by the fact that it dropped suddenly from \$559,930 in 1861 to only seventeen hundred and fifty dollars in 1862, when the currency of the country became paper and the metals were no longer used. The coinage for the five years from 1869 to 1873, both inclusive, was \$3,538,710. This was from the new mines in Nevada, and was manifestly for export.

The period when the silver dollar was not coined, was not after 1853, but from 1808 to 1835, when not one was struck; but that did not demonetize it. The explanation probably is, that it was not sufficiently known for use in our trade with the East, and that the half dollar was preferred for home purposes. The same fact of a temporary non-coinage happened in respect to gold after 1821, when the resumption of gold payments by the Bank of England had made gold dearer. It was not carried to our mint for coinage, after 1821, for a dozen years; but that did not demonetize it. Nor was silver demonetized by the temporary relative rise of it, as a consequence of the California and Australian discoveries. It has already fallen again, and, but for the clandestine, surreptitious and really fraudulent alterations in our coinage laws in 1873 and 1874, it would be silver and not gold which would be carried to the mints just as soon as the displacement of legal-tender paper gave room for the currency of the precious metals.

What happened in this country after the California discoveries, the displacement of silver by the cheaper gold, down to 1862, when paper displaced both, is well recollected. Silver was kept in the small channels of circulation by the expedient of tokens, but bank reserves changed from silver to gold. No "*detriment of the public*" was perceived by anybody, and none occurred.

The same thing happened at the same time and from the same cause in France, but on a much larger scale, as that country has always used a much greater proportion of metallic money than the United States. Down to 1859, France had exchanged after the California discoveries, not less than five hundred millions of dollars of silver for gold. The mint returns justify an estimate one-fifth higher than that, and the exchange of silver for gold continued for some time after 1859. Undoubtedly France made a profit in exchanging one kind of money for another temporarily cheaper, and would have made a new and greater profit recently, if she had left the double standard to its natural and beneficent action, and taken back silver freely in exchange for gold. This would have left her with the same currency she started with in 1850, plus two profits drawn from the oscillations of the markets. If she has lost the last profit it is because she has been obliged, since 1874, so far to yield to the clamors of the single

gold standard theorists, as to restrict the silver coinage within narrow limits.

Nobody pretends that there was any "*detriment of the public*" in France, in the change from silver to gold, and nobody can show that there would now be any in the change back from gold to silver.

In testimony given in 1869, before a government monetary commission, the French Baron Rothschild said :

"In countries with the double standard, the principal circulation will always be established of that metal which is the most abundant. It is scarcely twenty years ago, that silver was the principal element in our transactions. Since the discoveries of the California and Australian mines, it is gold which has taken its place. The partial replacement of silver by gold, which has taken place in these late times, has been effected without inconvenience. They now demand that silver should be demonetized, as fifteen years ago they demanded that gold should be. The French Government wisely refused to demonetize gold then, and it will be equally wise to refuse to demonetize silver now."

The only plausible objection to now leaving the double standard to operate freely in France, is, that although she would gain five or ten per cent. by substituting silver for gold, she might lose in the end vastly more than that, by a large and permanent depreciation of silver. The legal ratio of gold to silver in the French coinage is fifteen and a half to one. The future of markets is, of course, uncertain, but we have an experience of forty centuries to be governed by in this case. Fifteen and a half to one, is a ratio considerably higher than gold has borne to silver, on the average of all past times. Mankind will be slow to believe that there is not as much intrinsic value in fifteen and one-half tons of silver, as there is in one ton of gold, and that an exchange of gold for silver on that basis is not quite as likely to result in a profit as in a loss.

Silver is just now temporarily depreciated relatively to gold by its demonetization in Germany, as it was by the resumption of payments in gold by the Bank of England, in 1821. In the English case it was gold that was appreciated, no silver being thrown out of circulation; the previous currency having been Bank of England notes. In the German case, not only is gold appreciated, but silver is cheapened by considerable quantities being thrown out of the currency and forced upon the markets of other nations. This makes the effect greater, but it will be temporary if France adheres to the double standard, and if specie payments are resumed by the United States, as they manifestly never can be without a restoration by us of the constitutional money of gold and silver combined.

If the view is limited to the relative production of the two

metals, without reference to actual or threatened demonetizations of either, and without reference to changes in the relative consumption and use of the two, silver is the most likely to rise and therefore the safer metal to hold. On the average of the century prior to the California discoveries, the production of silver was not far from fifty times as much in weight, and three times as much in value, as the production of gold. The California mines turned the scale and gave a large excess in value to the gold production. This excess, although diminishing, still continues, and is not likely to be wholly overcome very speedily. On the average of the four years ending with and including 1875 the value of the gold produced was to that of silver as three to two. It is plain, that if gold maintained a ratio of fifteen or sixteen to one of silver during an entire century, with a production of only one-third as much in value, that its continuing to maintain so high a ratio in the face of a production exceeding that of silver in value, must depend upon special circumstances, and must have a good many elements of precariousness in it. One of these special circumstances we know, which was the absorption of gold in the currencies of countries having the double standard; notably in France. Another one, now existing, is the adoption of an exclusive gold standard by Germany and the adjoining Scandinavian States. And undoubtedly, if the whole world can be induced to follow that mischievous example, the ratio of gold to silver would be carried to unheard-of figures, while the prices of property and labor, as measured by the new standard of gold only, would sink to the level of the most depressed period of the Dark Ages. But this will not happen, because it cannot happen without the assent and concurrence of America, which can never be obtained. And it is therefore true, that while the production of gold so largely exceeds the ratio to that of silver which it maintained for the century prior to 1848, the chances are that it will fall. The nations which get rid of their gold at the present prices in silver, are the ones likely to profit by the exchange.

In all aspects, therefore, we need have no fear of practical ill effects from a firm adherence to the double standard of the Constitution. If every dollar of our gold coins leaves the country, it would only be what happened after 1821 and down to 1834. We shall part with it at a good bargain and it will come back at the next turn of the tide. If foreigners choose to pay for it at an extravagant price, the loss is theirs, not ours. By selling it freely for silver we shall restore the normal equilibrium of the metals. Nobody need sleep less soundly because the reserves in the national treasury, and in the banks, are silver instead of gold. The "*great detriment of the public*" which Lord Liverpool saw in the outflow, alternately, of gold and silver, is the idlest of fancies. If our

gold goes and never comes back, we can flourish upon silver, as well as Amsterdam and Hamburg, which have had no other money during the greater part of their commercial existence. But we may rely upon it, that it will come back and with a round profit. Those who buy it at a ratio of 17 to 1 will be the losers. Our legal ratio, of 16 for 1, is itself above the average market ratio for the past two centuries, and above the probable ratio for the future.

THE HISTORY OF BANKING IN MASSACHUSETTS.

BY DUDLEY P. BAILEY, JR.

No. 2.

During the war of 1812, the banks of Massachusetts, in order to maintain specie payments, were obliged to pursue a cautious policy, which provoked some complaint. A writer calling himself "A Stray Yankee," in complaining in 1814 of the hard times, said it could not be denied that for the last year there had been more failures in Boston than in all the other seaports put together, and that this great calamity had been brought about almost entirely by the banks which persisted in maintaining specie payments against the rest of the country, so that they were compelled to refuse discounts and to call upon borrowers to pay up as fast as possible. As the debts due to the banks in Boston increased from \$7,499,129, in June, 1812, to \$8,355,776, in June, 1813, and \$10,922,194, in June, 1814—a total increase of discounts and advances, of nearly fifty per cent.—it is difficult to see any reasonable ground of complaint against the banks for not granting further accommodations. The banks of Massachusetts had at this time large resources in specie, driven thither by the suspension of specie payments in other sections. This movement of specie was materially promoted by the policy of the New England Bank in sending home for redemption the bills of New York banks, which were estimated to constitute, in 1813, about one-half of the currency of Vermont and Western Massachusetts. By the efforts of the New England Bank these States were effectually cleared of New York currency. In exchange for it New England secured from two to three millions of dollars in specie, which was of great service to the New England banks in maintaining specie payments. Most of the specie in the Massachusetts banks, during the years 1812-16, was held merely on deposit as is shown by the fact that the specie increased and decreased nearly *pari passu* with the deposits, as is shown by the following table :

Years. June.	BOSTON BANKS.			WHOLE STATE.		
	<i>Specie.</i>	<i>Deposits.</i>		<i>Specie.</i>	<i>Deposits.</i>	
1811 ...	\$ 830,829 ...	\$ 2,847,748 ...		\$ 1,513,001 ...	\$ 3,385,722 ...	
1812 ...	2,882,116 ...	4,146,031 ...		3,681,696 ...	4,734,326 ...	
1813 ...	4,569,575 ...	5,472,348 ...		5,780,798 ...	6,903,593 ...	
1814 ...	5,466,660 ...	7,363,867 ...		6,946,543 ...	9,201,718 ...	
1815 ...	2,232,353 ...	3,090,770 ...		3,464,241 ...	4,057,395 ...	
1816 ...	816,028 ...	1,674,116 ...		1,260,210 ...	2,133,279 ...	

To have extended banking operations to a great extent upon resources of so transitory a character would have stimulated speculation only to produce a most disastrous reaction when the time came for these resources to be withdrawn.

The close of the war in 1815 was followed by a period of severe pressure, and the legislation of the time discloses the difficulty encountered in raising the new banking capital authorized, amounting, between 1813 and 1819, to \$4,925,000, divided among thirteen new banks, and four previously in existence which were authorized to increase their capitals. During the years 1814-19, mostly after 1815, no less than fourteen different acts of the legislature were passed, extending the time for paying in installments of bank capital, and nine reductions of capital occurred, amounting in the aggregate to \$3,570,000, while one bank, the Bedford, with a capital authorized of \$200,000, was obliged to close up, being supplanted by the Bedford Commercial Bank, capital \$100,000.

Among the devices for meeting the pressure, was one employed by the Dedham Bank, which, in August, 1816, issued a large quantity of bills, checks, or drafts payable to bearer and drawn on the cashier of the Bank of Middletown, Conn. This was the occasion of enacting in December, 1816, a law prohibiting any bank in Massachusetts from issuing any bill, note, check, or draft, (except drafts exceeding \$100,) payable at any other place, unless the same was also on its face made payable at the bank, and no bank was to issue any bill or note redeemable at such bank, in any other manner than by payment in specie.

As a result of the pressure, the paid-up capital of the Massachusetts banks was reduced from \$11,475,000 in June, 1816, to \$9,298,050 in June, 1817. It had reached \$10,600,000 in 1820, but was again reduced to \$9,800,000 in 1821. The circulation fell from a maximum of \$2,922,611 in 1814, to \$2,134,690 in 1816; a contraction of less than twenty-seven per cent. in two years; but had reached \$2,614,734 in 1820, and \$3,010,762 in 1821, at which time the deposits amounted to \$5,448,608. The Boston banks contracted their accommodations from \$10,922,194 in 1814, to \$10,612,021 in 1816, \$8,821,255 in 1819, and \$8,893,228 in 1821; the maximum contraction being less than twenty per cent., but the country banks steadily increased their accommodations during this period so that in the whole state the loans, discounts and

advances, which stood at \$13,454,290 in 1814, \$13,753,102 in 1815, and \$13,706,802 in 1816, had only fallen to \$12,647,089 in 1817, \$12,583,659 in 1818, and \$12,931,844 in 1819; the maximum contraction being less than nine per cent. These figures show that the contraction in Massachusetts was much less violent than in some other sections where it amounted to from one-third to one-half in the bank note circulation. It was at this point that Massachusetts began to enjoy, in a comparative exemption from the ruin and disaster elsewhere experienced, the reward of following the safe but rugged path of specie payments.

The whole number of banks chartered previous to January 1, 1825, was forty-nine, of which six, the Nantucket, Merrimack, Essex, Northampton, Bedford, and Berkshire, with an authorized capital of \$1,175,000, had either failed, discontinued, or been absorbed in some other institution, producing a net reduction of \$925,000 in authorized capital. Three more, the Boston Merchants, incorporated in 1818, Middlesex of Concord, (1822,) and Mechanics and Traders', of Boston, (1824,) with an authorized capital of \$1,100,000, appear never to have gone into operation. The reductions in the capitals of banks still continuing amounted to \$4,470,000, giving a total of \$6,495,000 chartered for banking, but which had either never been embarked in the business, or had been lost or diverted into other channels. This makes no account of banks whose installments were partly, but not wholly, paid up. The total capital authorized for banking, to January 1, 1825, was \$20,800,000. Making the above deductions, the authorized capital of forty banks in existence at that date was \$14,305,000, of which \$13,300,000 are reported as paid in. It appears therefore, as the result of the first forty years of banking in Massachusetts, that about eighty-two per cent. of the banks, and seventy per cent. of the banking capital chartered, still survived at the end of this period. Considering the rapid growth of banking, the proportion of abortive effort in this direction is not surprising; nor considering the keenness of the competition, necessarily arising under such circumstances, are its destructive effects to be wondered at.

In 1824 the system of par redemption for all New England bills was projected, and early in 1825, it went into operation under the management of five Boston banks, the Eagle, Globe, Manufacturers and Mechanics', (afterwards Tremont,) State, and Suffolk, representing a total capital of \$4,300,000. The New England, as before stated, had been in the habit of receiving the notes of all banks out of Boston, charging to the holder only the actual cost of getting them cashed; but the discount on the bank notes of other New England States, as compared with those of Massachusetts, was still, in 1824, about one per cent. It was the aim of the new association to redeem in Boston the notes of all New England

banks, without expense except to the banks issuing them. A committee of five, one from each of the associated banks, had the management of the business. They appointed an agent to receive and credit the foreign money taken by the associated banks of their customers, and keep a distinct set of books for that purpose; all expenses and losses which might arise were to be borne by the five banks in proportion to the amount that each should receive on deposit. The amount received by one of the associated banks had at one time reached \$269,640, or more than one-third of its capital. As collections were then, in the absence of railroad communication, effected very slowly, being made by special messenger only once in several weeks, the burden thus thrown on the associated banks was quite heavy.

The system at first excited bitter opposition. The small local banks which desired to have their bills carried away as far as possible and never brought back for redemption, viewed with no favor a plan for defeating this object. The associated banks in derision were styled the "Holy Alliance" and sometimes the "Five-tailed Bashaw." Had any one of them receded in the early days of the struggle, of which there was some fear, the experiment would, it is said, have been abandoned. They persevered, however, until the system was finally established, and the Suffolk Bank assumed its exclusive management. The system as finally perfected under the administration of Henry B. Stone, for many years President of the Suffolk Bank, contemplated the redemption by that bank at par, of the notes of every New England bank which kept with the Suffolk a certain specified deposit, usually from \$3,000 to \$5,000. Most of the New England banks finding the system beneficial to themselves as well as to the public, finally came into the arrangement, and for nearly forty years the system exercised a most wholesome influence on banking in New England, keeping a salutary check upon the issues of the banks, and giving that section a nearly uniform bank note currency.

According to Felt's *Massachusetts Currency*, banks were, prior to 1825, promoted and sustained chiefly by capitalists, but after that they were much oftener created for the purpose of borrowing and not of lending, for rash enterprises to gain fortunes at the expense of the community. The years 1825, 1826, and 1828, were prolific in bank charters, and in the four years, 1825-28, no less than thirty-six banks were incorporated, all but two in the three years first mentioned, while fourteen banks were authorized to increase their capitals. The total new capital authorized was \$9,075,000. Most of these charters required one-half of the capital authorized to be paid in before commencing, and prohibited the declaration of a dividend until the whole was paid in. No stockholder was allowed to borrow at the bank until he had paid

his full proportion of the authorized capital, nor to transfer his stock until the expiration of one year from the granting of the charter, and if the bank was not put in operation during that time its charter became void.

The necessity of drawing from other uses so much new capital for banking purposes under these stringent provisions, caused a severe pressure for cash at several periods during these years. This was so severely felt in 1827, and again in 1829, that in the former year only two new banks were chartered, and in the latter only one. Of the two banks chartered in 1827, neither, and of fourteen chartered in 1828, only six, went into operation, and of these six, two became insolvent within two years. The capital of the banks which never went into operation amounted to \$2,700,000. In August, 1829, the Farmers' Bank of Belchertown, incorporated in 1825 with a capital of \$100,000, failed through gross mismanagement. The Sutton Bank, capital \$100,000, and the Brighton Bank, capital \$150,000, both incorporated in 1828, and by means of rank perjury, on the part of their directors, put in operation on fictitious capital, were soon after found to be in an unsafe condition, and to be habitually conducted in violation of nearly every provision of their charters. There is reason to believe that a considerable number of other banks were guilty of like misdoing. The charters of these three were repealed early in 1830, and an act passed making it perjury to swear falsely in making returns of the condition of banks and other corporations. In 1828 and 1830 six banks were authorized to reduce their capital in the amount of \$1,300,000. In the six years, 1825-30, therefore, the net increase of capital authorized, including \$150,000 of new capital, authorized in 1829, was only \$4,875,000. An amount, equal to about forty-seven per cent. of the new capital authorized, either had never been employed in banking or had been lost or diverted from it. The proportion of failure among the banking schemes projected shows a marked increase over the first forty years of banking in Massachusetts.

Banking was very unprofitable in 1830, the average dividend for October being, according to Martin's *Boston Stock Market*, only 1½ per cent. No new charters were granted. In October, 1831, the charters of all the banks, except the one incorporated 1829, (which did not commence until 1831) expired. Sixty-two of them, with capitals amounting to \$18,845,000, were rechartered until October 1, 1851; the Phenix, of Nantucket, capital, \$200,000, being omitted. The Mendon, capital \$100,000, and the Newburyport, capital \$210,000, did not accept their new acts of incorporation, and continued in existence after October, 1831, only to close their concerns. Besides the old banks fifteen new ones were incorporated, with capital authorized of \$4,075,000, and three of the banks previously in existence were authorized to increase their capitals

to the amount of \$375,000, making the new capital authorized for the year \$4,450,000, which added to the \$18,945,000 of the old banks gives a total of \$23,395,000; from which \$360,000 should be deducted for banks discontinuing or reducing capital.

The newly chartered banks became subject to the general banking law of February, 1829, the first comprehensive statute in relation to this subject. It provided that no bank thereafter established should go into operation until fifty per cent. of the capital had been actually paid in, in gold and silver, and had been examined, counted, certified and sworn to as previously required. No loan was to be made to a stockholder until the full amount of his shares was actually paid in, and no bank was to have owing to it on loans secured by pledge of its stock, a greater amount than fifty per cent. of its capital paid in, and no part of the stock was to be sold or transferred until the whole was paid in.

Most of the earlier charters had allowed the banks to have bills in circulation equal to twice their paid-up capital. After 1812 most of the charters restricted the circulation to fifty per cent. beyond the paid-up capital, and after 1825, to the amount of such capital. In the new law their circulation was allowed to exceed this limit twenty-five per cent. The total amount of debts due to or from a bank exclusive of deposits was not to exceed twice the capital stock paid in; the directors to be personally liable in case of any excess. No bank was to use its effects in trade or commerce, but might sell all kinds of personal pledges lodged with it as security. Banks might hold real estate requisite for the transaction of their business, not exceeding twelve per cent. of their capital, unless specially authorized, exclusive of what they might hold on mortgage, receive on execution, or take as security for or in payment of debts due to them, and no more. Banks were to have not less than five nor more than twelve directors. None but a member of the banking corporation, being a citizen of and resident in Massachusetts, was eligible to office as a director, and a majority of the directors in any bank had to be residents in the county where it was located. No person could be a director in two banks at the same time. The directors were required to make half yearly dividends.

The banks were liable to pay interest at the rate of twenty-four per cent. per annum on any bill or note on which payment was refused or delayed during the usual banking hours. The stockholders were made personally liable to the amount of their stock, to make good any loss or deficiency of capital arising from official mismanagement of the directors, and were also holden individually for the payment of all bills issued by a bank and remaining unpaid at the expiration of its charter, in proportion to the amount of their stock. But

both these provisions had been contained in the charters granted for many years previous. A bank was required to loan to the Commonwealth five per cent. of its capital, at any one time, reimbursable by five annual installments at five per cent. interest, the Commonwealth not to be indebted to the bank at any one time without its consent, for a larger sum than ten per cent. of its capital. The Commonwealth was to have the right to subscribe to the capital fifty per cent. in addition to the amount thereof authorized, with additional directors and dividends in proportion. The right of examination by a legislative committee, was continued with heavy penalties for bank officers refusing or neglecting to exhibit their books or obstructing the investigation.

Every bank was liable as previously, for about thirty years, to pay to any *bona fide* holder the original amount of any note altered to a larger amount in the course of its circulation. The State tax of one-half of one per cent., semi-annually, on the paid-up capital of the banks, first imposed in 1812, was continued. Their shares were made liable to attachment in suits against stockholders, and their real estate might be attached, and lands mortgaged to them might be seized and sold on execution. The amount of bills under \$5 remained limited to twenty-five per cent. of the paid-up capital, and bills under \$1, and notes, bills, checks, drafts, certificates, and facilities payable at a future date, or bearing interest, were forbidden. This last restriction became operative in 1829. Embezzlement of a bank's effects by any person connected with the bank, was made larceny, and was to be punishable by imprisonment. This last provision had been first enacted in 1825.

Some changes had been made in the returns by a law of February, 1825. Besides the particulars previously required, they were to distinguish those deposits and notes of the bank bearing interest from those not on interest, and to state the profits on hand accrued since the last dividend, reserved profits at the time of the last dividend, balances due to and from other banks, the total amount due from the bank and the total resources of the bank. By act of March, 1826, the returns were to be made up to May and December, instead of January and June, in each year, and were to specify also the amount of debts due to the bank secured by pledge of its stock, and the amount of debts due and not paid, and considered doubtful. The returns under the laws of February, 1829, did not call for any statement of the amount of notes in circulation bearing interest, the banks being prohibited from issuing them, nor of the net profits on hand, accrued since last dividend, nor of the bills in circulation under \$5, but simply of the whole circulation instead. In other respects they continued as before; except that they were made up to the last Saturday of some preceding month,

to be designated by the Governor, and only once, instead of twice, each year. Any new privileges granted to any bank were, according to the new law, to be enjoyed by all banks. Bills under \$100 were to be impressed from Perkin's stereotype steel plate. A number of other provisions already noticed as contained in the charters, were incorporated into the general law, of which the foregoing is but an imperfect sketch.

During three of the six years 1831-36, the bank fever raged with great violence, more than doubling the number and capital of the banks. The pressure and embarrassment prevailing in 1834 together with the rapid multiplication of banks in the previous three years, gave a new development to certain abuses which were strongly condemned by a joint committee of the Legislature in a report made in 1834. One of these abuses was the selling by banks, in defiance of law, of their own checks on some other, perhaps distant bank. These checks were sold at from one-quarter to three per cent. premium, and by giving one of them for a note discounted or loan made, the bank secured not only its six per cent. interest but the premium on the check, thus securing in some cases the equivalent of nine per cent. interest on the loan or discount. Another device prevailing extensively was the discounting of promissory paper not in money, but in bills of the discounting bank, delivered under an express stipulation that they should not be put in circulation for a specified time. By this means the bank, while the bills were thus kept out of circulation, obtained interest on money which it had only nominally lent, and the borrower in order to obtain ready money was obliged to pledge the notes with some capitalist, paying interest a second time. "At no time," says the report, can the borrower "obtain money in this mode without paying more than legal interest for it; and in times like the present, he seldom obtains it by such means without paying about double that rate."

Still another device of the banks was to hire money, issuing for it a book similar in form to the common deposit book, only without the leaves, and with the entry made and the terms of the loan usually stated on the inside of the covers. The deposit books then, as now, were usually bound in blue covers, and the deposit books bearing interest acquired the designation of "Blue Books," to distinguish them from the others. The practice of issuing these books commenced soon after the passage of the act of 1829, which prohibited any bank from issuing any "note, bill, check, draft, facility or certificate, payable at a future day or bearing interest," and the form of a deposit book was adopted to evade this provision. At first given only in the case of actual loans to the bank, for which it was allowed before 1829 to issue its notes on interest, they came to be extensively issued

during the pressure of 1834, instead of money, in discounting paper. "In such cases the merchant offers his note for discount, ascertains that he can obtain nothing for it from the bank but one of these books and he then applies for aid to a broker, who finds some money lender who will purchase such a book. The bank receives the note, deducts the interest from it and for the balance of it issues its own book on interest to the money lender, who deducts his own extra interest and the broker's fees, and pays the balance to the merchant or to the broker for him." "The amount of discount, interest, and charges to which merchants taking these books have for some time been compelled to submit, has seldom been less than nine or ten per cent., frequently sixteen, and so upwards to twenty and twenty-four per cent." The committee was not wholly blind to the fact that these practices were due in some measure to the pernicious influence of the usury laws, but they did not recommend their repeal.

A law was, in consequence, passed in 1834, prohibiting any bank from borrowing money on interest, unless of a savings institution, and from giving for the proceeds of a loan or discount, any book, note, bill, draft, check, acceptance, facility, entry in account or certificate, for money payable at a future date, or bearing interest; such obligation to be void. By the Revised Statutes of 1835, any loan or discount by a bank, the proceeds of which were made payable otherwise than in specie or bills of the bank on demand, were declared void as to the bank, and every bank offending was liable to a penalty of \$500. The law against post notes was, in April, 1836, so far modified as to allow a bank to issue them on time at not less than four and a half per cent. interest to the amount of twenty-five per cent. of its paid-up capital. This remained in force less than two years. In April, 1837, a law was passed prohibiting banks from issuing or loaning their bills, except post notes, with an express or implied agreement that such notes should not be put into immediate circulation, or that they should not for a limited time be returned to the bank for redemption. This closed the last door to the abuses mentioned, so far as that could be done by legislation.

The stringency in 1834 caused the committee on banks and banking to report unfavorably on the applications for bank charters in that year, as was also the case in 1835, when money was easy. But in 1836 the legislative mill made up for lost time by grinding out a most extraordinary grist of bank charters. Among other schemes urged upon the Legislature at this session, were a bank at Boston in aid of the Western Railroad with the capital \$5,000,000, and a State bank with \$10,000,000 capital, of which the Commonwealth was to subscribe one half by means of a loan at four per cent. to be negotiated in London. The bill to incorporate this institution was lost on its passage to a third

reading, and the bill to incorporate the Western Railroad Bank fared no better.

The following table shows the progress made in chartering new banking capital from 1831 to 1836:

Years.	No of Banks Chartered.	Capital authorized.	No of Banks authorized to increase capital.	Amount of increase authorized.	Total new capital authorized.
1831	15 ...	\$ 4,075,000	3 ...	\$ 375,000	\$ 4,450,000
1832	16 ...	2,670,000	10 ...	1,155,000	3,825,000
1833	14 ...	3,250,000	6 ...	450,000	3,700,000
1834-5	1 ...	100,000	1 ...	100,000	200,000
1836	32 ...	6,720,000	23 ...	3,700,000	10,420,000
6 years.	78 ...	\$ 16,815,000	43 ...	5,780,000	\$ 22,595,000
60 old banks re-chartered and accepting charters.....					18,535,000
Total.....					\$ 41,130,000
Less two banks reducing capital 1831-36.....					\$ 200,000
" one bank franchise lapsed.....					100,000
					300,000

Total authorized capital of 137 banks, January 1, 1837.....	\$ 40,830,000
Banks in operation, September, 1836, 129. Capital reported...	38,280,000
Increase over 1830, 66. " "	18,985,000

Had it been necessary to raise actual money in the old fashioned way for the capital of these newly chartered banks, a large proportion of them would have been unable to go into operation. But with the aid of invention and the latest improvements, the raising of bank capital had ceased to be a difficult or expensive process. It was only necessary to secure a place for the bank to be kept, organize by the choice of directors and officers, borrow for one day specie to the amount of one-half the authorized capital to be examined and counted by the commissioners, who should ascertain by the oaths of a majority of the directors, that such specie had been paid in by the stockholders, towards payment for their respective shares, and not for any other purpose, and that it was intended to have it remain as a part of said capital; then, return the specie; take the notes of the stockholders instead, for the amount of the paid-up capital, and set the printing press in motion turning out bank notes. With the process of raising bank capital thus simplified only four of these seventy-eight banks, with a capital of \$1,700,000, failed of getting under sail. It would not be surprising if half of them commenced without any considerable stock of actual capital. Such a record of fraud, perjury, and bogus financing, is not to be found in any other portion of the history of Massachusetts, before or since.

(To be concluded in October Number.)

THE BATTLE OF THE STANDARDS.

AN ARGUMENT IN FAVOR OF A SOLE SILVER STANDARD BY

GEORGE R. GIBSON.

What is specie payment? Is it payment in gold, or in silver, or in both gold and silver bearing a fixed relation, the one to the other? In view of the prolonged consideration of specie resumption, and the recent interesting discussion of the silver question, it may be pertinent to examine the comparative merits of a single *v.* a double standard, and a sole silver *v.* a sole gold standard. The battle of the standards has waged fierce and hot on many a contested field, but the triangular warfare has not produced any decisive results. Indeed, the question never can be settled with the accuracy and exactness of a mathematical proposition, though there are certain fundamental principles of universal application.

It may be profitable to briefly review our history upon this subject. Upon the organization of our Government, our monetary system was based upon the double standard of gold and silver. By the act of April 2d, 1792, $371\frac{1}{4}$ grains of pure silver, and 24.7 grains (now 23.22 grains) pure gold, were declared to be of equivalent value, and as constituting the dollar of account. Though the gold dollar was not coined until 1849, or fifty-five years subsequent to the coinage of the silver dollar (1794) yet their legal-tender quality is of coeval origin. In 1853 the silver dollar ceased to be coined, though $371\frac{1}{4}$ grains pure silver continued a legal-tender for one dollar; but the act of that year debased the subsidiary coinage, the half dollar being reduced from $206\frac{1}{8}$ grains to 192 grains, standard fine, with quarters and dimes diminished in proportion, and a legal tender for only \$5. In 1873 the coinage laws were again revised and provision made for the coinage of a special silver dollar known as the "trade dollar," designed for the Oriental trade, and containing 420 grains (seven and a half more than the old dollar,) standard fine, but the old dollar was demonetized as a legal tender for all sums above \$5. By the terms of this bill, the double standard, which for over eighty years had prevailed in this country, was abolished and gold was constituted the sole standard. It now transpires that the import of this bill which lingered for over two years before Congress, was but imperfectly understood. On April 24th, 1876, Senator Jones made a vigorous assault upon this abrogation of the legal-tender quality of silver, in a masterly defense of the double standard. Under the influence of the Congressional debates, the press and public have awakened to a realizing sense of

the character and compass of the act. At the time our National debt was contracted, silver, co-equally with gold, was a legal tender, and the language of all the loan acts of Congress implies the use of either gold or silver. In "the act of 1869 to strengthen public credit," the faith of the United States was solemnly pledged to the payment of all its obligations in coin, except those which by express provision were to be paid in lawful money, or other currency than gold or silver. Manifestly the word "coin," and the words "gold or silver," are synonymous and equivalent, and the choice of metals was left to the Government. The fact that silver has become cheap in gold, is no bar to this option, as the creditors of the Government were bound to know that in a country employing the double standard, payment would always be made in the cheaper metal. This recital serves to show that in the absence of the act of 1873, we would not violate our obligations if we were to tender silver to our creditors; also that a double standard is unreliable as a measure of value, one metal constantly varying from its fixed ratio. M. Chevalier, commenting upon the defects of a dual standard, says: "Governments being proverbially more or less needy, they will find the way of relieving themselves of a portion of their engagements, by discharging their debts with whichever of the two metals shall have had the greater relative fall in value." John Stuart Mill says: "The particular kind of fluctuation to which a currency is rendered more liable, by having two standards, is a fall of value, or what is commonly called a depreciation, since practically, that one of the two metals will be the standard of value of which the real has fallen below the rated value. If the tendency of the metals be to rise in value, all payments will be made in the one which has risen least; if to fall, in that which has fallen most." John Locke says: "Two metals, such as gold and silver, cannot serve at the same time, and in the same country, for the medium of exchange, because the medium ought to be always the same and retain the same proportionate value. To adopt, as a measure of the exchangeable value of commodities, substances which have not a fixed and invariable relation to each other, is as if we were to choose for a measure of length an object which was subject to the process of distending and contracting itself. In each country there should be but one money to serve as the measure of value." To maintain two metals in circulation without a variance between the market and legal value of one, is as impossible as to make two clocks the standard of time. A leaf from our own history shows that the maintenance of a correct ratio is too delicate a prerogative to entrust to a political body.

In 1792, the relative value of gold to silver was established at one to fifteen, which was in accordance with the ratio then observed in Europe. Subsequently, France changed

the relative value to one to fifteen-and-a-half. As our ratio remained unchanged, our European indebtedness was liquidated in gold, because the ounce of gold that purchased in this country fifteen ounces of silver, bought fifteen-and-a-half ounces in France; and when Europe had to settle balances with us it was invariably done with silver, because the fifteen and a half ounces of silver that could be obtained in Europe for one ounce of gold was the equivalent of one and one-thirtieth ounce of gold in the United States. This tended to drive gold out of circulation and cheapen silver. The attention of Congress having been called to these facts, in 1834, the ratio was changed to one to sixteen, which merely inverted the previous difference, and reversed the flow of the precious metals. Though the deductions of an irresistible logic lead us to oppose a double standard as unsafe and unwise, in selecting a single standard reference must be had to the state of the precious metals abroad.

Secretary Chase estimated the coin in the United States, in 1861, to be from two hundred and seventy-five millions to three hundred millions, and no wise financier would concede that a less sum would tide us over an attempt to resume and maintain specie payments. In order to accumulate gold it would be necessary to sell bonds in Europe, thus converting our non-interest-bearing greenbacks into interest-bearing bonds. Our position is this: that, while our bonds are in high credit in the exchanges of Europe, yet, we could not negotiate \$300,000,000 bonds to procure an equivalent amount in gold without a ruinous expense to ourselves and derangement of the money markets of the world, if, indeed, its acquisition be possible at all. Let the United States seek to withdraw this sum in coin or bullion and its efforts would speedily be thwarted by the sudden advance in the rate of discount by the Bank of England and on the continent. This application of the brakes would effectually check our efforts to acquire a resumption fund in gold. On the other hand, the redundancy of silver in Europe, owing to causes hereafter to be enumerated, would render the acquisition of this metal, in a suitable amount, a comparatively easy task. But outside of the practical obstacles to gold resumption in the United States cogent and convincing reasons can be adduced to show that silver would better subserve our purposes.

The advocates of a sole gold standard assert that silver is untrustworthy and unfitted for a standard, as is attested by its recent decline. It is true that the *gold value* of silver this summer has been less than ever known in the London money market, many circumstances having conspired to depress the price of silver in gold; or, what is nearer the truth, to appreciate the value of gold in silver. First, the demonetization of about \$300,000,000 silver in Germany cre-

ated something in the nature of a silver panic, in the fear of its enormous and sudden precipitation upon the market. This was aggravated by its limited coinage in the States of the Latin Union; its demonetization in the United States; its excessive production by the Bonanza mines; the expulsion of about \$100,000,000 from Austria and Italy in consequence of their paper currencies; and the unprecedentedly large sales within the last year of Government bills on India, which precluded its usual shipment to the East. This would argue a considerable decline; but evidence is adduced to show that, though the silver mines of the United States have been highly productive, our silver exports have not increased; that Germany has not sold as much as first reported; that purchases by Russia, Spain and China, and the absorption by France of a sum estimated at \$167,000,000 have all tended to neutralize this decline. It is further contended that prices in silver countries have not advanced as they would have done had the depreciation been serious, and that the purchasing power of silver has not materially declined, except in respect to gold.

The evidence is very conclusive that gold has greatly appreciated. The greatest specie lock-up of modern times has taken place within the last three years. The Bank of France, the Bank of England, and the Imperial Bank of Germany, possessed in 1873, \$290,000,000 coin. In July, 1876, they held \$712,000,000, which chiefly consisted of gold. In Germany and England, these coin reserves were almost exclusively gold, and, in the Bank of France they were fully three-fourths. The hoarding of these vast sums has been a potent cause of the advance of gold. The demand for gold in Germany, where it has been constituted the sole standard, its exclusive use in England as a standard, as well as in the United States since 1873, together with the prospective resumption in France in 1878, and in the United States in 1879, have contributed materially to enhance its value, and have operated to produce an effect as disastrous to the debtor classes as corners in grain to those who are unfortunately "short."

But if silver had actually declined, as the goldists maintain, it would not cease to be available for resumption purposes. When the gold discoveries of 1848 indicated an enormous yield of that metal, some of the coolest and clearest thinkers in Europe, such as Bastiat and Chevalier, imagined that it would become so worthless that silver alone would answer for money. But "experience showed that the increase of the gold supply poured new life into the veins of commercial industry, and thus enriched the nations of Christendom instead of embarrassing and impoverishing them."

Senator Jones asserts silver to be more stable in value than gold, and his position is sustained by facts. The gold supply

has fluctuated from an annual yield in 1829, of \$5,000,000 to \$193,000,000 in 1852. Whereas, in nearly the same period the silver production oscillated between \$20,000,000 in 1829, and \$72,000,000 in 1875. In other words the productions of gold has fluctuated within that time, 4000 per cent., whilst silver has varied only 300 per cent.!

The bulky nature of silver is another objection mentioned against its exclusive use as a standard. It is true gold is better adapted to the larger coins, but under the recent unparalleled development of the banking system and its machinery of exchange, and the establishment of the modern credit system, the amount of actual money employed in the larger transactions is trifling. Sir John Lubbock, shows that only about three per cent. of the monetary transactions in London are in coin. Coined money has come to be the small change of commerce, and assuredly silver is much better adapted to small coinage than gold. Banks of issue must continue to exist, and the bulk of the coin will rest in bank vaults as security for note issues, only to be demanded in times of financial excitement. But if bank notes, bills of exchange, and letters of credit, do not subserve all the purposes of coin, the most economical, convenient and secure means are at hand to obviate the difficulties of weight, namely, the deposit and receipt of certificates of deposit in any sub-treasury or Government depository. In the matters of foreign or inland shipments, Senator Jones is authority for saying that the transportation charges for a given sum of gold or silver is the same, notwithstanding the lighter weight of the former.

Another objection to the sole employment of silver is that we would not be *en rapport* with the gold nations of Europe. Balances of trade between nations are not paid in coin, but in bullion, and it is immaterial whether the bullion be gold or silver or both. It goes for its value whatever that may be at the time. As Senator Jones remarks, "exchanges are adjusted by means of bills which are rated in view of the standard of value in the several countries upon or through which the bills are drawn." If our standard were silver, we would settle our balances in that metal (or the gold products of our mines if we chose,) at the price in all countries as determined by the course of exchange.

The intention of the foregoing has been to show the invulnerability of silver to the assaults of the advocates of a gold standard, and to indicate its adaptability to our wants. We may now approach those objections which pertain to gold. Ernest Seyd truthfully remarks that "every measure must be capable of division into smaller parts, and these parts must again give the measure." In this, gold is defective, for below a certain figure its divisibility is impracticable. Even the gold dollar is inconveniently small; hence gold alone

cannot fairly perform the office of valuator. Silver is indispensable for fractional coinage; but under a gold standard it is necessarily a limited legal tender; and even under a double standard it must be debased in order to retain it in circulation, and prevent its occasional export. The result of this pernicious system is an invidious discrimination against the poorer classes. When actual money is used in payment ninety per cent. of it is estimated on high authority to be in sums less than twenty dollars. The wage-earning class is paid in this limited legal tender and depreciated currency, and by them it is again paid out for provisions and the necessaries of life. The small tradesman is bound to receive it to the extent of its legal-tender quality; but as he suffers a discount in making his larger purchases, or on paying his mortgages, he must perforce add this discount to his prices, in order to protect himself from loss. The oppression and injustice of this system do not attach to large traders and the more opulent classes, as full ninety per cent. of the volume of their transactions is performed without the intervention of money; and that which is employed is chiefly in the larger denominations. Under a sole silver standard the twenty-five cent piece would contain proportionately as much pure metal as the dollar or unit.

The argument has been persistently made that, because gold has been adopted by England and Germany, its use is forced upon us. It is true that the nations of the world must construct their monetary systems with reference to a mutual relationship, but it by no means follows that one metal alone must perform the exchanges of the whole world. Both gold and silver are of recognized international value, and either may be chosen as the basis of a nation's values.

The entire demonetization of either metal would engender the most flagrant wrongs on commerce and society; it would double the purchasing power of the other; it would greatly depress prices, and enrich the creditor at the expense of the debtor. While we favor the utilization of both metals, we do not approve of their co-existence in one nation. This could be averted by the adoption of silver in one nation and gold in another, which would leave the scale of the world's prices undisturbed, without exposing the commerce of the world to the evils of a dual standard. In the event of gold being the sole tender in this country a financial convulsion in Europe would subject us to a violent and excessive drain of gold, disturbing our monetary affairs, and communicating the contagion of panic to our shores. Indeed, under a double standard prices which are adjusted to the stock of both metals would be seriously disturbed by the drain of gold, which would ensue a panic abroad. Place us upon a silver standard, and, though we would be in sympathy with the whole commercial world by using a

metal of common acceptance, the force of the shock to our system would in a great measure be broken by the difference in standard. The merits of this feature ought not to be underestimated, for the influence of foreign demand and supply of gold during our specie-paying period was a constant menace to business. If silver seems best adapted to our needs, can we consistently avail ourselves of its advantages? Assuredly, the time is now most auspicious and the means legitimate to adopt silver as the sole standard of value in the United States. Our previous examination into the terms of the bonded obligations of the United States confirms the opinion that the choice between gold and silver is reserved by the Government.

Both political parties, which are presumed to reflect public sentiment, are in favor of as early a return to specie payments as is compatible with the interest of trade, avoiding a sudden shock or interference with the obligations of debtors. Silver is manifestly the only medium through which this transition can be made without severely straining our whole commercial fabric. On August 10th, according to the London quotations of silver of $51\frac{3}{8}$ to $51\frac{1}{2}$ pence per ounce, the gold value of the "trade dollar" at the New York equivalent was $88\frac{1}{2}$ cents, or but a fraction less than greenbacks on the same day. There is nothing in this difference to deter us from adopting silver, for the demand which its prospective use would create would banish this disparity. The truth of this position finds support in the fact that as soon as the subsidiary coinage bill authorizing the issue of \$50,000,000 silver was approved by the President, silver immediately advanced about two per cent. It would be safe to predict that the passage of a law constituting silver a sole standard, would so stimulate prices that as the purchases for coinage proceeded it would gradually approximate to gold values. We would thus be enabled to exchange the present fictitious and irredeemable paper for a medium of intrinsic worth, whose value would steadily advance, but not so rapidly as to inflict that grievous wrong upon debtors which would follow a sudden transition to gold. Besides it would be sustaining the value of one of our own products, as England did in 1821, when she resumed in gold because it was the cheaper of the two metals, and was, moreover, a British product. No apprehensions of a silver inundation need be apprehended, as some gold advocates predict. Austria and Italy are considering a return to silver payment, and in the former country, the paper currency approaches silver in about the same degree as here. The Oriental nations must adhere to a silver standard, and their absorptive powers are proverbial. The demand from these sources is alone sufficient to counteract any downward tendency, and as silver is now mined on the verge of loss, its production would cease be-

fore it declined further. Again, its value in the useful and ornamental arts give us the most ample assurance that it will maintain that steadiness which has hitherto characterized it.

The logic of reason and experience alike condemn the double standard as unsafe and unreliable in practice, and vicious in principle. A single standard is a National necessity, and for the reasons above enumerated, we consider silver much better adapted than gold, to the peculiarities of our time and the exigencies of our situation.

Mattoon, Illinois, August, 1876.

PRIORITY OF RIGHT UNDER THE BANKRUPT LAW.

U. S. SUPREME COURT—OCTOBER TERM, 1875.

LEWIS, TRUSTEE OF JAY COOKE AND CO., BANKRUPTS, APPELLANT, v. UNITED STATES.

Appeal from the Circuit Court of the United States for the Eastern District of Pennsylvania.

Mr. Justice Swayne delivered the opinion of the Court.

This case turns upon legal propositions. There is no controversy about the facts. Jay Cooke, McCulloch & Co., bankers, of London, were appointed by the United States disbursing agents for the Navy Department. On the 19th of October, 1873, they were indebted to the department, for the balance of moneys placed in their hands for disbursement, in the sum of £131,610 9s. 8d. On or about the 20th of September, 1873, when the amount due to the department was considerably larger than that mentioned, the company placed in the hands of the United States or their agents, a large amount of collaterals for the security of the debt. The United States claim the right to apply the proceeds of these collaterals to the payment of another and later debt arising in the same way. Irrespective of the collaterals, the amount first mentioned, with interest, is still due and unpaid.

The firm of Jay Cooke, McCulloch & Co. consisted of Hugh McCulloch, J. H. Puleston, and Frank H. Evans, residents of Great Britain, and of Jay Cooke, Wm. C. Moorehead, H. C. Fahnestock, H. D. Cooke, Pitt Cooke, George C. Thomas, and Jay Cooke, Jr., residents of the United States. For a long period previous to the time first mentioned, there was a banking house in Philadelphia under the name of Jay Cooke & Co. The members of that firm were the seven American partners in the house of Jay Cooke. McCulloch & Co. and James A. Garland. On the 26th of November, 1873, all the persons composing the firm of Jay Cooke & Co. were adjudicated bankrupts, and this adjudication remains in full force. This included the seven American members of the house of Jay Cooke, McCulloch & Co. The other three partners of this latter firm are not bankrupt. Under the proceedings in bankruptcy, the defendant, Lewis, has been appointed trustee of the estates of the bankrupts of the firm of Jay Cooke & Co., and, as such, received and holds their several separate individual estates and assets, and the estates and assets of the firm as well. The estates of these bankrupts are insufficient to pay all their indebtedness. The United States, under the statutes in such case provided, claim priority of payment of their debt, before mentioned, out of the separate estates of such members of the firm of Jay Cooke & Co. as were also members of the debtor firm of Jay Cooke, McCulloch & Co. The trustee denies the validity of this demand. The United States have instituted this proceeding to enforce it.

On the 10th of April, 1875, there was already accumulated in the hands of the trustee of the funds so claimed by the United States the sum of \$267,844.80.

The bankrupt act of March 2d, 1867, declares that, in the order for a dividend, "the following claims shall be entitled to a priority or preference, and to be first paid in full in the following order :

"First. Fees, costs and expenses of suits and of the several proceedings under this act, and for the custody of property, as herein provided.

"Second. All debts due to the United States, and all taxes and assessments under the laws thereof."

The fifth section of the act of March 3, 1797, 1 *Stat.* 515, enacts :

"That where any revenue officer or other person hereafter becoming indebted to the United States, by bond or otherwise, shall become insolvent, or where the estate of any deceased debtor in the hands of executors or administrators shall be insufficient to pay all the debts due from the deceased, the debt due to the United States shall be first satisfied, and the priority hereby established shall be deemed to extend as well to cases in which a debtor, not having sufficient property to pay all his debts, shall make a voluntary assignment thereof, or in which the estate and effects of an absconding, concealed, or absent debtor, shall be attached by process of law, as to the cases in which a legal act of bankruptcy shall be committed."

It may be well to pause here and carefully analyze this section and consider the particulars of the category it defines, so far as its provisions apply to the case in hand.

Those affected, are persons "indebted to the United States."

This language is general, and it is without qualification.

The form of the indebtedness is immaterial.

It may be by simple contract, specialty, judgment, decree, or otherwise by record. The debt may be legal or equitable, and have been incurred in this country or abroad. A valid indebtedness is as effectual in one form as another. No discrimination is made by the statute.

The debtors may be joint or several, and principals or sureties.

Here again no distinction is made by the statute. All are included. *Beaston v. Bank of Delaware*, 12 *Pet.*, 134; *The United States v. Fisher*, 2 *Cr.*, 358.

There must be bankruptcy or else insolvency, as the latter is defined by the statute and the authorities upon the subject.

As bankruptcy exists here we need not look beyond that point in this case. Congress had power to pass the act. 2 *Cr.*, 396.

Where the language of a statute is transparent and its meaning clear there is no room for the office of construction. There should be no construction where there is nothing to construe. *The United States v. Wiltberger*, 5 *Wheat.*, 95; *Cherokee Tobacco*, 11 *Wall.*, 621.

That the facts disclosed in the record bring the case within the plain terms and meaning of the section in question seems to us, viewing the subject from our standpoint, almost too clear to admit of serious controversy. Affirmative discussion, under such circumstances, is not unlike argument in support of a self-evident truth. The logic may mislead or confuse. It cannot strengthen the pre-existing conviction. 11 *Wall.*, 621.

The statute must prevail unless its effect shall be overcome by the considerations to which our attention has been called by the learned counsel for the appellant. They have argued their contentions with a wealth of learning and ability commensurate with the importance of the case.

We shall respond to their propositions without restating them.

The United States are in nowise bound by the bankrupt act. The clause above quoted is in *pari materia* with the several acts giving priority of payment to the United States, and was doubtless put in to recognize and reaffirm the rights which those statutes give, and to exclude the possibility of a different conclusion. That the claim of the United States was not proved in the bankruptcy proceedings in question is, therefore, quite immaterial in this case. *The United States v. Herron*, 20 *Wall.*, 215; *Harrison v. Sterry*, 5 *Cr.*, 289.

The case presented is that of a trust fund, a trustee holding and a *cestui que trust* claiming it. This gave the Circuit Court original and plenary jurisdiction. That the fund arose and the trustee was appointed under the bankrupt act did not affect the right of the United States to pursue both by the exercise of the

jurisdiction invoked. The same remedies are applicable as if the fund had arisen and the trustee had been appointed in any other way. 12 *Pet.*, *supra*; *Thomson v. Smith*, 2 *Wheat.*, 425.

The United States were under no obligation to pursue the partnership effects of Cooke, McCulloch & Co. before filing this bill. The bankruptcy of the American partners dissolved the firm of Cooke, McCulloch & Co., not only as to themselves, but, also, *inter sese*, as to the solvent partners. In analogy, to the proceeding at law, where there are joint debtors and one is beyond the reach of the process of the court, and equity has jurisdiction, a decree may be taken against the other for the whole amount due. *Darwent v. Walton*, 2 *Atk.*, 510. In *Nelson v. Hill*, 5 *How.*, 127, this court held that the creditor of a partnership may proceed at law against the surviving partner, or go in the first instance into equity against the representatives of the deceased partner, and that it was not necessary for him to exhaust his remedy at law against the surviving partner before proceeding in equity against the estate of the deceased. The solvency of the surviving partner is immaterial. To the same effect are *Thorpe v. Jackson*, 2 *Young and Collier, Exch.*, 553, and *Wilkinson v. Henderson*, 1 *Myline and K.*, 582; *Ex parte Clegg*, 2 *Cox's Cases*, 372; *Clamp v. Grant*, 21 *Conn.*, 41. A court of equity will not entertain the question of marshaling assets unless both funds are within the jurisdiction and control of the court. *Adams' Equity* (6th Am. ed.), 548, note; *Denham v. Williams*, 39 *Ga.*, 312. See also, *Walker v. Covar*, 2 *S. C. (N. S.)* 16; *Dodds v. Snyder*, 34 *Ill.*, 53; *Herriman v. Skillman*, 33 *Barb.*, 378; *Shunk's Appeal*, 2 *Barr.*, 304; *Coates' Appeal*, 7 *Watts and S.*, 99; *Keyner v. Keyner*, 6 *Watts*, 221. If a judgment at law be recovered against a copartnership, the separate property of each partner is alike liable to execution with the property of the partnership, and equity will not interfere unless there are cogent special circumstances, such as have no existence here. *Meech v. Allen*, 17 *N. Y.*, 300. These authorities are conclusive on the point under consideration. If there could otherwise be a doubt upon the subject, it is removed by the two statutes. The bankrupt law declares that the United States shall be first paid; the fifth section of the statute of 1797 enacts that where there is a debt and bankruptcy, they shall have priority of payment. Neither statute contains any qualification. And we can interpolate none. Our duty is to execute the law as we find it, not to make it. It would be a singular equity which would drive the appellees "beyond sea" to carry through a litigation of uncertain duration and results against parties there before they can be permitted to proceed against the parties and property here.

It is a settled principle of equity that a creditor holding collaterals is not bound to apply them before enforcing his direct remedies against the debtor. *Kellock's Case*, 3 *Ch. App.*, 769; *Bonser v. Cox*, 6 *Beav.*, 84; *Tuckley v. Thompson*, 1 *Johns and Hemming's Ch.*, 126; *Lord v. The Ocean Bank*, 20 *Penn.*, 384; *Neff's Appeal*, 9 *id.*, 36. This is admitted, but it is insisted there are special considerations here which ought to take the case out of the general rule. We think those considerations are all of the opposite tendency. One of them is found in the character and circumstances of a large portion of the collateral assets. The facts are set forth in the answer of the United States to the cross-bill of the appellant, and need not be more particularly adverted to. Another of these considerations applies to the collaterals and is conclusive. There are parties entitled to be heard touching the application of the proceeds who were not, and could not be, brought before the Circuit Court. According to the best considered adjudications, no burden touching these assets can be made to rest upon the United States, which they are not willing to assume. Doubtless questions will arise involving much delay before the administration of the fund is completed. In the meantime the United States cannot be barred from enforcing any remedy to which they are entitled.

The court below committed no error in holding that the preference of the United States as a creditor of Cooke, McCulloch & Co., applied to the separate and individual estates of the bankrupt partners, thus superseding the rule in equity recognized by the bankrupt act—that partnership property is to be first applied in payment of the partnership debts, and individual property in payment

of the individual debts. It is sufficient to say upon this subject that the learned and elaborate argument of the appellant's counsel, in support of the opposite view, overlooks the true meaning and effect of the statutes. The bankrupt parties in question were indebted to the United States, and they had separate estates. This entitled the United States to the preference claimed. One of the obvious purposes of the fifth section of the act of 1797, was to abrogate the rule insisted upon, and it has clearly done so. The provisions of the bankrupt act relied upon do not, as we have shown, affect the United States. The legal relations of those parties to the United States, in this controversy, are just what they would have been if those parties were individual debtors to the United States, and the firm of Cooke, McCulloch & Co. had never existed.

The separate and individual interest of the several partners in the partnership property of Jay Cooke & Co. can be only the share of each one of what may be left after discharging all the liabilities of the copartnership. This will be nothing, the firm being in bankruptcy and conceded to be hopelessly insolvent. The United States can, therefore, have no interest with respect to the administration of its affairs. Any rights as to the collaterals held by the United States, claimed by others, must be settled outside the present proceeding. They cannot be adjudicated upon in this case.

The decree of the Circuit Court is affirmed.

THE DISTINCTION BETWEEN BANKERS AND BROKERS UNDER THE INTERNAL REVENUE LAW.

UNITED STATES SUPREME COURT, OCTOBER TERM, 1875.

John Warren and J. Kearney Warren, Plaintiffs in Error, *v.* Sheridan Shook, late Collector of Internal Revenue.

In Error to the Circuit Court of the United States for the Southern District of New York.

This case was tried upon an agreed statement of facts.

Mr. Justice Hunt delivered the opinion of the court.

The plaintiffs were licensed brokers in the city of New York. They also bought and sold gold and stocks for others upon a commission paid to them for that service. On their own account they also dealt largely in gold and stocks. They have paid the taxes imposed by the revenue laws upon bankers. The government agents have now imposed upon them and collected the taxes chargeable by law upon brokers. This includes the tax of one-twentieth of one per cent. upon sales made by the plaintiffs on their own account, as well as upon sales made for others. It is to this that the plaintiffs object, and the present action is brought to recover back such taxes.

The questions would seem to be—

1st. Do the transactions specified make the defendants brokers within the meaning of the revenue laws?

2nd. Are licensed bankers, who also do business as brokers, liable to the additional tax imposed upon brokers?

3d. More precisely, are the plaintiffs liable to pay taxes upon sales made on their own account as well as when made for others?

Section 110 of the act to provide internal revenue, etc., approved June 30, 1864, (13 *U. S. Stat. at Large*, p. 277,) imposes a duty of one twenty-fourth of one per cent. each month on deposits, one twenty-fourth of one per cent. each month on the capital, one-twelfth of one per cent. each month on the circulation, and an additional one-sixth of one per cent. on certain specified excess of circulation, to be paid by "any bank, association, company, or corporation, or person engaged in the business of banking, beyond the amount invested in United States bonds."

Section 79, subdivision of the same act, (13 *U. S. Stat. at Large*, p. 251,) provides "that bankers using or employing a capital not exceeding the sum of \$50,000 shall pay \$100 for each license," and for every additional \$1,000 of

capital \$2, and that "every person, firm, or company, and every incorporated or other bank having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or sale, shall be regarded a banker under this act."

The same section—79, subdivision 9, as amended by the act of March 3, 1865, (13 *U. S. Stat. at Large*, pp. 252, 472,) provides "that every person, firm, or company, except such as hold a license as a banker, whose business it is, as a broker, to negotiate purchases or sales of stocks, exchange, bullion, coined money, bank notes, promissory notes, or other securities for themselves or others, shall be regarded as a broker under this act; provided, that any person holding a license as a banker shall not be required to take out a license as a broker," and it further provides that "brokers shall pay fifty dollars for each license."

The 99th section of the same act provides (13 *U. S. Stat. at Large*, p. 273) "that all brokers and bankers doing business as brokers, shall be subject to pay the following duties and rates of duties upon the sales of merchandise, produce, gold and silver, bullion, foreign exchange, uncurrent money, promissory notes, stocks, bonds, and other securities, as hereinafter mentioned, etc., that is to say, upon all sales and contracts for sales of stocks and bonds, one-twentieth of one per centum on the par value thereof, and of gold and silver, bullion and coin, foreign exchange, promissory notes, or other securities, one-twentieth of one per centum on the amount of such sales and of all contracts for sales."

The sections we have quoted furnish satisfactory definitions of the business of a banker and of that of a broker. "Every person, etc., having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, check, or order, or where money is advanced on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange, or promissory notes, are received for discount or sale, shall be regarded as a banker under this act."—(§ 79, subdivision 1.)

Having a place of business where deposits are received and paid out on checks, and where money is loaned upon security, is the substance of the business of a banker.

By the same section, sub. 9, a broker is defined to be one whose business it is to negotiate purchases or sales of stocks, exchange, bullion, coined money, bank notes, promissory notes, or other securities for himself or for others. Ordinarily the term broker is applied to one acting for others, but the part of the definition which speaks of purchases and sales for himself, is equally important as that which speaks of sales and purchases for others. All parts of the definition are qualified by the words "whose business it is." Thus, if A. B. has ten thousand dollars which he desires to invest, and purchases United States stock, or State stock, or any other securities, he does not thereby become a broker. Nor if he owns ten thousand dollars of U. S. stock which he wishes to sell to raise money to pay his debts, or because he is not satisfied with six per cent. interest, is he thereby made a broker. It is only when making sales and purchases is his business, his trade, his profession, his means of getting his living or of making his fortune, that he becomes a broker within the meaning of the statute. Nor is it believed that a sale by one doing a banking business only, of a security received by him for the repayment of a legitimate loan, would make him a broker and subject to the tax. This would not be deemed an act of brokerage, either under the statute or upon general principles of law. When it is his business, the statute properly holds all such acts, whether in the name of himself ostensibly or in the name of others, as the acts of a broker. The danger and the facility for evasion of the statute furnish excellent reasons for the adoption of this provision.

The contention of the plaintiffs is, that because they hold a license as bankers, they are not liable to the duty of one-twentieth of one per centum on sales made on their own account. This is based upon the words of § 79, sub.

9, that all persons, &c., except such as hold a license as bankers, shall be liable to this duty on sales made for themselves as well as others, and upon the further suggestion that section ninety-nine does not contain the words "for themselves and others." We agree with the statement of Mr. Justice Grier in *Fisk v. U. S.*, 3 *Wall*, 445, that the idea of Congress would have been better expressed, if the words "for themselves or others" had been inserted in section ninety-nine, rather than where they are now found. Still we find no difficulty in reaching the conclusion that the tax in this case was properly imposed.

The intent of Congress to subject to taxation all sales made by those engaged in the business of brokers, is plain enough. When it was said (§ 99) "that all brokers and bankers doing business as brokers, shall be subject" to the duties specified, it was intended to encompass the entire class of persons engaged in the business of buying and selling stocks and coin. Brokers were included by name and by definition. Bankers would not so certainly be embraced by the definition given in section seventy-nine, subdivision one. To meet this possible exception, it was enacted, that when bankers should do the business of brokers, they should be subject to the duty specified. In this manner brokers technically, and bankers doing the business of brokers, were made liable to the duty. If the right to tax bankers upon sales made for themselves rested on the seventy-ninth section alone, a plausible argument could be made in the plaintiffs' favor, arising from the words "except such as hold a license as a banker." But when we read in section ninety-nine, "that all brokers and bankers doing business as brokers" shall be subject to the tax, and consider the statutory definition of a broker, the plausibility of the argument ceases.

We have carefully considered the cases of *U. S. v. Fisk*, 3 *Wall*, 445; *U. S. v. Cutting*, *ib.*, 441, and *Clark v. Gilbert*, 5 *Blatch.*, 330, but do not deem it necessary to comment upon them in detail.

The judgment is affirmed.

RIGHT OF NATIONAL BANKS TO DEAL IN STOCKS.—The First National Bank of Charlotte *vs.* the National Exchange Bank of Baltimore; error to the Court of Appeals of Maryland.—In this case the court held that a National Bank may, in a *bona fide* compromise of a contested claim against it growing out of legitimate bank transactions, pay a larger sum than would otherwise have been exacted in satisfaction of the demand, so as to obtain by the arrangement certain stocks in bank and other corporations; it being honestly believed at the time that by turning the stocks into money under more favorable circumstances than then existed, a loss which would otherwise accrue from the transaction might be averted or diminished. Authority to do such a banking business as that established by statute, carries with it all incidental powers necessary to the safe and prudent transaction of the business; compromises come within the general scope of the authority, and in this behalf banks may do whatever natural persons might do under like circumstances. Dealing in stocks is prohibited by implication, there being no grant of the power; but in an honest exercise of the power to compromise a doubtful debt owing to a bank, it can hardly be doubted that stocks may be accepted in payment with a view to their subsequent sale or conversion into money, so as to make good or reduce an actual loss. Such a transaction would not amount to a dealing in stocks, and it is difficult to see how a debt due from, or a contested obligation resting upon, a bank, occupies any different position in respect to the power of adjustment and compromise from that which belongs to a debt owing to it.

BOOK NOTICES.

A Treatise on the Law of Negotiable Instruments, including Bills of Exchange, Promissory Notes, Negotiable Bonds and Coupons, Checks, Bank Notes, Certificates of Deposits, Certificates of Stock, Bills of Credit, Bills of Lading, Guaranties, Letters of Credit, and Circular Notes. By JOHN W. DANIELS. 1876. New York: Baker, Voorhis & Co.

This elaborate work will be found of much practical value, not only to lawyers, but to bankers, investors, merchants, and officers of corporations. Since the outbreak of the war, it is computed that three thousand millions of dollars of negotiable bonds have been created in this country, and are in circulation. The growth of such vast interests has necessitated some changes in the commercial legislation of the various States. Besides these bonds of the Federal Government, and of States, counties and municipalities, there is also an enormous volume of bills, notes, and other negotiable instruments, arising out of the vast increase in the commerce and trade of this country. It is the peculiar advantage of the book before us that it contains a digest of the laws and a summary of the decisions both of the Federal and State governments, touching all descriptions of negotiable instruments. It aims to give in a convenient form an exhaustive classification of such instruments, with a clear exposition of the law regarding each variety of them. When Kent's Commentaries were written coupon bonds were almost unknown, either in the United States or elsewhere. When Judge Story published his admirable treatise on bills and notes, such bonds were scarcely salable. When Professor Parsons published his great work, in 1862, coupon bonds had been recognized as negotiable instruments by the courts, and were becoming plentiful in the currents of investment. Still, the law concerning them was in such an inchoate state that, as Mr. Daniels reminds us, "a few pages contain all that Parsons thought fit to say about them. Now, there is no more important figure in financial circles than a coupon bond. There is scarcely a town or county in the United States that has not become interested in it, and the law relating to it has grown into an important title, which would fully justify its embodiment in a separate and independent work. We find also an increasing disposition to impart certain negotiable qualities to instruments and documentary evidences of title, which, by common law, are as devoid of such qualities as any chattel sold behind the counter of a merchant. In some of the States, bonds are placed on the same footing as promissory notes. In some of them, deeds to real estate and docketed judgments are just as negotiable as bills of exchange; and in all of them, the spirit of negotiability is enlarging its bounds, extending its influences, and impressing itself upon mercantile transactions."

Three requisites are necessary in such a work as Mr. Daniels has given us. He should make it accurate, full, and easy of reference. With respect

to the last point he has bestowed great pains; and, by a lucid arrangement and a good index, the book is almost all that could be desired; except, indeed, that the numbers of the chapters and books into which the work is divided should be repeated at the head of each page. As a second edition of the work will no doubt be soon required, this improvement, with some others, can be with advantage introduced. With regard to the fullness and accuracy of the work we have not had the time to examine it with the thoroughness that we could wish; but as far as we have done so, the labors of the author have certainly seemed to us very successful. He has not only given citations of nearly seven thousand English and American cases, embracing recent decisions which settle new questions and show the rapid and continuous growth of the law merchant, but he has embodied in his work an ample collection of principles and authorities respecting the law of coupon bonds issued by individuals and by municipal and other corporations. He discusses governments and States as parties to negotiable instruments, and the effect of making such instruments receivable for taxes. He explains and demonstrates the rights of the holder or purchaser of negotiable instruments under all circumstances—citing numerous modern decisions respecting such instruments originating in fraud, duress, violation of authority, mistake, misrepresentation, and in imposition on infirm or illiterate persons. In a practical point of view, a part of the work, which will be found of very general use, is that which is devoted to the discussion and illustration of the law of certificates of deposit, certificates of stock, bank notes, bills of credit, bills of lading, letters of credit, and circular notes. We are acquainted with no recent writer by whom the law of bank checks is expounded in so luminous, complete and useful a manner as in this treatise of Mr. Daniel.

Explorations Made in the Valley of the River Madeira, from 1749 to 1868. By COLONEL GEORGE EARL CHURCH. London: Published for the National Bolivian Navigation Company. 1875.

A facetious writer has observed that if the European explorers to the North Pole should ever reach the famous Polar Sea, they will discover at the same time some enterprising Yankee who has got there before them. Every day increases the evidence to prove that in the progress of geographical discovery and commercial growth, American enterprise will be more prominent in the next half century than any previous age. The book before us offers many suggestive illustrations of this principle. Its author was a distinguished officer of the United States during the war. In 1865, after the restoration of peace, he traveled extensively in South America, and was much struck with the vast amount of wealth which awaited the creating hand of navigation, and would arise whenever the Amazon, with its tributaries, should be more completely opened to the free commerce of Europe and the United States. So powerful a hold did this conviction exert over his mind, that he has spent ten or a dozen years in trying to aid its realization. The Emperor of Brazil, during his late visit to this country, is said to have purchased two steamers, which are now constructing, to help this project. The Emperor has also granted to Colonel Church several valuable concessions, as have also other South American Governments, and especially that of Bolivia. The work before us is devoted

chiefly to that part of Colonel Church's plans which is connected with Bolivia, and with the opening of a new route from the Amazon to that rich country through the valley of the Madeira. A short railroad is being constructed to connect the River Madeira with the Amazon, and when this road is finished, several steamers are to run in connection with it, so as to unite with the navigation of the Amazon the three thousand miles of the navigable upper waters of the Madeira, and the richest slope of the Andes. The railroad is necessary because of the Rapids which obstruct the navigation of the Madeira, but when this difficulty is overcome there is no apparent reason why a very extensive business should not spring up with the United States and other countries. The evidence on this subject of various explorers during the last 125 years is set forth in Colonel Church's book, several of the documents being translated from the Portuguese by him. As we are now taking a new departure in America in regard to the extension of our foreign commerce, especially in the Southern part of this continent, the labors of intelligent, trustworthy and enterprising Americans like Colonel Church promise to be of great service not only to this country, but to those foreign nations whose commerce and material wealth are to be developed.

An Inquiry into the Nature and Causes of the Wealth of Nations. By ADAM SMITH. London: Ward, Lock & Tyler. 1876.

Mr. Cobden used to say that the commentators on Adam Smith, like those of Shakespeare, had succeeded in nothing so well as in making that dark and mysterious which before was as clear as noonday, and that Adam Smith was so simple and intelligible a writer, that his book might be read with advantage without any notes or comments. The editor of the book before us seems to have thoroughly agreed with Mr. Cobden in this opinion. Accordingly he has given a careful reprint of the 1812 edition, with the index and table of contents, and without any new matter, except ten pages of biographic notes abridged from Dugald Stewart's well-known essay on Adam Smith. As a text book for students in colleges, and as a manual for private use, this cheap, well-printed and portable edition of *The Wealth of Nations*, is the best that has ever been issued in one volume.

La Monnaie Bimétallique. Par HENRI CERNUSCHI. Paris: Guillaumin et Cie. 1875.

There is no treatise on money of recent date which has made so much noise in the world as this little pamphlet of M. Cernuschi. This distinguished economist is well known as an original thinker and a luminous writer. He has entered the lists as a champion of the double standard, or as he prefers to call it, bi-metallic money. His theory is that silver has fallen from causes which are temporary and will soon pass away. He thinks that the proper ratio of gold and silver as metals for coining is 1 to 15½, and that this proportion will be restored before long, and should not be deviated from in the coinage of the present time. The first chapter of the present work contains a review of the monetary question in Germany; after which comes a chapter devoted to the influence exerted by the German

coinage changes upon the financial situation in England. In the third chapter we find an ingenious exposition of the author's views on what he calls the universal "15½;" that is, the universal ratio of 15½ to 1, which as he contends is the normal proportion of silver and gold. The fourth chapter contains some brief suggestions about the resumption of specie payments in this country. In the fifth chapter the author gives a concluding argument in support of his views and in refutation of his opponents, the mono-metallists. This work is so brief and suggestive that we propose to print some considerable extracts from it at an early day. The opinions of M. Cernuschi are not wholly accepted by the French Government, but they are believed to have had no small influence in shaping the monetary policy adopted of late in France. On this account as well as for its intrinsic merits, and for the influence it has had on public opinion in Europe, this little book deserves a careful reading, notwithstanding a few faults of style and treatment due to the fact that the brief essays here collected were first written for the columns of the well-known daily newspaper, the *Siecle* of Paris.

A History of Savings Banks in the United States. By EMERSON W. KEYES. Vol. I, 8vo. pp. 481. New York: Bradford Rhodes, 1876.

The first volume only of this work having appeared, we do not undertake at this time a general review. The author, while Deputy Superintendent of the Banking Department of this State, became greatly interested in the subject of Savings Banks, and accumulated an ample fund of materials for the illustration of their history. He has evidently entered heartily into his task, and the result is a work of much value. It treats of the Theory of Savings Banks; the inception of the idea in Europe; their introduction into this country; and a detailed history of the system and its growth in each of the New England States and in New York; the course of legislation in the several States; and the conditions of development. Abundant statistics appear throughout. The completion of this history by the issue of the second volume will be awaited with avidity by all who study this interesting subject.

INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

CHECKS PAYABLE TO A FIXED PAYEE.

Has a bank any right to refuse payment of a check drawn on it in favor of a certain individual, without having the words "or bearer" or "or order" written in, if presented by any other person aside from the one to whom it is payable?

REPLY.—The bank not only has the right, but it is its duty to refuse payment of such a check to any one but the person named as payee. It is not a negotiable instrument, and if the drawer should claim any defect in the consideration, the indorsement of payee would not be a valid transfer. Nothing short of a substantial guarantee would justify payment to a third party.

THE CERTIFICATION OF CHECKS.

The National currency act (see Supplementary act of March 3, 1869,) is prohibitory as to the certification of any check by a National bank, unless the drawer's account is good for the amount thereof. The same law is no where mandatory, not making it obligatory upon banks to certify when there are sufficient funds on deposit. Suppose that a bank refuses to certify a check on the ground of insufficient funds, but upon further examination an error of the book-keeper is discovered, and the depositor's account is found to have been entitled to a credit beyond the amount of the check. In consequence of the refusal to certify his check, the drawer is unable to take up his note due the same day at another bank, and the note is protested. Can the drawer, by suit at law, obtain damages from the bank for the result of its refusal to certify his check when it was actually good?

REPLY.—“The holder of a check has no right to demand from the bank anything but payment of the check, and the bank has no right, as against the drawer, to do anything else but pay it.” [*Daniel on Nego. Inst.*, §1601.] The certification of checks is an expedient for common convenience, and if done at all is a *new contract*, (made only with the consent of both bank and holder,) by which the check becomes in effect a certificate of deposit. A bank has the right therefore to refuse to certify any check, even if good. That the depositor could successfully maintain an action for damages, even in the case cited above, we do not believe.

DUPLICATE CHECKS.

A bank which has issued its check on another bank, not specifying upon it “Original—Duplicate unpaid,” afterwards issues a duplicate thereof, which is sent in and paid. Now, if the holder (who is irresponsible) of the *original* check should get it cashed by a third party, could not the latter recover the amount from the issuing bank, on the ground that the original check contained no notice that a duplicate had been, or would be issued?

REPLY.—In the hands of an innocent holder who had given value for it, the check first drawn would be as good against the drawer as if no duplicate had been issued.

DOES PARTIAL PAYMENT RELEASE AN INDORSER?

Will a partial payment made (on or before maturity,) on a note release indorsers, when the note was properly protested for non-payment of residue which was unpaid at its maturity?

In these hard times it is often impossible to collect full face of a note, and common sense would dictate that both the holder and indorsers would be benefitted by partial payment, when unaccompanied by an extension.

REPLY.—An indorser is not released by the mere receipt of partial payment on a note, no extension of time being given. Such payment is a benefit to him, not an injury.

The indorser can legally claim release when he has suffered loss or damage through some act or omission of the holder. It would seem more reasonable therefore, that responsibility should fall upon a bank which refuses a partial payment when tendered, rather than upon the one which accepts it.

BANKING AND FINANCIAL ITEMS.

THE ALABAMA CLAIMS BONDS.—The Secretary of the Treasury issued on August 7th, a notice that under the provision of the act of Congress, approved April 11, 1876, sealed proposals would be received until noon of August 12, and then opened, for the sale of \$2,160,000 of five per cent. bonds of the funded loan of 1881, bearing interest, payable quarterly, from August 1, 1876. The bids were opened accordingly. The total amount bid for was \$21,440,000, and the highest bid was that filed by Messrs. Fisk & Hatch—105.05 (gold) for the whole \$2,160,000; which is equivalent to 117½ in our market.

THE REDEMPTION BUREAU.—During the last fiscal year the National Bank Redemption Agency assorted 19,111,138 pieces, the money value of these pieces being over \$210,000,000. Of these pieces 10,943,984, representing \$78,649,145 were destroyed; 8,167,854, representing \$97,478,700, were returned to the banks of issue, as fit for circulation, and about \$25,000,000 were notes of banks failed, liquidating, or reducing circulation. The aggregate amount of "overs" found in counting the packages forwarded for redemption was \$16,491.42, and the "shorts" \$16,175.26. The counterfeits discovered amounted to \$5,188. In June the amount received for redemption was nearly \$24,000,000, which is the largest amount received in any one month since the agency has been established.

SAVINGS BANK FAILURE.—The Abingdon Square Savings Bank, New York City, was closed on August 10th, under an order from Judge Landon, of Schenectady, upon representations made by the Bank Department. The July report of this bank showed a surplus of \$7,494, but an examination made on July 19th, by the bank examiner, Mr. Reid, revealed a deficiency of over \$7,000, which has since increased to over \$10,000. Injudicious investments and an accumulation of real estate, bid in as a result thereof, had crippled the bank for some time past. There are about 1,000 depositors, to whom is due \$88,059.23.

THE LOANER'S BANK.—A meeting of the depositors of the Loaner's Bank, which suspended on the 2d of May, was held on August 8th. The receiver, J. F. Hubbard, Jr., made a report of his examination of the bank's affairs. He said that the condition of the institution had been grossly misrepresented by its President, and that its suspension was caused by sheer exhaustion. During the last year of its existence, the bank received less than \$10,000 for interest, while it paid out \$11,000 interest on deposits, and its expenses were \$25,000 more. The President had made loans in a very irregular manner, and the whole management of the bank had been criminally negligent. The total assets, real and nominal, were \$415,650.21, and the liabilities \$218,639.58. The net cash assets were \$5,574.26, and of the nominal assets four-fifths were worthless.

J. G. Anderson, bank examiner, also stated that most of the securities were worthless, that the books were kept irregularly, and that during a long experience he had never before seen a bank in such bad condition.

Mr. Hubbard said that if the affairs of the institution were wound up by a receiver, he doubted if the depositors would ever receive twenty-five cents on the dollar. He had received a proposition from certain persons, who offered, in return for the charter of the bank, to take its assets and pay the depositors fifty cents on the dollar. A committee of five was appointed to consider this offer, which will probably be accepted. It is not believed by the receiver that the shareholders can be made responsible for any of the debts of the bank.

COINAGE OF THE UNITED STATES MINTS.—Reports of the coinage operations of the country for the past fiscal year show that the entire coinage was \$57,448,685, an increase of 13,593,977 over the total for 1874-75. Of the coinage of 1875-76, \$38,182,962 was gold, and the remainder, \$19,265,723, silver. The operations of the three mints are as follows:

GOLD COINAGE.

	<i>San Francisco.</i>	<i>Philadelphia.</i>	<i>Carson.</i>
Double eagles.....	\$ 26,900,000 ...	\$ 8,228 900 ...	\$ 2,771,820
Eagles.....	50 000 ...	8,320 ...	95,290
Half eagles.....	45,000 ...	8,385 ...	18,415
Three Dollars.....	.....	135 ...	.....
Quarter eagles.....	41,500 ...	11,552 ...	.....
Dollars.....	.....	3,045 ...	.....
Total gold.....	\$ 27,036,500 ...	\$ 8,260,937 ...	\$ 2,885,525

SILVER COINAGE.

Trade dollars.....	\$ 4,523,000 ...	\$ 280,050 ...	\$ 1,329,000
Half dollars.....	1,772,000 ...	2,456,525 ...	757,000
Quarter dollars.....	1,080,000 ..	2,415,263 ...	512,750
Double dimes.....	227,000 ...	7,560 ...	28,000
Dimes.....	1,351,000 ...	1,441,105 ...	848,000
Total silver....	\$ 8,953,000 ...	\$ 6,600,503 ...	\$ 3,474,750
Minor coins....	.....	237 470 ...	.....
Add gold.....	27,036,500 ...	8,260,937 ...	2,885,525
Total gold and silver	\$ 35,989,500 ...	\$ 15,098,910 ...	\$ 6,360,275

Of the entire gold coins produced, \$37,900,720 were in double eagles, \$153,610 eagles, and \$128,632 half and quarter eagles. The silver coinage consisted of \$6,132,050 in trade dollars, \$4,985,525 in half dollars, \$4,008,013, in quarter dollars, \$262,560 in twenty-cent pieces, \$3,640,105 in dimes, and the remainder in the smaller coins.

The coinage operations at the San Francisco Mint during the past fiscal year, were the largest since its establishment, and the aggregate business will probably exceed that of any mint in the world for a single year. The coinage of gold during the past year, as usual, has been chiefly confined to double eagles. Trade dollars were coined during every month of the year except the first.

Acting under the provision of the Silver bill, repealing the legal tender of the trade dollar, and authorizing the Secretary of the Treasury to limit the coinage thereof to the actual export demand, Secretary Morrill has directed that no deposits for these coins be received, until further advised, at the Philadelphia or Carson City Mint. The San Francisco Mint has been authorized to coin an amount sufficient to meet the actual export demand, which is for China and Japan only. Otherwise the Mints will be run to their full capacity on the subsidiary coin and necessary gold coinage.

THE ISSUE OF SILVER COINS.—The reports received at the Treasury Department from the various sub-treasuries to the close of business on August 19th, show that the available balance in silver coins is reduced to \$4,415,012. Since the passage of the act authorizing the redemption of fractional currency in subsidiary coin, the total amount of such coin issued is \$14,788,950. Of this amount \$9,593,937.26 were for redemption of fractional currency, and \$5,195,012.74 were for currency obligations. At the several mints there were at the last accounts \$4,415,153, of which \$1,824,348 was in subsidiary coins. Of this amount about one million dollars was in ten cent pieces at San Francisco, and will have to be recoined into halves and quarters, so that the available balance in subsidiary coins is really less than three and one-half million dollars.

ARKANSAS.—Banking in Little Rock would seem to be profitable even in the present times. The German Savings Bank having recently determined to increase its capital stock, the additional amount was taken at fourteen and a half per cent premium, and the premium added to surplus fund.

KANSAS.—The Butler County Bank, Eldorado, Kan., has closed its doors. No explanation has yet appeared. It is reported that two of the depositors demanded their money at the point of a revolver, and got it. A third demanded his and fell into a wrangle with the president, who drew a pistol and snapped it several times, after which the depositor, named Shehan, shot the president, Gossard, killing him instantly.

PENNSYLVANIA.—The Miners' Trust Co. Bank, of Pottsville, a saving trust institution, suspended payment on August 4th. The principal cause is said to be heavy investments in iron properties which have not turned out well. Two meetings of stockholders have been held since the suspension. The second meeting was on August 14th, but resulted in nothing definite. The statement which the president laid before the stockholders, and which was rejected as too indefinite, showed that the bank's liabilities were, in round numbers, \$1,400,000; its assets \$1,509,000. The number of depositors was about 15,000.

JAY COOKE & Co.—On Monday, August 7th, the several members of the firm of Jay Cooke & Co. were finally discharged from bankruptcy by Judge Cadwalader, sitting in the United States District Court. We gather the subjoined summary of the entire proceedings from the Philadelphia *Ledger*:

The banking house of Jay Cooke & Co. closed on the 18th of September, 1873, the firm then consisting of Jay Cooke, Wm. G. Moorhead, H. C. Fahnestock, H. D. Cooke, Pitt Cooke, Geo. C. Thomas, James A. Garland, and Jay Cooke, Jr. Seven days after the suspension of business, on the 25th of September, a petition was presented to the Court, on behalf of the Logan Square Building Association, asking that the firm be declared bankrupts. This took the usual course, and was followed on the 26th by the petition of Samuel Josephs to the same effect. These not being subsequently pressed, petitions of intervention followed, and on November 26th the adjudication was made. Among the first judicial acts following the declaration of bankruptcy was the appointment of Edwin M. Lewis, Esq., as receiver of the estate.

On the 15th of January, 1875, the first meeting of creditors was held, followed by an adjourned meeting on the 16th. It was at that meeting decided that the estate should be managed by a trustee and committee of creditors, and Mr. Lewis was made the trustee, the committee being John Clayton, Isaac Norris, Robt. Shoemaker, Joseph Brown, and Chas. P. Helfenstein. Then came the presentation of schedules and statements of the bankrupts in respect to their individual and partnership affairs, and, at the instance of creditors, the bankrupts submitted to a personal examination before the Register in Bankruptcy, Joseph Mason, Esq. The last meeting of creditors took place on the 11th of March, on which occasion the discharge was opposed by Mr. George Cordingly, who subsequently appeared in Court and gave his reasons fully for the opposition.

The petition asking for the discharge was presented on the 11th of February, 1875, and among other things the bankrupts averred that they had made full disclosures and surrender of all their estate, real and personal.

The report of the Register to the Court was made on the 25th May, 1876. He opposed the discharge unless certain conditions were complied with. On July 14th, the Judge, having heard the matter fully, made an order requiring creditors to be notified that the petition would be considered on July 26th. On this date, after presentation of proofs that the order had been complied with, Judge Cadwalader made an order for the final discharge of the bankrupts—not however to go into effect until the expiration of ten days, within which time their creditors might present any additional reasons against the discharge. That time expired on August 7th—the discharge being recorded as of July 26th.

From the day of the adjudication to the close of the proceedings, two years and eight months elapsed.

DIVIDENDS.—The Comptroller of the Currency has declared a dividend of twenty-five per cent. in favor of the creditors of each of the following banks, viz.: The City National Bank of Chicago, Ill.; the First National Bank of Duluth, Minn.; and the First National Bank of Osceola, Iowa.

RHODE ISLAND.—Mr. Alexander Farnum, trustee of the suspended firm of Green & Cranston, bankers, Providence, has announced the first dividend of 66 $\frac{2}{3}$ per cent.

The receiver of the Cranston Savings Bank, Providence, has declared the fifth dividend, making sixty-nine per cent. in all.

DARING BANK ROBBERY.—During the passage of a circus procession at Halifax, on August 1st, the clerks in the Bank of Nova Scotia locked the doors and went out to view the cavalcade. In their absence a man claimed to have dropped important papers down the basement grating, and was admitted by a servant by the side door, when he passed through the basement to the banking-room, secured \$17,500 in notes, which were on the counter, and escaped. The bank offers \$2,000 reward for the recovery of the property.

RESUMPTION.—The American banking house of Bowles Brothers & Co. have, it is announced, settled all their difficulties and are to resume business again. The prominent men in the new organization of the house are Messrs. Charles Bowles, Nathan Appleton, and Henry Gilley.

LIFE INSURANCE AND SAVINGS BANKS.—The separation of two elements, which have under the usual system been unjustly commingled, is now effecting a marked advantage to those who seek to get Life Insurance at its actual cost without the necessity of depositing money for mere accumulation. The true principle is recognized by the Provident Savings Life Assurance Society of this city, who have at the same time initiated another reform. Heretofore the premiums paid to distant companies have taken away large sums annually from the vicinity of the assured to be accumulated in a distant city. By a system of "Savings Bank Policies," issued by the "Provident," any one who may prefer to keep his money for accumulation *at home*, where it will be under his own eye, and where it will be used to develop local interests, can place the *reserve* or deposit portion of each premium for accumulation in a Savings Bank or Trust Company of his own selection. A clause, inserted in each Savings Bank Policy, provides that the "Deposit portion of premiums" each year may be held in trust by the bank selected. This plan will commend itself to bankers in the West and South especially. Other particulars are given in an advertisement of the Society, at the front of this number.

THE PREMIUM ON GOLD AT NEW YORK.

JULY—AUGUST, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
August	12 $\frac{3}{4}$	14 $\frac{3}{4}$	July 26	11 $\frac{3}{4}$	11 $\frac{7}{8}$	Aug. 10	11 $\frac{1}{2}$	11 $\frac{3}{4}$
September	13 $\frac{3}{4}$	17 $\frac{1}{4}$	27	11 $\frac{3}{4}$	11 $\frac{7}{8}$	11	11 $\frac{3}{8}$	11 $\frac{1}{2}$
October.....	14 $\frac{1}{2}$	17 $\frac{3}{8}$	28	11 $\frac{3}{4}$	11 $\frac{7}{8}$	12	11 $\frac{1}{2}$	11 $\frac{1}{2}$
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$	29	11 $\frac{7}{8}$	12 $\frac{1}{8}$	14	11 $\frac{3}{8}$	11 $\frac{1}{2}$
December ...	12 $\frac{3}{8}$	15 $\frac{1}{4}$	31	11 $\frac{7}{8}$	12 $\frac{1}{4}$	15	11 $\frac{1}{4}$	11 $\frac{3}{8}$
1876.			Aug. 1	11 $\frac{3}{4}$	11 $\frac{7}{8}$	16	11 $\frac{7}{8}$	11 $\frac{1}{2}$
January	12 $\frac{3}{8}$	13 $\frac{3}{4}$	2	11 $\frac{7}{8}$	12	17	11 $\frac{1}{2}$	11 $\frac{1}{4}$
February	12 $\frac{3}{4}$	14 $\frac{1}{8}$	3	11 $\frac{7}{8}$	12	18	10 $\frac{3}{4}$	11
March	13 $\frac{3}{4}$	15	4	11 $\frac{7}{8}$	12 $\frac{1}{8}$	19	10 $\frac{3}{8}$	10 $\frac{3}{4}$
April	12 $\frac{1}{2}$	13 $\frac{3}{8}$	5	12	12	21	10 $\frac{1}{2}$	10 $\frac{3}{4}$
May.....	12 $\frac{1}{4}$	13 $\frac{1}{4}$	7	11 $\frac{7}{8}$	12 $\frac{1}{8}$	22	10 $\frac{3}{8}$	10 $\frac{3}{4}$
June.....	11 $\frac{7}{8}$	13	8	11 $\frac{3}{4}$	11 $\frac{7}{8}$	23	10 $\frac{3}{4}$	10 $\frac{7}{8}$
July.....	11 $\frac{3}{8}$	12 $\frac{3}{8}$	9	11 $\frac{3}{4}$	11 $\frac{7}{8}$	24	10 $\frac{1}{8}$	10 $\frac{3}{4}$

GERMANY'S STOCK OF SILVER.

The following letter from the manager of the London branch of the Deutsche Bank, was addressed to the London *Times*:

"50 Old Broad Street, E. C., London, July 15.

"Sir: Various London papers, having, in recent articles on the silver question, intimated that large quantities of the metal would or might be put on the market by Germany, I herewith take the liberty of addressing you a few lines on the subject.

"In one paper, the stock of German silver has been alluded to as consisting of many millions sterling; in another it has been stated that the German Government intended to put ever so many hundred tons on the market every month; while the English correspondent of some Frankfort paper, has asserted that the German Government had attempted, without success, to force sales in London at the recent reduced prices.

"As representatives of the institution through whose medium the German sales in London and the East have been effected up to the present time, and at the special request and by authority of the German Government, I herewith beg to contradict in the most formal manner, the foregoing statements as being altogether erroneous, imaginary, and contrary to the facts of the case.

"The sales which have taken place represent, on an average, two to three millions sterling per annum only, which is the best proof of the moderation with which they have been accomplished. No exaggerated amounts have ever been forced on the market; on the contrary, the government have proceeded with so much discretion in the matter, that much less has been realized than might have been done if the sales had been pressed with more persistence.

"Far from attempting sales at the recent very low quotations large offers at these rates from would-be buyers have been refused, the government seeing no necessity for submitting to panic prices.

"How much silver Germany may have to sell eventually, cannot be known before the withdrawal of the thaler currency is terminated. The estimates vary from eight to twenty millions sterling, or more, according to the report of the Select Committee of the House of Commons, appointed to investigate the subject, before whom, when giving my evidence, I stated the reasons why I am convinced that the lowest amount is likely to prove nearest the mark; to which I may now add that the most competent heads of departments at the Imperial Chancellery in Berlin, estimate the eventual surplus at seven and a half millions sterling, or even less, if, as is quite possible, the new silver coinage should be issued to a larger extent than ten shillings per head of the population, the amount originally fixed.

"The present available stock of German silver does not exceed £300,000 to £400,000, and is not likely at any time to accumulate excessively, as the old silver coinage is being retired but very slowly. I am, sir, your obedient servant,

For the Deutsche Bank (Berlin), London Agency.

"G. PIETSCH, Manager."

The London *Economist*, commenting on this letter, says:

"And this estimate entirely corresponds with that which Mr. Pietsch laid before the Silver Committee. But it must be borne in mind that the quantity of silver which Germany will have to sell, depends on three unknown quantities—(1) on the amount of thaler currency—still undemonetized—now circulating; (2) on the amount of that silver which will come in for exchange when it is demonetized; (3) on the amount of new silver subsidiary currency which will be wanted in lieu of this old silver. And upon the figures of all, these estimates are entirely various. Indeed, for our own part, we do not believe that there are sufficient data for coming to a sure conclusion as to any of them. The amount of a particular coin circulation in any country is always a very difficult matter to determine, and in the case of the thaler, Germany has no par-

ticular facilities for determining it. The thaler has been in use for many years; how much of it has been exported, how much melted down, how much lost, how much reduced by wear and tear can never be known, nor, in consequence, the amount in circulation now. And, as we do not know this, of course we cannot tell how much of it may come in for exchange, or how much new coin will be required to replace it. *A fortiori*, we cannot say how much silver Germany will have to sell, for we must first know all these other things. Deputy Sonneman, estimates it at £22,500,000, which Dr. Soetbeer considers rather too low than too high, and an official statement sent by Lord Odo Russell, makes it £20,000,000, and Mr. Pietsch makes it £13,000,000. And there is no difficulty in seeing why these sums differ so much, for each of them is a compound guess founded on three other guesses."

THE VALUE OF GOLD AND SILVER.—The following concurrent resolution providing for a commission to inquire into the change in the relative value of silver and gold, was passed by the two houses of Congress:

"That a commission is hereby authorized and constituted, consisting of three Senators, to be appointed by the Senate, three members of the House of Representatives, to be appointed by the Speaker, and experts not exceeding three in number, to be selected by and associated with them, with authority to determine the time and place of meeting, and take evidence, and whose duty it shall be, first, to inquire into the change which has taken place in the relative value of gold and silver, the causes thereof, and the effect thereof upon trade, commerce, finance, and the productive interests of the country, and upon the standard value in this and foreign countries; second, into the policy of the restoration of the double standard in this country, and if restored, what the relation between gold and silver coins should be; third, into the policy of continuing legal-tender notes concurrently with the metallic standards, and the effects thereof upon the labor, industries and wealth of the country; and fourth, into the best means for providing for facilitating the resumption of specie payments. And said commission is authorized to employ a stenographer, and shall report on or before the 15th day of January, 1877, with the evidence taken by them, and such recommendations for legislation as they may deem proper."

The Congressional members of the commission are Senators Jones (of Nevada,) Boutwell, and Bogy, and Representatives Gibson, Bland, and Ballard.

CONGRESS—BILLS LAID OVER.—Among the more important bills passed by the House this session, but which go over until next Winter on the Senate's calendar, are the following, which involve financial interests:

The Bounty bill.

To repeal the Bankrupt law.

For the further distribution of the Geneva award.

To compel the Pacific railroad companies to create sinking funds for the repayment of their indebtedness to the Government.

The House bill to repeal that clause of the act for the resumption of specie payments, which fixes January 1, 1879, as the date of resumption, remains in the hands of the Senate Finance Committee unreported.

The following measures were among those pending in the House for action, but not acted on at the time of adjournment:

For a commissioner to ascertain on what terms a mutually beneficial treaty of commerce with Canada can be arranged.

Concurrent resolution, proposing a common unit of money and accounts for America and England.

The Senate bill authorizing the President to appoint commissioners to attend an international conference on the subject of the relative value of gold and silver.

To amend the laws relating to internal revenue, known as the Meade bill.

To utilize the products of gold and silver mines, known as the Bland Silver bill.

To amend the act amending the charter of the Freedman's Savings and Trust Company.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized July 26 to August 22, 1876.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2339	Amwell National Bank, Lambertville, N. J.	Samuel Lilly..... Wm. V. Cooley	\$ 60,000	\$ 36,500
2340	First National Bank, Milford, DEL.	H. B. Fiddeman..... John B. Smith	60,800	41,025
2341	Centreville N. B. of Md, Centreville, MD.	William McHenry..... W. A. Cunningham	75,000	57,000

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from August No., page 158.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
DEL....	Milford..... \$ 60,800	First National Bank..... H. B. Fiddeman, <i>Pr.</i>	John B. Smith, <i>Cas.</i>
ILL. ...	Ashley.....	Pace Bros. & Co.....	Importers & Traders' Nat. B'k
"	Fulton.....	T. A. Hardin & Co.....	.....
"	Mendota.....	John M. Erlenborn.....	Greenebaum, Bros. & Co.
"	Yates City.....	J. M. Taylor.....	Gilman, Son & Co.
IOWA...	Leon.....	Farmers & Traders' B'k	Kountze Bros.
KAN....	Clay Centre ...	J. F. Streeter.....	Metropolitan National Bank.
MD....	Centreville.... \$ 75,000	Centreville N. B. of Md. Wm. McKenney, <i>Pr.</i>	W. A. Cunningham, <i>Cas.</i>
MINN..	Albert Lea.....	H. D. Brown & Co....	Fourth National Bank.
MISS..	Canton.....	Helm's Bank... ..	Jas. A. Horne, <i>Cas.</i>
N. J....	Lambertville... \$ 60,000	Amwell National Bank.. Samuel Lilly, <i>Pr.</i>	W. V. Cooley, <i>Cas.</i>
"	Newark.....	Graham & Co.....	Bank of N. Y. N. B. A.
PA.. ..	Canton.....	Doane Clark & Co.....	National Park Bank.
TENN. .	Cleveland.... \$ 60,000	Exchange & Deposit B'k J. H. Craigmiles, <i>Pr.</i>	R. T. Wilson & Co. J. H. Reynolds, <i>Cas.</i>
WIS...	Reedsburg.....	Exchange Bank (S. Ramsay)	Vermilye & Co.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from August No., page 160.)

ILL.....	Merril Ladd & Co., <i>Evanston</i> ; closed.
"	Taylor & Lambert, <i>Yates City</i> ; succeeded by J. M. Taylor.
"	Erlenborn Brothers, <i>Mendota</i> ; succeeded by John M. Erlenborn.
"	Ravens, McKinley & Co., <i>Ottawa</i> ; in liquidation.
IOWA...	First National Bank, <i>Leon</i> ; succeeded by Farmers and Traders' Bank.
KAN....	Butler County Bank, <i>El Dorado</i> ; closed.
KY.....	Anderson County Bank, <i>Lawrenceburg</i> ; in liquidation.
MICH ...	Bowen & McGowan, <i>Coldwater</i> and <i>Quincy</i> ; assigned.
MINN ...	H. D. Brown, <i>Albert Lea</i> ; succeeded by H. D. Brown & Co.
MO.....	Hibernia Savings Bank, <i>St. Louis</i> ; in voluntary liquidation.
PA.....	Strait, Clark & Co., <i>Canton</i> ; succeeded by Doane Clark & Co.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from August No., page 159.)

September, 1876.

Name of Bank.	Elected.	In place of
N. Y. City, Produce Bank.....	Samuel Conover, <i>Pr.</i> N. O. Suydam, <i>Cas.</i>	Thomas L. Raymond. Samuel Conover.
CAL.... First National Gold Bank, Santa Barbara. }	Milo Sawyer, <i>Pr.</i>	Mortimer Clark.
“ Farmers & Merchants' B'k, Los Angeles. }	Isaias W. Hellman, <i>Pr.</i> Frank Lecouvreur, <i>Cas.</i>	John G. Downey. I. W. Hellman.
COL.... German Bank of Denver....	George Tritch, <i>Pr.</i>	J. J. Reithman.
ILL.... Workingman's Banking Co. } East St. Louis. }	R. J. Whitney, <i>Pr.</i>	A. B. Pope.
IND.... Citizens Bank, Waterloo....	Miles Waterman, <i>Cas.</i>	W. C. Langan.
IOWA . First Nat. B'k, Davenport... }	T. T. Dow, <i>Pr.</i>	Chas. E. Putnam.
“ Plymouth Co. Bank, Leinars. }	P. J. Dalton, <i>Cas.</i>	A. C. Jurgensen.
KAN... Citizen's B'k, North Topeka.	Jas. M. Davies, <i>Pr.</i> ...	T. B. Sweet.
MASS... Conway Nat. Bank, Conway. }	E. L. Munn, <i>Cas.</i>	Samuel Swan.
“ .. Hingham National Bank, Hingham. }	Jos. Jacobs, Jr., <i>Pr.</i> ...	Charles Siders.
“ Ashburnham Sav. Bank, Ashburnham. }	A. A. Walker, <i>Pr.</i>	G. C. Winchester.
“ .. Collateral Loan Co., Boston.	E. H. Batcheller, <i>Cas.</i>	E. B. Foster.
MINN.. The Savings Bank of } St. Paul. }	John S. Prince, <i>Pr.</i> ... H. Sahlgaard, <i>Cas.</i> ..	W. R. Marshall. J. S. Prince.
MO.... Concordia Savings Bank, } Concordia. }	Jno. Kroenecke, <i>Pr.</i> ... Henry Ficken, <i>Cas.</i> ..	Jno. H. Lohoefer H. W. Thieman.
NEB.... State Bank, Brownville.....	W. H. McCreery, <i>Pr.</i>	Wm. H. Hoover.
“ Kearney State B'k, Kearney. }	F. C. Grable, <i>Cas.</i>	F. S. Trew.
“ Farmers' State Bank, Pawnee City. }	D. Rennick, <i>Pr.</i>	C. Schoolcraft.
N. Y.. Third National B'k, Buffalo. }	S. A. Provoost, <i>Cas.</i>	E. T. Smith.
“ White's Bank “ }	Elisha T. Smith, <i>Cas.</i>	F. Gridley.
“ Pierson & Perkins' Bank, Newark. }	W. H. Hunt, <i>Cas.</i>	W. G. Burnham.
N. C... Merchants & Farmers' Na- } tional Bank, (Charlotte. }	J. H. McAden, <i>Pr.</i> ...	T. H. Brem.*
“ Peoples' Bank of Monroe... }	W. H. Fitzgerald, <i>Cas.</i>	E. A. Armfield.
OHIO... Western German Bank, } Cincinnati. }	F. J. Werner, <i>Cas.</i>	A. Sommer.
PA..... Humboldt Safe Deposit & } Trust Co., Erie. }	G. Jarecke, <i>Pr.</i> J. J. Sturgeon, <i>Cas.</i> ..	U. Schluraff. C. Metcalf.
R. I.... Nat. Niantic B'k, Westerly.	Chas. A. Nichols, <i>Pr.</i>	H. N. Campbell.
W. VA. B'k of Lewisburg, Lewisb'g.	A. C. Snyder, <i>Pr.</i>	Samuel Price.
CAN.... B'k of Commerce, Montreal.	C. R. Murray, <i>Cas.</i> ..	R. A. Campbell.
“ “ “ “ “ }	J. H. Plummer, <i>Insp.</i> ..	C. R. Murray.
“ “ (Br.) Ottawa. }	Robert Gill, <i>Manager.</i>	J. H. Plummer.
“ “ “ Galt.... }	E. Cowdry, <i>Manager.</i>	Robert Gill.

* Deceased.

NATIONAL BANKS OF THE UNITED STATES.

June, 1876.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the National Banks of the UNITED STATES, at the close of business on June 30th, 1876; and also on June 30th, 1875, and June 26th, 1874.

LIABILITIES.	1876.	1875.	1874.
	June 30. 2,091 banks.	June 30. 2,076 banks.	June 26. 1,983 banks.
Capital stock paid in	\$ 500,393,796 .	\$ 501,568,564 .	\$ 491,003,711
Surplus fund	131,897,197 .	133,169,095 .	126,239,308
Other undivided profits	46,609,342 .	52,160,105 .	58,332,966
National bank notes outstanding	294,448,418 .	318,148,406 .	338,538,743
State bank notes outstanding ...	650,202 .	786,844 .	1,009,021
Dividends unpaid	6,121,675 .	6,105,519 .	1,242,475
Individual deposits	641,432,886 .	686,478,630 .	622,863,154
United States deposits	7,630,703 .	6,714,329 .	7,322,831
Deposits of U. S. disburs'g officers	3,429,960 .	3,459,062 .	3,238,639
Due to other National banks ...	131,699,020 .	138,914,828 .	143,033,822
Due to State banks and bankers	51,407,140 .	55,714,055 .	50,227,426
Notes and bills discounted	3,867,622 .	4,261,464 .	4,436,256
Bills payable	6,173,006 .	5,758,300 .	4,352,561
<i>Aggregate Liabilities</i>	\$ 1,825,760,967	\$ 1,913,239,201	\$ 1,851,840,913
<i>RESOURCES.</i>			
Loans and discounts	\$ 929,952,123 .	\$ 968,503,902 .	\$ 922,000,135
Overdrafts	3,734,407 .	4,422,630 .	4,194,937
U. S. bonds to secure circulation	339,141,750 .	375,127,900 .	390,281,700
U. S. bonds to secure deposits...	14,328,000 .	14,147,200 .	14,890,200
U. S. bonds on hand	30,842,300 .	12,753,000 .	10,456,900
Other stocks, bonds & mortgages	32,982,806 .	32,010,316 .	27,010,727
Due from approved reserve ag'ts	87,489,901 .	89,788,904 .	97,871,517
Due from other National banks .	46,442,589 .	48,513,389 .	45,770,716
Due from State banks & bankers	11,963,948 .	11,625,647 .	12,469,592
Real estate, furniture & fixtures.	42,722,415 .	40,969,021 .	37,270,877
Current expenses and taxes paid	5,025,549 .	4,992,044 .	7,550,125
Premiums paid	10,621,634 .	8,742,394 .	8,563,262
Checks and other cash items ...	11,723,505 .	12,433,100 .	10,496,257
Exchanges for Clearing House .	75,328,879 .	88,924,026 .	63,896,271
Bills of other banks	20,398,422 .	24,261,961 .	23,527,991
Fractional currency	1,987,898 .	2,620,504 .	2,283,899
Specie (gold coin). \$ 4,827,671)			
“ (silver “). 1,627,566 } U. S. gold certifi'c's 18,764,320)	25,219,557 .	18,959,582 .	22,326,207
Legal-tender notes	90,836,876 .	87,492,895 .	103,108,350
U. S. certif. for dep. legal-tenders	27,955,000 .	47,310,000 .	47,780,000
Five-per-cent. Redemption fund	14,805,347 .	19,640,786 .	91,250
Due from U. S. Treasurer	2,258,061 .		
<i>Aggregate Resources</i>	\$ 1,825,760,967	\$ 1,913,239,201	\$ 1,851,840,913

NOTES ON THE MONEY MARKET.

NEW YORK, AUGUST 22, 1876.

Exchange on London at sixty days' sight, 4.87 a 4.87½, in gold.

The fall in gold is the principal topic of importance in the financial circles. It is ascribed in part to a speculative movement and in part to the adjournment of Congress. The speculation has been fostered by means of rumors of a new syndicate negotiation of four and a half per cent. bonds. Whether there is any foundation for the rumor or not, it has been actively spread by the Associated Press dispatches from Washington. To it is ascribed much of the depression in the gold premium. A more legitimate cause of the fall in gold is, however, the close of the session of Congress, and the termination of the uncertainty as to what currency legislation might be adopted. There is no doubt that the premium on gold has been in part sustained by the hope of inflation. The paper money men have been sanguine in the expectation of obtaining some legal expansion of the currency, and now that these hopes are at an end it is natural that the price of gold should fall. Moreover, we are approaching the time fixed for resumption, and although the House passed a bill repealing the resumption clause of the law of 1875, still the bill did not become a law and was lost in the Senate. Hence, the resumption clause stands, and as we approach the first of January, 1879, the premium on gold may obviously be expected to decline, especially, as the general course of values is tending downwards in other commodities.

In connection with the silver difficulty a lively discussion has been going on about the coinage acts of 1853 and 1873. We have repeatedly demonstrated that the former act made no other change in our silver currency than to establish the subsidiary principle, and to apply it to the fractional coins. But the silver dollar was in no way changed by the act of 1853, and it was recognized in law as a legal tender up to the passing of the act of February 10, 1873. This act does not mention the silver dollar at all. In revising the Mint laws it enumerates the gold and silver coins which shall be struck at the Mint, and in the list of the latter the silver dollar is not mentioned. In a subsequent section it is enacted that no coins except those enumerated shall be made. It is thus clear that neither the act of 1853, nor that of 1873, demonetized the silver dollar. Equally untrue is it that the act of 1873 was passed by Congress without proper publicity being given to it. We have heard from the

records of the Treasury Department and of Congress, that the coinage act of 1873 was first transmitted to Congress, April 25, 1870, and that on February 9, 1872, it was reported from the Coinage Committee by Samuel Hooper, printed and recommitted, and finally passed the House May 27, 1872—Yeas, 110; Nays, 13. The bill was again printed in the Senate on May 29, 1872, and with some amendments passed that body on January 17, and went to the House. On January 21, 1873, on motion of Mr. Hooper, the bill was again printed with amendments. Subsequently committees of conference were appointed and the bill finally became a law February 12, 1873. The bill as originally prepared at the Treasury omitted the silver dollar coin, and the report stated the reasons therefor. The silver dollar piece was omitted from the bill as it first passed the Senate in 1871, but in the bills reported by Mr. Hooper, in the House, a new silver dollar was proposed equal in weight to two half dollars. The Senate subsequently substituted the present trade dollar. The bill was printed separately eleven times, and twice in reports made by the Deputy Comptroller of the Currency. For these and other reasons which were fully argued in THE BANKER'S MAGAZINE for July, it is clear that if the Coinage Act of 1873 was not understood and its provisions known, the ignorance was not due to a want of publicity in the steps by which the measure became a law.

The rates for money are somewhat better, responsive to the general tone of improvement in the financial circles. The rates for call loans range from one and a half to three per cent. Some large transactions are reported on Government collaterals, at one per cent. for thirty days. To their ordinary customers the banks and trust companies loan at four per cent. In consequence of the promising state of the opening fall trade prime commercial paper is in better supply, and there is more inquiry for money in mercantile business. We quote sixty to ninety day prime dry-goods indorsed bills at 3@3½ per cent. Four months' acceptances are 4@5, and good single names of four to six months, 5½@7. Grocery paper is in good request at 4@5 per cent. for four months notes, and 3@3½ for sixty day Cuba and other acceptances. Single-name paper is rated at 5@7, with a light inquiry, as there is less pressure to employ idle funds. The bank statement shows that the flow of currency from this city is on the increase. The New York banks now hold in lawful money, in excess of the twenty-five per cent. required by law, \$20,956,050, against \$23,146,425 last week—a decrease of \$2,190,375. The following are the comparative totals of the New York Clearing House:

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
July 29.....	\$ 250,505,000	\$ 19,295,200	\$ 59,523,400	\$ 15,004,200	\$ 223,829,100	\$ 22,861,325
Aug. 5.....	252,756,300	20,126,000	60,333,300	15,007,600	226,479,800	23,839,350
" 12.....	253,075,800	21,092,000	58,683,200	15,273,900	226,515,100	23,146,425
" 19.....	253,339,400	19,873,400	57,584,300	14,714,600	226,006,600	20,956,050

The Clearing-House exhibit of the Boston banks for the past month is as below:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 29.....	\$ 128,832,600	\$ 2,365,300	\$ 7,847,100	\$ 77,353,100	\$ 22,088,400
Aug. 5.....	129,743,500	2,422,500	7,692,500	77,338,200	22,162,200
" 12.....	130,293,100	2,323,500	6,966,600	76,451,100	22,934,100
" 19.....	131,100,400	2,080,600	6,721,300	76,323,200	22,023,400

The Philadelphia bank statements for the same time are as follows :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 29.....	\$ 60,214,615	.... \$ 700,835	.... \$ 17,201,462	.... \$ 52,126,598	.... \$ 10,127,046
Aug. 5.....	60,416,394	.... 749,754	.... 17,082,048	.... 51,867,360	.... 10,131,962
" 12.....	60,380,151	.... 692,032	.... 16,743,302	.... 50,910,602	.... 10,093,405
" 19.....	60,055,779	.... 636,923	.... 16,923,746	.... 51,054,005	.... 10,368,627

The stock market is dull and feverish, but by no means devoid of interest. Governments are less active, in consequence of the rumored negotiations for the sale of the four and a half per cents. If these should be issued, the old 1865s would be called in. They are consequently depressed; the amount outstanding is about thirty-four millions of registered, and 115 millions of coupon bonds. In bank shares there is a fair business and prices are firm. State stocks are dull and railroad bonds fairly active. Subjoined are our usual quotations :

QUOTATIONS :	July 31.	Aug. 3.	Aug. 9.	Aug. 16.	Aug. 22.
Gold.....	111½ ..	112 ..	111½ ..	111½ ..	110¾
U. S. 5-20s, 1867 Coup.	119½ ..	119¾ ..	119¾ ..	119¾ ..	119
U. S. new 5s Coup....	118¾ ..	117½ ..	117 ..	117½ ..	117
West. Union Tel. Co..	69½ ..	70¾ ..	71½ ..	72½ ..	71¾
N. Y. C. & Hudson R.	106½ ..	106½ ..	106½ ..	106½ ..	107¾
Lake Shore.....	53½ ..	53¾ ..	54¾ ..	54¾ ..	54¾
Chicago & Rock Island	108 ..	106 ..	106½ ..	107½ ..	106½
New Jersey Central...	63½ ..	62 ..	61¾ ..	62½ ..	58
Del. Lack. & West....	96½ ..	94½ ..	95½ ..	95½ ..	91¾
Delaware & Hudson...	100 ..	99½ ..	96 ..	91¾ ..	90¾
North Western.....	39¾ ..	39¾ ..	38¾ ..	39¾ ..	38¾
Pacific Mail.....	23½ ..	23½ ..	24¾ ..	24¾ ..	24
Erie.....	13¾ ..	13¾ ..	13¾ ..	14¾ ..	13¾
Bills on London.....	4.87¼-4.88¼ ..	4.87¼-4.88¼ ..	4.87¼-4.89¼ ..	4.87-4.89 ..	4.87¼-4.89
Treasury balances, cur.	\$ 29,571,829 ..	\$ 29,772,439 ..	\$ 30,159,758 ..	\$ 33,893,352 ..	\$ 33,269,626
Do. do. gold.	33,262,744 ..	31,707,934 ..	31,038,175 ..	31,328,520 ..	33,575,813

On the 16th of August \$188,000 five per cent. consolidated stock of the City of New York was taken by Mr. George K. Sistare, at 100.08, and in June the six per cents. brought 104.27. On the 14th of August, Messrs. Fisk & Hatch were the successful bidders for \$2,160,000 of new Fives at the Treasury. The price was 105.05 in gold, equivalent to 117½ in currency.

The main feature of the stock market is the disruption of the great coal combination, which took effect to-day. A meeting has been held, at which all the great companies were represented, and after less than an hour's consultation, the alliance which had been so unpopular was broken. The official report of the meeting states that the Lehigh Valley Company had not restricted its supplies of coal, and had sent to market during the months of June and July 112,451 tons more than it was allowed to send under the articles of the monopolist association. The consequence of the disruption is, that the four companies which hold together, are reported to be about to coerce the other companies into submission. Whether this report is true or not, they have announced 500,000 tons at sale at public auction, 29th August. The Wall Street story is, that the strong companies will punish the weak ones, and so compel them to return to the alliance and submit to the discipline of the monopolists. It is also said that the weak coal owners, who have not been bought out by the great companies, will be so crippled and impoverished by the war which is to ensue, that they will be compelled to sell their property to the great

coal companies who will thus acquire a more complete control over the market than they have ever been able hitherto to secure.

As this coal combination, with its embarrassments and struggles, has had so active an influence in the depreciation of securities, and as it is destined, in all probability, to attract a large share of attention during winter, we will give a brief record of its history, which consists of two periods. The first period ended in 1872, when the great strike terminated. The miners had combined in such a strong organization that the mine owners were compelled to unite against them. This union of the coal companies in self defence against the outrages and dictation of the miners received the fullest sympathy of the general public. Had it terminated when the miner's strike was no longer dangerous to property or production, the combination of the coal companies would never have been regarded by the public with dislike or suspicion.

Unfortunately, however, the coal companies when they had no longer to fight against their men began to fight against the public interests. The abuses were, however, of slow growth. The second period began about 1872, when the legislature of Pennsylvania passed an act authorizing the Reading Coal and Iron Company to own and work coal mines and lands in Pennsylvania. This was practically another name for the Philadelphia and Reading Company. The new company during the year expended a very large sum under the charter in the Schuylkill region, and had a controlling interest in collieries producing 2,700,000 tons yearly. The company soon after proposed to the proprietors of the remaining collieries, which were then producing in the aggregate 3,242,000 tons, that they should combine with them and receive a certain sum per ton for their coal. After some opposition, the project received the consent of the colliery owners, and monthly meetings were announced, at which the price of coal would be regulated. In January, 1873, the first official circular fixing the prices of coal for the month, was issued, in the interests of the Lehigh Coal and Navigation Company, Delaware, Lackawanna and Western Railroad Company, and Wilkes-Barre Coal and Iron Company. The Pennsylvania Coal Company, Lehigh Valley Railroad Company, and the Reading Company, up to that time refused to join in the new movement. In 1875, however, the six companies were in the combination, and regulated the price and tonnage.

Some dissensions arose, but at a meeting of the combination held February 18 last, the compact for regulating the production and sale of coal was renewed, and a Board of Control was appointed, under the supervision of which the business was to be conducted. The companies represented were the Delaware and Hudson Canal Company, Delaware, Lackawanna and Western, Pennsylvania Coal Company, Philadelphia and Reading, Lehigh Valley, Lehigh and Wilkes-Barre, or Central Railroad of New Jersey. The Board of Control was organized by the election of Thomas Dickson, of the Delaware and Hudson Canal Company, as President, and Franklin B. Gowan, of the Philadelphia and Reading Company, Secretary. As might have been foreseen, sundry violations of the compact repeatedly occurred, finally resulting in the disruption of the combination to-day. What effect the change will have on the price of coal or on the quotations of the securities of the coal roads, it is impossible at present to foresee.

Immediately after the adjournment of Congress, the rumor was suddenly started that Mr. Secretary Morrill intended to negotiate the \$300,000 of four and a half per cent. authorized by the Funding act of 14 July, 1870. It appears however that nothing definite has yet been decided upon by the Secretary in reference to this subject. A despatch says, that the question pending between the Treasury Department and the bankers, is not as to the price to be paid the Government for the bonds. That is provided for in the act authorizing their issue, which requires the Secretary to dispose of the bonds "at not less than their par value, for coin," or "he may exchange them for five-twenty bonds, par for par." The efforts of the Secretary are directed to securing such arrangement as will guarantee the ready sale of the bonds, and to obtaining a syndicate competent to successfully carry out the arrangements to be made. The expense of placing the bonds is limited by the Refunding act to one-half of one per cent. In December last, the Senate passed a bill increasing the amount of four and a half per cents. to \$500,000,000 and extending the redemption period to thirty years, but the Committee on Ways and Means failed to act upon the bill.

POSTSCRIPT, AUGUST 24.

The Secretary of the Treasury to-day concluded the negotiations with the syndicate for the sale of forty millions of these four and one-half per cent. bonds. The syndicate agrees to take the bonds at par in gold and interest less one-half of one per cent. commission, the syndicate to pay all expenses of preparing, transporting, and delivering the bonds.

The contract is in terms similar to that made for the sale of the five per cent. refunding bonds, the syndicate binding themselves to take forty millions of the bonds, with the privilege of taking the remainder of the three hundred millions before the 4th of March, 1877. It is said that a call will shortly be issued by the Secretary of the Treasury for the redemption of forty millions of five-twenty bonds against the negotiation just concluded. The first call will be for the old five-twenties of 1865, the interest on which is payable in May and November, and of which there are outstanding \$34,359,150 of registered bonds, and \$116,199,500 of coupons.

DEATHS.

At CHARLOTTE, N. C., on Tuesday, July 25, aged sixty-two years, Col. THOMAS H. BREM, President of the Merchants and Farmers' National Bank of Charlotte.

At READING, PA., on Wednesday, August 9, aged seventy-one years, LEVI B. SMITH, President of the First National Bank of Reading.

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THE BANK CONVENTION AT PHILADELPHIA.

It is of great importance that our State, private, and National banks should be represented at the meeting which is to be held at Philadelphia, on the third of October. Mr. McCulloch, Mr. Coe, and other gentlemen are expected to deliver addresses on the progress and present condition of banking in this country. The convention is to last three days, and there will be ample time for discussion. Among the topics that are likely to be introduced, there are two or three to which we will briefly direct attention. The first is the silver question. The obscurity which formerly darkened some parts of this subject is rapidly clearing up. The banking community throughout the United States have been anxiously investigating it for several months and from many different points of view. The October convention offers an opportunity for the accumulation of a mass of intelligent opinion and authentic information such as may never recur. The advantage of this meeting should not be lost nor the aid be sacrificed which it is capable of rendering to the solution of the silver problem. Of course the great question of resumption will also come up, under its two chief aspects of contraction and gold accumulation. Much of the unreasoning terror with which the popular mind has ignorantly invested the subject of contraction has been dispersed by the growing intelligence of our people as to the laws which govern the currency and its movements. As to the other branch of the resumption question—that of the accumulation of gold—there is still much need for sound information, both as to the

amount of coin required, and as to the best means for providing it and making it available.

These and other general questions of finance will, however, take up but a small part of the time of the Convention. Banking proper will, we presume, be the chief, though not the only, domain to which the discussions will be limited. The presence of Mr. McCulloch suggests the probability that we shall have the opportunity of comparing our system of banking with those of Great Britain and other foreign countries, which Mr. McCulloch has had such enviable opportunities for analyzing and observing in detail. Among the timely topics which he will be able to illustrate, one of some practical value just now is that of the payment of interest on deposits in London and in the cities of Continental Europe. It is well known that this custom of paying interest on current accounts and deposits had its rise in London when the London and Westminster Bank was established, in 1834. After forty years of vigorous and apparently successful progress, the system, since the panic of 1873, has shown symptoms of decadence, and now we are informed that only two or three of the London joint-stock banks adhere to it. The rise, culmination and prospects of this system would present many features of great practical interest, and it is hoped that now, or at some not distant period, Mr. McCulloch may be induced to give us some authentic information. A similar narrative, giving a temperate and judicial statement of the controversies which have prevailed here on the subject of the payment of interest on deposits, would also constitute a valuable addition to the history of banking in this country. Indeed, the public would regard it as an extremely gratifying result of this Convention if it could publish as part of its permanent records a brief, compact and authentic history of the rise, progress and present condition of our three-fold system of National, State and private banks. Such a book is much wanted. It should aim to do for American banking what Mr. Bagehot's book on "Lombard Street" has done for the banking system of England.

There is another question which may very properly come up before the Convention without giving rise in the public mind to any misinterpretation. We refer to the taxation of the banks. Every one knows that the profits of banking are now much less than formerly, while the risks and losses are threatening to augment severely. The time has, therefore, arrived when it is proper for the banks to unite in demanding of Congress and the country a fair hearing for their tax grievances. The case offered by the banks is very simple and consists of two or three notorious facts. First, the banks are now paying war taxes. The scale of taxation was fixed at a time when excessive burdens were cheerfully borne for war purposes by our whole population, and the banks continue to

be oppressed by these fiscal burdens to this day. Other taxes have been repealed and other interests have had the weight of taxation relieved, but the war taxes on the banks continue. While every other department of industry and finance has clamored for lower taxes the banks alone have been patiently waiting, and the great wave of tax reform, which has remitted taxation everywhere else, has not yet reached them. If we examine the fiscal records of the nations of Europe we shall find none in which the banks are subjected to as heavy fiscal exactions as in this country. With the approach of specie payment it is the part of wise statesmanship to consider the paramount necessity of giving freedom to the banks from all tax burdens which needlessly impair the strength of our financial system. And among these needless and inequitable burdens a conspicuous place must certainly be claimed for the war taxes still levied on our banks.

CHARACTER AND DEATH OF M. WOLOWSKI.

BY DR. GEORGE MARSLAND.

On the 15th of August occurred the death of one of the most conservative and laborious of the economists of France, M. Louis Wolowski, at the ripe age of sixty-six years. One of his last public functions was for the Union Franco-Americaine. He was a member of its committee, who are raising contributions for the colossal statue of Liberty, to be erected in New York Harbor, as a gift to America from the French Republic. For some years M. Wolowski has been in the foremost rank of the economists and financial statesmen of France, though of late his name has been less frequently seen in consequence of the enforced quietude rendered more and more necessary by the malady to which he at length succumbed. We gave in September, 1874, a detailed account of the life and writings of M. Wolowski, and we need only refer here to the chief events of his useful and honorable career. The son of the President of the Diet of Poland, Wolowski had scarcely reached man's estate when he was plunged into the maelstrom of a disastrous war for the independence of his native country. Having been previously educated in Paris and in Germany, he was sent to the Court of Louis Philippe, as Secretary of Legation, in 1830. He remained in Paris for some years. Many disasters had in the meantime befallen Poland. In 1831 he received the intelligence of the capture of Warsaw. In 1832 followed the final defeat of his friends, the suppression of the Polish revolution and the absorption of Poland herself into the Russian empire. From that time M. Wolowski gave himself to the study of finance, political economy, and law, in which sci-

ences he had made considerable progress, having received the degree of Doctor of laws at Heidelberg, and that of Doctor of political economy at Tübingen. He became a naturalized citizen of France in 1834. From an early period Wolowski seems to have set before himself four great purposes in life: First, he was ambitious to become one of the most accomplished students of political economy. Throughout his whole life his zeal for study was fervent and his labors for self-improvement unremitting. Like most of his educated compatriots he was gifted with a facility in acquiring foreign languages, and he was reputed to be more familiarly acquainted with German economic literature than any of his contemporaries. He translated the treatise of one of the best German writers, G. H. Roscher, on the principles of political economy. The second great life-purpose of Wolowski was to stir up the zeal of others in pursuit of his favorite studies. He was a propagandist, a professor, and a teacher. He considered that what he had learned for himself was but half learned until he had used it for the enlightenment of other persons, especially the young. A common sympathy led to an appreciative friendship with M. Léon Faucher, and this union was cemented by a marriage between Wolowski and the sister of that eminent economist. In 1839 Wolowski was appointed professor of law in the Conservatoire, and in 1848 he became a member of the council of that institution. He was also throughout his life a frequent contributor to the press, and his writings in the *Siccle*, the *Revue des Deux Mondes* and the *Journal des Economistes*, may be cited in proof of the conscientious effort he habitually made to spread sound economic knowledge. The third great object in life of our author was to extend the bounds of the science to which he devoted his whole strength. In 1833 he founded the *Revue de Législation et de Jurisprudence*, whose pages attest the zeal and ardor with which the young economist started in life, and which never abated in his latest years. Wolowski has no claim to be an original thinker, and yet many of his views are novel and have all the force and suggestiveness of originality. On the subject of the currency and its functions his views are peculiarly rich, practical and conservative. He was a sincere believer in the theory of a bi-metallic currency, and his arguments have, some of them, never been answered by the defenders of the single gold standard. On paper currency, on banking, on the necessity of ample cash reserves, and indeed on all the financial and economic questions which have been prominent in France during the last forty years, our author has been a prolific writer, and it is worthy of note that his earlier writings are just as practical, as sound, as consistent and as logical as those of his riper years. The fourth characteristic of Wolowski was his patriotic efforts to embody in the laws and institutions of his adopted country

the reforms which financial science suggested to him as possible, beneficial, or necessary. One of his earliest works was on the *Crédit Foncier*, and was published in 1839. Ten years later he published another work on the organization of the *Crédit Foncier*, and he labored with such success and persistency to popularize this beneficent scheme that in 1852 the great institution was established under the name of the *Compagnie de Crédit Foncier*, which was soon afterwards chartered as the *Crédit Foncier of France*, and has ever since been one of the most prosperous institutions of its kind in Europe. To its success is due in part that flourishing condition of agricultural credit which has been one cause of the rapid financial progress of France during the last quarter of a century. By Wolowski this robust growth of agricultural credit was aided, for before the *Crédit Foncier* and the improvements which it brought in its train the flow of capital in this department of French industry was very feeble. Till this evil was corrected solid progress in manufactures, in commerce, and in other departments of industrial wealth, must have been much impeded. Hence it is to Wolowski that we must ascribe an important share in the bringing about of that era of national prosperity, the culminating proof of which has been so conspicuous in the payment of the war indemnity to Germany.

M. Wolowski was one of the advocates of the policy of the Bank of France in holding that large balance of coin for which, during the last ten or fifteen years, that institution has been noted. At various times he received gratifying marks of popular favor as a politician and statesman, and his high character was ever held in much esteem by the public. In 1848 he was elected to the Constituent Assembly, in the Department of the Seine, by 132,353 votes. He was afterwards re-elected to the Legislative Assembly, but this part of his political career terminated with the *coup d'état* of 2d December, 1851, and during the Second Empire he held no office of a political character. He was, however, made an officer of the Legion of Honor, 7th October, 1851, and he was elected to succeed Blanqui in 1855 as a member of the Institute. After the restoration of the Republic, he was elected, 2d July, 1871, to the National Assembly, where he was at the head of the Representatives of Paris, and received 147,042 votes out of 290,823. In 1872 he was appointed a member of the Superior Council of Agriculture and Industry. He was also one of the seventy-five life-Senators elected by the National Assembly, but his bad state of health prevented his frequent attendance in his later legislative duties. He published a volume of his speeches, with numerous notes and illustrations, in 1872. This is one of the best handbooks in which to study the financial and industrial legislation of the first year or two after the Revolution of 1870. It is hoped that M. Wolowski has left

for posthumous publication some of his courses of lectures at the Conservatoire. Few men whom political convulsions or other causes have driven from their native land, have been able so perfectly to assimilate themselves to the new conditions of a foreign citizenship. Wolowski when he was naturalized became a Frenchman. He was proud of his adopted country, and he has left her abundant reason to be proud of her adopted son. Many persons have wondered how in his youth he could have broken off so completely as he did all connection with the Polish adventurers and emissaries who swarmed in Paris. One reason, besides the simplicity and sincere conscientiousness of his loyalty to France, was that nature had disqualified him for revolutions and conspiracies. His mind was subtle, incisive and keen, but only on its intellectual side. Of moral subtlety, such as plots and conspirators require, he was wholly destitute. The soil of his mind was favorable to open, frank and generous characteristics, and nothing could grow there but that which was consistent with honor, fidelity and truth. He was essentially a constructive and not a destructive laborer in society. His economic studies were pursued throughout his life as a means by which he could aid in building up rather than in pulling down the institutions which he found established and at work for the substantial good of the people. His life was also remarkable in two other respects. He pursued a steady, quiet course, and his whole life was uniform, prosperous and so consistent that you might almost predict the end from the beginning. The ancients used to say that we should call no man happy till he died, because human success is such a fickle and fragile commodity that it may explode and leave a man's reputation in ruins, after a well-spent youth and before an old age of shame or disaster. On this principle we can have no hesitation in pronouncing the life of Wolowski as a singularly happy one, both in its promise in youth and its achievements from the beginning to the end. Secondly, his career is notable in this materialistic, money-getting age, from the fact that he acquired and sought to accumulate but little personal wealth. Large financial influence was wielded by him for many years, but he lived with dignified simplicity, and it never seems to have occurred to him to make himself a rich man. A republican in his political principles, he has bequeathed to us an example of the sternest of the republican virtues—that of esteeming as far above wealth our honor, our integrity, and our duty.

SILVER AS A LEGAL TENDER.

At the Buffalo meeting of the American Association for the Advancement of Science an elaborate report was read by Professor Barnard, from the Committee on Weights, Measures and Coins. The chief object of the report was to show the danger of making silver coin an unlimited legal tender at present in this country. At the outset, the committee laid down several fundamental principles in regard to money. They then showed the difference between positive money and potential money. Gold and silver coin, of standard value, constitute positive money. All paper evidences of debt, whether greenbacks, bank notes or checks, are potential money, and approach more or less closely to the nature of positive money according to certain laws which it is the business of financial science to expound. Hence there is a fundamental difference between greenbacks and actual money. No authorization of government can change the reality of things, or make the greenbacks anything more than the promise to pay money. Although the letter of the law, in respect to greenbacks, may be enforced, its spirit cannot be carried out; no mere legislation can make the greenback worth a dollar by stating that it is one. The value which the greenback will purchase in the standard metal is the test of the value of the paper dollar; no stamp of authority can make the latter buy more than it is worth.

A coinage founded on a double standard soon finds its level. The cheaper metal, compared with the valuation stamped on it as coin, will take the place of the other in circulation; the dearer metal will go back directly to the melting pot or be exported for that purpose. If the debtor can get gold for less than its face value when coined he will pay his debts in gold; if he can get it for less in silver he will pay in silver. So long as there is any variation in either metal from their coinage value, the dearer metal will always be demonetized—reduced to mere bullion. Under the Coinage Act of 1792, silver that cost \$15 was worth \$15.50 when stamped by the mint. As a consequence, gold entirely disappeared from circulation, and for thirty or forty years was a mere object of curiosity as coin. Whenever a country has adopted the double standard, there has been an inevitable tendency to degrade the currency. So manifest is this tendency, that the foremost European States have generally shaped their policy toward a gold standard, permitting a subsidiary silver coinage of an inferior value merely for the purpose of making change. The report further says, that the

present and recent disturbance of the value of silver show that it has become utterly unfit for a standard. The inequality of value which it has reached is so great as to produce heavy revulsions in the trade of the East. The disturbance in the value of silver is not likely soon to subside, nor can it for many years again settle to a standard value. We have had experience in one fluctuating value for circulation. The uncertainty of the redemption of the greenback is the chief cause of the premium on gold. But if silver should be made legal tender, we would find an immense increase of the fluctuation. The silver dollar would only buy eighty cents worth. The greenback would fall below this, somewhere near to seventy. Everything that is bought and sold in the whole country would have its value disturbed; a universal distress in all the circles of trade and industry must inevitably follow.

From these facts and principles the committee argue that, in view of the present and prospective incertitude as to the value of silver in the markets of the world, it would be a mischievous policy to make silver coins a legal tender for all sums in the United States. It is hoped that the committee will continue their investigations in regard to silver, and will add to them similar inquiries about gold. Every day adds to the volume of the accumulated evidence which demonstrates that as silver has been falling, so gold has been rising in value, for several years past. It would be a great misfortune for this country if, in our future monetary legislation, we were to forget either of these facts. They are of fundamental importance. It would be as grave an error to forget that gold is appreciating as that there is a more conspicuous depreciation in silver.

The resolution which was passed in favor of the exclusive gold standard will be found, with the preamble, on another page. The views adopted in the document were defended in a paper by Mr. E. B. Elliott, of Washington, who said that, "From 1792—the date of the adoption of a system of coinage by the Government—to February, 1873, a double standard was attempted to be maintained. But during the latter part of the period, from 1853 to 1873, a subsidiary silver coinage was incorporated in the system. In February, 1873, the coinage of silver as a full legal tender was discontinued, and in the codification of the laws which followed, known as the Revised Statutes, silver coins of all kinds ceased to be legal tender in sums exceeding five dollars. The attempt to establish a double standard has always failed to accomplish the end desired, and the experience of the American Government is no exception to the rule. In 1792, the coin ratio of gold to silver was fixed by Government at precisely fifteen to one, the quantity of pure silver in the standard silver dollar being fixed at precisely fifteen times the weight of pure gold

in the tenth part of the eagle of ten dollars. In a short time, however, the market value diverged from this standard, gold becoming relatively more valuable than in the ratio of fifteen to one. In 1834 the market ratio had reached $15\frac{7}{8}$ to one, that is, one ounce of gold was worth $15\frac{7}{8}$ ounces of silver. A double standard is practically an impossibility, and the effort to maintain it a nullity. The experience of America does not conflict in this regard with that of other countries. The principle by which the two precious metals—gold and silver—may circulate simultaneously and in harmony was first discovered and applied in England in 1816. The late demonetization of silver in Germany and the adoption of a gold standard, with subsidiary silver in place of their former silver standard, has thrown a certain quantity of silver coin upon the market. A like action of Scandinavian nations, Sweden, Norway, and Denmark, and of the Netherlands has added to this amount. But this amount is small, much smaller than was supposed. Owing to this disturbance of the market, together with an increased production of silver in our Nevada mines, and also to an apprehension in the public mind that British India was about to substitute a single gold standard in place of the existing silver standard, the price of silver throughout the world has met with a sudden and extreme fall. These several causes are believed to be insufficient, and the fall must be attributed to mere panic. It is now demanded by some of our citizens that the silver dollar be again monetized, and that an attempt be made with a view to a restoration of a nominal double standard. The result of such legislation at the present relative market value of gold to silver—which is about seventeen to one, and which has been in the late panic as low as twenty to one—the result would be a complete demonetization of gold. The existing system, in which gold is legal tender for all amounts, and silver in but limited amounts, utilizes for monetary purposes the greatest amount of the precious metal possible.”

Mr. Elliott has made several statements in this paper of disputed truth. He not only says that “silver coins of all kinds have ceased to be legal tender in sums exceeding five dollars,” and that on this account “some of our citizens demand that the silver dollar be again monetized,” but that a double standard has always and everywhere proved to be practically impossible. He also affirms that the single standard system, with the subsidiary principle superadded, utilizes for monetary purposes the greatest amount of the precious metals. Now most of these propositions, are by some persons denied and questioned, and objections of great force have been advanced against them. To ignore these objections, and to argue as if gold as well as silver was not suffering a perturbation of value, is to commit an error of the more seri-

ous magnitude, as the people have a right to expect from such societies as the American Association for the Advancement of Science an elucidation, or at any rate a fair, lucid statement, of the problems to be solved.

On this subject we find in the London *Economist* for 2d September some very suggestive remarks, which well deserve to be considered. After showing that the relative positions of gold and silver to other commodities have undergone of late a great revolution, the *Economist* says: "In former times the fluctuations in the relative value of the two metals were few and small, but now they are many and large. Particular causes, no doubt, aggravate that instability at this moment—especially the demonetization of silver by Germany, and the supposed likelihood of great supplies from Nevada. But though the instability is aggravated by these causes, it is not created by them, and it will not cease with them. There is no inherent reason why the gold price of silver should be uniform any more than why the gold price of platinum should be the same. The old notion of extreme steadiness is one generated by the practice of Governments, and which has ceased when practice ceased, and will not revive till it revives. The United States, therefore, which have a 'money' to choose, must observe that they have three courses to choose from, and must see what are the consequences of each. First—they may choose the old bi-metallic, or double-standard plan. But if they do, they must make up their minds to be always changing their coinage. The natural value of the two metals now being, as we see, fluctuating, a nation which takes both will be incessantly changing from one to the other—it will always be taking the worse and giving the better. The existence of such a country, or set of countries, is an advantage to the world at large, because, as we have seen, it preserves a uniformity between the two metals, one or the other of which is used by all civilized nations to count value. But the expense and inconvenience of a changing currency are great, and how far a nation would be wise to undergo them for the good of the world we are not sure. She herself obtains no advantage; she sells gold for silver, or silver for gold, and the brokers get their commission; but this is all. And to a great borrowing nation like America, it would always be an objection that she would pay in the worse coin at the time of payment, whatever it might be. At the present moment America would become a silver country, and the interest and principal on her obligations would be paid in silver. The evil, of course, would not be what the momentary circumstances of the market would now suggest. Silver would not be at 52d per oz. if America was a country with a sole silver currency. So large a demand as her coin requirements would send the price up very rapidly—perhaps to its old amount. Still, as

the debts of America are so large, the probable objection which a lender might make to the certainty of his having to accept the inferior mode of repayment is to her important; she would possibly have to borrow on terms somewhat less good. Secondly—the United States might take the single gold standard like ourselves; and this is what, till very lately, every English economist would have advised them to do. The evils of this plan had not then been seen, but its good was very apparent. That all great commercial nations should have the same metal for money is, *per se*, a plain gain. The objection is that there may be some difficulty in getting the gold for so many, very rapidly. The total production of gold, according to the estimate laid before the Silver Committee, for recent years was, in 1872, £17,569,000; in 1873, £21,946,000; in 1874, £19,880,000; in 1875, £20,353,000; total, £79,748,000; or nearly £20,000,000 a year. And this is not at all a large amount to provide for the yearly uses of the world. In the thirteen years from 1858-75 the imports of gold into the United Kingdom were £331,179,000, and the exports were £251,413,000, showing a total absorption in eighteen years of £79,766,000; or at the rate of £4,432,000 a year, being more than one-fifth of the whole. So that if Germany, America, and perhaps the Latin Union, were all to take to a gold currency, there would certainly not be too much gold. Probably the money markets of the world would be straitened by their not being sufficient.

“The third and last course open to the United States is to make silver their sole standard. A few weeks ago this would have been generally deemed to be beyond the limits of consideration; at that time there was a panic, and it was imagined that the price of silver was going to fall lower and lower till it became worth hardly anything. But experience has now shown, as theory always suggested, that there would be a demand for silver for the East consequent on its cheapness—that this demand would grow with its cheapness—and then an almost indefinite quantity, if supplied, would in time be taken off the market. As the supply here is small, the price has risen rapidly, though it has for a moment been checked again by the financial operations of the Council of India in drawing for their tribute. The extreme panic as to the price of silver has, therefore, passed away, and we are able to consider calmly whether it would be wise for the United States to take it for a standard of value or not. If they did, it is certain that the price of silver would for the moment rise, because so very large an extra quantity would at once be required; and it is very possible that this price might not again fall. The final regulator of the price of silver is the cost at which it can be produced in the least fertile mine that can maintain itself in cultivation. At the present moment there are new mines as to whose extent there are

very various accounts, which may supersede some of the worst of those at work, and so lessen the maximum cost of the production of silver—the cost which fixes its price. But if so large a new demand for silver as that for supplying the United States with money were added to the existing demands, very possibly the extra fertility of these new mines might be exhausted before that demand was satisfied. These mines might come to be not so much better than the old mines as to throw any old mine out of work; and if so, the price of silver would remain what it formerly was. And if this happened, silver would be as good a standard of value as it has ever been.

“There would, undoubtedly, be several difficulties in the adoption of a silver standard by the United States. First—Much of the interest of their debt is now payable in gold coin. This would not, however, cause much difficulty, if the price of silver were to rise, as we have suggested, to something like the old level. The United States might then either continue to receive their customs' duties, as they now do, in gold only, and to pay their interest with such gold, or they might pay an equivalent in silver. The difficulty would be one of detail only, and might be met. Secondly—What is more serious. The trade between the United States and the gold-using countries would be liable to be disturbed by every fluctuation in the value of gold and silver. And we are not yet in a position to say what the amount of this inconvenience would be, because the changes in the relative values of the two will in future probably be greater and more frequent than they used to be. As we have explained, the double-standard nations used to equalize the price for the rest of the world, and now it seems probable that they will do so no longer. An element of uncertainty would thus be introduced into the largest international operations of the United States, which might be very important, and which it is difficult to estimate beforehand. But in all likelihood this uncertainty would not be so great as that caused by the inconvertible and ever-fluctuating greenbacks which the United States have now borne very patiently for many years. Thirdly—The United States will, by choosing silver for their money, undoubtedly suffer by using the less convenient metal for large transactions instead of the more convenient. Silver is bulky to carry, and cumbersome to count. But a good and secure system of paper money might easily be devised, which would reduce this disadvantage to minor proportions; though that system, like all systems of paper money, is liable to the objection that it may be at any moment departed from, and a bad paper money substituted for a good. No nation which is engaged in first-rate commerce should select a silver money, unless it believes that its circumstances, the character of its people, and the peculiarities of its Government enable it to manage a paper one.”

It is a well established axiom in the discussions about silver that the future price of that metal, as compared with that of gold, will depend very much upon the extent of the demand for silver in the markets of India and the Orient. The question is, therefore, attracting great attention, and there are two facts which throw considerable light upon it. In the first place it is certain that the capacity of India for absorbing and using a large addition to the circulation of silver is very great. In illustration of this fact we may quote a communication to the London *Times* from Lieutenant-Colonel Taske, a late Deputy Commissioner of the Punjab. He gives several reasons to show that British India will develop a demand for silver which it is almost impossible to measure in its present rudimentary stage. Colonel Taske's letter is dated 18 August, 1876, and is as follows :

"Having for many years held the charge of a Government Treasury in the Punjab, may I be permitted to indorse the observations of your correspondent, Surgeon-Major Cornish, in the *Mail* of this day, that 'we have not sufficient *data* to estimate the future capacity of India to absorb gold and silver,' and that 'the laboring classes in that country are not yet furnished with the amount of silver and gold they are capable of using either as coin or personal ornaments?' In the Kangra diatrick, of which I held charge for several years, the income, mainly from land revenue, was formerly greatly in excess of the expenditure, and the surplus, to the extent of about £20,000 per annum, was remitted in specie to meet the Treasury requirements of other districts. In 1873, owing to the rapid extension of tea cultivation and the gradual development of trade, the demand for silver specie became so great within the limits of the district that remittances to other districts entirely ceased. In 1874 and 1875 the income of the district did not meet its requirements in silver currency, and that without any increase of local establishments or any increase of the military force quartered in the district. In those days I had to apply for specie remittances to the extent of £20,000 annually from the Treasuries of other districts. At Palumpur, in the Kangra Valley, the centre of the tea estates, there was formerly little or no demand for silver currency. In 1873, 1874 and 1875 I had to send specie remittances to the extent of 30,000 rupees per mensem for several months in each year to Palumpur to meet the demands of tea planters for the encashment of Government currency notes. Up to the time when I left India, in November, 1875, the increasing demand for silver specie, not alone in the populous tracts of Kangra Proper, but in the thinly populated, outlying sub-divisions of Kula and Lahore was very marked. The still continuous extension of tea cultivation and manufacture, and the expansion of trade with Ladakh and countries in Central Asia, lead to the belief that the local demand for silver will still continue to increase.

“Such are the facts relating to one only out of the thirty-two districts comprised in the Punjab Provinces. It is true there is a special industry—tea cultivation and manufacture,—confined to the Kangra district in the Punjab, the rapid extension of which during the last few years has given increased employment to the laboring classes. But I believe that the extension of cultivation and the development of trade throughout the Province generally, have led to a great increase in the demand for silver in all other districts, and the general cry among Treasury officers has been and still is, for some silver coin. While the increased demand for silver coin for circulation in the interior of districts in the North-West Provinces and the Punjab, is very marked, the absorption of the metal for purposes of ornament and jewelry, is still more remarkable. As the result of my personal observations in the extensive tracts of country comprised in my district, I can testify that in every town, village, and hamlet, the number of working jewelers and silversmiths is on the increase, and that the bulk of the laboring and agricultural classes, are gradually, and to a surprising extent, substituting silver ornaments for men, women, and children, in place of those of brass and copper, of beads, &c. The extension of railways, the reclamation of waste lands, and increase of cultivation, the development of industries and the expansion of internal trade, are not confined to a district or a province, but are general throughout India. I fully believe with your correspondent that the bulk of the agricultural and laboring classes in India are nothing like furnished with the amount of silver they are capable of using, either as coin or personal ornaments.”

CAUSES OF THE DEPRECIATION OF SILVER.

BY OSCAR VAN REINACH.

[Abridged from the *Reichsanzeiger* of 14th March, 1876.]

The present unusual and heavy fall in the value of silver affects, in the first place and chiefly, those countries which have only a single standard, such as India and Austria; and secondly, those countries which have a double standard, viz.: France, Belgium, Italy, and Switzerland, or, in a word, those countries belonging to the Latin monetary union. People are now as much alarmed at the fall in the value of silver as they were, twenty years ago, by the great fall in the value of gold resulting from the new mines of that metal discovered in California and in Australia, and they ask themselves how it is possible to escape the dangers of the incessant fluctuations in the value of one or the other metal. The value of silver in relation to the value of gold has been fixed since 1803 on the basis of one to $15\frac{1}{2}$; that is, one ounce of gold

has been equivalent to $15\frac{1}{2}$ ounces of silver. But in consequence of the recent depreciation of silver, about thirteen per cent., this relative value has risen to the rate of one to $17\frac{1}{2}$; that is, one ounce of gold will purchase $17\frac{1}{2}$ ounces, instead of $15\frac{1}{2}$ ounces as formerly. At the present moment what are the principal causes for the depreciation of silver? These causes may be referred to three general heads: first, the discovery of the great and celebrated silver mines in Nevada, which in reality produce large quantities of silver—the production for the current year being valued at five hundred millions of francs. Secondly: the demonetization of silver in Germany and other countries, as well as the limitation of the silver coinage in the countries forming the Latin monetary union. Thirdly: the diminution in the quantity of silver sent to India to pay for her products, seeing that the East, since the confusion of the American war, no longer enjoys the monopoly of the cotton supply; while, on the other hand, it has become accustomed to accept also manufactured goods in exchange for its own produce. Ought this situation to cause alarm and call for such radical measures as, for instance, the demonetization of silver? Before proceeding to answer this question let us examine the following table of the production of gold and silver since 1852:

<i>Year.</i>	<i>Gold in francs.</i>	<i>Gold in dollars.</i>	<i>Silver in francs.</i>	<i>Silver in dollars.</i>
1852 .	912,500,000 .	\$ 182,500,000 .	202,500,000 .	\$ 40,500,000
1853 .	775,000,000 .	155,000,000 .	202,500,000 .	40,500,000
1854 .	635,000,000 .	127,000,000 .	202,500,000 .	40,500,000
1855 .	675,000,000 .	135,000,000 .	202,500,000 .	40,500,000
1856 .	737,500,000 .	147,500,000 .	202,500,000 .	40,500,000
1857 .	665,000,000 .	133,000,000 .	202,500,000 .	40,500,000
1858 .	622,500,000 .	124,500,000 .	202,500,000 .	40,500,000
1859 .	622,500,000 .	124,500,000 .	202,500,000 .	40,500,000
1860 .	595,000,000 .	119,000,000 .	202,500,000 .	40,500,000
1861 .	570,000,000 .	114,000,000 .	212,500,000 .	42,500,000
1862 .	537,500,000 .	107,500,000 .	225,000,000 .	45,000,000
1863 .	535,000,000 .	107,000,000 .	245,000,000 .	49,000,000
1864 .	565,000,000 .	113,000,000 .	257,000,000 .	51,400,000
1865 .	600,000,000 .	120,000,000 .	260,000,000 .	52,000,000
1866 .	605,000,000 .	121,000,000 .	252,750,000 .	50,500,000
1867 .	580,000,000 .	116,000,000 .	270,000,000 .	54,000,000
1868 .	600,000,000 .	120,000,000 .	250,000,000 .	50,000,000
1869 .	605,000,000 .	121,000,000 .	237,500,000 .	47,500,000
1870 .	580,000,000 .	116,000,000 .	257,500,000 .	51,500,000
1871 .	582,500,000 .	116,500,000 .	305,000,000 .	61,000,000
1872 .	507,500,000 .	101,500,000 .	325,000,000 .	65,000,000
1873 .	517,500,000 .	103,500,000 .	350,000,000 .	70,000,000
1874 .	452,500,000 .	90,500,000 .	357,500,000 .	71,500,000
1875 .	407,500,000 .	81,500,000 .	310,000,000 .	62,000,000

By this table we are reminded that it is not so very long ago since the views of the financial community about silver were just the opposite of what they are now. People were alarmed at the excessive production of gold in comparison with the production of silver. Silver was then quoted at five or six per cent. higher than gold, and many persons believed that the value of gold would fall permanently below that of

silver. One country, Holland, went so far as to decide on replacing, at a great expense, its gold standard by the standard of silver; and now, after a period of twenty-five years, the Netherlands Government is again obliged to give up, at a fresh and great sacrifice, its silver standard for the standard of gold. Is it not well, therefore, to avoid undue alarm at the present fall in silver? The great silver mines lately discovered will, perhaps, be soon exhausted. It is indeed alleged that the famous mines of Nevada are in reality what are called "pockets," and the maximum of silver they can produce has already been calculated. As to the East it is certain that the market will, sooner or later, require and absorb vast quantities of silver. Above all, however, it must be remembered that in four great countries a forced paper currency exists to the amount of fifteen milliards of francs, or \$3,000,000,000. It is evident, at any rate, that a silver currency is preferable to a paper circulation; and if, for instance, Russia, Austria, America, and Italy were to take advantage of the low price of silver, and provide themselves with a cheap monetary circulation of silver coin, the result would be that silver would again find its normal value. It must likewise not be forgotten that the fall of silver powerfully stimulates the production of gold; for whereas the miner only gets 87 francs for producing 100 francs of silver, a 100-franc nugget of gold never fetches less than 100 francs. New and extensive deposits of gold have lately been discovered, and information has been received of the discovery of gold in considerable quantities in Guiana. If gold and silver had been allowed to circulate on equal terms in all the European countries, the fall in silver would not have occurred. The countries forming the Latin union may be justified in desiring to profit by the excess of production of either metal, but if such a stream as the circulation of silver be dammed up, it is only natural that the country through which it flows should be flooded. When the States which have now a legal-tender paper circulation, shall have resumed a metallic currency, should the depreciation of silver still continue, it will then be time enough to take measures to remedy it, either by a gold coinage or by a silver coinage of a different proportionate value. The fear entertained in several countries of seeing the fabrication of silver money in the hands of private industry, cannot be looked upon as a serious argument, for gold coins might likewise be struck at a lesser rate of value, but with the actual organization of public force and in the present state of civilization, all such attempts at private coining would soon be put a stop to. The lesson, therefore, to be inferred from these three causes, and from the depreciation of silver which they have produced, is that the best policy for an enlightened government to pursue is to await events.

CHANGES IN THE MONETARY STANDARD OF HOLLAND.

A great mistake has been made by many writers, in regard to the changes in the monetary standard of Holland. It has been frequently stated that the standard has been twice changed; first, in consequence of the excitement caused in Europe by the gold discoveries of 1848 and 1850, in California and Australia, and secondly, in consequence of the late depreciation in silver. This statement is not strictly correct. We find in the appendix to Mr. Goschen's report to the House of Commons, on silver, a short account of the changes in the coinage laws of Holland, which is the best authentic statement that has been published. From this statement we learn that up to the year 1847 Holland possessed a double currency, based on a relation of value of 1: 15.604 between the two metals; the guilder or florin containing 9.45 grammes fine silver, and the ten-florin piece 6.056 grammes fine gold. It was then the general feeling that the double standard was a bad system, and that a single standard ought to be adopted. At that time almost all the countries of Europe had a silver currency; even France, though nominally in possession of a double standard, coined hardly anything but silver. So it was considered proper to adopt this metal, which, by the law of 26th November, 1847, became the sole basis of our monetary system. When, soon afterwards, the production of gold increased so much, it was generally imagined that Holland had acted very wisely. It could not then be foreseen that twenty-five years afterwards circumstances would arise which would make them repent of this decision. These circumstances were, as everybody knows, the late monetary reform in Germany, and the fall in the value of silver caused by this event. It was felt at once that the country could no longer maintain its system after this reform had been decided upon, because silver would most probably depreciate and, at all events, become a commodity of more variable value than it used to be. On the 30th October, 1872, a Commission was appointed by the King, "to inquire what disadvantages would befall to our country in consequence of the monetary measures lately adopted by other nations, especially by Germany, and to propose the remedies which would tend to remove them." As soon as this Commission had reported, a bill was passed (21st May, 1873,) empowering the King to stop the coinage of silver for six months, which law was renewed on the 26th of October, 1873, stopping the coinage of silver again till 1st

May, 1874. The report of the Royal Commission (presented 28th December, 1872, and followed by a second report, dated 26th June, 1873,) recommended the adoption of the single gold currency and the demonetization of silver in Holland. In Holland, not in India however. Since 1854, the monetary system of Holland had been introduced into all its colonies; but it was not considered expedient by the Commission to introduce a gold standard into India, this colony not being thought in a position to be fit for such a system. So it was proposed to maintain in India the silver standard, while in our own country gold would be adopted.

The Government approved of one-half of the Commission's proposals, those relating to Holland; but it formed no decision regarding India, being of opinion that the Indian question might be decided afterwards. It presented a bill to Parliament tending to demonetize silver and to adopt the single gold standard. This bill, however, encountered much opposition. Many people objected to the demonetization of silver, not believing that its value would either fall or become uncertain. Others wished to temporize. A third party would not allow the unity of standard between Holland and India to be broken, and opposed the bill, because for India it made no provisions. In short, the bill was rejected by our Second Chamber in March, 1874. As on the first of May ensuing, the law which stopped the coinage of silver expired, this coinage soon recommenced, and, being very profitable, to a very large extent. From May to December, 1874, an immense amount of silver had been sent to the Mint, and it was obvious at that time that such would continue to be done till the value of our florins would be depreciated to the level of silver in bullion. In the meantime, a new Ministry had taken office. Not having made up his mind as to the course to be adopted, still unwilling to let this coinage of silver on a large scale go on, the new Minister of Finance, Baron Van der Heim, proposed a bill, which became law on the 3d of December, 1874, by which the coinage of silver was again prohibited for about six months. Before this period had expired he presented another bill, stopping the coinage of silver for an indefinite time, but—and this was the main feature of his proposal—allowing the coinage of gold. This bill was passed, and became law on the 6th of June, 1875. In conformity with it, a gold ten-florin piece was introduced, very much resembling that which had been demonetized in 1847, only containing one per mill less of gold, viz., 6.048 grammes. This small difference, which practically is of very little importance, is the consequence of an idea in favor with some members of Parliament, who fancied that it would be an advantage to make twenty-five francs almost exactly equal to twelve florins. The Minister very wisely did not make any opposition to this. The law of 6th June, 1875, bears quite a transitory

character. It contains a clause according to which it must be revised before the 1st January, 1877. The future movements of the monetary agitation in Holland, will be better understood and more intelligently watched by those persons who take the trouble to examine the course of monetary legislation in that country since 1847. The great difficulty of Holland in adjusting her monetary troubles, arises out of two facts. First, she has extensive colonies in the east which use and must use a silver currency; and secondly, the same currency has always been used both in the colonies and at home.

FINANCE AND THE SOCIAL SCIENCE ASSOCIATION.

The Social Science Association, at its annual meeting at Saratoga, discussed the financial question with great ability. Among the papers read was one by the President, Mr. David A. Wells, on the causes and remedies of the depression of industry. The main points of this address may be briefly recapitulated.

The United States has never been so rich in natural resources, yet the year is full of industrial difficulties. Neither labor nor capital obtains a full compensation. Crime is on the increase. Confidence between man and man is impaired. What are the causes of the present condition of affairs, and what the remedies? As prefatory to an answer to these questions, I submit the proposition that no enterprise, public or private, can reasonably be expected to command success unless those intrusted with its supervision can clearly answer these three questions: First, What is it that it is purposed to accomplish? Second, What are the conditions precedent or instrumentalities available or possible for doing that which it is proposed to do? Third, What has been the experience of ourselves and others in the past in seeking the attainment of a like purpose?

In respect to the question, What, as a nation do we propose to accomplish, my answer would be this: To insure to the whole people the greatest possible average of material abundance, and that degree of intelligence which will enable the people to use such abundance most advantageously for the attainment of the highest physical, intellectual and moral development. What are the conditions for the attainment of the maximum of national abundance? There must be the proper conditions of soil and climate. There must be physical efficiency or energy; then adequate capital, or the results of accumulated labor; the intelligence quick to devise and skillful to use instrumentalities for economizing labor or utilizing the natural forces; the protection and security for life and property, and such a system of law as will prevent the

interposition of obstacles in the way of the equitable distribution of the wealth of the nation. As to our natural resources they are abundant. Their capabilities of development are hardly realized. As to the efficiency of labor, it is very great in this country. The principal factors, in contributing to the efficiency of labor, are peculiarities of race and breeding; the command and use of a generous, diversified diet, as contradistinguished from a diet meagre, uniform, and lacking in nutrition; general intelligence and education, and such political and social environments as encourage rather than depress and degrade the laborer. The advantages under all these heads being very great in this country, labor in the United States has had in times past no superior. The result of which is that the average product of labor in the United States is in most particulars exceptionally large, as is proved by the circumstance that the average rate of wages and the average rate of interest for many years has been high. The condition of the United States in respect to its resources of capital is very different from what it was a few years ago. Closer communication between different parts of the country and the world have made a change, and the amount of the world's active capital that any nation may command is limited only by the conjoint remuneration and security which it will offer. The value of the annual product of the United States has been variously estimated, but Gen. Walker makes it in 1870, \$7,286,000,000. Perhaps \$5,000,000,000 would be a safe statement of the average amount of annual production; ten per cent. of it, the amount of annual saving. It must not be forgotten, however, in estimating the product and saving for a period of years that deductions are to be made for such things as the fires at Chicago and Boston, when \$118,000,000 and \$70,000,000 were swept off in a day. During the last ten years this nation has probably merely maintained the aggregate of its former wealth.

It is evident from examination that the present condition of the country is not due to natural causes. It is due to artificial causes, and, as such, can be removed. The first point that strikes attention is the universality of the present depression in business. It is world wide, though slight in particular nations, as in France. It is the greatest in the United States. This does not teach, however, that the depression is due entirely to causes acting universally, but investigation will show that the general result we recognize has been due rather to the concurrent action of very many causes, originally local, and which, if nations had been isolated to the extent that they were a hundred years ago, would have been exceedingly limited, or endemic, in their influences, but which, under the close relationship into which nations have been brought by improved means of intercommunication, have become all pervading, or epidemic, in their

influences. Of such general causes, originating specially in one country, but coming into action and producing disturbance throughout the whole circle of civilized States at nearly the same time, I can think of only one that is entitled to be thus classified, and that is the steady and extensive introduction and use of labor-saving machinery and processes. A more important influence, however, is the aggregate loss of capital which for ten or fifteen years the world has been experiencing. These losses are due to bad investments in railroad bonds, the colossal war expenditures of the world, (the national debts of the world have increased \$10,000,000,000 since 1861, making their aggregate now \$25,000,000,000,) the panics and mercantile failures of the world, the bankruptcy of governments, and the enormous increase of taxation, particularly in the United States. The excessive issue and use of an irredeemable currency, in impairing national production, and in diminishing the aggregate of national abundance—excessive railway construction, decreased agricultural product, and decreased productiveness of labor, have added their share to the impairment of the national abundance.

In regard to remedies, the first is the use of honest money. Specie payments are essential. Before prosperity will return, there must be a complete and radical change in the entire fiscal policy of this nation—a change acceded to voluntarily and intelligently, or forced upon us through further hard and costly experience. To begin with, there has got to be a great and speedy reduction in all public expenditures, Federal, State, and municipal. This is not all. The machine or process, for example, which saves the labor of twenty men, and thereby practically adds that number to the force engaged in other branches of production, requires very probably for its support not more of industrial product than would have been adequate to the necessities of a single one of the men whose occupation it has supplanted. Of this, the experience of the United States furnishes most striking illustrations. Thus, taking the period from 1860 to 1870, we find, according to the census, that, while the gain in population was less than twenty-three per centum, our manufacturers increased fifty-two per centum in kind or thirty per centum in excess of the population. Or, taking a more specific example, in 1840 9,000 persons in Cincinnati engaged in manufacturing produced \$16,333,333 $\frac{1}{3}$, or at a rate of \$1,500 per head, while at present the same city recently reported 61,000 engaged in corresponding employments, producing to the value of \$144,000,000 per annum, or at the rate of \$2,300 per head. Again, at a recent convention of the stove trade at St. Louis, it was reported that under what might be called a healthy trade, there is at present at least thirty-three per centum greater capacity for making stoves in the United States than the country requires, and that three men now,

with the aid of machinery, can produce as many stoves as six men, unaided, could have done in 1869. Now, it is the legitimate, permanent and regular excess of production over consumption that constitutes the surest or rather the only basis for large remuneration for both labor and capital; and it is in this pre-existing excess that is to be found the secret why wages have for so many years been high in the United States and the rate of interest large. If the surplus of production over consumption is not allowed to have a free market, if it cannot flow out of the country through the channels of export, it inevitably rolls back upon the domestic markets, depressing prices to a point where trade and commerce can resume their natural and normal channels. "Capital," said an eminent British statesman, the Marquis of Salisbury, in a recent address before the Manchester Chamber of Commerce, "will go, as we all know, to any part of the world. It will face any difficulties and dangers in seeking employment; but there is one thing that frightens it back; and that is, any great uncertainty as to the conditions under which it is to be employed. If it knows the worst it can adapt itself to the worst, but if there is a probability of some great change of uncertain scope and import, upon which some attach large and some a small importance, the calculations become so uncertain that no one likes to risk his money in the venture."

A still more interesting and practical paper was read by Mr. Edward Atkinson, of Boston, on Capital and its relation to Production. Mr. Atkinson began by pointing out the true standpoint for examining economic questions. We abridge his address as follows:

MR. EDWARD ATKINSON ON CAPITAL.

The economists have given their attention too exclusively to the production of wealth, and too little to distribution and consumption. All progress is destructive as well as constructive. The term "fixed capital" is most unfit as applied to actual substance; nothing old is very useful, and scarcely anything useful can be very old. In general it is not the amount or value of the capital which a nation has accumulated that marks its progress or prosperity, but rather the mode in which it is applied, and the way in which its results are consumed. Capital is a force or tool effective only when concentrated and directed as steam is in the cylinder of an engine; material progress depends more on right direction being given to capital than on its quantity or amount. In modern times production is always ample. The theory of Malthus has never been confirmed by experience; on the contrary, the means of subsistence have increased more rapidly than population. Imperfect as are the methods of distribution, there is no area of the civilized world in which a

larger population cannot be supported to-day than ever before. Production was never before so great in this nation in relation to population as it has been in this last year of depression and want. The East is glutted with goods and wares; the West is full of corn and meat; the South is richer than ever before in cotton and grain, and is prospering in spite of alleged misgovernment. The distrust which causes want and penury may be attributed to many causes. It is not want of capital or products from which we suffer, nor is it a want of what we call money. Distribution is the main thing, and subsistence depends vastly more on the mode of the distribution of the annual product than on the division or amount of the capital which has been used in its production. The mere waste of this nation at this present time would support another as numerous, but better instructed in the use of material. Neither is it for want of substantial or material tools that distribution is hampered; the railway service is more ample and the warehouses are more numerous than ever before. What capital can do, it has done. If capital be classed into forms of the first, second, and third power, we find each power ample. The first power is the crude product—wool, cotton, grain, meat, iron, coal, and the like. The second power consists of textiles, goods and wares, dwelling places and warehouses. The third power is the mill, the machine, the tool, the locomotive, and the railroad. All these are complete and ample, but there is a higher power than all, without which all may and do fail. The power that is immaterial, the power that lies at the foundation of all prosperity, liberty of action guided by intelligence under just laws, framed only for the purpose of restraining abuses and not for the purpose of prescribing the use that men shall make of their time, their labor or their substance.

The fallacy of the hue and cry for cheaper transportation is evident. Five hundred pounds of meat and grain constitute the full subsistence of an adult man for one year, and it costs to-day but \$1.25 to move a quarter of a ton, or five hundred pounds, from Chicago to Boston, less than one day's wages of a good mechanic. In this low cost it would be difficult to find evidence of the rapacity of the railway monopolists. So far as the people of Massachusetts eat bakers' bread, it costs them more to move the bread from the bakers' oven to the mouth of the consumer than it does to move the flour from the wheat field to the oven. There are, doubtless, grave defects in our railway system, but the fact must not be ignored, that those special corporations against which the most urgent charges of monopoly have been made, are the ones that do the most service in distributing the largest quantity of products at the least relative cost to the community.

The word capital is not used here in its ordinary commer-

cial sense, but as it has been defined by economists, "the result of labor saved for future productive use." Capital is substance molded into useful form by human labor. Let us now attempt to define the capital or substance of the State of Massachusetts; see what it amounts to and what its value is. Take two examples: Had the census-taker entered a certain cotton factory in July, 1866, he would have found in one department eight machines used in sizing yarn worth in the aggregate about \$10,000, and eight men well employed in attending them at high wages. In this census he would have listed so much property and so much labor well paid, as evidence of wealth and prosperity. Three months later he would have found one machine worth \$2,500, attended by one man and one boy, doing the same work, and perhaps seven idle men gazing on a pile of old copper and old iron, in an outhouse, representing the eight machines previously in existence. This latter census, considered by itself, would have proved a decrease of wealth and a decrease of occupation, yet the change represents the most marked progress in the cotton manufacture of recent years. Again, forty years since the work of one operative for one hour in a cotton mill resulted in the production of three yards of coarse sheeting; to-day the work of one operative for one hour on the same premises will produce ten yards of the same fabric. How has this progress been made? Not by the accumulation of capital in the form of additional machinery, but by the abandonment of the old and the substitution of the new, at less cost and of less value. As before said, nothing old is very useful, nothing useful is very old, and the destructive character of inventions in rendering useless that which has been very costly and for which a high rate of charge could be made, is one of the most marked points in our progress.

This comparison of capital to product is not simply a curious and, as some may say, a fanciful exhibit. It touches some of the most urgent questions of the day. Wendell Phillips is one of the exponents of the discontent of large masses of people, and he but shadows their supposed grievance when he alleges that capitalists, in their greed to receive and spend a high rate of interest, have prevented an accumulation of wealth to the extent of fifty times the value actually saved, and he assumes that if this vaster sum had been accumulated all men would be better off. What he fails to perceive is that if we had it to-day we could not, with our present intelligence, use it, and that the want of to-day is not the want of means or capital, but want of knowledge how to use the means we have. We lack, not capital, but power to direct. Prosperity consists as much in the method of spending as in saving. It is the quick distribution of moderate quantities of things that promotes general welfare

far more than great accumulations. Each year's work gives each year's subsistence, and freedom of exchange is the most important factor in the good subsistence of communities or nations. All capital is the result of labor, all labor is force derived from food. The good subsistence of a family depends quite as much upon the mode of cooking the food as upon the quantity of material, and as a good cook will make a good dinner from that which a poor cook will waste, so will a skillful manager pay large wages in the conversion of a small amount of capital. The French among all nations excel in both directions. They make a little food serve for a good subsistence, and to common material add the skill that gives full wages.

Our danger now is that, in consequence of the present stagnation and the cessation of all enterprise looking toward a future need, this period of so-called over-production will be followed by one of more pernicious scarcity. The community is acting to-day as if no more houses, no more mills, no more railroads, no more mines or works of any kind were ever to be needed. The extreme of confidence has been followed by the extreme of distrust, and the waste of old capital must be to-day going on at a far more rapid rate than the accumulation of the new. The destruction of to-day is not that of invention and improvement such as constitutes progress, but rather destruction such as is caused by fire and flood. What is the present abundance of money, so called? We have no true money at all. What we call money is but a bad measure, an unfit symbol of the abundance of commodities in existence. Why is there want in the midst of plenty? Why is not this existing substance being consumed more evenly? Why do the few have so much that they know not how to use, while the many who want and are willing to work cannot obtain it? There can be but one reply to these questions. The Government has assumed the function of establishing a standard of value, and has substituted a lie for a true standard. It has assumed that it can control and give direction to the work of the people, and its interference has culminated in obstruction and disaster. Abundance never yet ruined a nation, and every cause of want in this country can be removed if we apply ourselves to the work.

Another valuable paper was that of Mr. Nourse, of Boston, on the relation of prices to the volume of currency. The author argues that in certain conditions of the monetary circulation, contraction of the currency to the extent needful for resumption might be made without producing any severe depression in business or any mischievous disturbance of prices.

FOREIGN CAPITAL AND NEW LOANS.

One of the anomalies of the financial situation at present is the paralysis of industrial enterprise all over the world. In illustration of this fact a table has just been published of the new loans of the first half of the present year. The aggregates are given as follows:

Countries.	Loans of States and Towns.	Financial and Credit Companies.	R. R. and Industrial Companies.	Totals for first half-year of 1876.
Asia.....	£ 274,800	£ —	£ —	£ 274,800
Belgium.....	160,000	—	428,800	528,800
Danub. Principalities..	640,000	—	391,190	1,031,190
France.....	541,320	1,217,980	4,495,010	6,254,310
Germany.....	6,225,230	960,000	2,481,750	9,666,980
Gt. Britain & Colonies.	5,490,240	—	4,507,000	9,997,240
Holland and Colonies..	458,344	106,000	121,200	685,544
Italy.....	1,269,800	—	240,000	1,509,800
Russia.....	—	80,000	—	80,000
Spain.....	—	—	400,000	400,000
Switzerland.....	690,720	88,000	1,539,960	2,318,680
Total.....	£15,690,454	£ 2,451,980	£ 14,604,910	£ 32,747,344

The *Moniteur des Intérêts Belges*, by which this table was originally compiled, remarks upon two very striking features in it. The first is, that America has raised no new loan in the European market as yet this year; the second is, that the falling off in the demand for new capital still continues. For the first four months of 1875, the total capital raised was £ 57,342,198, composed of 26 millions sterling for loans of States and towns; 8¼ millions for financial issues, and 23 millions for railway and industrial purposes.

In the first column, Germany stands first, closely followed by Great Britain and Colonies; and Italy is the only other considerable borrower. In the second column, France and Germany are the only countries worth consideration. In the third column, England raised 4½ millions sterling, France almost as much, Germany 2½ millions, and Switzerland 1½ millions. In the column of aggregates, while Great Britain stands for ten millions, Germany runs her close for over 9½ millions, France raised 6¼ millions, Switzerland over 2¼ millions, Italy 1½ millions, and the Danubian Principalities one million sterling.

THE BANKING CRISIS IN PORTUGAL.

An instructive demonstration of the duty of banks to hold sufficient reserve, and of the tendency, which of late years has prevailed, to disregard this duty, is offered by the recent panic in Portugal. The first announcement of this trouble was made in London, 19th August, when the telegraph announced that a general run on the banks had begun on the previous day, and that the banks had suspended payments. The explanation was given that the trouble arose from the failure of some financing banks in Oporto, last May, when several of the weak institutions were assisted by the Bank of Portugal. This is comparatively a strong bank, with a capital of \$8,890,000, and occupies in Portugal a similar position to that of the Bank of England in the financial system of Great Britain. The assistance it gave, was by the discount of bills which fell due in August, and could not be renewed because the banks had allowed their cash reserves to fall too low. It thus became apparent that the banks of Lisbon, by aiding the suspended banks of Oporto, had so weakened themselves that suspension was inevitable. Under these circumstances, two expedients were adopted by the Portuguese Government. The first was to issue a decree suspending for sixty days the payment of debts. This decree is dated August 18, 1876, and is signed by the King and five Ministers of his cabinet. It states that "taking into consideration the extraordinary circumstances in which all the monetary markets of the country are found at this moment, considering how important it is in the interest of credit to give time to the banking and commercial establishments, to enable them to continue regularly their operations, I am pleased to decree the following:

Art 1. The expiry and payment of bills, promissory notes, deposits, commercial securities, and titles as between private individuals, banks, companies and societies, is suspended and prorogued for sixty days from this date, and during the same period, protests, and judicial acts, in connection with such titles, shall be suspended.

Art 2. The Government shall inform the Cortes of the dispositions contained in this decree. The Ministers and Secretaries of State of the various departments will have it thus understood, and cause the same to be executed."

The second expedient was to use the credit of the Government in London, and to obtain from several financial houses there advances of about \$5,000,000. An export of gold to Lisbon was thus begun, and for the present the financial ex-

citement seems almost to have ceased. In May last, a similar operation to import gold, on a smaller scale, was made; but from the adverse condition of the foreign exchanges, the gold was soon exported again and sent out of the country. It remains to be seen whether the present expedient will be more permanently successful. At the present rate of exchange, the Portuguese Government, or the banks, lose about two per cent. by the import of gold, besides the commission payable to the London bankers who negotiated the loan.

Among the financial authorities of Europe, this Portuguese panic does not seem to have been at all expected, and its future course is regarded as doubtful. What is certain, is, that this panic was brought on by very similar causes to those which have produced so many panics elsewhere—over-expansion and inadequate reserves. The *London Times* says: "The monetary crisis in Portugal brings out one point which is worthy the attention of those who lay much of the blame of monetary panics in this market to the check system. The Paris money market is held, by several French writers on the subject, to have escaped the disturbances experienced by us, owing to the disinclination of the French people to introduce the check system. The system of paying all demands at the offices of merchants and traders, in the chief cities of Portugal, in cash instead of by check, prevails to this day, as, in fact, it does generally abroad. There is nothing like the test of experience, and here we see a system long ago obsolete with us, which is held up on the Continent as the great safeguard against such panics, wholly inefficacious to arrest the alarm. In fact, we doubt very much if it could have been possible to cause the stoppage of so many banks in so short a space of time, if the money held by individuals at their offices had been in the banks instead. Not only would no one part with a single penny of what he already had in his possession, but everything was drawn out almost to the last farthing. It is true we can hardly expect the same counsels to prevail under such circumstances in a Portuguese financial community as among nations more advanced in this respect, and no doubt the crisis at Oporto and Lisbon was greatly due to ignorance as to the real position of the banks that were brought down. One of the great advantages of the check system is that our merchants, as regards their balances with the banks, may be said to be 'all in the same boat.' In other words, those upon whom the credit of the London money market chiefly rests, know well enough that if they rush in a panic to draw out their balances from the large banks, they will pull down the whole fabric, and inevitably involve themselves in the ruin which would ensue."

The *London Economist* of 26th August, says that the amount of gold sent to Portugal was more than one million sterling. The following extracts from letters and newspapers from Lis-

bon explain the cause of suspension. "Until lately but few banks existed in the country, the Bank of Portugal, with its branch at Oporto, and a paid-up capital of about £ 1,800,000, being the only one of any importance. And it is necessary to understand that it was, until very lately, the custom with merchants and men in business to make all payments in cash at their counting-houses, instead of by check upon the banks, a custom which still exists with very many. Several new banks, however, were established about two years ago, and when the late crisis commenced at Oporto some of these banks, having imprudently locked up their capital, were unable to meet the demand for repayment of deposits, and succumbed in consequence. The crisis having last week extended to Lisbon, the public began to withdraw the moneys they had put upon deposit, and others who had kept current accounts reduced their balances so as to leave the smallest possible sum at their credit, and as the smaller banks paid their customers mostly in notes of the Bank of Portugal—the only bank of issue at Lisbon—they, in their alarm, rushed to have their notes exchanged for gold. The Directors of the Bank of Portugal, not anticipating any run upon their bank, for two days met every demand, but upon the third day, at 2 p. m., they were obliged to close their doors pending the arrival of gold they had ordered from England. There was no want of gold in the place, but it had been withdrawn and hoarded. Hence the evil which occurred."

"The Directors of the Bank of Portugal published the following explanation: 'The assistance which the Bank of Portugal has given to the City of Oporto in the shape of very heavy advances of gold, as well as that just given to Lisbon, the constant drain upon its resources in exchanging its notes, and in other ways, the Directors having also continued to afford every facility in the way of discounts, notwithstanding the increased demand for accommodation; and, finally the assistance which has been given in the public interest up to the last moment, has obliged the directors to defer the exchange of their notes for gold.' The leading merchants and bankers of Lisbon at once called a meeting of the principal firms, and all present, bankers and merchants, signed a document by which they engaged to accept the notes of the Bank of Portugal in payment, as they had done previous to its suspension; so confident were they of the soundness of the bank, and that the suspension was but momentary. All banks in Portugal are obliged by law to publish a monthly balance-sheet, and it may be useful to state that on the 31st of July last the capital of the several Lisbon banks amounted to £ 5,700,000; the bills discounted were £ 2,500,000; loans against securities, £ 1,080,000; note circulation and deposit, £ 1,570,000; cash in hand, £ 1,020,000. It was subsequent to the publication of this statement that

the crisis set in; however, as is already known, the Bank of Portugal has resumed operations, having received gold from this side, and with the restoration of confidence, few notes are now presented to be exchanged."

In consequence of the Government loan made in aid of the banks, the Portuguese bonds have suffered in London. Portugal, by its excellent management and administrative economy, had so raised its credit that whereas their three per cents used to sell in 1870 at 34, they have lately ranged at 55, a rise of over thirty per cent. to those who invested their capital at the lowest prices.

An official report of the British Government on the financial state of Portugal, under the date of April 27th, 1876, gives facts and figures which illustrate the condition of Portuguese finance, and will be of interest in various ways at the present moment. The financial condition of Portugal for the last ten years, is reported as follows :

REVENUE AND DEBT OF PORTUGAL, 1866-1876.

	1876-77.	1871-72.	1866-67.
Direct taxes	£ 1,379,271 .	£ 1,175,033 .	£ 1,089,865
Stamp and register duties.....	469,155 .	352,555 .	} 2,018,958
Indirect taxes.....	2,802,188 .	1,974,315 .	
National property and sundry receipts.	696,047 .	305,675 .	420,207
	<hr/>	<hr/>	<hr/>
Revenue	5,346,661 .	3,807,578 .	3,529,030
Deficit.....	163,539 .	1,107,491 .	1,165,891
	<hr/>	<hr/>	<hr/>
Expenditure	£ 5,510,200 .	£ 4,915,069 .	£ 4,694,921
The Consolidated Debt of Portugal in 1876 is.....			£ 77,872,892
The Floating Debt, on March 31, 1876, was			1,188,888
			<hr/>
The estimated interest on the Home Debt for 1876-77 was.....			£ 1,415,671
The estimated interest on the Foreign Debt for last year was			920,516
			<hr/>
Total.....			£ 2,336,187

The interest on the debt of Portugal bears a somewhat large proportion to the revenue of that country, the annual interest being \$11,680,935, and the revenue \$26,733,305, but all the interest has been regularly paid, and the deficit is reduced to the insignificant sum of \$817,695, whereas ten years ago it amounted to \$5,829,455. The population of Portugal at the last census, in 1868, was 3,995,152. It has two towns with a population above 50,000, Oporto with 89,321, and Lisbon, with 275,286. The public debt increased from \$104,870,000 in 1856, to \$116,275,000 in 1866, to \$364,165,000 in 1873, and to \$395,308,900 at present.

CAPITAL AND RAILROAD EXTENSION.

It has been generally held that the panic of 1873 was due in large part to the too rapid extension of railroad building, and the conclusion has been deduced that for some years to come the progress of railroads all over the world would be checked. This opinion does not appear to be shared by the French Government. On the 20th August, M. Christophie, Minister of Public Works, at Domfront, made a speech on the subject. After eulogizing the French people and describing the Republic as a government of peace, conciliation, order and justice, he said France now possesses 22,000 kilometers of railways in operation, but, considering the daily increasing demands of traffic, our country has been outstripped in a disquieting manner by neighboring States. It is sad to think that in the scale of countries intersected by railways, France holds only the sixth rank in Europe. To remedy this insufficiency in means of transport a bold course is necessary. As at the outset of railway construction, the State should resolutely enter on the formation of railways, which, as the network extends, become less productive. The companies, powerful as they may be, do not possess the resources requisite for acting with due rapidity. They have rendered immense services and carried out great and useful enterprises with prudence and wisdom, but they can only construct a certain number of kilometers annually, because to construct they must borrow, and to borrow the loan must be guaranteed by the ordinary resources of their Budgets. Side by side with them, therefore, in order to march rapidly to the goal, to remedy our inferiority to the foreigner, and to bring up the length of our railway system to the figure of our national roads, or nearly 38,000 kilometers, there must be the powerful, resolute, almost unlimited intervention of the State. The sacrifices to be made must be considerable, but the Budget Committee has felt this inevitable necessity, and, in accord with the Government, it has allotted to railway construction by the State resources which will meet the first exigencies. The improvement of our rivers and canals also forces itself upon all attentive minds. I have already submitted three bills designed to insure continuous navigation from Rouen, to Paris, Paris to Lyons, and Lyons to Marseilles. The results of these enterprises will be immense. Other schemes are being considered, and, if approved, as I doubt not they will be, by the Chambers, we shall before long see established that necessary co-operation between railways and navigation so long called for by public opinion,

and indispensable to the development of the national wealth. by the equitable reduction in the cost of freight. Other labors likewise demand the attention of the Government. It is impossible not to allot to the maintenance and creation of ports sums corresponding to the requirements of commerce. The depth of our ports becomes daily more insufficient, as the great vessels required for international traffic are generally adopted."

In France, the length of the railroad network on February 1, 1873, was 11,050 miles, to which have to be added 2,854 miles "in construction or to be constructed," and 773 miles of "eventual concessions and decreed lines," giving a total of 14,677. The lines of Austria, mentioned in the *Annuaire Officiel*, amount to 9,901 miles; those of South Austria and Upper Italy to 2,617 miles; the Luxemburg lines to 140 miles; the Spanish lines to 787 miles; those of Portugal to 315 miles; those of Italy to 4,202 miles; those of Switzerland to 525 miles. If to these we add the subjoined totals for Belgium and for Germany, and the 10,140 miles which Dr. Sturmer allots to Russia, which, of course, are partly extra-European, we find a total of 59,337 miles of continental network, without reckoning Sweden and some smaller items. Thus the length of railroads laid on the surface of our planet since the inauguration of the locomotive system already exceeds 160,000 miles.

The railroad network of Belgium at the end of 1871, extended, according to the *Annuaire Officiel*, over a total length of 3,155 kilometers, or about 1,956 miles. Of this length 883 miles were constructed by the State, and the remaining 1,073 by private companies. The total expended on the State lines to the end of 1871, was the sum of 292,837,297 f., which gives a cost per English mile of \$66,405. The average cost per mile of the railways of England and Wales is not tabulated in the Board of Trade returns. But the average cost per mile of the railways of the United Kingdom to the end of 1874, was \$185,390, or very nearly three times the cost of a mile of State railway in Belgium. The cost of the lines constructed by private companies in that kingdom, is not given in the *Annuaire Officiel*. But if we take the State lines as a guide, we find that the outlay on the Belgian railways amounts to \$1,145 per square mile of area of country, against \$3,635 per square mile of area in England. If we had official materials for correcting this estimate by substituting the average cost of the English lines for that of the lines of the United Kingdom, we should find the comparison still more in favor of the railway industry of this country. As to the railroads of Germany, the average cost of their construction is stated by Dr. G. Sturmer (in a German paper which has been abstracted in the 39th volume of the Excerpt Minutes of Proceedings of the Institution of Civil Engineers,)

at \$91,165 per mile. The total number of miles open in the Empire of Germany at the end of 1872, is stated by the same authority at \$70,385. We have reason for receiving Dr. Sturmer's figures with extreme reserve; but, taking them as they stand, and comparing them with the area of 208,620 square miles of the German Empire, they give a proportion of one mile of line to every 14.8 miles of area.

The French Government publishes at intervals of a few years, a collection of statistics relating to the railroad systems of all the countries of Europe, prepared for the Department of Public Works of the nation, by the Statistical Bureau of the General Directory of Bridges and Highways and Railroads, and entitled (*Chemins de Fer de l'Europe—Resultats generaux de l'exploitation.*) The last of these publications, issued in the early part of this year, contains the figures for the years 1866 and 1867, the administration having found it impossible to make a complete collection earlier. We learn from this work that in 1867, in three little countries—Baden, Oldenburg, Brunswick and Reuss—all the railroads were worked by their Governments; in fourteen—Prussia, Bavaria, Wurtemberg, Kingdom of Saxony, Mecklenburg, Hesse Darmstadt, the Duchy of Saxony, the Free Cities, Austria, Belgium, Russia, Sweden, Norway and Switzerland, the State worked a part of the railroad system; and in ten—Anhalt, Austro-Hungary, Denmark, Spain, France, Great Britain and Ireland, Italy and the States of the Church, the Netherlands and Grand Duchy of Luxemburg, Portugal and Turkey in Europe—the whole railroad system was worked by corporations.

At the close of the two years the lengths in miles worked by the State and by companies respectively were:

	1866.		1867.
Roads worked by the State.....	7,558	...	8,111
Roads worked by companies	42,755	...	44,827
Total.....	50,313	...	52,938

By comparison of the averages with those of the American railways we find that the gross and net earnings of the European railroads, as reported by the French Government, earn less of gross receipts, but pay less for operating expenses, so that their net earnings are greater. This is seen in the following table:

	Gross Receipts, per mile.	Proportion of Earnings to Exp., per mile.	Net Earnings, per mile.
Europe, 1867.....	\$ 11,942	. 49.25	\$ 6,060
Massachusetts, 1872-73.....	15,950	. 73.29	4,261
New York, 1871-72.....	15,717	. 69.03	4,868
Pennsylvania, 1872.....	17,680	. 64.00	6,361
Illinois, 1871-72.....	8,108	. 65.61	2,789
Minnesota, 1872-73.....	3,434	. 79.80	690
United States, about 1871-72	8,256	. 65.00	2,890

One of the circumstances which have made American railroads so profitable as they are is their low capital cost. We cannot compare this with that of the railroads of all European countries, but it is nearly four times as great in England, three times as great in France, and nearly twice as great in Germany as here, and the average income per dollar invested is probably quite as great here as in Europe. Of course it does not follow that the income is as satisfactory here as there. These points are well worthy of consideration in forecasting the future of railroad construction in this country and abroad.

CO-OPERATION AND MATERIAL PROGRESS.

Many economists have supposed that the co-operation system from which so much was expected, has proved a failure. In England and here, this system has certainly fallen far short, in its practical results, of the hopes of its philanthropic founders. In Germany and Austria, better results are reported. In August, the annual meeting of the co-operative society was held at Vienna. The manager of their general affairs, Mr. Schulze-Delitzsch, presided. From his report, it appears that the whole body of the co-operative societies are at present subject to the same law, which has been introduced into Bavaria and Saxony, and which imposes unlimited liability on all. In Austria, the law has followed a more liberal tendency since 1872, as it leaves societies free choice to be registered as either limited or unlimited. Experience shows that this greater freedom is decidedly the preferable measure, as during the crisis, the Austrian co-operative societies have kept their place quite as well, if not better, than those of Germany. There is no reason why the poorer classes should be subject to harder conditions than the wealthy. The Austrian co-operative societies have organized themselves in a manner similar to the German, and have named a general manager, common to all, Herr Hermann Ziller. These societies were introduced into Austria full ten years later than into Germany, still they have already reached the number of 1,017. As to the German, inclusive of the Austrian co-operative societies, Schulze-Delitzsch's report shows that with all the depression of business during last year, they have continued to spread. The manager has been able to demonstrate that loan societies (*vorschuss-vereine*) alone have increased from 2,639 in 1874, to 2,763 in 1875. Besides, in 1875 there were 715 co-operative societies belonging to single trades, for manufacturing purposes, and for the purchase of raw materials (against 600 in 1874); 1,034 societies for the purchase of cheap victuals, (against 1,069 in 1874); sixty-two building societies (against

fifty-five in 1874). It is remarkable that the co-operative societies met the dangers of the crisis of 1857 and 1873, much more successfully than bank or other joint-stock companies. The manager has not yet received the returns of the whole of these 4,000 co-operative societies; we can, therefore, not enumerate the transactions of all. The number of their members is 1,360,000; the total amount of their business transactions reached \$650,000,000, and their stock in shares amounts to \$40,000,000 to \$42,500,000; their deposits and loans amount to \$88,750,000 to \$90,000,000. It is a surprising fact that of 1,360,000 members, but 37,248 are workmen, all the rest consists of independent tradespeople, farmers, employees, &c., &c. The workpeople are exclusively members of societies for the purchase of victuals. It must be noted that in larger towns, societies for the purchase of raw materials are beginning to amalgamate with societies for manufacturing purposes.

The exact and detailed returns of loan societies, which were addressed to the manager, amounted but to 815. These 815 societies count 418,251 members. The loans and renewals granted, amounted to \$373,912 for 1875. Their capital in shares to \$22,992,497. Debts contracted amounted to \$52,475,471; saving deposits to \$30,065,754. The 179 societies for victuals, count 98,055 members, who deposited a stock of \$728,066, and reserved funds amounting to \$125,852. Their debts amounted to \$607,396. A detailed analysis of the co-operative societies and their members, is of great use for a just appreciation of the economical use of these institutions. Of all the loan societies but 731 sent schedules containing exact information. The total of their members amounts to 342,723 for 1875. Amongst these number 72,001 male, and 2,804 female independent farmers, gardeners, forsters, and fishers; 8,659 male and 582 female helps to farmers, gardeners, foresters, and fishers; 13,020 male and 279 female manufacturers, proprietors of mines, and builders; 111,418 male and 3,828 female independent workpeople; 16,871 male and 565 female factory workpeople, miners, journeymen; 23,398 male and 2,113 female independent merchants and tradespeople; 2,408 male and 116 female shoppeople and other commercial helps; 16,907 male and 819 female owners of vehicles and ships, hotels and public-houses; 6,968 male and sixty-three female postmen, imperial railway, telegraph, and post officials, railway workmen, dependent boatmen, waiters, &c.; 2,592 male and 948 female servants and commissioners; 23,963 male and 969 female doctors, apothecaries, schoolmasters, artists, authors, employees of the Church, the State, the commune; 9,724 male and 12,708 female pensioners, capitalists, and other persons without a calling.

The co-operative societies for the purchase of raw material

existing in Germany and Austria, are the following: eighty-five for shoemakers, twenty-nine for tailors, thirteen for blacksmiths and locksmiths, ten for carpenters and coach-makers, six for weavers, five for pencilmakers, four for bookbinders, three for saddlers and upholsterers, two for builders (both in Hamburg), two for basket-makers, two for tanners, two for glaziers, one for photographers (in Berlin), one for earthenware, one for bakers (in Bremen), one for millers, one for glove-makers, fifty-six for agricultural raw materials and victual, seventy-two for the purchase of agricultural machines, tools, &c., thirty-nine for the purchase and rearing of cattle. Co-operative societies for the purchase of raw materials and co-operative sales:—twenty-four for carpenters, pianoforte, and chair-makers, fourteen for tailors, eight for tradehalls, two for boot-makers, two for upholsterers, one for weavers and cloth-makers, one for turners, one for sieve-makers, one for coals, and one for arms and guns. Manufacturing co-operative societies:—thirty-six for carpenters, instrument-makers, and similar trades, twenty-three for spinners and weavers, twenty-one for tailors, seventeen for book and stone printers, ten for cigar-makers, ten societies for industrial, commercial, and mining purposes, nine for the production of flour and bread, eight for shoemakers, eight for building trades, seven for the production of spirits and brandy, six for bookbinders and leather-workers, five for machine builders, five for the production of earthenware, four for the production of sugar, three for gilders, three for brewers, two for sewing machines, two for watch-makers, two for glaziers, painters, and varnishers, two for the production of starch, two for personal services, one for brush and comb-makers, one for jewelers, one for upholsterers, one for granite and marble works, one for mechanics, one for sculptors, one for butchers, and one for the production of arms. The managers have, besides, received notice of the following societies:—eighty cheese making societies, nine wine-producing societies, three for the growth of hops, two for the breeding of cattle, one for the production of sewage, fifteen assurance societies, and sixteen societies of different kinds. The organization of these societies is very simple. But, one great difficulty in the path of their success seems to be the want of a reserve fund to enable them to tide over a period of loss and depressed trade. Another difficulty still more insuperable, is that of obtaining good management. The men are few who are capable of conducting such establishments, and such men usually contrive to go into business on their own account.

THE REPORT OF THE BANK OF FRANCE.

Although France has suffered less from the depression of trade than any other European country, there are some indications that a change is taking place. The journal *Des Economistes* points out the indications of diminished activity in business, in an article on the Bank of France, which appears in the number for June. The dividend of the bank amounted to 200 francs a share, against 285 francs for the previous year. This falling off was the more noteworthy, inasmuch as the profits of the year's business were not sufficient for it, and the surplus of the bank had to be drawn upon for a portion of it. Two causes are assigned for the diminution of the profits of the bank. First, the depression which causes less demand for accommodation, and secondly, the partial paralysis of credit, which causes capital to accumulate and to shrink in distrust from many investments which formerly were in high favor. The subjoined facts as to the history of the Bank of France, are peculiarly interesting in connection with the statements heretofore given on the subject:

La Banque Generale was organized at Paris, by John Law, in 1716. It was a private bank with a capital of six million livres, divided into 1,200 shares, one-fourth payable in specie and three-fourths in Government notes. The bank had the power to issue notes payable at sight to bearer, to discount commercial paper, and to receive money on deposit. It soon became entangled with the notorious Mississippi company. Its directors were intoxicated with the absurd idea that the National debt of France, \$70,000,000 francs in amount, might be paid out of an empty treasury; and it was established at a time when the King claimed the legal power of giving an artificial value not only to the coinage of France, but to shares in any scheme, however wild, in which he might be interested. Hence, Law's bank proved unable to resist the temptation to expand its operations too far, and after a brief and ruinous career, during which it strained its credit to an extent previously unknown, it fell into utter ruin, spread insolvency and terror throughout the nation, and gave a shock sufficient to discourage the formation of any bank in France for many years. About fifty years after this disaster, a bank of discount was established in Paris, in 1876. By an order of the council of State this new bank was authorized to discount bills, to deal in gold and silver bullion, and to receive money on deposit. After contending with grave difficulties, this bank succumbed when the issue of assignats by the revolutionary government rendered banking

operations impossible. When order was restored, a bank of discount was established in Paris, entitled the "*Caisse des Comptes Courants*," but its credit was never very good, and it was ruined as soon as one of its directors absconded with a large sum of money belonging to the bank. The growth of productive industry in France required banking facilities, and Napoleon, sustained by his finance Minister, M. Mollien, urged on the principal bankers and capitalists of France, at the head of whom was M. Perregaux, a financier of sound views and large experience, to establish a new banking institution for the discount of commercial paper, and the issue of notes payable to bearer. The government promised to assist the formation of such a bank. First, it permitted one-half of the sum paid in as a guarantee to the Receiver General of taxes, to be invested in shares of the bank, and secondly, it engaged that all the funds received by the State, should be paid to the bank in open account. The proposal having been accepted, a decree of the 2d Nivose An. VIII gave to this society the name of the Bank of France, and shortly after, a general meeting was held, when the bank was established with a capital of 30,000,000 francs, or six million dollars, and operations were commenced in the spring of the year 1800. Although this bank was a private institution with no monopoly of note issues, it was started under the best possible auspices. Its credit was excellent, Napoleon was earnestly disposed to strengthen it; and so its management was such as to secure general confidence, but soon after, the rupture of the peace of Amiens began to try its power of stemming the tide of war finance. Mollien was anxious for the safety of the bank, and seeing that the circulation of paper money by the other banks might prove a source of difficulty, and that these banks, the *Caisse d'Escompte du Commerce* and the *Caisse des Comptes Courants*, were too weak to stand, he forthwith proposed to amalgamate them with the Bank of France, and to suspend their separate issues. Napoleon consented, and by the law of 24 Germinal An. XI, (April, 1803), gave to the Bank of France a regular constitution; the first clause of which provided that the company formed in Paris under the name of the Bank of France, should alone enjoy the right of issuing notes payable to bearer. The capital of the bank was then increased to forty-five million francs, or \$ 9,000,000. Its management was placed in the hands of fifteen regents and three censors, chosen by the shareholders, seven of whom with the three censors were to be merchants and manufacturers. So long however, as the war continued, and the wants of the State increased at a rapid rate, checking commerce and navigation so as to threaten their complete ruin, it was impossible for the bank to prosper, and its position was greatly weakened. Whilst the armies of France met with but various success, a rumor spread that Napoleon had

carried all the capital of the bank away with him to Germany. This rumor might have proved fatal had not the victory of Austerlitz soon swept away all discredit and restored public confidence to the bank. On his return to Paris Napoleon gave to the bank a stronger organization and connected it more intimately with the State, though not so as to destroy its independent character. By the law of 1806, the privileges of the bank were renewed for twenty-five years longer, and the capital was increased to 90,000,000 francs, or \$18,000,000, exclusive of the surplus. The management which had previously been in the hands of a committee chosen by the general council, was vested in a Governor and two Sub-Governors, nominated by the Emperor. The functions of the bank were declared to be the discounting of commercial paper not having more than three months to run, and the receiving of money on open account and on simple deposit. When the empire fell, the bank was obliged to restrict its payments of cash to 500,000 francs in a day. This restriction continued from the 18th January to the 14th April, 1814. The bank at length was left without any Governor, and its management had to be entrusted to M. Lafitte, one of the censors. After the restoration of peace, industry revived and the large towns of France felt the want of banking facilities. As the Bank of France had reduced its capital, and contracted its business and restricted its operations chiefly to Paris, the Government took advantage of the authority reserved to the State by the law of 1803, to establish special banks in the departments with the privilege of issuing notes. Nine such banks were opened at Rouen, Nantes, Bordeaux, Lyons, Marseilles, Lille, Havre, Toulouse, and Orleans. They gave such an impulse to business and succeeded so well that the Bank of France was induced to open branches at Rheims, St. Etienne, St. Quentin, Montpellier, Grenoble, and Angouleme. Between 1835 and 1840 six local banks and six branches of the Bank of France were thus organized, in the most active centres of the French industry.

From 1840 to 1845 the Bank of France advanced in credit and prosperity; opening branches at Besancon, Caen, Chateauroux, Clermont-Ferrand, Mulhouse, Strasbourg, Lemans, Nines, and Valenciennes. But the revolution of 1848 again caused a disturbance in banking and finance, and the strength of the bank was severely tried. From the 26th February to the 15th March the bank discounted \$25,000,000 of paper in Paris alone, and \$8,600,000 in the Departments. Next it was compelled to repay to the Government \$15,400,000 out of \$25,000,000 deposited at the bank in open account exclusive of \$2,200,000 put at the disposal of the Government for the public service. On the evening of the 14th March it was reduced to \$14,000,000, and on the 15th a decided panic set in; the bank being crowded with people demanding coin

for their notes. So that in one day more than \$2,000,000 had to be paid in specie. This strain on the bank was too severe to last. On the next day the provisional government authorized the suspension of specie payments, limiting the amount for which notes might be issued to \$70,000,000, and ordering the periodical publication of the accounts of the bank; a similar measure being also passed for the nine departmental banks, whose aggregate issues were limited to \$20,400,000. By declaring both the notes of the Bank of France and of the departmental banks legal tender, different kinds of paper money were practically in circulation, with the inconvenience that the notes of each bank were a legal tender only within the departments where they were in circulation. The evil of such a system was so conspicuous that, to put an end to it, on the 27th April, 1848, a decree was issued uniting all the departmental banks with the Bank of France, and granting to their shareholders so many shares of that bank in exchange for those of the banks thus canceled. The capital of the Bank of France was then increased to 91,000,000 francs or \$18,200,000, and the issue of notes by the Bank of France and its branches was raised to the aggregate of \$90,000,000. The suspension of specie payments was followed at first by a slight depreciation of the bank notes, but, the issue being kept within the closest limits, the notes soon regained what they had lost, and the bank was able to sustain its credit, to offer the usual facilities to commerce, and to render important service to the Government. In March, 1848, the bank lent \$10,000,000 on Treasury notes, and a law, passed in 1848, authorized the State to borrow \$30,000,000 from the bank. But in proportion as the notes of the Bank of France were freely circulated in the channels of business so the coin disappeared from popular use and specie found its way to the bank. On the 22d November, 1849, the bank had \$82,600,000 in coin, and its note issues amounted to \$88,400,000. The institution had practically become a bank of discount and deposit, rather than a bank of issue. The public preferred notes to cash, but the bank was anxious to dispose of as much as possible of the precious metals which were lying idle in its coffers. As soon as general business improved the bank hastened to resume. At its own request the law of the 6th August, 1850, was passed, which abrogated all the decrees of 1848 relative to the suspension of cash payments, as well as the imposition of any limits to the issue of notes, and placed the bank in precisely the same condition as previous to suspension.

Since that time the bank has had a steady course of progress. During the whole reign of Napoleon III its operations increased rapidly with the enormous growth of internal and external trade. The amount of its discounts in 1815 was \$40,000,000, in 1835 \$90,000,000, in 1855 \$750,000,000, in 1865

\$1,200,000,000, 1873 \$2,921,915,440, and in 1874 \$2,443,925,440. The issues of the bank in 1815 were \$5,000,000, in 1835 \$45,000,000, in 1855 \$130,000,000, and in 1865 \$165,000,000. They are at present \$500,240,000 against \$415,210,000 of coin reserve, and though times of peril have come upon the Bank of France, as upon the Bank of England, it has been observed that, while England suffered immensely in the crises of 1847, 1857, and 1866, in each of which the London joint-stock banks were so weak in their reserves that the act of 1844 had to be suspended, the Bank of France maintained itself without help, and had its coffers amply supplied with coin reserves. On the 9th of June, 1867, the privileges of the bank were renewed for thirty years, till the 31st December, 1897, and its capital was increased to 182,500,000 francs or \$36,500,000, exclusive of the reserve. Since 1848 France has had but one bank of issue. No limitation has been made by law to the aggregate of bank notes, except during the suspension of specie payments, when the bank has usually kept its reserves much below the legal maximum. The law of 1857 authorized the establishment of eighty-nine branches, so that one at least might be in operation in each Department. Seven of these branches are still to be organized.

ELEMENTARY PRINCIPLES APPLICABLE TO THE USE OF GOLD AND SILVER AS MONEY.

BY ALBERT W. PAINE.

Coining money consists substantially in dividing a valuable metal into pieces of a determined weight and fineness, and of a convenient form to pass in exchange for other things of value.

As money is used as a measure of value, it is important to have a clear idea of what is meant by the word *value*. The word is in common use and has a popular signification denoting the amount of money which anything will bring. Writers upon political economy use the term to denote the exchange value of anything or its power of purchasing, that is, the command which its possession gives over purchasable things in general. To denote money value or the amount of money anything will bring they use the term *price*. The distinction between the two is a matter of common observation. In times when there is great complaint of the scarcity of money, if any one wishes to exchange commodities for money he must take less than the usual price, but at the same time, if he exchanges one commodity for another he obtains just as much as usual. The money value or the price of articles has fallen, the real or the exchangeable value remains the same.

We may trace out the general signification of the term value, as applied to commodities, by noting the objects it is applied to. It is only applied to things which require some effort to prepare them for use, as the products of human labor. Such natural objects as air, water, and light are not called valuable. To be valuable a thing must also be adapted to some use, capable of satisfying some want or desire. If a thing is not wanted, however much labor it may have cost, it is not valuable. No one will exchange a thing which is wanted for one which is not wanted. Valuable things then are the products of human labor which are capable of serving human wants. It is evident that things represent different degrees of labor, and have the capacity of serving human wants in different degrees, and therefore, value must be of different degrees.

We may get a clearer idea of what is meant by exchange value, if we suppose all things which are produced by human labor to be arranged in a scale consecutively, according to their use in serving human wants, from the least to the greatest. The position of each article in that scale would seem to represent what is signified by the term exchange value, that is, its relative importance in serving human wants. Now, the position of any article in the scale would depend upon the intensity of human wants or the desire to obtain it, and the desire to obtain it would depend in some measure on the amount of labor required for its production. The desire for an article may be sufficiently strong to induce any one to part with a large portion of his means to obtain it, or the desire may be limited to a very small outlay. The real value of an article then depends upon these two variable quantities—human wants and cost of production. By human wants is meant the desire for a thing which may be gratified. Human wants may be said to be infinite, but human wants that may be gratified, are limited, often very much so, depending upon the means at command to compensate for the labor of production. Each and every person has a certain amount of labor or other means at his command to exchange for what he desires. He is obliged to limit the gratification of his desires to his means. If he obtains more of one article he must be satisfied with less of another. And what is true of each one of the human family must be true of all, so that the entire human demand for satisfying human desires is a certain quantity, which is subject only to light and very gradual changes. If any article in the scale of values can be furnished with less labor than formerly, it falls in the scale, and every one who desires it, obtains it at less cost, that is, he may obtain it by exchanging a less quantity of some other article for it. It is plain that exchange values cannot be increased for all articles. If the value of any article is increased, it goes up in the scale

of values, but the articles which it is thus made to surpass in value are correspondingly crowded down. The position is illustrated by a class of schoolboys, whose position in the class is supposed to indicate their merits. If the boy at the foot goes up to the head the relative merits of the whole class is not changed, but only differently distributed. If he goes above several, that number is reduced in rank to make a place for him.

EXPRESSION OF VALUE.

Exchangeable value being a relative term indicating the proportion which one article bears to another in making exchanges, it was found convenient to have some means of expressing the exact position which any article occupied in the scale of values. This was done by taking some one article in the scale and comparing all others with it. Any article might be said to be high or low in the scale of values, but precisely what degree it occupied in the scale could not be expressed without some measure or standard. A variety of articles have been used for this purpose in the early ages, but gold and silver have herein superseded the use of all other things in modern times. A bushel of wheat might be used for this purpose. We should then say that any article was worth a bushel of wheat, or more or less than a bushel of wheat. This would convey a distinct idea of the value of anything.

For many reasons gold and silver have been found more desirable for this purpose, and a certain quantity of gold and a corresponding value of silver have been taken, called for convenience a dollar, with which the value of all other articles is compared. We say of any article which is just as desirable as 25.8 grains standard gold (9-10 fine) that it is worth a dollar. If it is more or less desirable it is worth more or less than a dollar.

We may see a certain analogy between the terms value and distance. We say of two points separated in space, as Washington and New York, there is distance between them. This distance is an appreciable quantity, but in order to express the precise quantity, we must have some standard or measure of distance to compare it with. We have such a standard in inches, rods and miles. We have a similar standard of values in dollars.

There is a remarkable difference between the standards of value and distance. We may choose a standard of distance which is practically an invariable quantity, but no invariable standard of value can be found; the value of every article depending upon variable quantities, the cost of production, and the human desire for the article. In this respect gold and silver are like all other articles, and are therefore moving up and down in the scale of values. The changes have,

however, been so gradual as not to interfere seriously with their use as measures of value, although it is supposed that a pound of gold in the time of Christopher Columbus had nearly double its present value.

WHAT IS MEANT BY A SINGLE AND WHAT BY A DOUBLE STANDARD.

If we take a piece of gold weighing a certain number of grains, and give it the name of a dollar, we say of any article, in designating its value, that it has the value of so many dollars, meaning a certain number of pieces of gold each of the weight of a dollar. Whenever money value is mentioned, it is always with reference to that standard. This is a single standard.

If we take a piece of gold weighing a certain number of grains, and a piece of silver weighing a certain number of grains, and give them equal legal power in exchange, by making them equally a legal tender in exchange for other articles, and call each a dollar, we then mean, when we say that any article has the value of one dollar, that it is equal in value to and may be exchanged for the piece of gold called a dollar or the piece of silver called a dollar, at the option of the party paying. This is called a double standard.

Now it is evident that if the quantity of metal in the two pieces is proportioned exactly to the market price of the two metals, there would be no inducement for the purchaser to prefer one coin over the other, and he would pay in either; but suppose the number of grains of silver in the silver dollar are worth more in the market than the number of grains of gold in the gold dollar, then the purchaser would find it for his interest to pay with the gold dollar. In such case the law would recognize a double standard, but practically there would be but one standard, for all payments would be made in the cheap dollars, that is, the gold dollars, and the silver dollars would command a premium.

Again, if the number of grains of silver in the silver dollar were worth less in the market than the number of grains of gold in the gold dollar, then payments would be made in silver dollars, and the gold dollars would command a premium. In this case the practical standard would be the silver dollar.

We see then that both metals would only be used as a practical standard simultaneously so long as the proportionate values of the two coins corresponded with the market values of the two metals. Very slight variations in price make it profitable to withdraw one or the other kind of coins from circulation, and it has been found impracticable to make an adjustment of the coins to the real values of the two metals which would continue for any considerable period.

Two standards or measures of value which cannot be kept absolutely identical are precisely the same as two yard-sticks which are subject to unequal contraction and expansion. When they happen to correspond in length they increase the facilities for measuring by furnishing two measures instead of one; but when they are of unequal length, then every one who sells, having the option by law, chooses the short one. So of the two metals stamped with unequal values by the government, every one who pays money, having the option by law, chooses the least valuable. This variation in the proportions of the values of the two metals may arise from a change in the cost of production of one or the other, or it may arise from a change in human wants. Some substitute may be found to take the place of one or the other in the mechanic arts, or the habits of people may change, so that they do not need or desire the same articles as formerly.

The difficulty of adjustment of the coins in two metals is shown by the history of coinage in all countries. England offers us a good example. By reference to Professor Jevon's late work on *Money, &c.*, we find that silver was the only metal coined in England from the time of Egbert to that of Edward III, with the doubtful exception of a very few small pieces of gold. Silver was the sole legal tender and measure of value, and few coins except silver pennies were issued. But in time gold was found to be more convenient for the payment of large sums, and gold byzants, from Byzantium, were used in England, and the gold coins of Florence, thence called florins, were much esteemed in England, as well as in other parts of Europe. In the time of the Plantagenets of England, the demand for gold coins induced the government to coin gold, and the rates at which gold coins should be exchanged for silver coins was fixed by law. After a time, however, the proportionate values of the two metals changed, the one becoming cheaper or the other dearer, and it was found necessary to adjust the relative values of the two kinds of coins to the relative changed values of the two metals. This was done from 1257 to 1664 by royal proclamation. From 1664 to 1717 no proclamations were made upon the subject, and the value of the guinea was allowed to vary in terms of the shilling. At one time it rose to nearly 30s., owing partially to the decreased value of silver, but chiefly to the clipped and worn state of the silver money. Thus during all this period silver was made the standard.

In 1717 Sir Isaac Newton, Master of the Mint, made a report on the best measures to be adopted to adjust the currency. He recommended that the government should revert to the practice of fixing the price of the guinea, and suggested 21s. as the best rate. At this rate gold was overvalued by rather more than one and a half per cent.; to that extent it was more valuable as currency than as metal. Sil-

ver was therefore undervalued in coin, and was more valuable as bullion. It was therefore melted down, and gold became the money in use, and therefore practically the standard, and it has continued so ever since, although it was not till 1816 that the law was passed which made gold the sole legal standard. That was done by making gold coins a legal tender for all sums, and restricting the legal tender of silver coins to sums of 40s.

UNITED STATES COINAGE.

The history of coinage in the United States shows a course of proceedings analogous to that of Great Britain. The first coinage act was passed in 1792. The eagle was to consist of $247\frac{1}{2}$ grains of pure gold, or 270 grains standard gold (11-12 fine)—the alloy to be of silver and copper, not more than one-half silver; smaller coins in the same proportion.

The silver dollar was to be of the value of the Spanish milled dollar, as then current, to consist of $371\frac{1}{4}$ grains pure silver, or 416 grains standard silver ($89\frac{1}{4}$ one-hundredths fine nearly)—the alloy to be wholly of copper. Both coins were a legal tender for all amounts, and the coinage was not limited—that is, bullion of either metal could be exchanged for coin.

The proportional value of gold to silver, as represented in the coinage, was 15 to 1—that is, one pound in weight of gold was considered equivalent to fifteen pounds of silver.

In 1834 the weight of gold coins was reduced. The eagle was made to consist of 232 grains of pure gold, or 258 grains standard gold, instead of $247\frac{1}{4}$ and 270, and smaller coins were reduced in the same proportion, thus giving gold a greater value with respect to silver. It now took very nearly sixteen pounds of silver (15.988) to be equal to one pound of gold.

In 1837 a change was made in the proportion of alloy for gold and silver coins. They were to be 9-10 fine. The silver dollar was fixed at 412.5 grains standard silver, and other coins in the same proportion. The gold coins were unchanged in weight of standard metal; but the eagle, being 9-10 fine, contained 232.2 grains pure gold. The proportion in value between the two kinds of coins was not changed by this law, the silver dollar, 416 grains old standard ($89\frac{1}{4}$ one-hundredths fine) and 412.5 grains new standard (9-10 fine), being equivalent.

The next change in the coinage laws was made in 1853, when a new coinage of silver for pieces less than one dollar was authorized as follows: a half dollar to consist of 192 grains of standard silver, and smaller coins in proportion, but to be a legal tender for only five dollars; and the issuing of these coins was restricted by law. The law of 1873 made no change in the gold coins; in the silver coinage it substituted

a trade dollar, to consist of 420 grains of standard silver, in place of the old dollar, and restricted the legal tender of silver coins to five dollars in one payment. The gold dollar, as then coined, 25.8 grains of standard gold, was declared to be the unit of value.

The practical operation of these laws was, that from the year 1834, when the proportion of gold to silver was fixed at about sixteen to one, silver was undervalued in coin, very much as it was in England in 1717. That is, it was worth more in bullion than in coin, as compared with gold, and it was therefore melted down, and gold became the money in use, and therefore practically the standard.

This continued up to 1873, when the United States passed the law corresponding to that passed in England in 1816, fixing the standard legally at what it had been practically for many years.

The law of February 12, 1873, did not change in any respect the legal status of the silver dollar as then coined. It made the silver coins therein authorized and enumerated a legal tender for an amount not exceeding five dollars, but the old dollar piece was not mentioned among them. The old dollar still retained its legal-tender property up to the time of the adoption of the Revised Statutes in 1874. The revisers introduced the following section: "The silver coins of the United States shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment."

THE THREE MONETARY STANDARDS.

OF THE THREE STANDARDS—OF GOLD AND SILVER COMBINED, OF SILVER ALONE, AND OF GOLD ALONE—THE DOUBLE STANDARD IS THE MOST STABLE, AND THE GOLD STANDARD IS THE MOST UNSTABLE.

BY GEO. M. WESTON.

Of the many considerations which establish the greater stability of the double standard, the three following seem to be the most conspicuous:

1. The larger the mass of the existing stock of money, the less is the effect produced by sudden augmentations of it. The same sum which adds ten per cent. to one milliard of dollars adds only five per cent. to two milliards. Mr. Jevons, although deeming it his duty as a loyal Briton to advocate the gold standard, admits this element of the superior stability of the double standard. In his work on *Money* (1875), he says:

"The so-called double standard system of money spreads the fluctuations of supply and demand of gold and silver over a larger area, and maintains both metals more unchanged in value than they would otherwise be.

"It cannot prevent both metals from falling or rising in value, compared with other commodities, but it can throw variations of supply and demand over a larger area, instead of leaving each metal to be affected merely by its own accidents.

"Imagine two reservoirs of water, each subject to independent variations of supply and demand. In the absence of any connecting pipe, the level of the water in each reservoir will be subject to its own fluctuations only. But if we open a connection, the water in both will assume a certain mean level, and the effect of any excessive supply or demand will be distributed over the whole area of both reservoirs. The mass of the metals—gold and silver—is exactly represented by the water in these reservoirs, and the connecting pipe is the law which enables one metal to take the place of the other as an unlimited legal tender."

2. The supply of the two metals combined can never be more unsteady than that of either alone, and is almost always more steady. If it be supposed that a sudden enlargement, or a sudden falling off, shall occur at one and the same time in the production of both the metals, the fluctuation of the supply of both would not be, even in such a case, any greater than the fluctuation of the supply of either alone. But this simultaneousness of increase or decrease of supply is very little likely to occur, and has not in fact occurred since the discovery of America. That was a capital event in the history of mankind, augmenting the supply of both the precious metals, and producing a fall in the purchasing power of money. But no new continents remain to be discovered. Undoubtedly new discoveries are possible in old ones, but it may be a thousand years, or as long as from the downfall of the Roman Empire to Columbus, before the rate of the supply of both the precious metals will rise or fall at one and the same time on any important scale. We repeat, that nothing of that kind has occurred since the New World was opened. When gold has been more abundantly produced the outcome of silver has remained stationary or declined, and *vice versa*. For example, when the revolutions of the Spanish American States, beginning in 1810, reduced the supply of silver from that source for twenty years quite one-half, the general supply of the precious metals was supplemented by the Ural and Siberian gold washings. When, in the first years of the California and Australian discoveries, the gold production rose suddenly to twenty-nine millions sterling, from an average of a little more than three millions sterling during the first forty-eight years of this century, the production of silver remained stationary, and did not advance until that of gold fell off. From 1856 to 1875, the annual gold supply dropped by regular gradations from thirty millions sterling to twenty millions sterling, while, during the same period, that of silver rose from eight to fourteen millions sterling. All the probabilities for centuries to come, if human foresight can presume to extend so far, are in favor of this decrease in gold and increase in silver. The first comes mainly from alluvial deposits, and when one is discovered

and worked out, the chance of finding a new one is by so much diminished. The second comes mainly from regular mining, and as ores fit for working under suitable conditions are inexhaustible and found in many places, the limit is one of the application of labor and capital, and of the extension of the civilization and stable government essential to the security of investments. Undoubtedly a steady increase of silver is to be expected, although it must be long years before it recovers the ratio of its supply to that of gold, which it had held in all historical times prior to the opening of California. But without speculating upon the future, we know that the supply of the two metals combined has heretofore been steadier than that of either alone, and that this must have been so from the nature of the case.

3. The steadiness of gold and silver as a measure of value is not exactly the same thing as the steadiness of their combined quantity. It has been frequently said, that what is called the double standard of gold and silver should be called the alternative standard of gold and silver. The latter mode of expression certainly describes most accurately the nature of the thing. Payments are not made in the two metals, but always, the option being in the debtor, in the one which is the cheapest for the time being. Now, it is established by experience, that the range of fluctuation in the money actually used, being the cheapest metal for the time being, is less than the range of fluctuation of either of the metals separately. Mr. Jevons, in his work on *Money*, illustrates this by a diagram, which it is not convenient to reproduce here, but which we will endeavor so to explain that any reader curious in such matters may test it for his own satisfaction.

Take any given period of time, and having ascertained the fluctuations during such period of each metal, by comparison with some staple commodity, or class of commodities, draw two curved lines, one upon the other, to represent these fluctuations of gold and silver respectively. The placing of these two lines one upon the other will produce two other curves, one following the highest elevation, and the other following the lowest depression, of either line. This lowest curve may be called the *money curve*, as the money in actual use is always the cheapest metal, and it will be found that, although its undulations are more numerous, they are not so marked and violent as the undulations of the curves of either the gold or the silver. As Mr. Jevons says :

“The prices of commodities do not follow the extreme fluctuations of value of both the metals, as many writers have inconsiderately declared. The standard of value always follows the metal which falls in value. This undergoes more frequent undulations than either of the curves of gold or silver, but the fluctuations do not proceed to so great an extent ; a point of much greater importance.”

While it is thus true, that neither of the metals separately equals in stability the two combined, there is a choice between the two, if a single standard is insisted upon, and the superior steadiness of silver seems to be established by reason and experience.

It is the production of regular mining and of the reduction and manipulation of ores, being rarely found pure. It requires machinery and capital, and cannot be expected to be received from peoples not somewhat advanced in civilization. The fluctuations of the capital employed in it are slow and gradual. There are occasional bonanzas, as at Potosi in the sixteenth century, and in the Comstock lode at the present day, but even bonanzas yield their treasures over long spaces of time. Potosi is still rich, and the Comstock lode may survive to alarm bankers yet unborn. It is certain that no great and sudden outpouring of silver has been witnessed in the long history of mankind, and, from the nature of the case, it need not be apprehended in the future. During the greater part of the last century and the first three-fifths of this, its annual production had not much varied from eight millions sterling. During the last fifteen years it has considerably gained, chiefly from mines in the United States, but by nothing like a leap or bound. The annual production, stated in pounds sterling, has been :

Average of five years ending	1861,	£	8,200,000
“	“	“	1866, 9,900,000
“	“	“	1871, 10,500,000
“	four	“	1875, 13,900,000

The circumstances of the production of gold are wholly dissimilar. The great bulk of what the world possesses was found pure, in alluvial deposits and workings, and has been produced by labor with very little aid from capital. Its production has been, as we might expect, exceedingly fluctuating. At the end of the seventeenth century, the auriferous fields of Brazil produced what the writers of that day called an “inundation” of gold. From 1695 to 1717 they are supposed to have increased the world's production of that metal fourfold. During this century we have had the gold washings of Russia, which have been forgotten, only because the later ones in California and Australia were on a scale so much more enormous.

Let us see how violent a change in the gold supply was brought about by the opening of the last-named sources.

Adopting the figures of Chevalier's *Fall in Gold*, reduced to pounds sterling, the gold supply at the commencement of this century stood at 2,484,000, and at an annual average of only 3,250,000 for the first forty-eight years of this century, although including the Russian developments. But after California and Australia the annual supply was as follows :

During five years ending 1856.....	29,900,000
“ “ “ 1861.....	24,500,000
“ “ “ 1866.....	22,700,000
“ “ “ 1871.....	23,000,000
“ four “ 1875.....	20,400,000

And, as the result, we have the estimate of writers of repute that the stock of gold coin in Europe and America doubled in the twenty years after 1848.

The selection, as the exclusive standard of values, of a metal so fluctuating in its supply as gold, had been condemned by the general judgment of mankind, even before this later experience of California and Australia. That it should be thought of after that example of a production suddenly increased ninefold, is most extraordinary.

If Europe had had a gold standard in 1848 the stock of money, consisting, in that case, exclusively of gold coins, would have doubled in the twenty years after 1848. What really did happen, under the operation of the double standard in France and other countries, was, that gold was substituted for silver in the actual circulation, and the increase of money was far less than the increase of gold. In other words, the Californian and Australian supplies, instead of being an addition of a large per centage to the old stock of gold, was an addition of a much less per centage to the greater mass of the stock of gold and silver combined, and, to a large extent, was not an addition at all, but a substitution for silver, which passed to other markets. The resulting perturbation, therefore, instead of being ruinous, was small and soon recovered from.

If the world, with a gold standard, would have suffered from too much gold in 1848 and the following years, it would have suffered in a contrary sense, and more acutely, from the scarcity of it before that time. In truth, of all the metals, precious or base, it is difficult to name one which, in the essential quality of stability, is so ill adapted as gold to serve as the single and exclusive measure of values. That it is far inferior to silver in that respect, has been the general judgment of the world. When France reformed its currency, after the Great Revolution, it adopted silver, upon Mirabeau's report in 1790, and specially on the grounds of its greater mass and steadiness of production. And of the distinguished men of France who maintained the discussions which terminated with the double standard law of 1803, none disputed the superiority of silver, if a single metal was to be adopted.

Daru, speaking to the *Corps Legislatif*, from the *Tribune*, as an advocate of the double standard, said :

“The unit of money should be represented by that metal the value of which is the least unsteady, the mass most considerable, and the use most widely extended—that is to say, by silver. But it does not follow that another metal should be deprived of monetary functions. By reducing gold to mere merchan-

dize we diminish the mass of money, fetter commerce, augment the causes of variations in the metals, and introduce disorders. It is necessary, therefore, that gold should also be employed as money."

Holland, distinguished as a commercial country, maintained the single standard of silver for a century and a half, with a short interruption. We have the authority of the letter of Professor S. Visserry, of Leyden University, published last January in the *Journal des Economistes*, for saying, that if the Dutch now adopt gold, it is under the coercion of their German neighbors, and against their still continuing opinion that "*the mass of silver in circulation, and the conditions of the production of that metal, give it a fixity of value to which gold cannot pretend.*"

In Russia (Appleton's Cyclopaedia, 1875), by an imperial decree of 1839, still in force, silver was established "*as the legal and unalterable metallic unit of the money current in the empire.*" The reasons for this decree are not given, but they may be presumed to be such as would naturally be suggested by Russia's own experience of the uncertain and fluctuating results of auriferous deposits.

It is not conceivable, and is not true, that the opinion of mankind in favor of the superior stability of silver, which certainly existed before the California discoveries, has not been confirmed and strengthened by that sudden increase of ninefold in the gold production. The recent movements for the single standard of gold are not founded on any new facts favorable to that metal as compared with silver. On the contrary, all the new facts are the other way, and all the old objections to gold have become weightier. The influences which determine the efforts now being made for a gold standard, are influences to which it is quite indifferent whether the standard is gold or silver, and the real objective point of which is the overthrow of the double standard, and the establishment of a single one. With gold the actual currency of the richest and most commercial nation in the world, and with the certainty that British pride and tenacity would resist change, it was seen that no other single standard could be hoped for in Europe than the standard of gold. It is not from any preference for that metal that Germany decreed an exclusive gold standard in December, 1871. The decisive proof of that, is the fact that, twenty years before, Germany had decreed the exclusive standard of silver. No objections to silver existed in 1871 which had not always existed, and the only new thing about gold which can possibly be supposed to recommend it to those who now govern Germany, is the fact that its production is being sensibly diminished. Their real object, as shown by their successive demonetizations, first of gold, and then of silver, is to reduce the general mass of money, to make it scarcer and dearer, and thereby to aggrandize and enrich Germany as a creditor na-

tion. The motives of men are not proclaimed on housetops, but it is not difficult to discern them in this case. Consultations in bank parlors in Frankfort and Hamburg are private, but their results take visible shape in laws and imperial decrees.

THE HISTORY OF BANKING IN MASSACHUSETTS.

BY DUDLEY P. BAILEY, JR.

No. 3. *Concluded.*

In 1835 the pressure that prevailed during the previous year had worn away. Money was easy and cheap, being offered at five per cent. and even less. The financial prospect looked bright and promising. Toward the end of the year, however, there was a change, and the rates of interest, under the influence of a growing stringency, began to rise. During the year 1836, as stated in a memorial of the Boston Chamber of Commerce to the Legislature in January, 1837, the mercantile community was "subjected to a pressure in their financial operations unexampled in its severity and duration." For more than a year the rate of interest "ranged from twelve to thirty-six per cent. per annum." The memorialists believed the chief cause was to be found in the operation of the usury laws, and recommended their total or partial repeal. "It is well known," says the memorial, "that they are publicly and generally evaded by circuitous transactions through agents; the difficulty of obtaining money has been thereby increased, and the price of it enhanced." "Many of our capitalists, from an unwillingness to evade these laws, have sent large sums to other States, particularly New York, where the legal rate of interest is higher. Large amounts have thus been withdrawn when most needed." It was hardly to be expected that such a memorial would be heeded. On the contrary, medieval ideas of political economy were so deeply rooted, that the Legislature of 1836 had passed acts (rescinded before taking effect) to repeal the charters of the State and People's Banks for violation of the usury laws, while two other banks, the New England and City, both of Boston, narrowly escaped. The usury laws survived for thirty years longer. Beneficial as the influence of free trade in money would have been, it was probably at that time too late to avert the crisis. Bank expansion had reached a point where there is reason to believe an explosion was inevitable. Between twenty and thirty new banks had gone into operation within a year, a large proportion of them on borrowed specie and fictitious capital. While the circulation, deposits and credits of all the banks in the State had, in September, 1836, more than doubled as compared with 1830, the specie had showed no permanent increase for twenty-five years.

The ratio of specie to deposits and circulation was as 1 to 13.52, the smallest ever known up to that time. Stocks sensibly declined, and the premonitory symptoms of a crash began to be visible.

In November, 1836, a run for specie commenced on the Nahant Bank, at Lynn, owing to the distrust excited by the failure of its president. On the 19th it was obliged to suspend, its specie being reduced to \$215, while its circulation outstanding amounted to \$242,965, and its total liabilities to the public to \$371,335. Of its funds, over \$155,000 (more than the entire capital) had been irregularly abstracted by its president without the knowledge or consent of the directors. Early in 1837 suspicion began to fasten upon several of the new banks. Legislative committees were in February appointed to investigate the affairs of the Chelsea, Kilby, Middling Interest, and Lafayette Banks, all chartered in 1836. The committees reported favorably upon the condition of these banks, and with this certificate of character they were allowed to go on. Every one of them failed in less than three years. In March the New Orleans mails brought news of heavy failures in that city. Almost simultaneously occurred a succession of failures in New York, which prostrated a number of large Massachusetts firms connected with the New York trade. On the 12th of April, the Chelsea Bank, one of those which had been whitewashed by a legislative committee only about two months previous, was forced to the wall, with \$90,722 of demand and \$20,600 post notes outstanding, and only \$36.71 in cash. By the latter part of April the alarm had become so great that business was almost entirely suspended.

The banks of New York having suspended specie payments on the 10th of May, a meeting was held in Faneuil Hall on the 11th, which, though deploring the necessity, resolved in favor of adopting the same course. On the following day the Boston banks accordingly suspended. Specie became worth a premium of ten to thirteen per cent., and so great a scarcity of small change ensued, that to meet the demand the banks, forbidden to issue notes less than \$1.00, issued fractional notes for \$1.25, \$1.50, and \$1.75, which were eagerly sought for.

On the suspension of specie payments the Boston banks, with one exception, associated themselves together for the protection of themselves and the public, by a more efficient supervision over the affairs of each bank. A standing committee was appointed, with full power to examine into the condition of any bank in the association, to reprove and, if necessary, restrain banks which were disposed to transcend the limits of prudence, and to require them to give security for their circulating notes held by any bank in the association. The more reckless banks were, in some measure, kept

in check by the coercive power of the association. The compact lasted somewhat more than a year. Some of the banks were, however, too far involved to be saved. In July the Franklin and Lafayette Banks, in Boston, failed with \$638,333 of liabilities to the public and assets nearly worthless, while the Commercial, Fulton, and Hancock, also in Boston, expanded their circulation in August to \$386,726, \$231,666, and \$332,476 respectively. The market was flooded with the bills of doubtful banks, while the sound and conservative ones, to avoid the penalty of twenty-four per cent. per year, for neglect to pay their notes on demand in specie, reduced their issues to so low a point as to cause a severe stringency. This was not entirely relieved until April, 1838, when the Legislature passed a law suspending until January 1, 1839, the statute imposing this penalty, no bank to have the benefit of the act if it failed to redeem on demand its notes under \$5 if in Boston, and under \$3 if located elsewhere; or if its circulation exceeded seventy-five per cent. of its capital, or if it had due to it, besides bank balances, more than one and three-fourths of its capital; or if its capital was not fully paid in. This act brought speedy relief. The banks, immediately on its passage, commenced paying specie for small bills, and soon after paid those of all denominations when presented. By August 13, 1838, resumption had become general throughout the State.

During the six months succeeding the failure of the Franklin and Lafayette Banks, the excitement consequent upon the suspension of specie payments and the numerous failures, began to subside, money became easier, and the prospect became more reassuring, when a relapse of the crisis was brought on by the failure of the Commonwealth Bank, at Boston, which suspended at the close of business on the 11th of January, 1838, with liabilities to the public of \$915,946. This failure, the largest that had occurred among the banks of Massachusetts up to that time, derived additional importance from the fact that this was one of the banks selected by the National Government as a depository of its funds. This was speedily followed by the failure of the Middlesex Bank, at Cambridge, on the 16th of January. About the same time the American, Commercial, Fulton, Kilby, and Hancock Banks were forced to suspend. After this the bank failures occurred at longer intervals, but they did not cease entirely until 1842. In July, 1838, the City Bank of Lowell was stopped by injunction before doing any business. It had borrowed specie to be counted by the commissioners, and its capital was fictitious. In the same month the Roxbury Bank, a swindle owned and controlled by New York speculators, blew up, being stopped by injunction, without a dollar of capital or assets of any kind, and leaving about \$50,000 of notes in the hands of the public, put in

circulation after the repeal of its charter. Later in 1838 the Farmers and Mechanics' Bank, of South Adams, met with the same fate. The Middling Interest, of Boston, was brought to a stop in August, 1839, and the Winthrop, in Roxbury and Newburyport, in 1841. The Phenix, in Charlestown, closed its doors October 3, 1842, its whole capital having been lost through a series of frauds. This was about the last failure connected with the crisis.

The Legislature of 1837 had commenced the work of weeding out insolvent or useless banks by repealing three charters. The Legislature of 1838 continued the work, and repealed the charters of ten banks, and in addition provided by a general law for the voluntary surrender of bank charters by their stockholders. This proved very useful in the liquidations resulting from the crisis. The surrenders continued to increase till 1842, and the history of the eight years—1837-44—is covered with the wrecks of banks which, during the years of expansion, started out under full sail but without ballast. Out of 138 banks,* with an authorized capital of \$40,830,000, on the 1st of January, 1837, the North American, in Salem, India and Blackstone, in Boston, and the Woburn, with capitals of \$1,900,000, never went into operation. The only two banks chartered from 1837 to 1844—the Cabot, in Springfield (1837), and the Fishermen's, in Provincetown (1839)—both failed of getting into operation. Of the remaining 134 banks, seventeen had their charters repealed, in most cases for insolvency, and fifteen surrendered or forfeited their charters, making in all thirty-two banks which failed or discontinued in consequence of the crisis. Among these thirty-two banks were eleven of the thirty-two incorporated in 1836, six of the fourteen incorporated in 1833, two of the sixteen incorporated in 1832, and five of the fifteen incorporated in 1831. Only seven were incorporated in the years 1824-29, inclusive, and only one incorporated previous to 1824, and this settled its affairs without loss to the public or its stockholders. Out of thirty-two banks chartered in 1836 there remained in 1845 only seventeen, and one of these discontinued in 1851, though without loss to the public or its stockholders. The astonishing proportion of mortality among the later creations is a sufficient commentary on the policy that brought them into being.

The total capital of the thirty-two banks which discontinued amounted to \$7,700,000, their total liabilities, capital in-

* The table given on page 216 of the September number of THE BANKER'S MAGAZINE should be corrected by adding to the total of 138 banks chartered and rechartered from 1831 to 1826 one bank, with capital \$100,000, incorporated in 1820, the first under the general law, to continue until October 1, 1851. This gives a total of 139 banks, with \$41,230,000 authorized up to January 1, 1837, not including the two banks rechartered, but not accepting their new charters. The deductions from this total should be increased from \$300,000 to \$400,000, by adding \$100,000 for one bank declining an authorized increase of capital. This leaves 138, instead of 137, banks, with an authorized capital of \$40,830,000, on the first of January, 1837. Of the 78 banks incorporated from 1831 to 1836, five with capital of \$2,000,000, instead of four with capital of \$1,700,000, did not succeed in getting into operation.



cluded, to \$13,970,238, of which \$3,502,718 were for circulation, and \$1,789,108 for deposits. The nominal capital of nineteen banks which failed was \$5,500,000, their liabilities \$11,283,960, of which \$3,133,029 were for circulation, and \$1,577,738 for deposits. The total loss to their stockholders is estimated at about \$2,500,000, and to the public at from \$650,000 to \$850,000; in all \$3,350,000, equal to 29.7 per cent. of their liabilities. The magnitude of the calamity is without a parallel in the previous or subsequent history of banking in Massachusetts. The whole number of banks that failed or discontinued, during the fifty-two years from 1784 to 1836, was but ten, with \$1,533,250 of capital, and \$2,200,711 of liabilities, of which \$717,799 were for circulation and \$211,479 for deposits. The total losses to the public may have amounted to \$100,000 or \$200,000, and the loss to stockholders was probably not greater.

The crisis of 1837 had disclosed the necessity of having the banks subjected to some more efficient supervision, and in February, 1838, a Board of three Bank Commissioners was established, whose duty it was to make annual examinations of all the banks in the Commonwealth, and special examinations when requested by the Governor. If they found the condition of any bank such as to make its further progress hazardous to the public, or to those having funds in its custody, and that such bank had exceeded its powers, or had violated the banking laws, they were authorized to procure an injunction from the Supreme Judicial Court, to restrain, in whole or in part, the further progress of such bank. They were to report, in December, the condition of the corporations visited by them. By act of 1839, they were also required to examine banks winding up. This board continued in existence five years, when, in March, 1843, the law creating it was repealed, and most of their powers and duties devolved upon a committee of the stockholders. During the five years, the commissioners had occasion to procure injunctions against seven banks. By the timely stoppage of these banks, considerable loss to the public was avoided and weak insolvent institutions weeded out.

As a further measure of protection to the public, a bank was forbidden to have due to it, directly or indirectly, from any one of its directors or officers, or from any partnership of which any director or officer was a member, as principal surety or indorser, a sum greater than eight per cent. of the bank's capital or \$40,000, and from all its directors not over thirty per cent., except by express vote of the stockholders, and no person was allowed to be a director whose whole stock was pledged. No bank was allowed to purchase or hold its own stock except as security for debt, in which case it was to be sold within six months. No cashier of a bank was to be a director. Only those banks which accepted this

act were entitled to the benefit of its provisions. By act of 1843 no cashier, or any officer under him, was allowed to borrow money of a bank.

Besides the diminution of banking capital by failures and voluntary liquidations, there were in the eight years, 1837-44, twenty-four reductions of bank capital authorized, (thirteen of them in 1844,) amounting to \$2,235,000, though new capital was, during the same time, authorized to the amount of \$2,200,000, of which \$1,900,000 was called up. The lowest point was reached, in respect to dividends, in 1843; in respect to capital in 1844, when the returns showed that the number of banks was reduced to 103, and their capital to \$30,020,000, being less than in 1835. The circulation, which had been contracted from \$10,892,249 in 1836 to \$7,875,322 in 1839, was expanded to \$9,219,267 in 1843 and \$12,183,158 in 1844. The deposits, which had sunk from \$8,784,517 in 1836 to \$4,767,410 in 1839, rose to \$7,298,816 in 1843 and \$12,234,305 in 1844, while the specie which was only \$1,455,230 in 1836 and \$1,838,273 in 1839, increased to \$7,298,816 in 1843 and \$4,587,141 in 1844, being to circulation and deposits as 1 to 5.32 against a ratio of 1 to 2.26 in 1843, 1 to 6.88 in 1839, and 1 to 13.52 in 1836. The loans and discounts, which had fallen from \$58,414,182 in 1837 to \$42,993,292 in 1843, increased in 1844 to \$48,770,975. From this point the improvement was more steady and rapid. It was between ten and fifteen years before banking investments regained the popular favor, so great had been the disasters resulting from the crisis of 1837—by far the severest shock ever experienced by the banking system of Massachusetts.

For the five years 1845-49, little new capital was asked for or authorized for banking purposes. Twenty-five new banks were incorporated with \$3,300,000 of capital. Of these twenty-five banks, three, the Hampshire and Franklin, of Amherst, the Bank of Barre, and the Cape Cod Bank, of Provincetown, with \$300,000 of capital, never went into operation. There were in the same time twenty-eight additions to capital authorized, amounting to \$2,175,000, (of which \$250,000 was not accepted,) giving a total of \$5,475,000 of new capital authorized. The reductions of capital during the same period, three in number in 1845-46, amounted to \$310,000, and one charter, that of the Phenix, Charlestown, capital \$300,000, was repealed. The net increase of capital authorized was, therefore, only \$4,315,000, or less than \$1,000,000 a year. The whole amount of new capital authorized in thirteen years, from 1837 to 1849 inclusive, was only \$7,675,000, or about \$3,000,000 less than in the year 1836 alone.

The charters of all the banks incorporated before 1849, were to expire October 1, 1851, and the question of renewing them led to a re-examination of the principles on which

the banking system was founded. The result was several important additions to previous legislation. Among these, an act passed in 1849, making the stockholders in any bank, at the time when it stopped payment, liable individually in proportion to their stock, for the redemption of the notes issued by such bank; transfers of stock made to avoid this liability when there was reasonable cause to believe a bank insolvent, to be void. A more important change was the re-establishment, in 1851, of the Board of Bank Commissioners, with substantially the same powers and duties as the former board. This board continued in existence until 1865, when the State banking system being superseded, the board was abolished. An effort was also made, though for a long time without success, to establish a system of free banking similar to that of New York. For this purpose a law was passed in 1851, authorizing any number of persons, not less than fifty, to become a body corporate to carry on the business of banking with a capital of not less than \$100,000 nor more than \$1,000,000, one-half to be paid in before commencing, the balance within one year thereafter. On delivering to the auditor of the State, at a rate not above either its par or market value, the public stock of any city or town in Massachusetts, or of any New England State, or of New York, or of the United States, amounting in the aggregate to not less than \$50,000 nor more than twenty-five per cent. beyond the capital of such bank, it was entitled to receive an equal amount of circulating notes, prepared in blank and countersigned by the auditor, which notes when executed and signed by the proper officers of the bank might be put into circulation. The securities were to be held in trust by the auditor, the banks receiving the interest accruing on them. If any bank failed to redeem its notes for ten days after receiving from the auditor notice that the same had been protested, he was required to give public notice that he would redeem such notes with the trust funds in his hands for that purpose. The funds were to be applied *pro rata* to the redemption of the notes, whether protested or not. When any bank was placed in the hands of receivers, the stocks held in trust by the auditor were to be turned over to the receivers, to be by them applied to the redemption of the notes. The banks established under this law, were, in most respects, subject to the same provisions as the chartered banks, and were to specify in their returns the stocks held as security for their circulation. An act of 1852 reduced the number of persons necessary to form a corporation to ten, limited the circulation to the amount of capital, and exempted from taxation not exceeding three-fourths of the capital invested in securities transferred to the auditor.

The inferiority of the security for circulation, both in quality and quantity, as compared with the security required

under the National Banking law is very marked, and yet liberal as were the provisions of the law, it was upwards of seven years before any bank was organized under it. The Bank of the Metropolis, which opened at Boston in November, 1858, and closed in November, 1863, was the first to try the experiment. Not more than seven banks were ever started under the act of 1851. The system of chartered banks was so firmly rooted in the habits and traditions of the business community, that the free banking law failed to materially disturb it. The readiness of the Legislature to continue granting chartered privileges to new banks, for several years, made it unnecessary for them to organize under the more exacting conditions imposed by the general law.

Of the 115 banks whose charters were to expire in 1851, all were rechartered except the Manufacturers', of Georgetown, incorporated in 1836, which closed its affairs, paying all liabilities and returning to its shareholders, beyond capital paid in, \$10.58 per share. Another bank, the Pawtucket, capital \$100,000, founded in 1814 and rechartered in 1850, became insolvent and was stopped by injunction, in October 1850.

During the eight years 1850-57, the bank mania raged with only less violence than in the five years previous to 1837. The new capital authorized was as follows:

OLD BANKS.			NEW BANKS.		
<i>Years.</i>	<i>No.</i>	<i>Increase in capital authorized.</i>	<i>No.</i>	<i>Capital.</i>	<i>Total new capital authorized.</i>
1850	10	\$1,180,000	9	\$2,000,000	\$3,180,000
1851	27	3,885,000	7	1,250,000	5,135,000
1852	none	—	none	—	—
1853	48	6,310,000	16	4,200,000	10,510,000
1854	36	4,640,000	20	2,500,000	7,140,000
1855	8	600,000	3	3,250,000	3,850,000
6 years	129	\$16,615,000	55	\$13,200,000	\$29,815,000

The mercantile embarrassments of the year 1854, seem to have checked the tendency to multiply banking institutions beyond the wants of business, and, in 1855, the Committee on Banks and Banking reported against granting any new charters and in favor of increasing the capital of existing banks only \$550,000. In 1856 and 1857 the capital asked for and obtained compared as follows:

CAPITAL ASKED FOR.			CAPITAL GRANTED.		
1856.	5 new banks,	\$500,000	2 new banks,	\$200,000	
	28 old "	6,625,000	2 old "	175,000	
		<u>\$7,125,000</u>			\$375,000
1857.	7 new banks,	\$2,650,000	1 new bank,	\$1,000,000	
	38 old "	8,680,000	26 old banks,	1,955,000	
		<u>11,330,000</u>			<u>2,955,000</u>
		\$18,455,000			\$3,330,000

The committee in reporting against granting any new char-

ters in 1856, say that "notwithstanding the large amount of banking capital granted the last three years, money has not been plenty and the rates of interest have been unusually high. The great excess of bank capital has tended to encourage speculation and advance the prices of merchandise greatly above its intrinsic values." The reasonable discovery that the bank capital of the State was already excessive, prevented an amount of increase which would probably have caused a recurrence of the disasters of 1837. The three years previous to 1857 did not pass without repeated warnings. The Cochituate Bank, at Boston, having been engaged in financing various enterprises at the West and South, and being involved in the affairs of its president, was, in April, 1854, forced to suspend in consequence of a run, caused by the failure of its president. In November, 1855, the Grocers' Bank, at Boston, was found to be insolvent and was stopped by injunction. The Holyoke, at Northampton, was also, in December, 1856, temporarily placed under injunction, but having contracted its issues was allowed to go on. The provisions for securing publicity in regard to the condition of the banks were such as had not been enjoyed in any previous era of speculation, a law passed in April, 1854, having provided for the publication of weekly returns from banks in Boston, and monthly returns from those in other places. The business community was thus furnished with the means of detecting, seasonably, the signs of approaching danger.

Notwithstanding this, the first months of the year 1857, found the banks, especially those out of Boston, in a very expanded condition, and but poorly supplied with specie. Their condition in February, was as follows:

<i>Average.</i>	<i>Loans and Discounts.</i>	<i>Specie.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Banks in Boston, 4 weeks ending February 23	\$ 53,662,113	\$ 3,598,413	\$ 15,631,007	\$ 6,856,015
" out of " " " 28	47,199,814	1,073,951	6,716,267	15,881,940
Whole State.....	\$ 100,861,927	\$ 4,672,364	\$ 22,347,274	\$ 22,737,955

Ratio of specie to circulation and deposits in Boston as 1 to 6.24. Out of Boston, as 1 to 21.09. Whole State, as 1 to 9.64. One bank had, in July, only \$1 in specie to \$58.15 of circulation and deposits. Their position was not materially improved in August, when the crisis overtook them. With so slender a reserve they were in no condition to grant the accommodations necessary to allay the panic. The returns of the first week in September showed an increase of about \$2,000,000 in loans, mostly by the country banks. At this point the utmost tension was reached to which they ventured to subject their resources, and a counter movement commenced. During the month of September the Boston banks contracted their accommodations \$3,500,000, and the banks out of Boston, \$2,000,000. The circulation and deposits of the Boston banks were, in the same time, reduced about

\$4,000,000, so that they lost over \$800,000 of their specie. At the close of September, the Boston banks resolved to unite upon a scale of discounts calculated to afford relief to the mercantile community; and, with two or three exceptions, entered into an agreement to discount before October 5, ten per cent. upon their respective capitals. But the return of October 6, showed a further decline of \$449,000 in their loans and discounts. When on the 13th of October, the New York banks suspended specie payments, the Boston banks succumbed without further resistance. They extended their accommodations during the next two months about \$2,000,000. The country banks, meanwhile, rapidly contracted their operations. Their condition during the periods ending at the dates named below, shows the rapidity of the movement:

	<i>Loans and Discounts.</i>	<i>Specie in bank.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Oct. 3, 1857	\$47,351,000 .	\$1,030,631 .	\$5,935,275 .	\$14,023,092
Oct. 31, "	43,393,570 .	1,005,827 .	5,643,834 .	11,080,149
Dec. 5, "	41,659,733 .	1,167,885 .	5,604,095 .	10,697,149
Jan. 2, 1858	41,224,073 .	1,294,563 .	5,651,908 .	9,580,773

The contraction of the note circulation throughout the State during this period reached nearly \$5,600,000, or about two-sevenths of the outstanding circulation at the beginning of October. The suspension lasted from October 14 to December 12, fifty-nine days. During most of this period the suspension was scarcely more than nominal, and the banks, having accumulated about \$5,500,000 of specie, had no difficulty in resuming with the New York banks. Only one bank failure occurred, that of the Western Bank, of Springfield, which was stopped by injunction, October 6, 1857. The improved condition and management of the banks, as compared with 1837, are apparent in their ability to pass through such a crisis with so little disaster. This was due in part, no doubt, to the improved machinery of exchange supplied by the Boston Clearing House, established a short time before the crisis, in March, 1856.

The business community did not share the exemption of the banks from disaster. The number of failures in Boston was 253, with \$41,010,000 of liabilities; and in the rest of the State, 230, with \$2,611,000 of liabilities; in all, 483 failures and \$43,621,000 of liabilities. In the amount of liabilities this has never been equaled, and in the number of failures only in the year 1875.

The low state to which the banks had allowed their specie reserves to fall, previous to the crisis, led to the passage of a law in 1858, requiring them to keep an amount of specie on hand equal to fifteen per cent. of their circulation and deposits, the Boston balances of banks located elsewhere to be counted as a part of their reserve. When their weekly or monthly average of specie fell below this proportion they were to stop

discounting until the proportion was restored. The circulation of the banks was also limited to the amount of their capital. Before another crisis occurred to test the wisdom of these provisions, the State banking system of Massachusetts had ceased to exist.

The year 1858 was marked by the disturbance of the Suffolk Bank System. For several years previous the banks of New England had contemplated the establishment of a bank to perform the work of assorting country money, the profits, which were supposed to be large, to be divided among them. With this view the Bank of Mutual Redemption was incorporated in 1855, with an authorized capital not exceeding \$3,000,000, to which the banks of Massachusetts were to subscribe one-half and the other New England banks the other half; no bank to subscribe over five per cent. of its capital.

The new bank was subjected to special restrictions in regard to its issues and loans. It was not until 1858 that the Bank of Mutual Redemption commenced operations with a capital of \$512,000. The Suffolk Bank system had produced results so excellent, and assumed a position of so much importance, (effecting redemptions annually to the amount of \$400,211,916 in 1856, against \$76,248,000 in 1834,) that the majority of the Boston banks were opposed to the attempt to supplant it, and refused the Bank of Mutual Redemption admission to the Clearing-House Association. The opposition to the Suffolk Bank became so bitter, that it gave notice that it would discontinue the business of assorting country money after November 30, 1858. The institution having subsequently signified its readiness to receive country money at the rate of twenty-five cents per \$1,000, several of the leading banks of Boston made a permanent arrangement with the Suffolk Bank on this basis. Others transferred their business to the Bank of Mutual Redemption, which, in April following, had 143 banks, or about half the banks in New England as its stockholders.

There were some reductions of capital consequent upon the depression following the crisis of 1857, and one bank, the Bass River, at Beverly, capital \$100,000, failed, and was stopped by injunction in October, 1859. But the reductions were much more than offset by the new banks put in operation, and by additions to capital by old banks. The bank capital steadily increased, reaching its maximum in 1862, of \$67,544,200, divided among 183 banks, ten more than in October, 1857. They were in a position of great strength when the political disturbances of 1861 began to derange the finances of the country. Their surplus amounted to \$5,902,598, and their specie to \$8,877,193. Though compelled, in common with the banks in other sections, to suspend specie payments in December, 1861, there were no insolvencies among them.

After the passage of the National Banking law, the Legislature passed an act to facilitate the transformation of State into National banks. The Safety Fund Bank, at Boston, organized under the General Law, was the first to become a National Bank in 1863. So rapidly did the transformation progress, that at the date of the Bank Commissioner's report in October, 1865, only one bank, the North Bridgewater, remained doing business under a State charter. One hundred and seventy-eight had become National banks within about two years, and four had surrendered their charters, making six banks that discontinued between 1860 and 1865. The change has infused into the banking system of Massachusetts elements of strength and conservatism which it never possessed under State laws. These, with all improvements, still remained far from perfect. They had always allowed the banks to loan money on mortgage of real estate. They, in most cases, required no special security for the note circulation, nor were the banks compelled, for the protection of their general creditors against loss, to accumulate a surplus or to keep so large a cash reserve as under the National system. The latter, after the lapse of twelve years, during which it has been tested by the crisis and by a depression of unusual severity and duration, has gained a firm hold upon the confidence of the public.



TWO HEROES.

If it be supposed that the banking profession is one which tends to convert its followers into usurers or machines, who know not the higher attributes of manly character, the events now chronicled prove, on the contrary, that the noblest elements of true manhood may be found within its ranks. The name of Joseph Lee Heywood, is, to-day, honored throughout the length and breadth of this land as that of a true hero. The outlines of the affair at Northfield, Minnesota, of which full details are given on another page, are familiar to all through the daily press. An attack by armed robbers, carefully planned and boldly carried out, was thwarted by the courage which quailed not even in the face of death. Modest and retiring in character, esteemed by all who knew him, and conscientious in all the relations of life, Mr. Heywood knew how to be faithful and true, regardless of the consequences to himself, and he died the victim of baffled rage, intrepid to the last.

The bankers of this country will not leave unhonored the memory of this heroic man, nor will they suffer the wife and child who are bereft of their protector, to come to want through his death. We are glad to know that steps are

already begun by which all may be enabled to contribute something towards their support, and towards the erection of a monument to his memory.

And while this is being done, let there be brought to notice another whose devotion to duty, under circumstances closely similar, has had no fitting recognition whatever. Excepting those in his own vicinity, there are probably very few by whom the name of this other hero is now even remembered.

On the 29th of April, 1872, the Bank of Columbia, in Columbia, Adair County, Kentucky, was entered and robbed, and its cashier, R. A. C. Martin, resisting to the last, fell dead at the post of duty rather than surrender his trust. The circumstances were so very similar to those at Northfield, that they suggest the presence of some at least of the same gang. Five men entered the village about two P. M., which is near the dinner hour in such a place. They were well mounted, and were apparently prepared with all the information necessary to make the effort a success, and at as little risk as possible. After making a few small purchases at some of the stores, they suddenly mount and ride to the bank. Four of the number dismount, and quickly entering, they at once, with presented guns, order the cashier to unlock the burglar-proof safe. On his persistent refusal and resistance they shot him dead. Then, taking the currency found in the cash drawer, about four thousand dollars, and some special deposits that were in the outer vault, they remounted and made good their escape. The whole affair was rapidly and systematically carried out, the robbers on the street keeping guard and effectually preventing any one from approaching while the murder and robbery were being accomplished within; and they were only foiled of full success by the stern and determined resistance of the cashier, Mr. Martin, who sacrificed his life in the faithful discharge of his duty.

The Governor of the State at once offered a reward of \$5,000 for the apprehension of the robbers, or \$1,000 for either of them, and the bank increased it to \$8,750. But not one of them has ever been captured, nor has any trace of them, we believe, ever been obtained.

It should be a matter of duty with every bank and banker throughout the land, to offer some public recognition of the courage and fidelity of both these men. A general contribution, though small, from each, would afford a suitable commemoration of the heroic faithfulness of both. And we hope that during the approaching Convention at Philadelphia some measures may be suggested for contributions from all who wish to honor perfect courage and unswerving devotion to duty.

BANKING AND FINANCIAL ITEMS.

NOTICE.—The **Banker's Almanac and Register for 1877** is now in course of preparation. Any information for its pages will be welcomed. Orders for the insertion of the *cards* of Banks and Bankers will be received until December 1st.

CALLS OF FIVE-TWENTY BONDS.—The Secretary of the Treasury has issued during the past month notices that the principal and interest of the bonds designated below will be paid at the dates specified, at which time the interest will cease. The bonds are all dated November 1, 1865, and are issued under the Act of March 9 of that year. The numbers are all inclusive.

THIRTY-SECOND CALL.—September 1, 1876.

Matures December 1, 1876. Amount, \$10,000,000.

COUPON.		REGISTERED.	
...	...	\$100—No. 1 to No. 200	...
...	...	\$500—No. 1 to No. 800	...
\$500—No. 501 to No. 3350	...	\$1,000—No. 1 to No. 500	...
\$1,000—No. 2801 to No. 14550	...	\$5,000—No. 642 to No. 1100	...
Total, \$7,000,000.	...	\$10,000—No. 1 to No. 1150	...
...	...	Total, \$3,000,000.	...

THIRTY-THIRD CALL.—September 6.

Matures December 6. Amount, \$10,000,000.

COUPON.		REGISTERED.	
...	...	\$100—No. 201 to No. 650	...
...	...	\$500—No. 801 to No. 1050	...
\$50—No. 551 to No. 600	...	\$1,000—No. 501 to No. 1800	...
\$100—No. 851 to No. 2500	...	\$5,000—No. 1101 to No. 1550	...
\$500—No. 3351 to No. 9700	...	\$10,000—No. 1151 to No. 2100	...
\$1,000—No. 14551 to No. 26000	...	Total, \$3,000,000.	...
Total, \$7,000,000.	...	...	...

THIRTY-FOURTH CALL.—September 12.

Matures December 12. Amount, \$10,000,000.

COUPON.		REGISTERED.	
...	...	\$100—No. 651 to No. 1100	...
...	...	\$500—No. 1051 to No. 1400	...
\$50—No. 601 to No. 650	...	\$1,000—No. 1801 to No. 3700	...
\$100—No. 2501 to No. 8600	...	\$5,000—No. 1551 to No. 2300	...
\$500—No. 9701 to No. 15000	...	\$10,000—No. 2101 to No. 3100	...
\$1,000—No. 26001 to No. 35950	...	Total, \$3,000,000.	...
Total, \$7,000,000.	...	...	...

THIRTY-FIFTH CALL.—September 21.

Matures December 21. Amount \$10,000,000.

COUPON.		REGISTERED.	
...	...	\$50—No. 1 to No. 51	...
...	...	\$100—No. 1101 to No. 1650	...
\$50—No. 651 to No. 718	...	\$500—No. 1401 to No. 1810	...
\$100—No. 8601 to No. 12400	...	\$1,000—No. 3701 to No. 5750	...
\$500—No. 15001 to No. 19000	...	\$5,000—No. 2301 to No. 2900	...
\$1,000—No. 35951 to No. 46850	...	\$10,000—No. 3101 to No. 3950	...
Total, \$7,000,000.	...	Total, \$3,000,000.	...

CONVENTION OF BANKERS.—The Executive Committee, appointed at the Saratoga meeting in July last, have made arrangements for holding a Mass Convention of officers or representatives of the banks of the United States, at Philadelphia, October 3d, 4th, and 5th, 1876, for the purpose of discussing matters of importance to the banking interests of the country, and to complete the organization of the "American Bankers' Association." Hon. Hugh McCulloch, former Secretary of the Treasury, (now of London, England); Mr. George S. Coe, President of the American Exchange National Bank, and Chairman of the Clearing-House Association of New York, and other distinguished financial gentlemen are expected to be present and address the Convention.

Communications for consideration and reference to the meeting, may be sent to any one of the Committee, which consists of the following gentlemen:

James Buell, President Importers and Traders' National Bank, New York; George F. Baker, Cashier First National Bank, New York; C. E. Upton, Cashier City Bank, Rochester, New York; M. McMichael, Jr., Cashier First National Bank, Philadelphia, Pa.; J. T. Smith, National Bank of Baltimore, Baltimore, Md.; Edward Tyler, Cashier Suffolk National Bank, Boston, Mass.; J. D. Hayes, Vice-President Merchants and Manufacturers' Bank, Detroit, Mich.; L. J. Gage, Cashier First National Bank, Chicago, Ill.; Joseph L. Stephens, Central National Bank, Boonville, Mo.

NEW YORK CITY.—The Traders' Savings Bank, at No. 224 West Twenty-Third Street, was closed on August 26, on an order of Judge Landon, of the Supreme Court, on the complaint of the Banking Department. The report of the bank for July, stated that it held \$97,208 of assets, and owed to depositors \$94,913, showing a surplus of \$2,294.97. Its resources were reported distributed as follows: Bonds and mortgages, \$55,375; bonds of cities in this State, \$7,000; loaned on collaterals, \$11,250; cash in other banks or trust companies, \$10,064.95; cash on hand, \$8,229.13. The suspicions of the Bank Department induced the bank examiner to make frequent visits to the bank, and on August 9 last, he made to the department an official report of its condition, which showed assets amounting to \$88,439.34, and liabilities \$88,178.67 due depositors, and \$200 for interest, which would leave a surplus of \$60.67. But as the examiner could not credit bonds and mortgages to which no title was shown, he deducts on this account from the assets \$21,000, which leaves a deficiency in the assets of \$20,939.23. The bank was chartered May 6, 1870. The original officers were Stephen P. McClave, President, and John McClave, Secretary. The present officers are, Alexander M. Lesley, President, and J. M. Freese, Secretary.

Later reports in regard to the bank's affairs are more favorable, and the depositors have hopes of being paid nearly in full.

NEW YORK CITY.—The Bond Street Savings Bank suspended payment on September 20th, under an order of the Supreme Court, and will in a short time be put in the hands of a receiver for liquidation. It was deemed advisable on the part of the officers of the bank to suspend at the present time, when the depositors could probably be paid in full, rather than wait till a later period, when the institution would be forced to stop under unfavorable circumstances. At a meeting of the trustees, held on September 5th, resolutions were unanimously passed asking for the appointment of a receiver to wind up its affairs.

The statement made on September 18th shows the assets to be \$1,412,287, which is in United States bonds, New York and Brooklyn city bonds, town bonds, real estate, and in cash \$27,735.91. The liabilities, all due depositors, foot up \$1,286,688.

The officers are entirely confident that by proper management all depositors will be paid in full. Since September 5th, at which time the resolutions asking for a receiver were adopted, certain sums had been received which were entered upon the books of the bank as "special deposits," which deposits will be paid in full before the regular depositors receive anything.

The Bond Street Savings Bank is sixteen years old, having started in 1860, and was originally known as the Atlantic Savings Bank. The business of the bank has declined steadily since the failure of the Third Avenue Savings Bank, the deposits during the past year amounting only to \$300,000, while the withdrawals run up to nearly \$1,000,000.

WILLIAM K. KITCHEN, President of the National Park Bank, died on September 21st in this city. Mr. Kitchen, who was about sixty-two years of age, was born in Philadelphia. In early manhood he went to Georgia, where he was engaged as a druggist for several years. He afterwards removed to this city, where he became a member of the firm of Harrall, Risley & Kitchen, wholesale druggists. In 1864 Mr. Kitchen was elected President of the Park Bank, of which he had long been a director. He was the third president of the bank, which was organized in 1855, succeeding Mr. Wm. H. Fogg.

On the day previous to his death he was at the bank attending to his business as usual, and in the evening went to hear a lecture. For several years he had been troubled with a bronchial affection, and after retiring to bed he complained of pain in his chest, which proved to be a paralysis of the lungs, from which he died before 3 A. M.

Mr Kitchen was a thoroughly conscientious and capable bank officer, and was highly esteemed by all who knew him. He was a man of quiet demeanor, kindly heart, of excellent judgment and tireless industry.

REORGANIZATION.—The Island City Bank, at Twenty-third street and Eighth avenue, New York, has been reorganized by an increase of capital and the election of a new Board of Directors and officers. The new President, Charles Heath, was for several years at the head of the late Mercantile Bank of Orange, N. J. The cashier, J. T. Sproull, has had eight years' experience in city banks.

SUSPENSION.—Among the events following the recent panic in coal stocks was the suspension, on September 4th, of the well-known New York and Philadelphia firm of Randolph, Bickley & Co. This house was among the last to go down in the panic of 1873; and was also among the very first to resume. The firm is highly esteemed among business men generally, and when their suspension was announced at the Board, it was followed with many expressions of regret.

CALIFORNIA.—The Nevada Bank of San Francisco, which was established in October, 1875, will, on the 4th of October, increase its capital from \$5,000,000 to \$10,000,000 gold. Its principal account in this city will be kept with the Bank of New York, which has a larger number of gold accounts than any other institution in the city.

SAN FRANCISCO.—We note with pleasure the re-opening of the National Gold Bank and Trust Company, of San Francisco, which has paid off its entire liabilities to depositors, with interest at ten per cent. per annum since November 1st, 1875, the date of its suspension.

The bank continues under the same organization and with the same amount of capital, but only \$40,000 circulation. The new officers are Michael Lynch, Acting President, and Edward J. Le Breton, Cashier.

ILLINOIS.—An injunction has been granted to restrain the receiver of the Cook County National Bank, Chicago, from declaring any dividend until the claim of the Charter Oak Life Insurance Company shall have been adjudicated on, and the question of its allowance decided by the court. It is stated that the assets of the bank will not be sufficient to pay more than a dividend of about five per cent. to all the creditors, if the claim is allowed.

KENTUCKY.—At a meeting of the shareholders of the Commercial National Bank of Versailles, on August 26th, it was determined to change its organization from a National to a State bank, the Bank of Woodford, to take effect on September first.

The Bank of Woodford was incorporated at the last session of the Legislature of Kentucky, and is now organized by the same stockholders of the Commercial National Bank, and the same directors and officers.

The Commercial National, in its five years of existence, has paid to shareholders fifty-four per cent. upon its capital in dividends, and will distribute, in addition, from six to eight per cent. of surplus, making about sixty-two per cent. of profits distributed in five years. During that time the bank has never charged over nine per cent. interest.

MINNESOTA.—On the 7th of September, the First National Bank of Northfield, Minnesota, was left in charge of Mr. J. L. Heywood, acting cashier; the teller, Mr. Bunker, and assistant book-keeper, Mr. Wilcox, being also on duty. Mr. G. L. Phillips, the cashier, had left home for the East a few days previously.

About two o'clock P. M., five men, who had been seen upon the streets once or twice during the forenoon, of powerful frames, and well mounted, crossed the bridge over the Cannon River; three of whom rode leisurely to the front of the bank, and, dismounting, tied their horses. They then sauntered back around the corner, until two others passed up the street beyond the bank. The three men immediately entered the bank, closing the door behind them. At the same moment three more men crossed the river, halting at the end of the bridge. Scarcely had they halted, when the two already upon the street commenced firing rapidly in the air and in every direction, and with loud threats mingled with oaths and curses called on every one they saw to stand back, and get out of the way. At this signal, those near the bridge rode rapidly up to the corner, guarding the street from below, and also shouting and firing.

In the meantime, the three who had entered the bank, leaped over the counter, and pointing cocked revolvers at the heads of the officials, declared their purpose to rob the bank, and ordered them to raise their hands and get upon their knees. Then one entered the vault and found that the inner door of the safe was locked. Mr. Heywood sprang forward to close the heavy iron door and shut him in, but was pushed back by another. Each one was asked if he was the cashier, and Heywood, with brutal threats, was ordered to open the safe. He refused. "Cut his throat," was the cry, and a large knife was drawn across his neck, inflicting a slight wound. He did not flinch, but shouted "Murder!" A blow upon the back of his head from a heavy revolver, felled him to the floor. He was dragged to the entrance of the vault, and once more ordered to open the safe, and the command was emphasized by a pistol shot fired for intimidation, within two feet of his head. But there was no faltering of his courage. At this moment the robber guarding the two others, turned his head, and Mr. Bunker sprang for the back door to escape and give the alarm. Two bullets were sent after him, one of which inflicted a severe flesh wound in the upper part of the shoulder. Mr. Heywood rose to his feet, stepped back towards his desk, and just then, one of the villains at the door of the bank, shouted "The game is up; we're beat. Come out." The three men inside sprang over the counter, and rushed for the door. The last robber, with his hand on the counter, just before leaping over, turned and shot Heywood through the head.

During this time, most of the persons who had been caught upon the street had drawn within the stores, but some remained. Four or five with pistols and other arms, began to return the fire of the robbers, of whom two were killed and another wounded.

As soon as the bank was deserted and all were mounted, two being upon one horse, the party rode off in haste, leaving their dead comrades, but not until they had shot and mortally wounded a young Swede, who, unable to understand English, gave no heed when ordered to retire.

A band of fifty citizens was at once organized and started in pursuit; but after a weeks effort, returned unsuccessful. Four of the robbers were discovered and surrounded in Watonwan County, on the 20th, one of them killed and the other three wounded before being captured.

Mr. Heywood had held the position of City Treasurer, and also that of Treasurer of Carleton College, for two years. He was highly esteemed by all that knew him, for business accuracy and faithfulness, as well as for many other good traits. He left a wife, and a daughter about five years of age.

The bankers of St. Paul, promptly subscribed a fund of \$500 for his widow, to whom the First National Bank of Northfield has given \$5,000, and proposed to send a circular to all the banks in the country, asking contributions as a recognition of Mr. Heywood's rare fidelity to duty. We trust that every bank and banker in the Union will thus unite in honoring his memory,

KANSAS.—The Perpetual Savings Bank, at Atchison, is transacting an active banking business, its officers being W. W. Cochrane, President, H. M. Glancy, Vice-President, and A. H. Lanphear, Cashier. They invite correspondence by means of a card in the *BANKER'S MAGAZINE*, the New York Correspondents of the bank being Messrs. Donnell, Lawson & Co.

MASSACHUSETTS.—The directors of the Appleton National Bank of Lowell have elected as its president Mr. John F. Kimball, cashier of the bank for the past twenty-one years, to fill the vacancy occasioned by the death of Hon. Josiah B. French. Mr. Edward K. Perley, teller of the bank, has been appointed cashier.

MICHIGAN.—Mr. David R. Cooley, who, since its organization, has been President of the Union City National Bank, has disposed of his entire interest in the banking business to Mr. Charles T. Allen, at present cashier of the bank. Mr. Cooley will turn his entire attention to the real estate business, in which he has heretofore been engaged.

Coldwater.—The liabilities of Bowen & McGowan, bankers, Coldwater, are \$90,000, of which \$31,000 are secured, leaving \$59,000 unsecured, chiefly deposits. The collectable assets are valued at \$50,000.

MISSOURI.—A petition in involuntary bankruptcy has been filed against the Central Savings Bank. Charles Green has resigned his position as receiver, and Michael H. Phelan appointed in his place.

NEW JERSEY.—Wm. R. Drake, cashier of the German National Bank of Newark, resigned his place in September, owing to ill health. Irregularities in his accounts to the amount of \$25,000, were subsequently discovered, but the bank will lose nothing, as it has been fully indemnified.

CHECKS PAYABLE AT A FUTURE DAY.—In replying to an inquiry in our August number, as to grace on post-dated checks, we omitted to quote the law in this State, which is plain and explicit in making such instruments payable without grace. The text is as follows:

“All checks, bills of exchange, or drafts, appearing on their face to have been drawn upon any bank, or upon any banking association, or individual banker, carrying on banking business under the act to authorize the business of banking, which are on their face payable on any specified day, or in any number of days after the date or sight thereof, shall be deemed due and payable on the day mentioned for the payment of the same, without any days of grace being allowed, and it shall not be necessary to protest the same for non-acceptance.” [§ 2, Chapter 416, 1857.]

PENNSYLVANIA.—The recent failure of the Miners' Trust Company, at Pottsville, proves to have been a very bad one. It is now stated that it will pay but about thirty cents on the dollar. The depositors have been clamorous for their money, and the President, Jacob Huntzinger, was one day surrounded by crowds of women who became so demonstrative that police protection was necessary. The Directors of the bank have made an assignment, H. C. Russell and E. H. Madden being appointed assignees.

BANK SUSPENSION IN HARRISBURG.—On the morning of September 7th, considerable excitement was created in Harrisburg by the announcement that the City Bank had made an assignment. The following card was posted at the doors:

“The City Bank has this day made a voluntary assignment to the Hon. Francis Jordan and Dr. G. W. Porter, for the benefit of its creditors, in the hope of paying in full.”

It is the old story—outside speculation! The cause of the suspension, is said to have been an extensive purchase of lumber and a depreciation of its value. The bank, it appears, has been struggling for some time, and the assignment was made in order that all creditors should be protected. The liabilities are \$350,000, and the assets will perhaps cover that amount. The majority of the depositors are laboring men and women.

Pottsville.—The Ashland Banking Company has been compelled to suspend a second time.

CANADA.—Another consolidation of Montreal banks is in progress. A special general meeting of the shareholders of the Ville Marie and Metropolitan Banks, will be held on the 6th November, for the purpose of considering the propriety of amalgamating these two institutions; and if this step be decided upon, to arrange the basis and conditions thereof, and to elect new boards of directors who will carry the scheme into effect as soon as possible. The current report is that it is intended to call the amalgamated banks the "Alliance," and that the aggregate capital of the two institutions will be reduced to \$1,600,000.

MONEY OF ALL NATIONS EQUALIZED.—A very useful book has been prepared by Mr. D. W. Diggs of this city, which, by means of five sets of well-arranged tables, shows, within the small space of seventy pages, all that is claimed by its title. These tables comprise: I. The coinage of all countries; the unit of value, its fractional parts, and its equivalent in money of the United States. II. The unit and its fractional parts, as used in twenty-two of the principal countries, equalized so as to show the equivalent in each of the other countries. III. The money of sixteen countries equalized in sterling from ½d. to £20; a table of very great convenience to travelers. IV. The money used by all the countries of the world, under the heads of the great divisions of the earth. The latter part of the book is particularly useful to bankers. The various quotations of exchange on European countries are given; and Table V, which occupies nearly half the entire book, furnishes the gold value of the U. S. paper dollar at any rate from par to 120. At the same time it shows the *currency* value of sterling exchange, at each variation of ½ per cent. from 4.75 to 4.95, and at any premium in gold from par to 120.

We have placed this volume in our lists of Books for Bankers, anticipating for it a general demand. It is issued at the moderate price of \$1, postage prepaid.

THE AMENDMENT TO THE BANKRUPT LAW.

The following is the amendment recently passed by Congress, and approved July 26, 1876:

AN ACT to amend the Act entitled "An Act to amend and supplement an Act entitled 'An Act to establish a uniform system of bankruptcy throughout the United States,' approved March 2, 1876, and for other purposes," approved June 22, 1874.

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That section twelve of said act be, and the same is hereby, amended as follows: After the word "committed," in line forty-four, insert "*Provided also,* That no voluntary assignment by a debtor or debtors, of all his or their property, heretofore or hereafter made in good faith for the benefit of all his or their creditors, rateably and without creating any preference, and valid according to the law of the State where made, shall, of itself, in the event of his or their being subsequently adjudicated bankrupts in a proceeding of involuntary bankruptcy, be a bar to the discharge of such debtor or debtors." That section fifty-one hundred and eight of the Revised Statutes, is hereby amended so as to read as follows: At any time after the expiration of six months from the adjudication of bankruptcy, or if no debts have been proved against the bankrupt, or if no assets have come to the hands of the assignee, at any time after the expiration of sixty days, and before the final disposition of the cause, the bankrupt may apply to the court for a discharge from his debts. This section shall apply in all cases heretofore or hereafter commenced.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from September No., page 241.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
ALA. ...	Mobile	H. Proskauer & Co.	Greenebaum, Brothers & Co.
CAL. ...	San Francisco. Nat. Gold B'k & Tr. Co. (Resumed.)	M. Lynch, <i>Pr.</i> E. J. Le Breton, <i>Cas.</i>	
CONN. .	Norwalk	Central National Bank.....	American Exchange Nat. Bank.
	\$ 100,000	A. S. Hurlbutt, <i>Pr.</i>	W. A. Curtis, <i>Cas.</i>
DAK. ...	Bismark.....	J. M. Raymond & Co. . . .	Donnell, Lawson & Co.
ILL.	Bradford	William Leet & Co.....	
"	Freeport	German Bank	Greenebaum, Brothers & Co.
		(Hettinger, Collman Bros. & Co.)	
"	Illioopolis.....	W. J. Millar.....	Importers & Traders' Nat. Bank.
"	Louisville.....	Savings Bank of Hudelson & Watson.	J. J. Cisco & Son.
"	Oneida.....	Oneida Ex. Bank (F. Murdoch.)	W. A. Stephens & Co.
"	Oquawka	Robert Moir & Co.	Metropolitan National Bank.
"	Quincy.....	Ger. Sav. Inst. H. A. Geise & Son.	German-Amer. Bank.
"	Roseville	Pratt, Stern, Worden & Co.	Gilman, Son & Co.
"	Windsor	Citizens' Bank.....	Importers & Traders' Nat. Bank.
		James P. Westbay, <i>Pr.</i> J. W. Brady, <i>Cas.</i>	
IND.	Remington. . .	Burger & Parker	Kountze Brothers.
IOWA...	Clarinda	N. B. Moore.....	Austin Corbin.
" ..	Fairfield.....	S. C. Farmer & Sons	Vermilye & Co.
" ..	Keota	Henkle, Littler & Co.....	Metropolitan National Bank.
" ..	Louden.....	Peterson Brothers.....	C. B. Richard & Boas.
" ..	New Hampton	Bank of New Hampton...	Gilman, Son & Co.
	\$ 10,000	H. Gurley, <i>Pr.</i>	F. D. Bosworth, <i>Cas.</i>
" ..	New Sharon...	A. W. Nayler.....	Gilman, Son & Co.
" ..	Spencer... ..	Clay County Bank	Merchants' Exchange Nat. Bk.
		J. L. Nicodemus, <i>Pr.</i>	A. W. Miller, <i>Cas.</i>
" ..	Steamb't Rock	D. B. Cartwright.....	G. Opdyke & Co.
" ..	Wheatland....	Peterson Brothers.....	C. B. Richard & Boas.
KAN. ...	Arvonia.....	Lewis Humphreys.....	Hanover National Bank.
" ..	Atchison	Perpetual Savings Bank...	Donnell, Lawson & Co.
	\$ 50,000	W. W. Cochrane, <i>Pr.</i>	A. H. Lanphear, <i>Cas.</i>
" ..	Kinsley	Edwards Brothers.....	Donnell, Lawson & Co.
KY.	Woodford	Bank of Woodford.....	National Park Bank.
	\$ 168,000	L. A. Berry, <i>Pr.</i>	E. K. Thornton, <i>Cas.</i>
MICH..	Goodrich	Roberts & West.....	Preston & Co., Detroit.
" ..	Quincy.....	C. M. Bennett.....	Preston & Co., Detroit.
MINN.	Grand Mead'w	Lovell & Easton.....	Ninth National Bank.
" ..	Preston	H. & R. Wells.....	Ninth National Bank.
" ..	Waseca	Waseca County Bank.....	Importers & Traders' Nat. Bank.
	\$ 43,000	George W. Newell, <i>Pr.</i>	F. A. Newell, <i>Cas.</i>
NEB ...	Ashland.....	I. L. Simington & Son. ...	
" ..	Falls City.....	Hinton, Lichy & Co.....	Importers & Traders' Nat. Bank.
N. J. ...	Mount Holly..	Union National Bank.....	National Park Bank.
	\$ 100,000	Benjamin Ridgway, <i>Pr.</i>	Chas. M. Hasker, <i>Cas.</i>

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
N. Y...	Camden.....	D. G. & J. G. Dorrance .	Third National Bank.
"	... Canastota.....	Canastota Banking House.	Metropolitan National Bank.
		F. S. Fiske, <i>Pr.</i>	M. De Lano, <i>Cas.</i>
"	... Carthage.....	Meyers & Rogers.....	Importers & Traders' Nat. Bank.
"	... Clinton	Hill & Elliott	Hanover National Bank.
"	... Gowanda	Gowanda Bank	M. Smith, Buffalo.
		J. S. Bartlett, <i>Pr.</i>	J. L. Bartlett, <i>Cas.</i>
"	... Schenevus.....	P. H. Mitchell & Co.....	Importers & Traders' Nat. Bank.
"	... Syracuse	Dow, Short & Co.	Market National Bank.
"	... Watkins	Watkins Ex. B'k, (Silsby, Beach & Scobey.)	Imp. & Tra.
"	... Wolcott	Roe, Ellis & Pomeroy.....	First National Bank.
N. C...	Warrenton	Warren Savings Bank.....	Kelly & Alexander.
	\$13,300	Jacob Parker, <i>Pr.</i>	J. C. McGraw, <i>Cas.</i>
OHIO.	Kenton.....	Farmers & Mech. Bank...	Irving National Bank.
		J. C. Stevens, <i>Pr.</i>	R. L. Miller, <i>Cas.</i>
"	.. Leetonia	Farmers' Savings Bank....	First National Bank.
	\$25,000	C. Townsend, <i>Pr.</i>	W. G. Hendricks, <i>Cas.</i>
PA.	... Meadville.....	Delamater & Co.....	First National Bank.
W. VA.	Charleston	State Bank of W. Virginia.	Ninth National Bank.
	\$100,000	Wm. E. Truslow, <i>Pr.</i>	John Claypool, <i>Cas.</i>
Wis.	... Omro	Fox River Bank, (D. H. Holland & Co.)	Imp. & Tra.
	\$20,000		
WYO	... Evanston.	Beckwith & Co.....	Kountze Brothers.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized August 29—September 15, 1876.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2342	Central National Bank, Norwalk, CONN.	A. S. Hurlbutt..... Wm. A. Curtis	\$100,000	\$51,420
2343	Union National Bank, Mount Holly, N. J.	Benjamin Ridgway..... Chas. M. Hasker	110,000	110,000

NEW BOOKS FOR BANKERS.

A Treatise on the Law of Negotiable Instruments. By Hon. John W. Daniel, Counsellor at Law. (See page 23 of supplement to this No.) 2 vols. 8vo. Price \$13.00.

Safety Book-keeping; being a complete exposition of book-keepers' frauds—how committed and how prevented. By H. J. Mettenheimer. 12mo. Price \$1.00.

Money of all Nations Equalized. By D. W. Diggs. 12mo. Price \$1.00.

A History of Savings Banks in the United States. By Emerson W. Keyes. In 2 vols. Vol. I now ready. Price \$5.00.

Orders for the above supplied from the Office of the BANKER'S MAGAZINE.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from September No., page 242.)

October, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
ILL.	Hide & Leather B'k, Chicago	Byron L. Smith, <i>Cas.</i> ...	W. M. Scudder.*
"	Prairie State Ln. & Tr. Co.	Geo. Van Zandt, <i>Cas.</i> ...	C. B. Meyer.
"	Jacksonville National Bank.	O. D. Fitzsimmons, <i>Pr.</i>	Wm. Orear.*
IND.	B'k of Salem, New Albany..	J. B. Winstandley, <i>Cas.</i>	E. Newland.
IOWA, ..	Bank of Montezuma.....	G. W. Kierulff, <i>Cas.</i>	A. H. Sloan.
" ..	Humboldt Co. B'k, Humboldt	John Dickey, <i>Cas.</i>	J. E. Cragg.
KAN. ..	First National Bank,)	J. W. Simcock, <i>Pr.</i>	R. M. Ruggles.
	Council Grove }	S. E. Newman, <i>Cas.</i>	J. W. Simcock.
MASS...	Appleton National Bank,)	John F. Kimball, <i>Pr.</i> ...	Josiah B. French.*
	Lowell }	E. K. Perley, <i>Cas.</i>	J. F. Kimball.
MD. . .	Fred'kt'n Sav. Inst., Fredrick	L. V. Scholl, <i>Cas.</i>	B. A. Cunningham.
MICH. .	Merch. & Mfrs.' B'k, Detroit	F. W. Hayes, <i>Cas.</i>	C. C. Cadman.
" ..	Muskegon Nat. B'k, Muskegon	W. B. McLaughlin, <i>Cas.</i>	G. S. Goodale.
" ..	First Nat'l B'k, Port Huron .	H. J. Barnum, <i>Cas.</i>	J. E. Miller.
" ..	Hicks, Bennett & Co.'s B'k } Mt. Pleasant }	A. B. Upton, <i>Cas.</i>	R. Young.
N. H. ...	City Nat'l Bank, Manchester	D. W. Lane, <i>Cas.</i>	E. W. Harrington.
" ..	Winch'r Nat. B'k, Winchester	E. C. Thayer, <i>Pr.</i>	William Haile.
N. J. ...	National State B'k, Elizabeth	A. C. Kellogg, <i>Cas.</i>	J. R. Fairbanks.
" ..	State Bank, New Brunswick.	Joseph Fisher, <i>Cas.</i>	G. R. Conover.
" ..	Princeton Nat. B'k, Princeton	S. T. Seger, <i>Cas.</i>	G. T. Olmsted.
" ..	German Nat'l Bank, Newark	E. M. Douglass, <i>Cas.</i> ..	W. R. Drake.
N. Y. . .	Second Nat. B'k, Cooperstown	B. M. Cady, <i>Cas.</i>	D. A. Avery.
OHIO ..	Manch'r Nat. B'k, Manchester	J. P. Ellison, <i>Cas.</i>	R. H. Ellison.
" ..	Nat. Exch. B'k, Steubenville	T. A. Hammond, <i>Cas.</i>	J. J. Gill.
PENN. .	Merchants' Exch. B'k, Phila.	Moro Philips, <i>Pr.</i>	R. B. Sterling.
" ..	Nat'l Bank of Union Mills. } Union City }	H. L. Church, <i>Pr.</i>	Thomas Woods.

* Deceased.

A BANKING OPPORTUNITY.—The Cashier of a National Bank, whose health requires a milder winter climate, desires to sell his stock (something less than \$10,000) to a competent and suitable man who wishes a good investment and position. The bank has been organized over four years, in which period its dividends have averaged over eleven per cent. annually. Town prosperous, enterprising and healthy, surrounded by one of the finest of agricultural regions. To any one meaning business ample particulars will be given. Address "CASHIER," care BANKER'S MAGAZINE.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from September No., page 241.)

- COL ... People's Bank, *Pueblo*; closed.
- GA..... Dickenson & Stegall, *Bainbridge*; succeeded by J. P. & W. A. Dickenson.
- ILL.... A. B. Miner & Co., *Bradford*; succeeded by William Leet & Co.
 " Conger & Wickoff, *Oncida*; succeeded by F. Murdoch.
 " Bruce, Voris & Co., *Windsor*; succeeded by J. P. Westbay.
- IOWA... Cartwright, Lathrop & Co., *Steamboat Rock*; succeeded by D. B. Cartwright.
- KAN... First National Bank, *Wichita*; in liquidation.
- KY.... Commercial National Bank, *Versailles*; succeeded by Bank of Woodford.
- MO... B. N. Tracy & Sons, *Macon City*; failed.
- NEB ... First National Bank, *Ashland*; succeeded by I. L. Simington & Son.
- N. J ... Union Bank, *Mount Holly*; succeeded by Union National Bank.
- N. Y... Bunce & Dunbar, *Clinton*; succeeded by Hill & Elliott.
 " .. Fiske & Son, *Canastota*; succeeded by Canastota Banking Co.
 " .. J. T. Thompson, *Schenevus*; succeeded by Mitchell & Co.
 " .. Horr, Holcombe & Co., *Carthage*; succeeded by Meyers & Rogers.
 " .. Watkins National B'k, *Watkins*; succeeded by Silsby, Beach & Scobey.
- OHIO... Carlins & Co., *Findlay*; succeeded by Citizens' Savings Bank.
 " ... Citizens' Bank, *Leetonia*; succeeded by Farmers' Savings Bank.
 " ... Canfield, Murray & Co., *Chardon*; assigned.
- PENN. . City Bank, *Harrisburg*; in voluntary liquidation.
 " . Munroe Co. B'k, *Stroudsburg*; succeeded by Munroe Co. Bkg. & Sav. Co.
- W. VA. First National B'k, *Charleston*; succeeded by State B'k of West Virginia.
- WIS... First National Bank, *De Pere*; closing up its affairs.

THE PREMIUM ON GOLD AT NEW YORK.

AUGUST—SEPTEMBER, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
September ...	13 $\frac{3}{4}$	17 $\frac{1}{4}$	...Aug. 25	10 $\frac{3}{4}$	11	...Sept. 9	9 $\frac{7}{8}$	10 $\frac{3}{8}$
October.....	14 $\frac{1}{2}$	17 $\frac{3}{8}$	... 26	11	11 $\frac{1}{8}$	... 11	10	10 $\frac{3}{8}$
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$	... 28	10 $\frac{5}{8}$	11	... 12	9 $\frac{3}{4}$	10
December ...	12 $\frac{3}{8}$	15 $\frac{1}{4}$	... 29	10 $\frac{1}{2}$	10 $\frac{5}{8}$	... 13	9 $\frac{3}{4}$	10 $\frac{1}{8}$
1876.			... 30	9 $\frac{7}{8}$	10 $\frac{1}{8}$	... 14	10	10 $\frac{1}{8}$
January	12 $\frac{3}{8}$	13 $\frac{1}{4}$	... 31	9 $\frac{3}{4}$	10	... 15	10	10 $\frac{1}{8}$
February	12 $\frac{3}{4}$	14 $\frac{1}{8}$	...Sept. 1	9 $\frac{7}{8}$	10 $\frac{1}{8}$	... 16	10 $\frac{1}{8}$	10 $\frac{1}{8}$
March	13 $\frac{3}{4}$	15	... 2	9 $\frac{3}{8}$	9 $\frac{7}{8}$	... 18	9 $\frac{7}{8}$	10
April	12 $\frac{1}{2}$	13 $\frac{7}{8}$	... 4	9 $\frac{1}{4}$	9 $\frac{3}{4}$	... 19	9 $\frac{7}{8}$	10
May	12 $\frac{3}{4}$	13 $\frac{3}{4}$	... 5	9 $\frac{1}{2}$	9 $\frac{3}{4}$	... 20	10	10 $\frac{1}{4}$
June.....	11 $\frac{7}{8}$	13	... 6	9 $\frac{3}{8}$	9 $\frac{7}{8}$	... 21	9 $\frac{3}{4}$	10
July.....	11 $\frac{3}{8}$	12 $\frac{3}{8}$	... 7	9 $\frac{1}{2}$	10	... 22	9 $\frac{7}{8}$	10
August	9 $\frac{3}{4}$	12 $\frac{1}{8}$	... 8	9 $\frac{7}{8}$	10	... 23	10	10 $\frac{1}{8}$

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	<i>Aug. 1, 1876.</i>	<i>Sept. 1, 1876.</i>
Bonds at six per cent.	\$ 984,999,650 ...	\$ 984,999,650
Bonds at five per cent.	711,685,800 ...	712,320,450
	<u>\$ 1,696,685,450</u>	<u>\$ 1,697,320,100</u>

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000 ...	\$ 14,000,000
DEBT ON WHICH INTEREST HAS CEASED. ...	\$ 3,297,760 ...	\$ 3,021,210

DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.	\$ 369,686,020 ...	369,401,336
Certificates of deposit.	32,815,000 ...	31,880,000
Fractional currency.	32,902,880 ...	31,355,311
Coin certificates.	29,313,000 ...	29,969,800
	<u>\$ 464,716,900</u> ...	<u>\$ 462,606,447</u>
Total debt.	\$ 2,178,700,111 ...	\$ 2,176,947,758
Interest.	24,850,234 ...	24,292,944
TOTAL DEBT, principal and interest.	\$ 2,203,550,345 ...	\$ 2,201,240,703

CASH IN THE TREASURY.

Coin.	\$ 59,843,684 ...	\$ 62,511,956
Currency.	12,590,349 ...	11,666,805
Special deposit held for redemption of certificates of deposit, as provided by law. ...	32,815,900 ...	31,880,000
	<u>\$ 105,249,034</u> ...	<u>\$ 106,058,762</u>
Debt, less cash in the Treasury, Aug. 1, 1876	\$ 2,098,301,311 ...	.....
“ “ “ Sept. 1, 1876	.....	\$ 2,095,184,941
Decrease of debt during the past month.	\$ 1,138,033 ...	\$ 3,119,369
Decrease of debt since June 30, 1876.	1,138,033 ...	4,257,403

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.	\$ 64,623,512 ...	\$ 64,623,512
Interest accrued and not yet paid.	323,117 ...	646,235
Interest paid by the United States.	32,080,218 ...	32,080,218
Interest repaid by transportation of mails, &c.	6,909,204 ...	6,924,552
Balance of interest paid by the U. S. ...	\$ 25,171,013 ...	\$ 25,155,666

NOTES ON THE MONEY MARKET.

NEW YORK, SEPTEMBER 23, 1876.

Exchange on London at sixty days' sight, 4.82½ a 4.83, in gold.

The fall business is opening with gratifying activity. There is more demand springing up for money in the West and South, and for a few days past the flow of currency has set from this city so that the forthcoming bank statement will show a decline both in deposits and legal tenders, while the operations of the Syndicate are likely to produce a decline in the specie averages. The prospects of the new loan are reported to be extremely good, both here and in Europe. There is a better feeling in the financial circles and the demand for money is rather on the increase. No perceptible change of rates is as yet apparent; but if the improvement in the demand continues, a hardening of the rates can scarcely fail to follow before long. There is an ample supply of money lending on call at $1\frac{1}{2}$ @ 2 per cent., prime discount selling at 4 to 6. Subjoined are our usual quotations for the New York Clearing-House banks:

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Aug. 26.....	\$ 254,443,400	\$ 20,946,500	\$ 56,939,000	\$ 14,640,400	\$ 226,542,900	\$ 21,249,775
Sept. 2.....	255,823,500	22,142,200	57,780,600	14,608,800	228,593,000	22,774,550
" 9.....	258,431,100	22,778,400	57,529,000	14,371,200	231,069,500	22,540,025
" 16.....	260,630,500	22,404,200	59,223,100	14,435,000	234,198,100	23,077,775

The Clearing-House exhibit of the Boston banks for the past month is as below:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 26.....	\$ 130,048,200	\$ 2,026,800	\$ 6,784,500	\$ 75,183,800	\$ 21,915,400
Sept. 2.....	128,913,100	2,011,300	7,214,600	74,985,300	21,802,700
" 9.....	128,993,400	2,107,400	7,463,000	74,993,400	22,022,800
" 16.....	129,614,100	2,016,500	7,482,800	76,167,900	21,934,400

The Philadelphia bank statements for the same time are as follows:

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 26.....	\$ 60,170,123	\$ 599,687	\$ 17,246,888	\$ 51,729,698	\$ 10,058,498
Sept. 2.....	60,587,604	626,788	17,772,682	52,911,058	10,051,666
" 9.....	61,188,880	704,363	17,371,560	52,872,321	10,112,232
" 16.....	61,397,859	658,271	16,440,687	52,333,418	10,098,410

The stock market is feverish. Governments are lower, and the transactions are considerable from banks changing their bonds in Washington. In State securities and railroad bonds little is doing, except in those of the coal stock

which are strong and active, especially the New Jersey Central convertibles and the Lehigh and Wilkesbarre. In coal shares there has been a heavy fall, with a recovery and better feeling at the close. The railroad shares are weak and dull; New York Central has fallen to 97½. Subjoined are our usual quotations:

QUOTATIONS:	Aug. 31.	Sept. 5.	Sept. 10.	Sept. 17.	Sept. 22.
Gold.....	110 ..	109¾ ..	110¾ ..	110¾ ..	110
U. S. 5-20s, 1867 Coup.	117 ..	116¾ ..	116¾ ..	116¾ ..	116¾
U. S. new 5s Coup....	115¾ ..	115¾ ..	115¾ ..	115¾ ..	114¾
West. Union Tel. Co..	69¾ ..	69¾ ..	70¾ ..	72¾ ..	70¾
N. Y. C. & Hudson R.	106½ ..	105½ ..	106 ..	103 ..	97½
Lake Shore.....	53¾ ..	50¾ ..	51¾ ..	53¾ ..	53¾
Chicago & Rock Island	103¾ ..	104 ..	105 ..	105 ..	104¾
New Jersey Central...	41 ..	33 ..	33½ ..	22¾ ..	27
Del. Lack. & West....	83¾ ..	80¾ ..	78¾ ..	77¾ ..	77¾
Delaware & Hudson..	84¾ ..	80¾ ..	75 ..	68¾ ..	68¾
North Western.....	37 ..	36¾ ..	37½ ..	36¾ ..	36½
Pacific Mail.....	22¾ ..	21¾ ..	20½ ..	23¾ ..	24
Eric.....	10¾ ..	9¾ ..	10¾ ..	10¾ ..	10¾
Call Loans.....	1 @ 3 ..	1 @ 3 ..	1½ @ 3½ ..	1½ @ 3 ..	1½ @ 2
Discounts.....	3 @ 8 ..	3 @ 8 ..	4 @ 8 ..	4 @ 9 ..	4½ @ 9
Bills on London.....	4.86¼-4.88½ ..	4.86-4.87½ ..	4.84-4.86 ..	4.82¾-4.84 ..	4.82½-4.84
Treasury balances, cur.	\$ 32,777,635 ..	\$ 32,298,631 ..	\$ 31,906,902 ..	\$ 34,462,022 ..	\$ 34,831,882
Do. do. gold.	35,624,095 ..	35,014,544 ..	36,044,364 ..	39,334,484 ..	39,456,575

The Treasury reports show the following items:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
1875.						
July 24....	\$ 350,764,469	\$ 374,753,362	\$ 18,792,200	\$ 393,545,562	\$ 66,926,937	\$ 22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,502,200
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
1876.						
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 21....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21....	337,635,219	347,800,350	18,623,000	366,423,350	76,148,712	28,157,600
May 20....	335,197,105	344,833,850	18,623,000	363,506,850	.....	.....
June 17....	332,322,678	342,340,550	18,823,000	361,163,550	65,664,354	22,874,000
July 18....	331,839,109	340,249,850	18,723,000	*369,772,284	61,848,009	36,588,600
Aug. 26....	326,562,064	338,823,850	18,723,000	.....	62,580,612	25,120,000
Sept. 16....	324,832,877	337,318,650	18,743,000	*369,334,604	63,204,594	31,678,100

* Outstanding greenbacks.

The Treasury now holds \$ 337,906,000 in United States bonds to secure bank circulation, and \$ 18,578,000 to secure public deposits; United States bonds deposited for circulation during the fortnight ending to-day, \$ 7,192,300; United States bonds held for circulation withdrawn for the fortnight ending to-day, \$ 3,614,750, showing no contraction of the National bank circulation; National bank circulation now outstanding: currency notes, \$ 322,790,906; gold notes, \$ 2,099,190.

The question has been extensively discussed by the press whether the new 4½ per cent. bonds may be deposited by National banks as security for their circulation, and if so, on what different terms, if any, from bonds bearing a higher rate of interest. The first portion of section 21 of the original banking act of 1864, which portion has not been modified by late legislation, reads as follows:

And be it further enacted, That, upon the transfer and delivery of bonds to the treasurer, as provided in the foregoing section, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations in blank, registered and countersigned as hereinafter provided, equal in amount to 90 per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding 90 per centum of the amount of said bonds at the par value thereof, if bearing interest at a rate not less than five per centum per annum.

In the revised statutes the statement is not quite so exact, but is not essentially different. The modifications made by the acts of June 20, 1874, and January 14, 1875, do not affect the point at issue. That point is whether the phrase "if bearing interest at a rate not less than five per centum per annum" applies to the phrase "but not exceeding," &c., or whether it applies to the whole sentence. If the latter supposition be correct, then the National Bank Act discriminates in favor of five per cent. and higher bonds, by restricting banks to them in depositing bonds at Washington as security against their circulation. The Secretary of the Treasury has adopted the former interpretation and representations have been made to him that, in case this liberal construction of the banking law were adopted, from \$20,000,000 to \$30,000,000 per annum of additional circulation would be called for by the banks. Already a large amount of these bonds have been deposited in Washington by the banks in exchange for bonds at higher rates of interest.

The large amount of capital lent from this city on mortgage in Chicago, gives importance to the bill filed at Chicago, in the United States Circuit Court, by Jonathan Young Scammon, against Samuel D. Babcock, of New York City, the United States Mortgage Company of New York, and others, to set aside the foreclosure sale of real estate under a mortgage given to that company. The plaintiff raises the point that no foreign corporation can acquire title to land in Illinois under the present laws, either directly by deed, or indirectly by mortgage. A decision in his favor, the *Chicago Tribune* observes, would create great excitement, and bring to a sudden stop the loaning of any money in that city by eastern corporations on real-estate security.

In regard to the prospective demands for silver in the East it is said by some of the British authorities that there are 28,000 bales of silk, worth about £3,000,000, now in stock at Shanghai, and that trade is a good deal hampered for want of silver. The foreign banks there are getting from 15 to 20 per cent. for their advances, or some 10 per cent. above the Indian market rates, and the rates of native money-lenders and banks are as high as 35 per cent. At Foochow the market is practically stopped for want of funds to settle with, and everywhere in China there is much lack of silver, while the only amount likely to arrive at Shanghai within the next fortnight is some £350,000. That sum was purchased by an Eastern bank at a price equivalent to 5s. for the tael in Shanghai, so that the bank will make, as rates are now ruling, a profit of about 16 per cent. on the transaction. In India trade is checked

by a glut of bills, while in China business is at a standstill for lack of silver. The impending scarcity or famine will probably affect a population twice that of Bengal, and seriously interfere with the demand for European goods in China, and thus stimulate the demand for silver by causing the Chinese imports of commodities to fall off.

Since the failure of the Bond Street Savings Bank considerable interest has been excited at the small dividends likely to be realized from the other suspended banks, and at the heavy expenses of winding up these defunct institutions. The receiver of the Mechanics and Traders' Savings Institution reports the appraised value of the assets at \$1,212,449.70. The liabilities amount to \$1,556,266.09, leaving a deficiency of \$343,816.39. This deficiency will be increased by the necessary expenses of the receivership. It is also liable to be increased by the sale of securities, which are changing in value almost daily. As instances of the mismanagement from which the institution has suffered, the following mention is made: May 19, 1864, a special Examining Committee reported that on January 1, 1857, over six years after it occurred, a deficiency existed of \$12,820.14; and on November 14, in the same year, a deficiency of \$62,812.14 was reported up to January, 1862. Of the bank building, which is contained in the list of assets, the receiver says that it is adapted to banking and insurance purposes only, and to force its sale now would entail a heavy loss. The depositors are not expected to receive more than 75 per cent. of their claims. The report of the Abingdon Square Savings Bank is to be presented in a few days. This is another of the institutions whose fall is ascribed to the locking up of too much money in real estate injudiciously selected.

The \$2,000,000 water loan of the city of Boston, was, on September 21st, awarded to Blake Brothers & Co., at 111.07 currency, the rate of interest being five per cent. gold.

DEATHS.

At BOSCOBEL, WISCONSIN, on Monday, April 24th, aged forty years, HERMAN A. MYER, Cashier of the First National Bank of Boscobel.

At NEW YORK CITY, on Thursday, September 21st, aged sixty-two years, WILLIAM K. KITCHEN, President of the National Park Bank.

At NORTHFIELD, MINNESOTA, on Thursday, September 7th, aged thirty-nine years, JOSEPH LEE HEYWOOD, Acting Cashier of the First National Bank of Northfield. He was murdered by robbers while resisting them.

THE
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NOVEMBER, 1876.

No. 5.

THE AMERICAN BANKERS' ASSOCIATION.

In financial as well as in political history we often find that in distant places similar movements begin at the same time without any concert or mutual knowledge. The operation of this principle is illustrated in the organization of the American Bankers' Association at Philadelphia. A similar association has lately been formed among the banks of Great Britain, and there is little reason to doubt that both these societies have their origin in necessity, and are capable of rendering great services to the cause of sound banking. At some future time we shall endeavor to give an account of the constitution, objects and work of the English society. On another page of this issue, we publish a report of the American Association. Several attempts have been made in past years to establish a union among our banks. We believe the first of these attempts began as long ago as the year 1838. In May, 1837, all the banks in the United States suspended specie payments. When the panic had abated, some of the banks in New York and elsewhere took measures to summon a convention, and on the 11th April, 1838, 158 bank delegates, from eighteen States, assembled in this city for the purpose of united action in regard to the currency and the resumption of specie payments. We need not detail the proceedings of this convention further than to say that it voted by a large majority to resume in January, 1839, and that to its deliberations in part was due the establishment of that celebrated system of banking which was created by the New York Legislature in the Act of

April, 1838. This system, as is well known, was not only commended in high terms by Sir R. Peel and by other English bank reformers during the Parliamentary debates which preceded the passage of the British Bank Act of 1844, but it was the basis on which were modeled the chief features of our national banking system, as organized by Mr. Chase and Mr. McCulloch in 1863 and 1864 under the national currency law.

The second convention was held in this city in 1865, two years after the National Banking system had been set up. Like the first convention it was largely attended by bank officers from all parts of the country. It was, however, restricted to the officers of the National banks; and the plan of uniting these institutions together in a national association proved abortive. The foundation and the principles on which this union was attempted, proved too narrow for the superstructure which was designed to rest upon them.

Last year a third convention was held at Saratoga, under much more promising auspices. A large and influential body of bank officers and bankers assembled, but as mature deliberation was necessary, all that was done was to prepare the preliminaries for a permanent organization, and final action was postponed till the present year. On Tuesday, October 3d, the Philadelphia convention assembled, and its sessions continued for three days. During that time a constitution was adopted, officers were chosen, and a permanent association was created, having for its Executive Committee bankers prominently known in the chief cities of the United States. Among the features of this association which commend it to the confidence of the banking community, two or three are worthy of special notice. It is limited to no single class of banks, but it includes trust companies, and savings banks, as well as National, State and private banks. It has, moreover, a definite practical object in view. It aims to spread among the banks and to make accessible to them throughout the country, such information as will be of general utility in regard to legislation and other questions. For example, there is the subject of taxation. It is well-known that our banks are suffering from excessive fiscal burdens. No less than one hundred banks in various parts of the United States have succumbed within a few months. The profits of legitimate banking are for obvious reasons so much diminished, that the banks are no longer able to pay as heavy taxes as formerly. During the war, and while the inflation of paper money values was at its height, a stimulus was given to all kinds of business, and the profits of banking and of commerce generally, were much larger than they are now. War taxes were imposed both on commerce and on banking; and, notwithstanding the pressure of these burdens, they were endured until the close of the war, when most of them were gradually removed.

Nearly all the war taxes of every description have been repealed, and those imposed upon the banks alone survive. Under these circumstances the American Bankers' Association deems it wise to make its first movement in opposition to these taxes. It is circulating petitions for signature throughout the country, and it has issued various documents in aid of the effort to be made at the coming session of Congress, for removing the war taxes from the banks. Three reasons are given why these taxes should be repealed. First, they are inequitable, excessive and unjust. The banks cannot afford to pay them. They are suffering under the pressure of these and other burdens, and they are looking forward to the still heavier burdens which will be imposed upon them by the approaching resumption of specie payments. In view of the present and prospective burdens which are incident to the banking business, they declare that except the relief asked for be granted, they will be compelled to go out of the business. The next reason assigned is that the taxes in question belong to the system of war taxation, and should have been repealed with the rest of that system years ago.

As scarcely any other vestiges of specific war taxation remain now upon the statute book, the banks contend that it is a demand of simple justice that all the war taxes on the business of banking should be at once removed. Finally they point to the fact that in no other country in modern times is the business of banking selected for taxation as in the United States. In England no banks pay taxes to the Government, except those which issue bank notes. On such banks a tax is imposed in proportion to the amount of notes issued. Such a tax our banks should not object to pay upon their circulation. But the tax upon their capital and deposits is both impolitic and unjust, and it is these taxes of which a repeal is demanded.

Of course there are many other subjects, some of which we have lately ventured to suggest, as adapted to occupy the attention of the Association hereafter. But they have done well to take up in the first instance a question of so definite and popular a character as that of oppressive taxation. It has been well said that there is no bond so likely as a grievance to bind great bodies of men together. When the banks become accustomed to act together for this common object they will the more easily form the habit of acting together for other purposes. In union they will not only find strength, but many other benefits conducive to sound banking. The American Bankers' Association, under its vigorous management, is full of promise, and its permanent establishment on the basis of broad and liberal principles should promote the growth of our banks and the strength of our financial system.

THE CLEARING HOUSES OF THE UNITED STATES.

The report of the annual meeting of the New York Clearing House, which appears elsewhere, is very suggestive. It proves that the transactions of the year ending 30th September were smaller than those of any year since 1863. The total clearings compare as follows with those of previous years :

NEW YORK CLEARING HOUSE TRANSACTIONS, 1872-76.

Year ending Sept. 30.	1872.	1873.	1874.	1875.	1876.
	\$	\$	\$	\$	\$
Currency exchanges.	32,636,997,403	33,972,773,942	20,850,681,962	23,082,276,858	19,874,815,360
Currency balances....	1,213,293,827	1,152,372,108	971,231,280	1,404,346,845	1,009,533,037
Gold exchanges.....	1,207,372,164	1,488,278,882	2,005,245,673	108,940,058	1,722,458,886
Gold balances	215,288,880	322,135,916	315,521,895	18,284,429	285,508,991
Total transactions....	35,272,952,275	36,935,560,850	24,142,680,812	24,613,848,192	22,892,316,275
Average daily currency exchanges.....	105,964,277	117,022,137	68,439,483	79,326,301	70,349,427
Average daily currency balances.....	3,939,265	3,765,821	3,173,958	3,608,976	3,288,381

These figures show the extent to which general business, as well as that of the stock exchange, has fallen off since the panic of 1873. To illustrate this point still further, we compare the statistics for the last twenty-three years :

CURRENCY EXCHANGES AND BALANCES, 1853 TO 1876.

Oct. to Oct.	Currency Exchanges.	Cash Balances Paid.	Average Daily Exchanges.	Average Daily Balances.
1853-54	\$ 5,750,455,987	\$ 297,411,493	\$ 19,104,504	\$ 988,078
1854-55	5,362,912,098	289,694,137	17,412,052	940,565
1855-56	6,906,213,328	334,714,489	22,278,107	1,079,724
1856-57	8,333,226,718	365,313,901	26,968,371	1,182,245
1857-58	4,756,664,386	314,238,910	15,393,735	1,016,954
1858-59	6,448,005,956	363,984,682	20,867,333	1,177,943
1859-60	7,231,143,056	380,693,438	23,401,757	1,232,017
1860-61	5,915,742,758	353,383,944	19,269,520	1,151,087
1861-62	6,871,443,591	415,530,331	22,237,681	1,344,768
1862-63	14,867,597,848	677,626,482	48,428,657	2,207,252
1863-64	24,097,196,655	885,719,204	77,984,455	2,866,405
1864-65	26,032,384,341	1,035,765,107	84,796,040	3,373,827
1865-66	28,717,146,914	1,066,135,106	93,541,195	3,472,752
1866-67	28,675,159,472	1,144,903,451	93,101,167	3,717,413
1867-68	28,484,288,636	1,125,455,236	92,182,163	3,642,249
1868-69	37,407,028,986	1,120,318,307	121,451,392	3,637,307
1869-70	27,804,539,405	1,036,484,821	90,274,478	3,365,210
1870-71	29,300,986,682	1,209,721,029	95,133,073	3,927,665
1871-72	33,844,369,568	1,213,293,827	105,964,277	3,939,265
1872-73	33,972,773,942	1,152,372,108	111,022,137	3,765,921
1873-74	20,850,681,962	971,231,280	68,139,483	3,173,958
1874-75	23,042,276,858	1,104,346,845	79,326,301	3,608,976
1875-76	19,874,815,360	1,009,533,037	70,349,427	3,288,381

All these transactions have been settled without any loss or error. The Clearing House now consists of fifty-nine banks,

fourteen of which are state banks, having an aggregate capital of \$12,385,200; while forty-five banks are under the national law and have a capital of \$66,150,000. The aggregate capital of the fifty-nine banks in the association is therefore \$78,535,200, against \$80,435,200 a year ago. In addition to these banks, sixteen others clear through various members of the association; thus the whole of the banks in the city of New York are seventy-five. Of these the twenty-eight state banks have a capital of \$15,322,200, while the forty-seven national banks have a total capital of \$66,500,000. It would be interesting to give to the public an annual report of all the Clearing Houses in the United States. These institutions are now twenty in number, as is shown in the subjoined list:

CLEARING HOUSES OF THE UNITED STATES.

<i>Established.</i>	<i>City.</i>	<i>State.</i>	<i>No. of Banks.</i>
1855.....	New York.....	New York.....	59
1856.....	Boston.....	Massachusetts.....	51
1858.....	Philadelphia.....	Pennsylvania.....	27
1858.....	Baltimore.....	Maryland.....	20
1858.....	Cleveland.....	Ohio.....	9
1861.....	Worcester.....	Massachusetts.....	9
1865.....	Chicago.....	Illinois.....	25
1865.....	Pittsburg.....	Pennsylvania.....	18
1866.....	Cincinnati.....	Ohio.....	21
1867.....	New Haven.....	Connecticut.....	10
1868.....	St. Louis.....	Missouri.....	36
1868.....	Milwaukee.....	Wisconsin.....	10
1868.....	Columbus.....	Ohio.....	13
1871.....	Indianapolis.....	Indiana.....	14
1872.....	New Orleans.....	Louisiana.....	14
1873.....	Kansas City.....	Kansas.....	9
1874.....	St. Paul.....	Minnesota.....	8
1876.....	San Francisco.....	California.....	14
1876.....	Louisville.....	Kentucky.....	20
1876.....	Lowell.....	Massachusetts.....	7

Twenty Clearing Houses..... 394

If every one of these Clearing Houses were to publish its annual transactions, at a uniform period of the year, a considerable aid would be given to the investigation of the financial and banking movements of the country. In this country the operations of Clearing Houses are more completely developed than in Europe. The improvement we have suggested would tend to bring our clearing methods a step nearer to perfection. Another suggestion is that the twenty Clearing Houses should be so associated together as to form a bond of union among the banks throughout the country. The plan offers many important advantages; and were it feasible, it would no doubt prove capable of doing much good. But the machinery of the American Banking Association is much better fitted than that of our Clearing Houses to keep up the active correspondence which would be needful.

MERCANTILE FAILURES.

BY DR. GEORGE MARSLAND.

The last quarterly report of mercantile failures issued by Dun, Barlow & Co. is very instructive. The principal lessons it teaches are that the revival of general business is by no means so active or so far advanced as some of the more hopeful observers have supposed; and secondly, that the recovery of the tone of confidence has been more evident during the last month than at any previous period since the panic of 1873. With regard to the first point, the circular before us shows that the failures for the last three months, amounting in number to 2,450, show an increase over those of the previous quarter, of 656. It was expected that the decline in the second quarter of this year, as compared with the first, would be followed by a similar reduction in the number for the third quarter; but the improvement in business did not begin till two-thirds of the quarter had expired, and even then it was too restricted to influence very much the affairs of men in an embarrassed position. The amount of liabilities involved in the failures of the third quarter of the year, shows a considerable decrease in proportion to the number reported.

As a further illustration of the extent of the depression of business, which continued to so recent a period, but is now partially relieved, the circular gives the statistics of the insolvencies of each of the last seven quarters, and shows that 14,787 mercantile failures have occurred in that period, involving a total indebtedness of \$358,000,000. This gives an average liability for each insolvent of \$24,235, with an average number of 2,112 insolvents in each quarter. It will therefore be seen that, while the last three months have been fruitful in failures, to the extent of about 300 above the average, the gross indebtedness of each of these failures has been some \$5,000 less in the present quarter than for the seven previous quarters. A comparison of the three months just closed with the same quarter last year leads to a similar conclusion. In number the insolvencies are greater, but less in amount. The average liabilities are only \$19,000 for each failure, against \$30,000 each for the third quarter of 1875. Several inferences are suggested by these figures; for instance, the failures are more numerous among the smaller traders, and fewer large disasters are reported; and, moreover, the failures of credit have been gradually lessened and indebtedness reduced. Both these conclusions lead to the belief that the state of business and of credit is undergoing a favorable change. Subjoined are the tables:

STATES AND TERRITORIES.	Third Quarter in 1876.		Total for First Nine Months in 1876.		Total for First Nine Months in 1875.	
	No. of Failures.	Amount of Liabilities. \$	No. of Failures.	Amount of Liabilities. \$	No. of Failures.	Amount of Liabilities. \$
Alabama.....	32	9,898	40	490,827	22	543,000
Arizona.....	...	.....	...	.....	...	.....
Arkansas.....	2	13,000	25	203,649	20	221,000
California.....	63	403,890	128	1,295,596	165	3,134,111
City of San Francisco.	19	260,280	51	1,141,683	...	...
Colorado.....	12	116,900	34	326,241	53	562,402
Connecticut.....	58	1,018,583	156	3,291,277	141	2,368,569
Dakota.....	6	11,400	9	78,400	...	.....
Delaware.....	8	68,600	17	201,600	15	154,500
Dist. of Columbia....	5	26,200	17	80,977	16	139,924
Florida.....	3	55,000	14	121,000	12	241,800
Georgia.....	20	207,554	133	2,955,145	123	4,318,430
Idaho.....	...	.....	1	3,500	1	3,000
Illinois.....	139	1,412,410	345	5,307,410	277	6,013,970
City of Chicago.....	75	1,538,900	168	7,514,800	...	...
Indiana.....	128	1,104,400	284	3,235,521	236	3,654,012
Iowa.....	242	1,701,500	385	3,277,980	131	1,014,805
Kansas.....	12	97,400	41	372,400	57	543,400
Kentucky.....	47	1,037,472	178	5,261,172	106	2,582,300
Louisiana.....	6	24,200	61	1,148,993	24	702,484
Maine.....	35	578,700	113	1,511,250	90	904,000
Maryland.....	26	302,745	102	1,449,637	85	9,324,666
Massachusetts.....	114	4,191,886	358	11,628,064	564	15,628,321
City of Boston.....	58	1,528,900	222	8,955,100	...	...
Michigan.....	190	3,469,555	442	7,927,399	172	2,490,652
Minnesota.....	32	843,904	97	1,207,989	109	1,363,200
Mississippi.....	7	119,050	64	612,833	29	813,465
Missouri.....	18	268,500	71	1,062,700	145	2,725,793
City of St. Louis....	23	975,824	64	2,063,057	...	...
Montana.....	1	20,000	3	75,000	1	35,000
Nebraska.....	27	30,900	36	88,100	29	176,400
Nevada.....	8	42,700	16	105,400	23	411,700
New Hampshire.....	10	72,055	32	403,555	57	890,900
New Jersey.....	43	737,513	122	1,642,692	77	1,894,103
New York.....	313	7,095,914	763	16,388,295	476	8,474,857
City of New York....	203	8,155,000	645	26,921,660	546	31,690,355
North Carolina.....	8	54,600	102	772,885	44	671,429
Ohio.....	80	1,626,447	284	4,448,304	260	4,686,334
City of Cincinnati..	18	430,932	67	2,039,939	...	...
Oregon.....	12	136,000	26	290,716	15	210,448
Pennsylvania.....	167	3,812,962	403	8,810,611	419	13,019,883
City of Philadelphia	36	759,195	109	3,450,995	...	...
Rhode Island.....	26	661,888	115	5,759,634	59	995,594
South Carolina.....	6	49,331	76	1,307,996	118	2,554,518
Tennessee.....	11	85,011	130	1,755,976	83	598,743
Texas.....	35	228,324	125	1,246,462	193	1,876,239
Utah.....	...	.....	1	6,000	3	53,500
Vermont.....	22	331,596	51	1,030,630	49	472,500
Virginia & West Vir.	21	212,513	140	2,993,842	90	1,480,370
Washington Territ'y.	2	40,000	5	202,664	1	2,804
Wisconsin.....	42	1,784,239	169	3,604,344	198	1,523,027
Wyoming.....	9	103,900	10	140,900	...	.....
Total.....	2,450	47,857,371	7,050	156,272,800	5,334	131,172,593
Dominion of Canada.	398	5,091,914	1,256	17,786,150	1,569	21,911,544

MERCANTILE FAILURES JANUARY 1, 1875, TO SEPTEMBER 30, 1876.

	1875.			1876.		
	No. of Failures.	Liabilities.	Average Liabilities.	No. of Failures.	Liabilities.	Average Liabilities.
First Quarter....	1,982	\$43,173,000	\$21,782	2,806	\$64,644,000	\$23,038
Second Quarter. . .	1,581	33,667,000	21,295	1,794	43,771,000	24,398
Third Quarter....	1,771	54,328,000	30,676	2,450	47,857,371	19,533
Fourth Quarter. . .	2,405	70,888,000	29,475			

With regard to the improvement in business, the circular points out several circumstances which have not always been fully appreciated in the current estimates of the financial situation. For example, there is the fact that the main burden of the depression which followed the revulsion of 1873, fell upon the manufacturing and mercantile population, while the producers in agricultural regions have prospered. The farming classes, whose prosperity involves that of all others in this country, have been exceptionally favored. Good crops, bringing good prices, cheap freights, reduced cost of labor, and lower prices for all supplies, have largely increased their purchasing power, and placed them in a position comparatively independent of the adverse circumstances which impoverished other classes of the community.

On this subject Messrs. Dun, Barlow & Co. offer the following pertinent observations: "It is significant that the gloom which pervades the commercial horizon of the rest of the world, has not only been more disastrous and destructive of confidence abroad than in this country, but that the signs of vitality, and of a return of healthy trade, seem far more distant than here. Excepting France and Belgium, almost in every other commercial country the failures have been quite as numerous in proportion to the number engaged in business, as in the United States. But in addition to this, the daily reports indicate an extent of liabilities far exceeding in magnitude those in this country. So that an expansion in permanent expenditure in this country far exceeding the bounds of prudence, an enormous debt, a disorganized currency, a recklessness in trade, and an extravagance in living, has not prevented our commercial fabric from sustaining itself with far less signs of distress than appear in other countries that are free from these hurtful disabilities. Under these circumstances, is it not fair to assume that the vigor and elasticity exhibited under such pressure, in the presence of such adverse conditions, will enable the country the more rapidly to achieve a prosperity which shall be permanent and all-pervading. The improvement in business within the past month may be regarded as the first feeble intimation of this change. It would be unsafe to rely, however, too implicitly on the expectation that the hard times are nearly over. The "spurt" in trade, which some term the activity of September, is not likely to be followed by a continuous revival throughout the autumn and winter.

FAILURES IN THE UNITED STATES, 1873 TO 1875.

STATES AND TERRITORIES.	1873.		1874.		1875.	
	No. of Failures.	Amount of Liabilities. \$	No. of Failures.	Amount of Liabilities. \$	No. of Failures.	Amount of Liabilities. \$
Alabama.....	52	1,337,000	48	963,000	42	1,118,100
Arkansas.....	17	307,000	22	406,000	31	391,300
California.....	70	1,500,000	68	2,571,000	237	5,281,111
Colorado.....	...	.....	...	.....	70	918,351
Connecticut.....	104	1,452,000	151	2,286,000	191	2,851,926
Delaware.....	31	663,000	27	578,000	21	259,500
Dist. of Columbia	13	240,000	18	256,000	18	161,924
Florida.....	10	258,000	14	293,000	16	262,800
Georgia.....	67	2,113,000	118	1,845,000	156	6,128,464
Idaho Territory..	...	.....	...	.....	1	3,000
Illinois.....	329	7,109,000	332	7,510,000	409	8,218,470
Indiana.....	134	2,260,000	167	2,397,000	332	4,804,052
Iowa.....	141	1,917,000	144	2,034,000	183	1,610,305
Kansas.....	94	821,000	94	988,000	88	829,400
Kentucky.....	125	2,287,000	167	1,879,000	148	3,669,758
Louisiana.....	74	2,831,000	99	4,429,000	58	2,937,684
Maine.....	80	752,000	84	1,063,000	130	1,537,500
Maryland.....	63	1,229,000	110	1,691,000	108	10,067,690
Massachusetts....	309	11,224,000	416	10,600,000	772	27,494,943
Michigan.....	248	3,917,000	286	4,477,000	283	4,123,718
Minnesota.....	61	944,000	60	1,029,000	140	1,803,406
Mississippi.....	79	909,000	66	1,555,000	45	913,565
Missouri.....	188	5,867,000	175	3,061,000	189	3,748,793
Montana.....	...	.....	...	.....	6	92,000
Nebraska.....	22	311,000	42	521,000	32	197,400
Nevada.....	...	.....	...	.....	45	1,011,700
New Hampshire....	27	513,000	32	266,000	73	1,076,400
New Jersey.....	119	2,482,000	146	3,854,000	134	2,830,485
New York.....	544	13,721,000	573	10,295,000	706	11,920,822
New York City...	644	92,635,000	645	32,580,000	951	49,263,667
North Carolina....	63	672,000	56	542,000	56	928,429
Ohio.....	321	11,320,000	343	8,481,000	389	7,293,282
Oregon.....	...	.....	...	.....	18	219,448
Pennsylvania.....	576	31,445,000	644	34,774,000	583	18,247,872
Rhode Island....	58	15,259,000	71	1,250,000	106	6,281,695
South Carolina...	36	1,927,000	61	1,531,000	131	2,781,048
Tennessee.....	77	1,036,000	94	1,585,000	136	1,121,839
Texas.....	116	1,751,000	142	2,201,000	250	2,495,849
Territories.....	44	868,000	67	969,000	...	.....
Utah Territory...	...	.....	...	.....	8	249,500
Vermont.....	21	350,000	36	380,000	63	772,700
Virginia & W. Va.	125	2,188,000	111	1,514,000	138	3,296,307
Washington Ter.	...	.....	...	.....	1	2,804
Wisconsin.....	81	1,574,000	101	2,575,000	45	2,130,346
Total.....	5,183	228,499,000	5,830	155,239,000	7,740	201,060,353
Canada.....	...	.....	...	.....	...	.....

It is interesting to compare the disasters of these years with those of the period which has elapsed since the panic of 1857. We shall have to look back as far as the year 1861 before we can find the aggregate failures throughout the country reaching as high as the average of 1875. In 1861 the year's failures were 6,993, and amounted to \$207,210,000. Three-fourths of these aggregates would give 5,244 failures, amounting to \$155,407,500.

FAILURES IN THE UNITED STATES, 1857 TO 1875.

—New York.—		—Boston.—		—Philadelphia.—		—United States.—	
No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
§		§		§		§	
1857 . 915 .	135,129,000 .	253 .	41,010,000 .	280 .	32,954,000 .	4,932 .	291,750,000
1858 . 406 .	17,773,462 .	123 .	4,178,925 .	109 .	10,002,385 .	4,225 .	95,749,000
1859 . 299 .	13,218,000 .	123 .	4,759,000 .	105 .	2,589,000 .	3,913 .	64,394,000
1860 . 428 .	22,127,297 .	172 .	4,956,760 .	144 .	6,107,936 .	3,676 .	79,807,000
1861 . 980 .	69,067,114 .	480 .	18,317,161 .	389 .	21,294,363 .	6,993 .	207,210,000
1862 . 162 .	7,491,000 .	120 .	2,013,000 .	60 .	1,310,000 .	1,652 .	23,049,300
1863 . 34 .	1,670,000 .	50 .	1,096,100 .	14 .	401,500 .	485 .	6,864,700
1868 . 417 .	31,654,000 .	.....	.....	.....	.....	2,608 .	63,774,000
1869 . 418 .	21,370,000 .	.....	.....	.....	.....	2,799 .	75,054,000
1870 . 430 .	20,573,000 .	.....	.....	.....	.....	3,551 .	88,242,000
1871 . 324 .	20,740,000 .	.....	.....	.....	.....	2,915 .	85,252,000
1872 . 385 .	20,684,000 .	.....	.....	.....	.....	4,069 .	121,056,000
1873 . 644 .	92,635,000 .	.....	.....	.....	.....	5,183 .	228,499,000
1874 . 645 .	32,580,000 .	.....	.....	.....	.....	5,830 .	155,239,000
1875 . 951 .	49,263,667 .	.....	.....	.....	.....	7,740 .	201,060,353
1876* . 645 .	26,921,660 .	.....	.....	.....	.....	7,050 .	156,272,800

* Jan. 1 to Sept. 30.

One of the most obvious lessons suggested by these statistics is as to the enormous waste of capital which they bring to light. They show that since 1868 the failures in the United States have amounted to \$1,174,449,153, and that from 1857 to 1863, the failures amounted to \$768,824,000. The aggregate of the two periods is \$1,943,273,153. If we estimate thirty per cent as the average dividend received by the creditors, the losses inflicted upon them would amount to \$1,360,291,207, of which sum over 600 millions have been lost since 1868. In other words, a sum equal to one-half of our national debt has been lost by the commercial community in consequence of the failure of their debtors.

Another deduction is, that the risks of business, though large, are much less than is often supposed, and that the percentage of losses is being slowly reduced. The number of insolvencies, however, is greater, though their average amount is diminished. The failures for nine months of 1876, are 7,050, which is more than one per cent. of the firms engaged in mercantile business in this country. It will be seen that prior to the panic of 1873, the failures did not average, for several years, more than one per cent. per annum. Since the panic it has barely reached one per cent. Hence, the failures for three-quarters of this year affect a greater proportion of the business firms than the average of previous years. As we have said, however, the proportionate amounts of capital lost by the insolvencies are diminishing, and we are warranted in deducing the inference, that of late, credits have been more judiciously given than in former years, as is proved by the circumstance that the failures individually are for smaller sums, although the great general volume of mercantile business in the country, was probably about the same in each year. The amount of the mercantile business of the country has been lately estimated at 68,000 millions of dollars

a year. This estimate would give 51,000 millions as the aggregate transactions of nine months. Hence it appears that 51,000 millions of commercial transactions have yielded but 156 millions of insolvencies. If thirty per cent. was paid to the creditors, their losses would be 110 millions, or less than one-fourth per cent. Hence it appears that great as are the risks of mercantile business, an insurance fund of one-fourth per cent. would not only suffice to pay the actual losses at the high average of the last nine months, but it would leave a surplus for emergencies, of seventeen millions of dollars. Of course we do not decide whether or not it is possible in the present condition of business, to apply the principle of insurance to bad debts, or whether the obstacles to the adoption are not too great to be surmounted. We simply renew the suggestion we made on the subject some months ago, that it may be kept alive in the public mind.

THE CONTROVERSY CONCERNING INTEREST ON DEPOSITS.

It is well known that a lively discussion has sprung up among the banks of London, with regard to the custom of paying interest on current accounts. The method of attracting capital to the banks by the payment of interest, has been of great service in certain stages of the past history of banking in this country and abroad. But it is argued by many persons that the stage of bank development has been long passed when such payments can be regarded as useful or even legitimate. Without going so far as this, we may freely admit that there is a necessity for more discrimination than has been used on this subject in the past. Still, there is so great a diversity of opinion, that we had hoped that a calm, temperate analysis of the arguments on both sides of this controversy would have been delivered by some of the speakers at the recent Bank Convention, at Philadelphia. But the multitude of topics pressing on the attention and the very short period available for the sessions, precluded the possibility of taking up this, as well as several other subjects of practical interest. As a contribution to the history of the controversy, we give the subjoined extract from an article in the *London Times*, on one or two of the questions which are now most prominent in England:

“It will be a subject of real regret and danger, if the London banks permit the present condition of their business in deposits to pass away without commencing the wholesome and long needed reform regarding the rates of interest allowed by them on current and deposit accounts. As concerns the current accounts, the Union and the other one or

two banks who still follow that practice, have wisely so cut down the rates and altered the conditions, that the whole affair has become virtually nominal, and, being nominal, it had better be abandoned altogether. It is a practice wholly unsound, when applied to London banking, and it has only lingered in two or three cases because long since reduced to little more than a plausibility on paper. The allowance of interest on deposits is a larger and more serious matter. The Bank of England rate is, and has been for some time, two per cent. per annum. Under the old rule, the banks would have allowed one per cent. on deposits, but for weeks past such an allowance would have been the purest folly or the most manifest benevolence, for the deposits could not be employed at any such rate, and when the masses of capital to be dealt with amount to scores of millions the difference of a fraction on the wrong side entails the loss of tens of thousands in the aggregate. The banks, therefore, very wisely have been reducing the allowances to fifteen and even ten shillings per cent. per annum, and in no small number of cases have been refusing deposits altogether. Now, the cardinal condition of all sound and safe banking is, that the banker shall not make himself responsible for deposits which he cannot employ at a profit in the best banking securities. It is no part of the business of a banker to act as an investment agent for his customers; and it may be safely said, that in all cases where banks have assumed and persisted in such functions, they have come to mischief. For some years past, and at this moment, the greatest financial peril of the country is precisely this undue and enormous accumulation of scores of millions of deposits in the hands of a few London banks, and the only way to diminish this peril is for the banks to refuse on principle to accept deposits except on terms which leave them a positive profit. At this moment the true policy of the banks should be, now that the rate of allowance has fallen to the absurd rate of half per cent. per annum, to say that until the course of trade takes a decided turn, they will not allow any interest at all. The effect of a measure of this kind would be entirely salutary, and for several reasons. First, it would, in a material degree, compel the public to examine with new interest the causes which have led to the stagnation of trade, and to endeavor to find remedies—processes, both of them, beneficial on every ground; secondly, it would constitute a desirable departure from the general assumption, that banks can, under all circumstances, be relied on to pay to depositors rates within a fraction of the highest market rates, although the banks themselves may sustain loss by the operation; and, thirdly, it would enable the banks to draw still tighter the rules of selection, as regards bills and securities. It must not be assumed that because good bills are scarce,

unsound and finance bills are at an end. They are not so plentiful as they were, but they still abound; and so long as the banks have to struggle for small fractions of profit on their deposits, there is great danger, as all experience proves (and especially the experience of 1875), that the temptation of high rates of discount, obscures the vision as regards the doubtful nature of the security."

A more elaborate summary of the arguments on each side, is given by the *Pall Mall Gazette*. After referring to the Aberdare failures and the other commercial disasters of a year or two ago, the *Gazette* says: "The facilities which could enable speculators to continue their course for several years, by the renewal and gradual enlargement of millions of mere accommodation paper, could only have been possible under a system which created and maintained a strong demand for mercantile bills on the part of the banks in London and elsewhere, but especially in London, having immense sums of cash deposits to employ at the highest rates consistent with apparent prudence; and having to employ these deposits at the highest rates because the banks had engaged to allow upon them the highest rates consistent with apparent prudence. During the last ten or twelve years two circumstances have essentially changed the economic conditions under which deposits are accumulated in the London banks, and are employed by them. First, the allowance by the banks of rates of interest on deposits always within one per cent. of the minimum rate of discount at the Bank of England, has rendered the deposit vouchers of the banks the most convenient, and nearly the most profitable, security in which masses of floating capital can be employed, implying, as these deposit vouchers do, punctual repayment of the exact principle on demand, and a full current rate of interest calculated to the last moment of withdrawal. These inducements have drawn to the banks, year by year, larger masses of the floating capital within the country, until at length the deposits held by about a dozen of the leading joint-stock banks in London, alone, have reached quite a hundred millions sterling, and more than sixty millions of this are in the hands of three of the older joint-stock banks. In point of fact, these banks have, by force of circumstances, become quite as much investment companies as banks. Secondly, the tendency to convert these banks into investment companies has, during the last ten years, been greatly fostered by the steady growth of the floating capital of the country itself, and that brought into it by foreigners, and particularly by the accumulation in London, since the political collapse in France, of enormous floating funds which were previously employed on the Continent. The rapid increase, too, of securities to bearer, available in any European market, and the enormous dealings which are now carried on in such securi-

ties, all tend to add to the deposits of the banks sums of money unknown before the time of telegraphs. The effect of these causes has been to alter, considerably for the worse, the relation of the joint-stock banks to the money market, meaning by the money market, the amount of funds available for carrying on the current daily business of a community of merchants and traders, who, in the course of their legitimate dealings, have bills to discount, short loans to raise, and temporary advances of a fluctuating character, governed by the occurrence of sales, markets, the arrival of ships, and so on, to secure. It is these current daily wants which constitute the wholesome applications to bankers, and the money market is in a sound state when these applications on the one side can be supplied at say four per cent. out of funds which, on the one side, can be most profitably employed in such temporary securities. We have said joint-stock banks in contradistinction to private banks, because, as is very well known, it is the joint-stock banks which have specially devoted themselves to the deposit system. The private bankers also take money on deposit at the joint-stock rate, but then only from their own customers—that is, from parties who have had banking accounts with them for longer or shorter periods, and, although the difference may not appear large on paper, it is very large in practice. The deposits with some of the joint-stock banks have grown to a magnitude which implies a machinery of administration far exceeding any previous experience. The London and Westminster Bank, for example, has thirty millions sterling of deposits, or double the amount which it held twelve or fifteen years ago. But the manipulation of thirty millions of deposits, to be employed in purely banking securities, is a work of almost unspeakable labor, skill, and nicety. The bills, warrants, guarantees, credits, and engagements, upon which this sum has to be employed, change daily and hourly, and somebody must be provided who shall be able to form a critical opinion on each case, and act upon that opinion promptly. The detail of such a process is endless and exhausting, but unless it be well and regularly met, it is certain that severe losses will ensue; because the odds are indefinite against the banker, inasmuch as every borrower knows, of course, most about the weak points of the security he offers, and takes care to keep that knowledge to himself.

“These circumstances have profoundly altered the economic conditions of deposit banking in London; and the latest and most striking evidences of the alteration are the very serious losses recently sustained by the banks; these losses, it is well to repeat, arising from the necessity resting on the banks of making profit or avoiding loss by employing their deposits on securities taken on evidence of very insufficient character. The banks, first, had too much money to lend, and secondly,

too little time to give to lending it. The joint-stock banks have already had a meeting to consider whether they can amend the system for the future, and it appears that some of the leading authorities among them have quite made up their minds that the step of primary and vital importance is to abolish the existing traditional rule of fixing the allowance on deposits at one per cent. per annum under the Bank of England minimum, or, as it is called in City language, 'one under Bank.' For this rule it is proposed to substitute a committee representing the banks, which shall meet periodically and shall fix the rates to be allowed by the banks on deposits. This proposal has been supported and urged upon the other joint-stock banks by the London and Westminster Bank. It is understood that it has been rejected. Both these proposals are sound as regards both the banks and the public. The circumstances under which the Bank of England minimum rate could with reason and safety be taken as the regulating pivot of the rate of interest to be allowed on deposits in London have wholly passed away—passed away, indeed, twelve or fourteen years ago. The adherence to the Bank of England minimum as the regulator has been the source of no small mischief during recent years, and if still adhered to will sooner or later produce a catastrophe. But if the Bank of England official figure be discarded, it can only be replaced by the resolutions from time to time of a representative committee, unless each bank be left to quote its own terms in its own way. There is no abstract reason why this free course should not be taken; and if it was possible that a committee could in any substantial degree fix upon rates which would be less in favor of the public than those arising from individual quotations the individual quotations should have the preference. But this result is nearly impossible. The committee would be itself a compromise of persons, and its decisions would be a compromise of views, and those views always tending to the encouragement of transactions—that is, towards offering the most favorable terms to the public.

"We have said that it is for the interest of the public as well as the banks that the present excessive allowance of interest on deposits in London should be reduced to limits which will permit the banks to make a fair profit by taking only first-rate mercantile securities. In the first place what is really meant by the generally used and generally misunderstood term "over-trading" is that trader A carries on a large speculative business with too little money of his own and too much of the money of other people. He buys goods, and he engages to pay for them at the end of so many months, standing in the meantime as a book debtor to the seller; or, as more commonly happens, he becomes the acceptor of bills drawn by the seller, and these bills are dis-

counted by the seller in London or elsewhere, by means of deposits held by bankers, joint-stock and private. It is perfectly clear, that the larger these deposits are, the more eager the demand for bills, and the greater the chance of unsound bills being passed for discount. The whole secret of the career of some recent frauds was a scientific appreciation of this fact. The delinquents had the acuteness to see more clearly than other people, that the chance of a fortune existed in the plethora of deposits and the antiquated modes of administering them. Now, the reorganization of the deposit system, operating, as it would ultimately do, in diminishing the volume of deposits, and in augmenting the margin of profit on that diminished volume, would cut off the most powerful inducements to overtrading, by rendering it difficult for the overtraders to get money through the medium of discounts and advances. There is no overtrading so long as the goods sell to a profit in time to meet the bills drawn against them. If they do not so sell, then somebody must find money to renew the bills for a second term, in the hope that the goods may sell before it expires—and that somebody has been generally found to be the banker. In other words, too much of the floating capital of and within the country has been held in the form of bank deposits, has borne too high rates of interest, and has been employed in 'overtrading' securities. It is quite true that the facility of obtaining discounts is one of the great advantages possessed by this country. It keeps trade open, free from cliques, and gives a perpetual chance to men of energy, ability, and ambition to strike out new trades and new methods of enlarging and transforming old trades. But this is an advantage in no danger whatever of being impaired. The growth of wealth of late years, and certainly for years to come, has been, and will be, more than sufficient to provide a fund of floating capital ample for all the requirements of the rising and democratic elements in commerce. In the meantime, the banks are on their trial. It is their proper and profitable function to attract and administer just so much of the floating capital of and within the country as will leave them a fair and solid margin of profit, by employing that floating capital in first-rate mercantile bills and securities of short dates. When the banks pass beyond these limits they become, not the keepers of the current cash of the nation, but speculators in investments, and victims of 'overtraders' and other dangerous persons." It is impossible to withhold our assent from these principles, or to deny that they are as applicable to our own banking system as to that of England. Still, the difficulty is to prescribe a remedy which will command the confidence and unite the efforts of the conflicting parties to this greatest banking controversy of the nineteenth century.

BI-METALLIC MONEY.

THE NECESSITY AND THE FUNCTION OF SILVER IN THE CURRENCY.

BY HENRY CERNUSCHI.

*Translated from the French.**

The word bi-metallic, I use to describe that monetary system which is founded upon the two metals, gold and silver. My object in using this word is to get rid of the term "standard," which has been with so much harm introduced into monetary discussions, and which is chiefly used by those who tried, a few years ago, to banish gold, and now cry out against silver. What is the real meaning of the word standard? The Dictionary of the Academy tells us: It is "a model of measures, kept by the magistrate, with which the measures of the merchant must agree." France has a model of a mètre of a well-known length. It is deposited in the Archives of the Government. But there are not two such models of different lengths. It is absurd to say that there could be two such standard mètres. Yet the mono-metallists amuse themselves by charging upon us, the bi-metallists, this very absurdity; they say we are for two standards. This is a very ingenious way of making us and our theory pass for absurd. The introduction of the word *standard* into monetary discussions, gives no help to the understanding of the pupil; and, it only proves that there is a confusion of ideas in the head of the master. The truth is, that neither gold nor silver models or standards are kept by the magistrate. Gold and silver are commodities, whose value chiefly rests in the fact that they effectively fulfill the function of money. They are commodities which we receive in exchange for other commodities. What we ought to ask is the simple question whether it is better for us to have, as in France we have always had heretofore, the monetary use of two metals, or whether we should be content with one metal? This is the economic question. To solve it the word standard is of no use at all. It expresses neither truth nor falsehood. It expresses nothing whatever. Hence, I hope the words bi-metallic and mono-metallic, by which I distinguish the two opposing schools of monetary disputants, will be accepted as useful.

* Few essays on the silver question have produced so profound an impression as this pamphlet of M. Cernuschi. Since we reviewed it in the September number of the BANKERS' MAGAZINE, the public interest in the subject has increased so much that we have revised and corrected for our readers, the English translation which was full of errors. Of course we shall not be understood as accepting all M. Cernuschi's opinions. The substance of the essay first appeared in the French newspaper the *Siècle*, a year ago, in November and December, 1875. Next to M. Wolowski, M. Cernuschi has long been considered as the chief champion in France of the claims and the necessity of a silver currency.—[ED. B. M.]

I. THE MONETARY QUESTION IN GERMANY.

When the political system of a nation is changed, its monetary system cannot fail to undergo more or less of change also. At the accession of Victor Emmanuel, as King of Italy, the old coins of Lombardy, Tuscany, Rome and Naples were demonetized. At the accession of William of Prussia, as Emperor of Germany, it was determined to demonetize the coinage systems of the Northern and Southern States. In Italy the mint now issues but one description of coin, the lira, bearing the Savoy cross. In Germany the mint issues no coins but marks bearing the imperial eagle. But it is to be observed that, while Italy, in establishing monetary unity, adopted the bi-metallic system, which recognizes silver as a legal tender equally with gold, Germany, when she began to unify her currency, attempted to demonetize silver.

This bi-metallic programme was carried into effect in Italy. Can the mono-metallic programme be carried out by Germany? The Imperial Government has pursued its task with vigor during the last four years. First, it has issued 1,200 millions of gold marks in coins of ten and twenty marks each; secondly, it has made considerable progress in providing its new subsidiary coinage which consists of silver, nickel, and copper, and is authorized at the ratio of twelve and one-half marks per head of the population, to replace the discarded small coins which are called in to be melted down; thirdly, it has made uncurrent the Austrian, Dutch, and French money which used to circulate extensively in Germany; fourthly, it has withdrawn from circulation nearly all the florins and other silver coins of the Southern States and of the Hanseatic cities. All these changes being complete, one single operation would remain to be added, namely, the withdrawal of the thaler, which is the most important element of the old silver currency. Now the aggregate of thalers to be withdrawn amounts to 200 millions, or \$148,000,000, and the warmest promoters of the mono-metallic theory must at once see how difficult is the work of demonetizing so great a mass of metal. Where can all this silver be disposed of? What can be done with it?

Certainly England and the United States will be unable to absorb the silver yielded by the German thalers. France, Italy, Belgium, Switzerland, have united to stop the Germans from coming to their mints to have their thalers coined into five-franc pieces. To this end, they have, with common consent, suspended their former free coinage of silver. Austria and Russia are in a chronic subjection to government paper money; they cannot entertain the project of buying the silver of Germany. There remain China and India. In these countries, gold is little used, as their pay-

ments are made in silver. But they have neither large credits on Germany nor on the other countries of Europe, which are therefore not in a position to send thither large sums of silver. We should have to imagine a great battle lost by Germany and won by the Chinese, so that the Germans should have to pay to China a heavy indemnity, before the shipment of this silver from Berlin to Peking would become possible. But if the outflow of the demonetized silver is so difficult, the purchase of the gold to replace it is no less difficult. London, the chief market for the precious metals, can only furnish Australian and Californian gold according to the supplies received. If the permanent stock were attacked, if the gold which the English themselves need were disturbed, the result would be a fearful panic in the British market, and this would immediately react upon all Europe in wide-spread ruin and disaster.

Need we speak of the prodigious losses which Germany would call down upon herself, should she persist in provoking this disastrous crisis, by forcing her silver upon the market and demanding heavy sums of gold. The silver would be more and more depreciated. The gold would rise as fast as the silver fell. It would be by millions that the Imperial treasury would have to count its losses. These difficulties were foreseen by the Ministry of the Empire. Hence, when the decree was made, that from January first, 1876, all payments should be reckoned in marks and not in florins or thalers, they added a restrictive clause, to maintain in circulation the thalers, which were to be counted as gold, and to be each held as equivalent to three marks. From this we see that the Imperial Government desires to gain time, and hopes to carry on the work of demonetization slowly. But this slow process will not be without serious danger, as it must stimulate the exportation of gold. This is evident from several circumstances: First, it is notorious that ever since the process of demonetization began, silver has been constantly falling in price in the foreign markets, while at home the value of a thaler has not fallen, for the simple reason that this coin, being a legal tender under the law just mentioned, passes current at three golden marks. Bankers, therefore, when they have payments to make abroad, are careful not to transmit thalers. They send gold marks, and keep the thalers for payments at home. The German Government buys back the gold from foreign markets, and the bankers go on exporting it. Thus they weave a Penelope's web, but there is no return of Ulysses. Already 200 millions of marks have been sent abroad, the sixth part of all that has been coined. On the whole then, we find that Germany has had to give up the plan of swift demonetization, and whether she will succeed in slow demonetization, is more than doubtful.

Such is the situation; before specifying the deductions which it suggests in regard to the future, it may be well to say something about the gold mark, the new monetary unit of Germany. When the empire decided to exchange the silver currency for a currency of gold, it was obliged at the outset to establish a fixed rate for the exchange. In other words, it had to determine how many units of silver should be equal to one in gold. The tariff was fixed at fifteen and a half to one. This means, of course, that the owner of silver money, who was forced by the law to get rid of it, should have the right, on presenting fifteen and a half weights of silver coin at the treasury, to receive in exchange one weight of gold coin. The Government was right in adjusting this tariff of fifteen and a half, for at that time it corresponded with the market value of the two metals, and with the old tariff established by law in France, Italy, Belgium, and Switzerland, between the gold and silver coinages. The tariff of fifteen and a half being thus adopted by Germany, it was of importance that the value of the gold unit of coin, which was to be created under the name of mark, should be such that the exchange of the old money for the new should not give rise to any long or complex calculation. With this view it was needful that, without departing from the tariff of fifteen and a half, the value of the mark should be contained a certain number of times in the value of the thaler; for the thaler was the most important and the most widely circulated of all the German coins. This is what was done. If we multiply by fifteen and a half, the weight of a mark, we have the exact weight of the third of a thaler. The operation of exchanging thalers for marks could not be more simple. There are no fractions nor any small change to pay back. For every thaler presented the treasury office has to give three marks in gold. The gold mark being thus fixed and the silver thaler continuing, until further orders, in circulation, it is plain that from January 1st, 1876, there will be in Germany, a metallic currency composed of gold and silver marks, the latter containing fifteen and a half times the weight of the former in fine metal. The adjustment will be the same as it is in France, where the silver franc weighs fifteen and a half times as much as the gold franc. It is worthy of remark that the old bi-metallic tariff of fifteen and a half to one, the suppression of which several economists have demanded in France, is going into operation in Germany, where it has never existed before, and where no one demanded its adoption at present. It is true that the bi-metallic system of Germany is not complete. To make it complete, every citizen should be free to offer silver for coinage; whereas, the silver marks admitted into the circulation will be only the old thaler, and nobody will be permitted to manufacture coin with new silver.

Here we come to the central point of the whole discussion. Is it for the interest of Germany, France, and the general market, that the German Legislature shall keep up this prohibition, or is it better for all parties that the prohibition should be withdrawn? It may be argued that Germany has gone so far in the path of the mono-metallic system, that she cannot, without effort, abandon it. This is not so; on the contrary, she has never been so near to the bi-metallic goal. And, in her present position under the thaler stipulation of the law, she is temporarily at the goal even now. If this adoption of the bi-metallic system is to become permanent and complete, it will be needful for the German Government to make several new arrangements. First, the coinage of silver and gold in the public mints should be open to everybody; secondly, the weight of the silver mark should be equal to one-third of the weight of the thaler; thirdly, pieces of four or five silver marks should be coined so as to facilitate the making up of packages of one hundred marks, which cannot be done with the existing coins of three marks—the thalers; fourthly, no more thalers should be coined, and the existing thalers may be hereafter melted down and re-coined into pieces of four or five marks; fifthly, there should be no subsidiary token coinage smaller than two marks; the five mark pieces of overvalued coinage which have begun to be issued, should be hereafter called in.

These are the chief provisions needful to give permanence and stability to the bi-metallic system in Germany. It is easy to see that the practical working of a law to this effect would not be difficult and that many advantages would attend it. One of the chief of these advantages is that the German Government would be freed from its monetary anxieties. They would no longer seek markets, which do not exist, for their discarded silver. They would not seek to buy more gold than can possibly be supplied. They would avoid the losses incurred by selling silver on a falling market and by buying gold on a rising market. They would cease to fear the exportation of gold marks. And finally, satisfied with having in the whole Empire a single monetary unit—the mark—they would leave the German people free to make use of gold or silver money, as was always practiced in the States of the Latin Union up to 1874. The association in which France, Italy, Belgium and Switzerland have combined to resist the monetary movements of Germany would be at once dissolved. The coinage of silver would again become free in those countries. This would be the end of an unprecedented monetary war, which appears to be interminable, and which is equally contrary to scientific principles and to the interests of the States by whom it is carried on. The British market, and with it the Continental markets, would by this means avert the crisis which would be inevitable if

the German Government were to persist in demanding more gold, whether it can be furnished or not. Is there an economist, a banker, or a statesman who will deny the reality and the importance of these advantages?

II. ENGLAND AND THE MONETARY REVOLUTION IN GERMANY.

The gold coin of twenty shillings the pound sterling is the money of the English people. If England had permitted private individuals to coin four-shilling or five-shilling pieces containing each, in fine silver, fifteen times and a half the weight of fine metal contained in four or five shillings of gold, the currency of Great Britain would be bi-metallic, and as perfect as that of France. But this has not been done. Except the token silver coins for small change, which are overvalued in comparison with their weight in pure metal, gold is the only legal tender in England. The new mono-metallic school has taken advantage of this fact to shelter itself behind the English flag, and to call on Europe to proscribe silver money. Without the war of 1870, which placed an immense sum of ready money in the hands of Germany, the advice of the mono-metallists would have had no effect. Victorious Germany, towards the end of 1871, believed that in listening to them, she would secure for herself a great benefit. What a splendid achievement it would be to discard silver and henceforth to use nothing but gold! But since this school sets up the example of England, let us look into the history of the English mono-metallic system.

The bi-metallic French law of 1803 established the silver franc at $15\frac{1}{2}$ times the weight of the gold one. But the bi-metallic American law of 1792 had fixed the silver dollar at the weight of fifteen times only the weight of the gold dollar. It was therefore found profitable by traders to have their silver coined in America, and their gold in France. They gained the fractional $\frac{1}{2}$ upon the 15, which gave them more than a profit of three per cent. Gold, therefore, flowed into Europe, and silver into America. What was England to do when, in 1816, she decided on resuming her specie payments? Was she to adopt the American 15, or the French $15\frac{1}{2}$? To find a solution of this problem England adopted the course of coining gold alone. This policy appeared the more convenient because there was at that time much gold in the market, whilst the silver, as we have already shown, had been drawn to America. England did not think of laying down a scientific principle, or of founding a mono-metallic gold school. So little was such a scheme in her thoughts that she maintained, and still maintains, silver money among her 150 millions of subjects in India; and she has always resorted to the bi-metallic resources of the European Continent to liquidate her accounts with Asia. We must remember that

before 1871 Europe had a bi-metallic system, imperfect no doubt, but sufficient for the common needs. England made her payments in gold, Germany in silver, and France in both metals. It was owing to this system that the English were always able to fetch silver from, or transmit to, Paris or Hamburg, and that the Germans could obtain gold from Paris or London, or send it there. Europe had thus ample employment for the silver money coming from Asia when Asia had to balance her accounts; and if, on the other hand, Europe had an adverse balance to pay in Asia she found within her own States the silver money of which she had need. How could the payments of trade between Europe and Asia, and especially those of England, be made if, like her, the Continent had become mono-metallic? Where should we find silver for Asia, or how should we be able to dispose of all that is sent from thence if, while gold does not circulate in that part of the world, nothing but gold circulates in Europe?

Europe can only become mono-metallic on condition of rendering the rest of the world so. And to do this there would be two other conditions to fulfill. She would, in the first place, have to persuade all the inhabitants of the globe to get rid of their silver, to throw it into the sea, or to convert it into vessels of household utility; secondly, she would be obliged to share her gold with Asia to save the Asiatics from being without money after they had rid themselves of their silver. The history of all ages, and of that science whose laws human societies obey, though no pen has ever traced them, combine to demonstrate that gold and silver money are both equally good. Mankind has ever made use of both, and ever will, let the unfortunate local and temporary exceptions be what they may. Let us, however, return to the comparison between the movements of England in 1816 and those of Germany at present. Led by special circumstances England in that year decided upon a gold coinage. But would she have done this if her circulating currency, instead of being previously in paper, had been of silver? Paper has no intrinsic value. To get rid of it costs nothing. But it is a different thing to get rid of a precious metal which the owner has been crying down himself. An operation of this sort occasions the waste of millions. Will the mono-metallists who never tire of pointing to the example of England dare to maintain that she would have adopted gold as her sole standard of money if she had been first obliged to demonetise a milliard of silver francs? No. Nothing short of the intoxication of Sedan, followed by the intoxication of Frankfurt, could have hurried a nation into such an enterprise.

Have the United States, which, since 1834, have coined but gold dollars, demonetized a single dollar of silver? Never. The proportion of one to fifteen, established in 1792,

having had for its effect to send gold out of the country, Congress adopted a very excessive measure to act in the opposite direction. Instead of adopting the French $15\frac{1}{2}$, which would have been enough, the Americans, to stop the exportation of gold, decided that the weight of silver dollars should no longer be as fifteen but as sixteen to one of gold. This was depreciating silver to an unnecessary extent. Directly the new law was put into execution the silver flowed so steadily to Europe, that one fine day, the Americans discovered they had a mono-metallic currency without expecting it. Though the coinage of silver money was free, there was nothing but gold in circulation. Holland, a country of small extent, listened to the economists, who were then hostile to gold, as they have since become to silver, and contrived in 1850 to demonetize her gold without much injury to any private or public interest. Dealing with small aggregates of metal at a time, that nation easily found a demand among her neighbors for her demonetized gold, and was enabled in exchange to obtain the silver she wanted. But the most incredible blunder in the history of modern finance is that which led forty millions of Herostrati to vote the demonetization, the depreciation, the degradation of their metallic currency, without in the least suspecting the great mischief they were bringing on themselves and all other nations. On the average how much gold is kept in the vaults of the Banks of England, of Scotland, and of Ireland? Thirty-five million pounds sterling at the utmost. This is about the sum which Germany will require to take the place of her discarded silver. Can this gold be at the same time a cash reserve for England, and a monetary circulation for Germany? Clearly not. We are told that California and Australia will supply necessary gold. This is a bad calculation. The annual yield of gold has barely sufficed for the growing monetary needs of the commercial world and for the industrial consumption of the arts, which is constantly augmenting, but it will not suffice to fill the vast monetary gulf opened by the demonetization of silver. Besides it is a well-known fact that the supply of gold is on the wane. When the Government of the Confederate Empire already had in portfolio thirty-five millions sterling in bills of exchange on London, could it venture to present them for payment and leave England without a sovereign? Germany, which unhappily believes her dignity at stake in the realizing of the scheme of gold mono-metalism, wishes to seem moderate. But she cannot avoid drawing gold from London. The City journals do not hide their fears. For some time they have ceased to admire the monetary revolution Germany has tried to accomplish, ostensibly in imitation of England. Of all the different States, the one most directly menaced by the German operation is Great

Britain. It is quite possible that rather than remain without metallic money, England may in our time do what she did not accomplish in 1816. She may authorize private individuals to coin pounds sterling of silver, in pieces of four or five shillings, and call them into circulation concurrently with gold.

III. THE UNIVERSAL TARIFF OF $15\frac{1}{2}$ TO 1.

Since 1803, the silver franc has weighed $15\frac{1}{2}$ francs of gold, and the silver mark now weighs $15\frac{1}{2}$ marks of gold. Let this weight of the silver mark be maintained. Let us have a silver dollar weighing $15\frac{1}{2}$ times the gold dollar, and a silver piece of four shillings weighing $15\frac{1}{2}$ times four gold shillings, that is to say, weighing sixty-two gold shillings. Let us everywhere ordain that holders of gold and silver be free to take these metals to the mint, and have them coined. Let us render it optional to pay in gold or silver specie. Such is the international monetary programme that we defend. If carried out it would have the effect of imparting stability to the relative value of gold and silver, and of bringing down to a minimum the fluctuations of the purchasing power of money. How and why would this double result be accomplished?

The instability in the relative value of the two metals arises from four causes which are intrinsic to the metals themselves: first, from the increased production of gold; secondly, from its diminished production; thirdly, from the increased production of silver; and fourthly, from its diminished production. The abundant metal is the least demanded. Its tendency is to be depreciated, whilst the scarcer metal becomes dearer. But it is evident that if to increased production we can contrive to oppose increased demand, and to decreased production decreased demand, we shall maintain the equilibrium, and things will remain unchanged. This is precisely what we propose to do. For the demand, which, without the adoption of the tariff of $15\frac{1}{2}$, would be directed to the metal which is scarce, would, if this tariff were everywhere in force, be directed to the metal that is abundant. For if the bi-metallic law permits each and every one to pay his debts at will, in gold or silver, every one must see that the dealers in money will neglect the metal which is hard to find, and will seek for that which is plentiful, to have it coined. Moreover, the scarce metal, if it is not in demand, will not rise in price; and the abundant metal, if an active demand springs up, cannot fall. Both metals will end by being taken at the reciprocal value of one kilogramme of gold to fifteen and a half of silver. Yes; if private individuals are everywhere free to coin gold and silver at the $15\frac{1}{2}$ tariff, the causes which set in operation the law of supply and demand will be reversed. The demand will be no longer

for the scarce metal but for that which is abundant; and, reciprocally, the supply will be stimulated by scarcity instead of by abundance. Under the international regime of $15\frac{1}{2}$, a kilogramme of gold on issuing from the mine will be worth $15\frac{1}{2}$ kilogrammes of silver, for, in no part of the world can they make with it more money than with $15\frac{1}{2}$ kilogrammes of silver. Also on coming from the mine the $15\frac{1}{2}$ kilogrammes of silver will be worth one kilogramme of gold; for in no part of the world could they be coined into a larger sum of money than would be coined from one kilogramme of gold.

This steadiness of the relative value of gold and silver, which appears so strange, can be obtained without infringing on the liberty of the individual, because the legally granted option to pay in gold or silver, does not preclude stipulations being made in contracts, for exclusive payments to be made in either metal. In France people have been always allowed to make such a stipulation. But as no profit was to be gained, nobody thought of availing himself of this liberty. The $15\frac{1}{2}$ tariff would have this further effect: it would constitute and create from the existing aggregates of gold and silver coin a single monetary instrument. Whatever variation the production of one or the other metal might undergo, this new and complex monetary instrument could keep its value steady and secure. We might on this account, perhaps, be allowed to call it an *electrum*, on account of *the singular esteem of which it is worthy*. The two metals are not alloyed as they were in the *electrum* of the ancients. But each part of one metal (gold) is always worth $15\frac{1}{2}$ parts of the other metal (silver). We should, therefore, have a monetary mass, fully as homogeneous as if it were constituted of a single metal. And, at the same time, it would be the greatest mass we could possibly employ, since it would be made up of the aggregate of the two metals which are capable of use as money.

It is well known that the greater the volume of the monetary mass the less violent are the fluctuations in its purchasing power when the monetary circulation has suddenly contracted or expanded. Suppose there were 10,000 tons of gold circulating in the whole world, and silver being everywhere demonetized; and suppose that an additional supply of 1,000 tons were rapidly produced. What would happen? Gold would lose a tenth of its purchasing power. The same quantity of bullion would buy nine-tenths only of what it would have bought before the appearance of the 1,000 tons of new metal. But if the monetary mass is composed first of 10,000 tons of gold, and secondly of 150,000 tons of silver, its volume is twice as great for monetary purposes. Thanks to the universality of the bi-metallic $15\frac{1}{2}$, we should be exactly in the same situation as if either 20,000 tons of gold or else

300,000 tons of silver were circulating. What would be the effect now of the fresh 1,000 tons of gold or of a corresponding quantity of silver? The monetary mass would be increased by a twentieth, and, consequently, the loss in the purchasing power of money would be only one-half as great—one-twentieth instead of one-tenth. When the monetary volume is diminished this calculation must be reversed and the purchasing power of money will rise.

Should it be objected that the bi-metallic mass is exposed to the variations in the production of both metals, instead of to those of one, we would reply that greater regularity is probable in the production of gold and silver, taken together, than in the production of a single metal. To be brief, the employment of a bi-metallic currency is much more conducive to the stability of the purchasing power of money than a mono-metallic one. If bi-metallism did not exist, we should be driven to invent it; and yet so many people are anxious to do away with it. The harder they fight the more we should strive to maintain, to explain, and to spread its application, in order that its beneficent action may be everywhere acknowledged.

Commercial, postal, and telegraphic conventions bind together nations for the advantage of all and each. A bi-metallic monetary convention between the countries of francs, the country of marks, the country of pounds sterling and the country of dollars would procure the following benefits: The two advantages above mentioned: stability of the relative value of gold and silver, and reduction to a minimum of the variations of the purchasing power of money. The advantage of raising the value of silver, the present fall of which proceeds only from the refusal to admit silver bullion at the mint. The advantage of avoiding the enormous losses caused in Germany and in Europe by the demonetization of silver. The advantage of preventing the monetary convulsions from which all branches of trade and commerce will suffer if demonetization goes on. The advantage of securing the possibility to pay and be paid in metallic money, accounts between us and China, India, and other countries of Asia, where gold is not accepted, an advantage which would disappear if Europe ceased to employ silver as money. Finally, there would be the advantage that in France and the United States the resumption of specie payments would be immediate, while in Italy, Austria, and Russia, resumption would be greatly facilitated. If but two of the four great nations which use a metallic currency would sign the conditions of this bi-metallic monetary convention, the success of the 15½ tariff, its diffusion, and its advantages would be assured. But, perhaps, before diplomacy interferes, it may be needful that the monetary revolution of Germany should have said its last word.

IV. SPECIE RESUMPTION IN AMERICA.

We must do President Grant the justice to say that there is no greater enemy than he of paper money, and that no-body desires more than he a return to metallic currency. We have already said (see our pamphlet, *Or et Argent*, page 75) such a return would be very easy in America if Congress would allow the public to get silver dollars struck in the Federal mints, weighing $15\frac{1}{2}$ times as much as the gold dollar, or, in other words, if the United States would return to the bi-metallic regime founded by Hamilton* in 1792, and adopted so successfully by France. There is but one way of getting out of the vicious circle of paper money. It is to procure an ample supply of metal. But it will be objected that gold enough is not to be had, and that if we have to wait till the mines produce it in sufficient quantity, we shall be obliged to wait a very long time before the return to a metallic money is possible.

The objection is just. But why not meet the difficulty by means of silver? America has been since 1873 coining heavy dollars to compete in Asia with the Mexican piastre. She has also coined half-dollars of the precise value of the half of a five franc piece in the hope of finding an outlet for this coin in the States of the Latin Union. She thinks it a good thing that Asia and Europe should use her silver as money. Why does she not begin by setting the example at home and adopt a silver coinage?

It is absolutely false that silver is less noble than gold, or less suited to do the work of money. Some time ago it happened that Holland found silver the preferable kind of money, and she demonetized her gold as inferior. She was unjust towards this metal exactly as Germany now is towards silver. France and the States of the Latin Union have always had reason to be satisfied with the bi-metallic regime of gold and silver. America should adopt the same policy with them, and establish a legal tender coinage composed of the actual gold dollar, and of a silver one weighing $15\frac{1}{2}$ times as much. If throughout the United States every debtor is free to pay according to his choice, in gold or silver coin, the value of gold and that of silver will keep always and everywhere the same proportion of fifteen and a half to one.

*Some influence was used in favor of mono-metallism; but Hamilton, the eminent statesman whom Washington had placed at the head of the finances, adhered resolutely to the bi-metallic policy; "Contrary to the ideas which had previously prevailed, he proposed that no preference should be given to either gold or silver. The principal reason against such a preference was, that attaching the unit to either of the metals would destroy the office of the other as money, reduce it to a mere merchandise, and diminish the quantity of circulating medium, thus diminishing the utility of one of the metals" (*History of the Republic of the United States of America*, as traced in the writings of Alexander Hamilton, Philadelphia, 1868, vol. iv., p. 272). Jefferson, who afterwards became President of the United States, and who was then Secretary of State, expressed the same opinion. Congress voted the bi-metallic law on the basis of fifteen to one, by virtue of which gold and silver dollars were coined, the latter containing of fine metal fifteen times as much as the former.

All the metallic mass of gold and silver that has been, or will be extracted from mines, rivers and mountains, if used as money, would hardly be sufficient to do away with the evil of paper money.

V. SMALL ARGUMENTS.

It is argued that silver money is heavy, and that the market price of silver bullion is falling more and more. From this the deduction is to use nothing as money but gold. The first of these objections is old; the second is new; both have been recently urged by two writers, M. Victor Bonnet, in the *Journal des Economistes*, and M. Paul Leroy Beaulieu, in the *Economiste Français*. The well-merited reputation of these economists imposes upon us the duty of replying to them. We wish, in answering them, to say that if we call these two arguments small, it is because they have reference only to the secondary bearings of the great question of the two metals. We shall begin by discussing the objection founded upon the weight of silver. Suppose we have to pay a debt from one distant place to another. The freight is the same for 100,000 francs in silver weighing 500 kilogrammes as for 100,000 francs in gold weighing 32 kilogrammes and a fraction. The shipowner takes no account of the weight of gold, silver, diamonds, or other like precious commodities. Secondly, let us suppose that we have large payments to make at home. The great city of Hamburg for centuries paid exclusively in marks. The mark was then a certain weight of silver. People then said a mark, as we say an ounce. But the mark piece was never coined. Bars of silver deposited in the Bank of Hamburg necessarily weighed so many marks, and merchants transferred to each other the ownership of marks without ever seeing or transporting them. Nobody, therefore, had reason to complain of excessive weight or inconvenient bulk. Besides this system of clearings and transfers between the customers of banks, there is also the bank-note payable to bearer, which can, in the general circulation, represent the metal deposited in the bank. And a note which represents silver is no heavier than a note which represents gold. Thirdly, suppose we have to deal with retail payments and small change. No doubt the rich man prefers gold. But the artisan and the peasant are not fond of having their money in the small light gold pieces of five francs. They prefer silver coins, which suit them better. The advantages and disadvantages are on both sides balanced. Thus we see that silver money is quite as worthy a medium as gold for large distant payments, for home transactions, and for small retail payments. And even if we consider the practical mechanism of trade, it is best to have a double coinage, a gold and silver money such as France has so long possessed without suffering any damage from it.

We published the preceding reply two years ago. We regret to repeat what has been already said. But what can we do? When the measures of attack do not change, the defence can hardly vary. We will now add a few facts in support of our previous statements. We have before us two publications, one of which is Chaix' *Indicateur des Expéditions par les Chemins de Fer*, and the other the *Livret des Tarifs des Messageries Maritimes*. In page 96 of the *Indicateur* we find "Gold and silver, whether in bars coined or worked, articles plated with gold or silver, mercury, platinum, jewels, laces, precious stones, bank-notes, debentures, securities, bonds, are transported by fast trains, and at the rate per 1,000f. and per kilometer of of. 002,772." Turning to the *Livret des Messageries* we read in page 19:—"The tariff from Marseilles to Shanghai is, for coined gold and silver bars, precious stones, bank-notes, debentures payable to bearer, and other paper securities, one per cent. upon the value."

Let us now proceed, under the watchful eyes of the mono-metallists, to send 100,000 francs from Paris to Shanghai. At the rate of of. 002,772 per kilometer and per 1000f., the transport by rail on a line of 851 kilometers, from Paris to Marseilles, amounts to 236 francs. The maritime transport from Marseilles to Shanghai at one per cent. comes to 1000f., making a total of 1236, or $1\frac{1}{4}$ per cent. of the entire value. Whether we are dealing with gold, silver, or paper money, the sum of 100,000 francs is transported from Paris to the great port of Northern China, for 1,236 francs. The conditions are the same for Japan. Save a very few exceptions, which must soon disappear, gold and silver coin are everywhere transportable at the same price. There are three sorts of transport tariffs; the weight tariff, the bulk tariff, and the value tariff. When things are transported according to weight, neither bulk nor value is taken into account; when they are transported according to bulk, neither weight nor value is considered; when they are taken according to value, the questions of size and weight are not raised. If the sums to be transported are lost, the carrier pays for them. His risk in holding himself answerable for loss is met with a remuneration which is out of all proportion with the weight and volume, that are more or less insignificant, of the sums placed in his charge. This remuneration takes the form of the value tariff, which once paid, the sender owes nothing more. In point of fact he pays nothing for either bulk or weight, which accounts for the transport of silver money being no dearer than of gold or bank-notes. To send 500 kilogrammes of lead from Paris to Shanghai costs 268 francs; to send 100,000 francs of gold, weighing 32 kilogrammes, costs 1,236 francs; to send 500 kilogrammes of silver (worth 100,000 francs) we do not pay, as for the 500 kilogrammes of lead, 268 francs, but 1,236 francs; that is to say, we pay

the same sum as for the transportation of 32 kilogrammes of gold, or 100,000 francs of paper money, which last have scarcely any weight or volume.

Governments, carriers, and consignors all agree as to the equitable principle of these charges. What, then, are we to say of the assertion of M. Victor Bonnet that "gold, as an exchange medium, has become the indispensable auxiliary of railways, electric telegraphs, and modern inventions?" Should we not say, on the contrary, that, owing to steam, silver has acquired for shipments to distant parts a fitness which places it on a par with gold? And that its convenience for large and far-off payments is very much superior to that of ruder facilities for travel. As to the telegraph it is plain that it has nothing to do with the question as to whether mono-metallism or bi-metallism is the best for monetary purposes. When in 1816, impelled by special circumstances, England, without having to operate any silver demonetization, decided upon coining gold only, the electric telegraph was not even invented.

With, or without electric cables, and whatever may be the inventions of modern science, silver travels round the world as quickly as letters, and at not greater cost than gold. Railway companies and shipowners do not share the prejudices against it of the gold mono-metallists. By means of clearings, cheques, and bank-notes, silver can, equally with gold, change hands in the twinkling of an eye, without moving from the vault of the bank. There are many who like gold; others prefer silver. Neither of them would be pleased if the currency was only of gold or only of silver. Let us have both, let us be bi-metallists. The more bi-metallism spreads, the more permanent in each country will be the mixture of gold and of silver in the circulation, so as to satisfy all parties. "It is the sentiment of progress," says M. V. Bonnet, "which leads nations to the gold standard." The reality, such as it appears to us, is this:—It happened about 1858 that certain French writers, under the leadership of M. de Parieu, then Vice-President of the Council of State, undertook a campaign in favor of gold, which brought forth no palpable fruit before 1871. In that year divers mono-metallists who had lived in Paris before the war—men of ability, but mistaken in this matter—seized the moment in which the new German Empire was to establish monetary uniformity, and dazzled its leaders with the idea of using hereafter as money nothing but gold. They listened to the gilded serpent. To-day its bite is felt; but care is taken to hide the wound. Before long it will show itself.

It remains to us to discuss the other argument: "Silver is being depreciated; we must therefore get rid of it." That silver is being depreciated is certain. The piece of a hundred sous or of a mark melted down is now only worth

ninety-three sous and ninety-three pfennings, showing a loss of seven per cent. But who has been the cause of this progressive fall in silver? Mono-metallists, it is you. You have led Germany, and, as a consequence, the Latin Union, to abandon the coinage of silver. Wheat would be of small value if we did not use it for food. A precious metal loses greatly in price when we cease to coin it into money. It is you mono-metallists who have brought on the depreciation, and you point to this depreciation as a proof of the unworthiness of the metal which you have combined to drive out of use. You resemble the people who, having tied up the legs of a horse, called out for him to be killed because he could not gallop. A man who was passing by undid the noose, and the noble steed ran swiftly on its course. Let Germany and France repeal the prohibition from the coinage of silver, and this noble metal will recover and keep its entire value. Fifteen and a half weights of silver will buy one weight of gold, and financial relief will be speedily given to England, France, and Germany.

The mono-metallic conflict has only just begun, and already there exists no longer a single and unique stock of silver of homogeneous value, as there exists a single and unique stock of gold. There are two stocks, the great and the little. The lesser one is composed of the new uncoined silver, which is no longer sent to the mint, and which has undergone a fall of seven per cent.; the greater stock is the coined silver, in thalers and in francs; and it is this stock which the mono-metallists would melt down, and which has hitherto circulated as a forced currency at seven per cent. higher a value than that of the uncoined metal. If the fall is already seven per cent. on the minor stock, what will it not be when the greater stock comes to be melted down and enters the market as bullion? Why should this fall be urged as a reason for hastening the work of demonetization? Is it not, on the contrary, the sign of coming disasters, to avoid which we should lose no time in coining silver? If we refuse to do this, are we not wasting advantages worth hundreds of millions of marks and of francs? All this mass of demonetized metal will, if the mono-metallists persist, fall to zero. Mono-metallists of France and Germany! will you go forward in the path you have entered? We hope the mistakes of the past can be remedied. We rely upon the force of events, which sometimes hinders men from injuring themselves as much as they desire. We count also upon the great ease with which the Germans can put themselves in the right path. All they have to do is to throw open their mint to all holders of silver bullion and of gold bullion, and permit both metals to be freely and without restriction coined into marks. The whole evil will thus receive a complete remedy.

THE SILVER QUESTION.

BY GEORGE WALKER.

DELIVERED AT THE AMERICAN SOCIAL SCIENCE CONVENTION AT SARATOGA.*

There is, at the present moment, no question of public economy which so largely affects the whole civilized world as the question of silver. The great decline in price which the metal has undergone within the present year makes it vitally important to the principal nations of America, Europe, and Asia; and in each of these great sub-divisions of the world it is being discussed with the most anxious interest. But, although the question is common to nearly all countries, it presents itself to them under very different aspects. A considerable group of nations, including the United States, France, Russia, Austria, and Italy, are under a suspension of specie payments, and to them it is indispensably necessary to consider the place which silver shall occupy in the currency when metallic payments are resumed. These countries, again, differ widely from each other in other aspects of the question. The United States have, at present, a single standard of gold; Austria and Russia a single standard of silver; France and Italy a double standard of both metals. With the exception of a new emission of gold rente the public debt of Austria is payable in silver; that of France and Italy in either silver or gold; as was that of the United States also by the terms of the original statutes creating it. The Coinage Act of 1873, and the revision of the statutes in 1874, have since demonetized silver in the United States. France has a great stock of both gold and silver in the vaults of the bank and in the hands of the people. The Bank of France holds coin and bullion to the amount of about \$420,000,000, against a circulation of about \$480,000,000; and of this metallic stock about thirty per cent., or \$125,000,000, is silver. Obviously, therefore, it can resume specie payments at any moment. A leading motive for its delay in doing so is the hope that the question of the standards may find some

* NOTE BY THE AUTHOR.—It has been objected to the following paper that it merely states the silver question but does not argue it. This is precisely what the author intended. He was invited to preside over the silver debate at Saratoga, and all that he deemed it proper to do was to state fairly and fully the questions at issue, leaving the discussion of them to others who had signified a wish to speak on the subject. Knowing, however, that the opinions of a large majority of American economists and financiers leaned towards the single gold standard, and believing that there was a lack of information as to the present state of the discussion in Europe, and the persons engaged in it, he took pains to present the names, and to some extent the qualifications of the leading disputants. It has been assumed by a very respectable portion of the press of this country, that there is no issue involved in the silver question worthy of dignified discussion, and that all the defenders of silver in the currency are either rag money men—repudiators at heart—or owners of silver mines. This is certainly not true, even of the United States, and it indicates a most inadequate appreciation of the question as it is discussed abroad. If the following paper should have any influence in introducing a more serious treatment of it, the author's wish in preparing it will be satisfied.

new solution. The United States has a very small stock of the precious metals either in possession of the Government or of the people, and it cannot resume without laying up or purchasing the metal to do it with. But on the other hand, this country is a great producer and seller of silver, and, quite apart from the question of her domestic currency, is interested to keep up the price of the metal as merchandise, in the same way that it is interested in keeping up the price of cotton or wheat.

England and Germany are specie-paying countries, and have a single gold standard; but Germany has just adopted that standard, in lieu of a standard of silver, and it has a great deal more of that metal left on its hands than is necessary to constitute its inferior coinage. It is, therefore, the largest present seller, and its supply threatening the market is recognized as one of the most potent influences which have led to the present depression. England, though using the gold standard at home, has a great stake in the silver question through her Indian empire, which, with the possible exception of China, is the largest holder and user, and, until a very recent period, the greatest absorber of silver in the world. The center of Indian finance is London, and that city is also the chief bullion market of the world, so that the daily London quotation of silver is the barometer on which the eyes of all nations are now fixed. Thus each of the leading commercial nations is anxiously debating its own position, and closely watching the action of its neighbors.

In the United States the silver question is discussed in both its general and in special aspects. The inquiry takes these forms: (1.) Whether, all things considered, the double or the single standard of the precious metals is most desirable for the money of the world. (2.) Whether, in view of the fact that England, Germany, and the Scandinavian States have adopted the single gold standard, it is desirable for the rest of Europe and the United States to follow their example, or to oppose it by a united adoption of gold and silver. (3.) Whether the peculiar position of the United States as a silver-producing country, pledged to return to specie payments at an early date, and requiring a large circulation of metallic-value money in order to resist the inclination to paper money, which has been so strong and baneful in the past, and which has at present a firmer hold on the popular mind than ever before, makes it desirable for us to restore the double standard, either with or without the coöperation of the nations of the Latin Union, and if restored, whether with or without a legal tender limit. (4.) As closely involved with the last question, and likely to have a great influence in the decision of it, whether the demonetization of silver, begun by the Coinage Act of 1873, and completed by the revision of the statutes in 1874, was either justifiable or expe-

dient, in view of the fact that the public debt was, by its terms, payable in coin, and therefore capable of being discharged in either gold or silver, and that no reproach could have then attached to the selection of either metal for that purpose. And, finally, whether those statutes are virtually irrevocable, either because they created a new contract with the public creditor, or such a conscientious obligation and pledge of public faith, as nations having a proper regard for their honor, as well as their commercial credit, cannot prudently recall.

If I have thus correctly stated it, it will be seen that the silver question involves a great deal more in the United States than in any other country; and that it is still a debatable question, not to be discussed ignorantly or flippantly, but with all the aid of reasoning, authority, and experience, and that the bandying of offensive epithets and the imputation of base motives, on the one side or the other, will not promote such a solution of it as the country ought to desire.

The advocates of either the single or double standard have abundance of argument and authority behind them. The inclination of the public mind in Europe and America, as evinced both by legislation and by the published opinions of statesmen and economists, has tended, ever since the gold discoveries of California and Australia, toward the adoption of a single standard; but it must not be forgotten that in 1857 the demand for a single standard of silver was pressed as strenuously as is now that for a single standard of gold, and in not a few instances by the same advocates. It would be difficult to adduce a more complete reversal of opinion and position on any question than is found by a comparison of M. Chevalier's *Treatise on the Fall of Gold*, published in 1857, and his recent articles on the *Fall of Silver*, in the April and August numbers of the *Revue des Deux Mondes*. Armed with these opposing documents silver and gold may confront each other, and each be justified in saying, "Mutato nomine de te fabula narratur." I do not say that there may not be abundant ground for this change of opinion on the part of M. Chevalier, but the fact is in itself remarkable, and inculcates caution against the formation of hasty conclusions, and especially against hasty action on subjects of such vast moment as the world's standard of value.

Besides M. Chevalier, there are other great names among the economists of France to be found on the side of the single gold standard. Most conspicuous among them is that of M. Esquirou de Parieu, last Minister of State of the Empire, President of the Monetary Commission of 1870, and now a leading member of the French Senate, in which body he very lately introduced a bill for stopping the coinage of silver. The measure was, however, defeated by the united influence of the Finance Minister and the Governor of the

Bank of France. With him are united in opinion M. Victor Bonnet, one of the best financial writers in France; M. Clement Juglar, author of the excellent book on Crises; M. Paul Leroy-Beaulieu, editor of the *Economiste Français*, and probably a majority of less distinguished economists of France. In Belgium they have M. Frère Orban, an economist of distinction. On their side of the question are the Governments of Germany, Denmark, Sweden, and Norway, and the Swiss representatives in the Latin Union. I do not include England among the nations opposed to the maintenance of the double standard; on the contrary, her interests in India would undoubtedly lead the statesmen of that country to desire to have silver retained in the currency of other countries as far as possible. On their side there is perhaps also a considerable sentiment in Austria, but that sentiment, so far as it exists, is largely due to the influence of Germany in Austrian finance. German capital is very much relied upon for Austrian enterprises. Though an emission of gold rente has recently been made by Austria, the Minister of Finance declared in the Chambers "that it was in no way to be regarded as a promise of the introduction of the gold standard."

While it thus appears that the defenders of the double standard are probably in a minority as to numbers, they still include many of the most distinguished names, and the question cannot be considered as settled in favor of the single standard by the weight of authority alone. In France, there are on that side, Wolowski, Cernuschi, de Reinach, Courcelle-Seneuil, and Rouland, if I may not also venture to add the distinguished Minister of Finance, M. Léon Say; in Belgium the leading economist of that country, M. Emile de Laveleye. In England, where the question has been less discussed by economists, and where there is less of the controversial spirit than in France, there is Ernest Seyd, and upon the question now at issue also Mr. Göschen and Mr. Bagehot.

Mr. Jevons, although he recognizes the tendency toward the adoption of the gold standard, fully endorses the views of Wolowski and Cernuschi, as to the greater steadiness resulting from the use of both metals. In Germany there are Prince Smith, one of the most distinguished statesmen of the new Empire, and the two foremost economists, Rau and Roscher. There is something significant in the experience of those who form what I should incline to call the conservative party of the bi-metallists. In France, M. Wolowski was the most practical among the great scientific economists. He founded the *Crédit Foncier*, he was connected with the administration of the *Société Générale*, two of the most successful of modern French banking institutions. Cernuschi, the Italian banker, has amassed a fortune in his profession, and his *Mécanique de l'Exchange* has long ranked him

among the closest of financial reasoners. Courcelle-Seneuil is the author of a valuable treatise on practical banking. Baron Jules de Reinach is perhaps the most accomplished and promising of the younger financiers of France. The head of a banking house of great wealth and influence, the confidential adviser of Léon Say, a large contributor to the wonderful machinery by which the German indemnity was paid, he is also one of the strongest financial writers of Paris. Rouland is the Governor of the Bank of France, the institution having the largest interest of any in the world in the right solution of the silver question. The Minister of Finance, Léon Say, has placed himself in the front rank of financial statesmen by his masterly conduct of the German indemnity payment. In England, Ernest Seyd is a successful banker, and the author of the standard book on bullion and the foreign exchanges. Bagehot is the editor of *The Economist*, the wisest as well as the fairest of financial journals, a thoroughly conscientious man, distinguished alike for his clear common-sense handling of current questions, and for his profound philosophical treatment of higher political problems. Göschen is a statesman who has graduated with the highest honors not only from Oxford but from Lombard Street. His *Theory of the Foreign Exchanges*, written more than ten years ago, attracted to him the attention of Mr. Gladstone, who pronounced it a masterly production. On the silver question he is without doubt the highest authority at this moment as to facts, having been selected as chairman of the committee of the House of Commons on that subject, whose voluminous report has just been published, and is the thesaurus upon which all future disputants must rely.

As I have assumed to rank Mr. Göschen among the advocates of the double standard, and as his late report did not call for, or, indeed, permit any discussion of that question, though a careful reading of the questions propounded by him as chairman of the committee, seem to me to pretty clearly indicate his opinion, I feel myself at liberty, in support of that assumption, to read to this association the following passage from a letter which I have just received from him accompanying his report: "I am deeply interested," he writes, "in what the United States Government may do. For my part I shall not be sorry if employment should be found for a large amount of silver on your side of the Atlantic. Silver and gold have been in partnership for the purpose of doing the work of the circulation for thousands of years, and I think it is not in the interest of the world that the whole weight of the burden should be borne by gold alone."

By far the most remarkable publication on this difficult subject, and the most immediately valuable to the American inquirer, is the House of Commons report already referred

to. The order under which that report was made is in these words: "Ordered that a select committee be appointed to consider and report upon the causes of the depreciation of the price of silver, and the effects of such depreciation upon the exchange between India and England." The committee was composed of men of the highest qualification for such service. Among those best known in America, besides Mr. Göschen, are Mr. Kirkman Hodgson, of the firm of Baring Brothers, Mr. John G. Hubbard, formerly Governor of the Bank of England, and for thirty years one of the leading debaters in the House of Commons on all questions of banking and currency; Mr. Edward Baxter, the writer on revenue and taxation; Mr. W. N. Massey, the historian, and Mr. Henry Fawcett, the political economist.

[An appropriate tribute to the late M. Wolowski formed an interesting portion of the close of this address. It is not here included, inasmuch as we gave in our last number an extended sketch of his life and character.

In citing the aspects of the silver question, and the forms of inquiry suggested in connection therewith, Mr. Walker omits one point which should not be overlooked. It is that in proportion to the aggregate mass of metallic money existing throughout the world, the annual production of silver and gold is but a very small percentage. It follows that the effect of the increased yield of our silver mines upon the aggregate stock has been greatly exaggerated.—Ed.]

PAYMENT OF THE DEBTS OF THE REVOLUTION AND OF THE WAR OF 1812.

BY GEORGE M. WESTON.

It is always a pious duty to our ancestors to keep their great and worthy deeds in fresh remembrance, and it is everywhere acknowledged as a peculiarly appropriate duty in this centennial year. The popular orators and writers of the day have performed it well, but in all that has been said and written, there is an important omission. The efforts and sacrifices of our revolutionary ancestors to discharge the debts incurred in their long struggle with the mother country, and to leave to their children an unincumbered National heritage, have not been recounted. It will be a grateful task to supply this lacking tribute to the fathers, and to point out the influence of their example upon the immediately succeeding generation, which sustained the burden of that other contest with Great Britain, well styled the second struggle for independence.

In his report in 1790, Mr. Hamilton computed the revolutionary debt as follows:

Principal of foreign debt	\$ 10,070,307
Arrears of interest on foreign debt..	1,710,378
Liquidated domestic debt	27,383,917
Arrears of interest on domestic debt.	13,030,168
Unliquidated	2,000,000

\$54,194,770

The unliquidated domestic debt was principally the trifling per centage proposed to be allowed on the continental paper money. In addition Mr. Hamilton computed the State war debts at twenty-five millions, including interest, carrying up the total to \$79,194,770.

The provision for funding these several debts was made by the Act of August 4, 1790. That act, however, only made a preliminary appropriation of twenty and one-half millions for the State debts. On the 1st of January, 1793, after the funding under this act had been mainly completed, the debt stood at \$80,352,634. To this was added, under the Act of May 30, 1794, an issue of stock amounting to \$4,221,100, to complete the settlement with the States.

The revolutionary war debt consisted, as will be seen, of two parts, the foreign and the domestic, which were regarded as being on an essentially different footing, and were differently treated in the Funding Act of August 4, 1790.

In its general recitals that act declares that justice requires provision to be made "for fulfilling the engagements of the United States in respect to their foreign debt, and for funding their domestic debt upon equitable and satisfactory terms." In its special recitals, before the closing sections which relate to the domestic debt, it declares that "it is desirable to adapt the nature of the provision to be made for the domestic debt to the present circumstances of the United States, as far as it will be found practicable, consistently with good faith and the rights of creditors." With respect to the foreign debt, an exact fulfillment of the National engagements; with respect to the domestic debt, a funding of it upon equitable and satisfactory terms, having regard both to the National circumstances and the good faith due to creditors; those are the ideas of the Act of August 4, 1790. They will be found more elaborated in the debates in Congress upon the act. The foreign debt was for moneys borrowed abroad in specie, and at low rates of interest, principally at four per cent. and none at higher than five per cent., either directly from, or through the endorsements of, the Governments of France and Holland, our allies and friends, although having motives of their own for desiring the dismemberment of the British Empire. The domestic debt had been largely

incurred in depreciated paper, and in supplies and services at inflated prices. Furthermore, it was contended that the holders might yield a large percentage and still suffer less from the waste and losses of the war than other citizens, and that they were bound to make an equal contribution with the rest of the community towards the cost of National independence. The concessions required of them were, however, very small and related wholly to the rate of future interest.

In respect to the domestic debt incurred directly by the United States, the over due interest was funded in a three-per-cent. stock, payable at the pleasure of the Government. The principal was funded in a six-per-cent. stock, but upon one-third of this stock interest was not to begin for ten years; that is to say, not until 1800. This was the same as giving four-per-cent. interest for ten years, and six per cent. afterwards.

In respect to the State debts, one-third was funded in a three-per-cent. stock, payable at the pleasure of the Government. Two-thirds were funded in a six-per-cent. stock, but upon one-third of this two-thirds, interest was not to begin until 1800.

The act of August 4, 1790, contains adequate provisions for securing the prompt payment of the interest on, and for the reduction and discharge of the principal of the public debt; and carefully preserves the right of the country to call in its bonds within short periods.

In respect to the foreign debt, it sets apart the whole of the import and tonnage duties, with the exception of only six hundred thousand dollars reserved for the support of the Government, to be applied to the interest and principal of it, or if refunded in a new loan of twelve millions, which the act authorizes, then to the interest and principal of such new loan. But upon such new loan it imposes the fundamental restriction that "no contract shall be entered into which shall preclude the United States from reimbursing any sum or sums borrowed within fifteen years."

In respect to the interest on the domestic debt, it sets apart the internal revenue, subject to certain priorities of other appropriations.

The act concludes by appropriating the entire proceeds of the public lands, not to the interest of the public debt, but to sinking and discharging the principal. And these several provisions were made effective by the Act of August 12, 1790, creating a board of commissioners of the sinking fund, consisting of five high officers of the Government. It is one of the recitals of this Act of August 12, 1790, that it is "desirable by all just and proper means, to effect a reduction of the amount of the public debt."

The three-per-cent. stocks authorized by the Act of August 4, 1790, were redeemable at pleasure. On the six-per-cent.

stocks, the Government reserved the right, but expressly declaring that it did not assume the obligation, to pay eight dollars each year on each one hundred dollars of this debt, to be applied to principal and interest. This would be the same as an annual sinking fund of two per cent. of the original amount of the six-per-cent. stocks, and would have extinguished them in about twenty-five years from the time when they began to bear interest. This would have extinguished in 1825 the stocks upon which interest did not begin until 1800. The country was miserably poor, and political events were uncertain. Our ancestors were too prudent to enter into positive engagements, and their reservations of rights to pay are only evidence of their wishes and hopes. In the Act of April 28, 1796, they made distinct appropriations to extinguish the six-per-cent. stocks. Those upon which interest commenced at once, were to be wholly paid off in 1818, and those upon which interest did not commence until 1800, were to be wholly paid off in 1824, or within forty-one years after the peace of 1783. It would seem, from the course of subsequent events, that they would, in fact, have been paid off sooner, but for the second war with Great Britain of 1812-15.

The events of the first decade under the present constitution, were unfavorable to a reduction of the National debt. Wars on a great and expensive scale with the Indians of the north-west, broke out in 1790, and marked by the disastrous defeats of Generals Harmer and St. Clair, continued until they were terminated by the victories of General Wayne, in the summer of 1795. Then followed the quasi-war with France. The Act of July 7, 1798, abrogated all treaties with that people, charging them with a "system of predatory violence, hostile to the rights of a free and independent nation." Two days afterwards, came the act authorizing the President to instruct our navy to "subdue, seize, and take any armed French vessel . . . found anywhere on the high seas," and to commission privateers to "attack French armed vessels, and to recapture any American vessels or property seized by them." Under this act, the frigate *Constellation* actually captured a French frigate in the West Indies, and disabled another of superior force, after an action of five hours. This has been called a quasi-war, but it was a real war in preparation and cost, both the army and navy being enlarged, and even General Washington appearing again on the stage of public affairs and resuming the command of the army. The Acts of July 16, 1798, of March 2, 1799, and May 7, 1800, authorized loans of five, two, and three and a-half millions respectively, all for military purposes, all limited to a duration of fifteen years, and all containing pledges to provide "sufficient permanent revenues" to redeem them within the specified times.

The fathers, in whatever difficulty of situation, never lost sight of the great object of paying off the public debt, which seems, indeed, to have been one of the leading purposes of invigorating the National authority by the adoption of the Federal constitution of 1787. That instrument, in the section giving the new Government the independent power of taxation, in the enumeration of the motives for that grant assigns the first place to the payment of the public debts. The language of this grant of power, is as follows :

"To lay and collect taxes, duties, imposts, and excises *to pay the debts* and provide for the common defense and general welfare of the United States ; but all duties, imposts, and excises shall be uniform throughout the United States."

In the first act imposing duties upon imports and tonnage, and which was the second act passed under the present constitution, this purpose, "*to pay the debts of the United States,*" is given the same priority in enumerating the objects of the act. This was no idle declaration. The Funding Act of August 4, 1790, sets apart the larger part of the proceeds of those duties, all, in fact, except six hundred thousand dollars, to pay the interest and principal of the foreign debt.

As we have also already seen, this Funding Act provides other revenues for the interest on the internal debt, and sets apart the entire proceeds of the public lands to "sink and discharge" the principal of both classes of debts.

In his speech to Congress, December 8, 1790, President Washington expressed his own and the nation's approval of the legislation of Congress, in the following language :

"Allow me, moreover, to hope that it will be a favorite policy with you, not merely to secure the interest of the debt funded but, as far and as fast as the growing resources of the Country will permit, to exonerate it of the principal itself. The appropriation you have made of the Western funds explains your dispositions on this point."

In December, 1794, President Washington, in his speech to Congress, invited their attention to the "adoption of a definitive plan for the redemption of the public debt."

In his farewell address, on retiring from the Presidency, he manifested how much he had the payment of the debt at heart, in the following language :

"Avoid likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions, in time of peace, to discharge the debts which unavoidable wars may have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear."

March 3, 1795, Congress decided that the time had come when it might begin to exercise the right of redeeming the six-per-cent. stocks, which it had reserved in the Funding Act of August, 1790, and proceeded to give the sinking fund commissioners additional revenues for that purpose. And, as

we have already seen, by the Act of April 28, 1796, Congress directed a rate of redemption of those stocks, which would extinguish them in 1818 and 1824.

By the Act of April 29, 1802, the sinking fund was enlarged and definitely fixed at seven millions three hundred thousand dollars, applicable to interest and principal. As the debt was eighty millions, and a portion of it bearing interest at only three per cent., this left a considerable margin for the principal.

In 1803 the sinking fund was enlarged to eight millions, the addition being on account of a new burden of six hundred and seventy-five thousand dollars of interest on the interest on the stock for sixty millions of francs issued in payment for Louisiana. It is noticeable that this stock was made payable in annual instalments of three millions of dollars, to commence in twelve years, so as to complete the extinguishment of it in fifteen years. If any debt might fairly have been thrown upon posterity, it was this purchase, which was a permanent acquisition, more than doubling the National area. Within our limits, as fixed by the treaty of 1783, we had 827,844 square miles. Louisiana gave us 1,171,143 more. Our revolutionary ancestors assumed the burden themselves, quite content to leave to posterity only the benefit of the transaction. They were animated by the desire which Daniel Webster ascribed to his own father, that of "elevating his children to a condition *better than his own.*"

Having thus traced the financial legislation prior to the war of 1812-15, it remains to consider its results.

The debt on the 1st of January, 1793, \$80,352,634, increased, after the additional allowance of \$4,221,100 to the State, to its maximum figure, \$83,762,172, on the 1st of January, 1796, and stood on the 1st of January, 1801, at \$83,038,050. From that point it steadily declined to \$45,209,737 on the 1st of January, 1812, although in 1803 a new debt of twelve millions had been assumed in the purchase of Louisiana.

It is, then, a sufficiently accurate statement of the financial progress during the twenty years prior to the war of 1812-15 to say that our interest was paid during the first half of that period, and that during the remainder of it the principal of the debt (as augmented by the Louisiana purchase) was reduced rather more than one-half.

The total receipts and expenditures of the Government, excluding receipts from loans, and excluding payments of either interest or principal of debt, during two decades, (article United States, Appleton's Cyclopaedia) were as follows:

<i>Decade ending with and including</i>	<i>Receipts.</i>	<i>Expenditures.</i>
1800.....	\$56,800,000 ..	\$34,000,000
1810.....	132,000,000 ..	55,900,000

Those were days of small things. The Government had in single months in 1866 revenues equal to those of the entire first decade under the present constitution. But if income was small in those earlier times, outgoes were still smaller. It is fortunate for Boss Tweed that he flourished at a more exuberant era.

Of the income of the first decade, \$22,800,000, or forty per cent. of it, was left for the service of the public debt, and this sufficed to pay the interest and prevent any increase of the principal. On more than one-fourth of the debt the interest was only three per cent., and on another considerable portion interest did not begin until 1800.

During the second decade, the income increased seventy-five millions, while the expenditures increased only twenty-two millions. Of the income, \$76,100,000, or fifty-eight per cent., was left for the service of the public debt, and explains the reduction of principal from January 1, 1801, to January 1, 1812, of fifty millions of dollars, including the Louisiana purchase debt.

Another decade of peace, or even less than that, would have realized the wishes of General Washington, and "*exonerated*" the country of the incubus of debt. But the war clouds, which had long darkened the heavens, burst again in 1812, and fresh battles were to be fought and fresh burdens to be assumed. Our enemy, the great naval power of the world, swept our commerce from the seas. Revenues dwindled. The expenses of the war of the revolution, reduced to specie, were reckoned by Alexander Hamilton at \$135,193,703. Those of the war of 1812-15, about one-third as long, were \$75,450,000, and were necessarily supplied mainly by loans, and naturally enough, on hard terms. But the country had not lost its high spirit, either in finance or in war. Great numbers of the men of the revolution still survived, to give courage to the field, and wisdom and firmness to the councils of legislation. Pressed on all sides, Congress limited every loan to the term of twelve years, and secured their reimbursement upon the sinking fund of eight millions, which it promised in every loan act to enlarge, as soon as enlargement should become necessary. In the loan Act, passed November 15, 1814, when the National capital had hardly ceased to smoke from the fires kindled by the torch of the enemy, Congress made this promise definite in the following language:

"That an adequate and permanent sinking fund, gradually to reduce and eventually to extinguish the debts contracted and to be contracted during the present war, shall be established during the present session of Congress."

The laws to make this promise good, were forthwith taken in hand and matured.

The Act of January 9, 1815, apportioned an annual direct

tax among the several States, of six millions of dollars, and in the forty-first section gives the following pledges :

“That towards establishing an adequate revenue, to provide for the payment of the expenses of government; for the punctual payment of the public debt, *principal and interest*, contracted and to be contracted, *according to the terms of the contract respectively*; and for creating an adequate sinking fund, *gradually to reduce and eventually to extinguish* the public debt, contracted and to be contracted, the direct tax by this act laid, shall continue to be laid, levied and collected, during the present war between the United States and Great Britain, *and until the purposes aforesaid shall be completely accomplished*. Provided always, that whenever Congress shall deem it expedient to alter, reduce, or change the said direct tax by this act laid, it shall be lawful to do so, upon providing and substituting by law, at the said time, and for the same purposes, other taxes or duties, which shall be equally productive.”

The Act of January 18, 1815, imposes heavy excise duties upon a great variety of articles manufactured for sale within the United States; pig iron, hats, caps, boots and shoes, candles, paper, playing and visiting cards, leather, saddles and bridles, beer, manufactures of tobacco, etc. Another act of same date imposes an annual duty on household furniture exceeding two hundred dollars in value; also, annual duties of two dollars on every gold watch and one dollar on every silver watch kept for use. And both these last described acts contain the identical pledges in respect to continuance and application of proceeds given in the direct Tax Act of January 9, 1815.

On the 17th of March, 1817, the sinking fund received its last alteration and enlargement, until its office was fully performed by the total extinction of the debt during Gen. Jackson's administration. The act passed on that day raises the annual sinking fund to ten millions, to commence with the year 1817, and with an extra payment of nine millions for that year, making nineteen in all. It also gives to the sinking fund at the end of each and every year such surplus as may be found above a balance of two millions.

The maximum of the debt, as swollen by the war of 1812-15, was on the 1st of January, 1816, when it stood at \$127,334,933. The nineteen millions which Congress was able to contribute to the sinking fund in 1817, from the proceeds of the searching war taxation of 1815 and other sources, reduced the debt on the 1st of January, 1818, to \$103,466,683. It was thus brought within the easy control of the sinking fund, the minimum of which was ten millions, and Congress was, therefore, at liberty, consistently with its pledges, to remit the more onerous taxes.

The revenues, exclusive of loans, and the expenditures, ex-

clusive of interest and principal of debt, for two decades, as given in Appleton's Cyclopaedia, were as follows :

<i>Decade ending with and including</i>	<i>Receipts.</i>	<i>Expenditures.</i>
1820.....	\$ 201,800,000 ..	\$ 182,900,000 .
1830.....	212,200,000 ..	122,000,000

During the first of these decades the excess of receipts was hardly nineteen millions, far short of the interest of the debt, and the principal of it increased as follows :

Amount January 1.

1811.....	\$ 48,005,587
1821.....	89,987,427

During the second decade the excess of receipts was ninety millions, and the principal decreased to \$ 39,123,191 on the 1st of January, 1831.

As already noticed, the Act of 1817 fixed a minimum of ten millions for the sinking fund, but no maximum. It was to be enlarged to the extent of the surplus in the treasury, whatever that might be. During the first term of Gen. Jackson, from January 1, 1829, to January, 1833, the sinking fund was thus made large enough to pay the interest of the debt and discharge \$ 51,419,715 of the principal in four years.

On the 1st of January, 1833, the debt stood at \$ 7,001,698, less than the sinking fund for a year, and so the end crowned the work. In forty-three years from the Funding Act of August 4, 1790, the country had paid off the debts of the revolution and of the second struggle with Great Britain, and had paid fifteen millions for Louisiana and five millions for Florida, and this under an almost uninterrupted drain of frontier war with the still formidable native tribes of the continent. No period of disaster shook its fortitude, and never did it fail to improve the years of peace and prosperity to strengthen its finances. Such and so worthy to be recounted and to be imitated, have been the examples set by our ancestors.

COMMERCIAL AGENCIES.—The liability of commercial agencies for damages resulting from their reports upon the standing of business firms has been the subject of an interesting decision at Toronto, in the Court of Queen's Bench. The plaintiff gave credit to one Wilson in consequence of a report upon his standing furnished by Dun, Wiman & Co. Wilson failed shortly thereafter, and the judgment held the agency responsible in damages for the erroneous information given. The case was appealed.

THE BANKS AND SPECIE PAYMENTS.

BY HON. HUGH McCULLOCH.

AN ADDRESS DELIVERED AT PHILADELPHIA TO THE AMERICAN BANKERS' ASSOCIATION,
OCTOBER 4TH, 1876.

It was with reluctance that I consented to appear before this convention as a speaker; not because I did not consider myself honored by the invitation which your chairman had so kindly and courteously extended to me,—not because I did not feel an interest in the objects which have called together so many able men from all parts of the country,—but because I had nothing to say upon the subject to which my attention, in times past, has been especially directed, which I had not already said, officially and unofficially. Indeed, this reluctance was only overcome by the consideration that truth will bear repetition, and that it would be vanity on my part to suppose that any views which I presented when I was connected with the Government, or opinions I have expressed since, had made such a lodgment in the public mind as to be remembered by any considerable number of persons at the present time.

A question of so vital importance to the people of the United States as that of the currency can never become stale until it has been definitely settled. Money is the great agent in the world's progress. Existing in some form, in all countries and in all ages, it has been found to be indispensable to national growth. Without money, the nations would not have emerged from barbarism. Although the love of it may be the "root of all evil," and the pursuit of it has been marked too frequently by fraud, violence and oppression, it has done more to bring the world up to its present condition of advanced civilization than all other instrumentalities combined. Ages ago it was discovered, in order that trade between man and man, tribe and tribe, and nation and nation, should be something more than barter—that a common measure of value must be agreed upon as a medium of exchange, and it was also discovered that gold and silver, beyond all other substances, possessed the qualities fitted for this purpose; and so by a common consent—brought about no one can tell how—these metals—precious by their beauty and the uses to which they are applicable; costly by the labor necessary to obtain them—became the money of the world. Many efforts have been made, by unwise and impetuous nations, to substitute inferior substances for them, but such efforts have invariably resulted in disaster and disgrace.

Inasmuch, however, as gold and silver have not been obtainable in sufficient amounts for all purposes for which money is needed, and cannot meet all the ends for which a local currency is required, bank notes, issued under competent authority, and subject to necessary restrictions, have been resorted to with manifest advantage to trade and industry. Such notes, when of equal value to coin, answer an excellent purpose in performing offices which coin cannot as conveniently and inexpensively perform, but they can never be a safe substitute for it. Nowhere did this seem to be better understood than in the United States prior to the passage of the Legal-tender acts. In fact, it seemed to have been the intention of the framers of the Constitution to protect the people against the losses to which they would be exposed if anything but gold and silver should be made lawful money by the General Government, or by the States. It is refreshing to compare the utterances of statesmen when the first legal-tender bill was under consideration in the Senate and the House of Representatives, with what has been heard since in Congress and out of it. Nothing better illustrates the wide departure which has taken place from the old landmarks of conservative opinion than such a comparison.

By a reference to the debates it will be perceived that those who opposed the bill did so on the ground that Congress had no power, under the Constitution, to make anything but gold and silver a legal tender, and that other means for raising money should at least be *tried* before a measure so extreme and dangerous should be resorted to, and that those who supported the bill justified their action only, in the language of Mr. Fessenden, on the ground of "absolute overpowering necessity." By no member of either body was it contended that legal-tender notes could be lawfully issued in a time of peace. Congress was sound and the people were sound upon this important question, until the public sentiment had become distorted by the subtle influences of the legal-tender notes. When Mr. Webster said, in the Senate of the United States, "most unquestionably"—mark the expression—"most unquestionably" there is no legal-tender in this country under the authority of this Government, or any other, "but gold and silver," the assertion was unchallenged in the Senate and elsewhere.

This was indeed the general, I may say the almost universal opinion, not only up to the time of the passage of the legal-tender acts, but for some time after. The public records and the journals of that day sustain me in saying that the members of Congress, by whose votes the first legal-tender bill became a law, voted for it, and that their constituents approved their action, solely because it was thought, and doubtless honestly thought, that this measure was absolutely

necessary to save the Government from bankruptcy and the Union from destruction. I speak advisedly when I say that Mr. Chase—the Father of the Greenbacks, as he is called—never dreamed that these notes were to be anything else than a temporary currency. He saw clearly enough that the public revenues could not be safely collected in the notes of suspended banks—the weakest and most reckless of which would put out the largest circulation—and he feared that the Government bonds could not be sold to an amount sufficient to meet the requirements of the treasury, unless the market were made easy by an issue of Government notes.

Mr. Chase, however, never committed himself in favor of the constitutionality of the legal-tender acts, and he certainly was guilty of no inconsistency when, as one of the Justices of the Supreme Court, he expressed the opinion that the United States notes were not a legal tender for the discharge of a debt contracted before the acts were passed. He considered the Union worth preserving at any price; he knew that it could not be saved unless money was provided to keep the soldiers in the field, and he thought, erroneously perhaps, that this could not be done without an issue of these notes, with the character which was given to them. It was under the war power of Congress, and not under the Constitution, that Mr. Chase recommended the issue of the notes with which his name has been so prominently identified, and he never intended that they should do more than to assist in carrying the Government through a trying emergency. *His* great financial measure was the National Banking system. A strict constructionist of the Constitution, in the language of the day, a "State rights man," conscientiously opposed to centralization, and to all interference by the General Government with the business of the country, he still thought—as a solvent bank note currency of uniform value was necessary for the safe collection of the public revenues and the regulations of trade and commerce between the States—that it was the duty of Congress, in strict conformity with the letter and spirit of the Constitution to pass a law to secure the payment of every dollar put in circulation by the banks, by a deposit of United States bonds in the Treasury at Washington. Mr. Chase was in no sense an inflationist. By no man were my financial views more strongly endorsed than by him. This much I have felt it to be my duty to say in explanation of the action of Mr. Chase, whose memory I revere, and whom I regard as having been one of the purest, as he was one of the ablest, men that this country has produced.

A bank-note circulation, perfectly secured, and of uniform value in every State and Territory of this great Republic—this is the essence of the national banking system. The Bank Act may need amendments, it may be imperfect in

many respects, but in securing to the people of the United States a paper circulation of absolute solvency and of equal value throughout the length and breadth of the land, it may be ranked among the most important and beneficial acts in the national statute-book. Those of us who recollect the character of the bank-note circulation which was superseded by the notes of the national banks, are able to appreciate, as younger men cannot, the value of the service rendered to the Country by Mr. Chase, not in being the father of the greenbacks, but in devising a plan for a national currency, perfectly constitutional and in harmony with the character of our republican institutions.

It would be too much to say that Mr. Chase did not make mistakes—his refusal to disburse through the banks the money he borrowed of them was one, and I think a serious one; but there are few who are now unwilling to admit that, on the whole, his administration of the Treasury Department, during a most trying period of our financial history, was marked by singular ability. He was fortunate in having around him very able advisers; and from none of them did he receive more judicious counsel than from Mr. Spaulding, of Buffalo, distinguished alike for his statesmanship and his accomplishments as a banker, whom I am glad to see in this convention.

In 1864, after the legal-tender notes had been issued to an amount exceeding \$400,000,000, and the new measures of value had begun to enhance prices and encourage speculation, there was heard, for the first time, here and there, expressions favorable to the United States notes as a permanent currency. In 1865 these expressions became so frequent and the evidences that the currency outstanding was excessive became so apparent, that I felt it to be my duty to give, in advance of the annual Treasury Report, an outline of my general financial views and policy, which I did in some remarks to my neighbors and friends at Fort Wayne, on the 11th of October, 1865. Pardon me for quoting a single paragraph from what was called, at that time, my Fort Wayne speech:

“I have no faith in a prosperity which is the effect of a depreciated currency, nor can I see any safe path for us to tread but that which lead to specie payments. The extreme high prices which now prevail in the United States are an unerring indication that the business of the country is in an unhealthy condition. We are measuring values by a false standard. We have a circulating medium altogether larger than is needed for legitimate business. The United States are to-day the best market in the world for foreigners to sell in, and the worst to buy in. The consequence is that Europe is selling us more than she buys of us, including our securities, which ought not to go abroad, and there is a debt

rolling up against us that must be settled, in part at least, with coin. The longer the inflation continues, the harder will it be for us to get back to the solid ground of specie payments, to which we must sooner or later return. If Congress shall, early in the approaching session, authorize the funding of the legal tenders, and the work of reduction is commenced and carried on resolutely but carefully and prudently, we shall reach it probably without embarrassment to legitimate business; otherwise we shall have a brief period of hollow and seductive prosperity, resulting in wide-spread bankruptcy and disaster."

In making these remarks I merely gave expression to what was then the sentiment of a large majority of the people. I said what any of you gentlemen would have said had you been in my position. It seemed to me that it only required a little reflection on the part, not only of the educated classes, but of those whom Mr. Lincoln used to call "plain people," to prevent them from going wrong in a matter that so deeply affected their personal interests. That I expressed the then prevailing sentiment as indicated by the manner in which the financial part of my speech was received and commented on by the press, and was still more clearly indicated by the emphatic vote of the House of Representatives, by which my report of December following, in which the same views were elaborately presented, was endorsed. There is nothing, however, which so quickly unsettles and misleads the public judgment as a currency which gives an artificial value to property and unhealthy stimulus to enterprise. Scarcely had the policy so emphatically endorsed been put into practical operation, when, so loud became the outcry against it, that the law authorizing a gradual withdrawal of the legal-tender notes was repealed by decisive votes in both branches of the Legislature; and from that time up to 1873 there were very few men brave enough to endeavor to stem the current which was sweeping the country towards bankruptcy.

I advocated the gradual withdrawal of the legal-tender notes because they had answered, according to the opinion of even their original advocates, the purpose for which they were issued. For the payment of the soldiers and sailors, the building of ships, the purchase of supplies of all kinds, a great deal more currency was required than could be properly used in ordinary business. The paper circulation of the country was three times larger in 1865 than it was in 1860, and it seemed to me that so much of it as was not needed for the purposes for which it had been required during the war must either be retired or used in encouraging enterprises of doubtful utility and of a merely speculative character. It was *not* retired, and the result of the policy of keeping up a volume of war circulation after the war demand for it had

ceased was just what I apprehended it would be. As the financial crisis which such a policy was sure to bring about was longer in coming than I had expected, so has it been longer continued and greater in severity.

I also advocated the retirement of the legal-tender notes because I did not consider it the proper business of Congress to furnish people with currency, and because I thought the maintenance of our republican institutions, in their true character and spirit depended upon keeping the exercise of power by the Federal Government strictly within the limits prescribed by the Constitution. I advocated their retirement also because they stood in the way of a return to specie, and because I considered a depreciated currency, especially depreciated legal-tender Government notes, destructive of good morals and a burden upon the labor and industry of the country.

I need not say that the opinions which I advanced in my first report to Congress, and endeavored to enforce in that and in my subsequent ones, have undergone no change; that on the contrary they have been strengthened and confirmed by what has transpired since. I know that many intelligent and well-meaning men differ radically from me, and that there are some even who attribute the misfortunes which have befallen the country to the withdrawal from circulation of some \$40,000,000 of the United States notes in 1866 and 1867. This opinion is, I suppose, honestly entertained, but it is difficult to understand how such a conclusion could be reached, in view of the fact that it was subsequent to that period and after the policy of contraction had been abandoned that the wants of the country in regard to railroad facilities were anticipated by at least a quarter of a century—that so many millions of money were sunk in unprofitable enterprises, that municipal indebtedness was so increased as to make local taxation in many cities and counties well-nigh unsupportable—and so many thousands of ordinarily prudent people, were induced by the general spirit of the times, to contract debts from which they could only be relieved by bankruptcy.

The currency question has been fully and ably discussed on both sides within the past two years, and it is one of the hopeful signs that since it has been discussed, and the issue between specie and paper, or rather between a convertible and an inconvertible paper currency, has been sharply defined, both of the great political parties have been compelled to adopt what is called a hard-money platform. But pledges are not always reliable, even when made in good faith. Platforms adopted before an election are not always considered of binding force after the elections are over. The virus of an irredeemable legal-tender currency has taken a strong hold upon the minds of large numbers in both parties, and

the country will never be entirely safe, nor will confidence in the future be completely restored, until the financial policy of the Government, upon a sound and stable basis, is firmly established.

But I have been dwelling too long on the past. There is, I apprehend, very little difference among bankers as to the effect of an irredeemable legal-tender currency upon business and the public morals. The vital question now is, what is to be done to restore the specie standard and bring about specie payments?

So far it must be admitted that very little has been done to accomplish this most desirable result, besides the passage of an act pledging the Government to a resumption of the United States notes in 1879.

Now, gentlemen, nobody understands better than you do, that this act will be a nullity without speedy legislation to sustain it. Hopeful as we may be in regard to the recuperative power of this great nation, none of us is sanguine enough to suppose that the desired object will be attained without legislation of some kind. We may differ, we probably do differ, in regard to the legislation which is required, but I take it for granted that we are all agreed that something is to be done, if the act referred to is to be anything else than a dead letter. We were told some years ago, by gentlemen standing high in the public estimation, that the currency question would take care of itself; that, although the circulation might just then be somewhat excessive, so great were our resources, and so energetic were our people, that all the United States notes authorized to be issued, and all the notes that could be furnished by the National banks, would soon be required in regular business transactions. In a word, that specie payments would be brought about by the natural and inevitable growth of the country. Well, gentlemen, the evidences of the growth are certainly not very apparent. They are not found in our manufacturing districts, in our commercial cities, in our ship yards, nor even among the planters of the South or the farmers of the West. I think its advocates must admit that the let-alone policy has not worked satisfactorily, and that some steps must be taken, some plan adopted by Congress, if specie payments are to be resumed, I will not say in 1879, but at any time. Now, what shall this plan be? A very simple one has been suggested, which I think would be effective. My policy some years ago would have been somewhat different, for the country then was in a different condition from what it is at present. Then, if I had had the power, I would have applied a portion of the surplus revenues to the redemption of the legal-tender notes, instead of applying the whole to the reduction of the interest-bearing and bonded debt. Now, the plan suggested is this:—Congress, at the next session, to



pass an act declaring that the United States notes after January 1, 1879, shall cease to be a legal tender, and authorizing the Secretary of the Treasury at once to offer in even exchange for them bonds bearing interest at the rate of four per cent., payable at the pleasure of the Government after thirty years, principal and interest payable in gold; the banks to be compelled to retain the gold received by them for the interest on their bonds deposited with the Treasurer, the surplus revenues of the Government to be held for the redemption of the Government notes, if they should not before the 1st of January, 1879, be exchanged for bonds; banking to be free after resumption.

My own opinion is, with submission to the better judgment of the convention, that by some such plan as this, which has no enforcement about it, the specie standard would be restored without prejudicing the revenues, deranging business, or reducing prices. The United States notes, not exchanged for bonds, being still receivable for all public dues, except duties upon imports, would not be depreciated by ceasing to be a legal tender. The bonds bearing only four per cent. interest, would not be sufficiently inviting to withdraw from circulation a dollar needed for business purposes. If such bonds had been offered in exchange for legal tender three years ago, I believe we should to-day be close on to specie payments. This is one plan. I shall be gratified if a better one is presented to the convention. I am very certain that there is no real ground for apprehension that a return to specie by any measure that may be adopted by Congress will reduce the amount of money in circulation so as to embarrass trade or check healthy enterprise. There is no article in the world more subject to the great law of supply and demand, than money. It always goes where it is wanted, and where it can be profitably used. There never need be, and there never will be, as long as the people are fairly industrious and economical, and the natural laws and commerce are permitted to have free play, a real scarcity of money in the United States. There will be, as there are in other countries, temporary stringencies but no prolonged scarcity. Times are frequently, if not invariably, the hardest, and business the most depressed, when money is superabundant. Money is now lying idle in many of the banks because there is no profitable use for it. Nothing, indeed, more clearly indicates the stagnation which exists in business, than the difficulty experienced by the banks in employing their funds. A better feeling would prevail and business would be quickened, if one-fourth of the Government and National banks' notes was absolutely withdrawn from circulation. We have heard predictions of the shrinkage in prices that was to result from a return to specie. Does any one think that the shrinkage would have been as great as it

has been if specie payments had been resumed ten years ago? I know there has been a prevailing sentiment, which has extended even to bankers—perhaps it still exists to some extent in the seaboard States—I know that it exists throughout the West, and nowhere more generally than in my own State, that a return to specie must injuriously affect prices, and add to the embarrassments now existing. On the contrary, I believe that it is resumption which is needed to restore confidence, without which business always stagnates—that instead of making times harder it would improve them—instead of reducing prices it would advance them.

In a word, I believe that it is resumption that is needed to lift the country out of the “slough of despond” into which it has been sunk for the three last years. We have thought so much upon the subject that we have become morbid. We have spent so much time in counting the cost that we have greatly exaggerated it. There has been too much figuring about resumption. Figures are well enough in their places, but they sometimes do harm in impeding action when action only is required. When some of General Lee’s officers were figuring upon the probability of their being able, with the local advantages they possessed, to meet with 75,000 men, the Federal officers that were marching against them with 150,000, he remarked, “Well, gentlemen, if you go to ciphering we shall be whippèd every day in the week.”

What is needed in our case, is less ciphering and more confidence in our ability and resources. We frequently see and hear references made to Great Britain, to illustrate the difficulties in the way of resumption. It is not necessary for me to say to you, gentlemen, that the condition of that country at the close of the Napoleonic wars, was widely different from that of the United States, unhappy as it may be. Great Britain had been literally exhausted by her gigantic and protracted struggle with the greatest captain the world has ever known, who not only wielded the entire power of the most inexhaustible of nations, but at times the power of a continent. She had been drained of every dollar of specie which she could draw from her colonies or command by her trade, in paying her own soldiers and the troops she had subsidized. She had no Mississippi Valley to furnish her starving people with bread; no plantations to supply her looms with cotton; no gold and silver mines to replenish her treasury. She had only her ships and her manufactures to rely upon; for the former there were no freights, for the latter no markets. The Continent was about as exhausted as she was, and her trade with the United States, totally interrupted during the war of 1812, was hardly sufficient at its close to give employment to a dozen of her ships. Those of her people who

could pay taxes were oppressed by taxation ; those who could not were pinched by want. When the star of Napoleon sunk on the field of Waterloo, never to rise again, Great Britain, now the richest country in the world, was in a less prosperous condition than were the American Colonies at the close of the Revolutionary War. I confess a feeling of surprise, not to say of indignation, when I hear intelligent Americans justifying continued suspension by a reference to the financial state of Great Britain from 1815 to 1826.

A country, that to the amazement of the world, commenced the payment of her debt within six months from the close of the war which she had waged for four years, with an unparalleled expenditure of life and money, and which, in the ten years immediately following that war, has reduced her debt nearly a thousand millions of dollars, and done so to a large extent by anticipating the maturity of her bonds, cannot plead poverty as an excuse for permitting less than 400,000,000 of her promises, payable on demand, to be dishonored and depreciated. If the legal-tender notes are not redeemed at an early day, it will not be because the Government is unable to pay them, but because the people will not authorize it. During the suspension of the Bank of England, there was no diminution of the National debt of Great Britain, and resumption took place just as soon as the wasted energies of the country were partially restored. Even the failure in the first attempt to resume, showed how important resumption was considered by an intelligent Government. And I would here remark that it was not until after it had taken place that Great Britain fairly entered upon that career of prosperity which has caused her to be foremost among the nations in wealth and power.

The present is in many respects a favorable time for resumption. Some years ago there might have been ground for apprehension that there would be a drain of specie from the United States by a return of our securities from Europe, as a consequence of the restoration of the specie standard ; but there is now, and there need be in the future, no danger in this direction. There is in the leading commercial nations of Europe, a plethora of specie and a dearth of solvent securities. There is a constantly increasing demand for our Government bonds, and a fair demand for the bonds of our great railway companies. The demand for the latter would be largely increased if investors were satisfied of their solvency. There is, I say again, no danger of a return of our securities as a consequence of resumption. On the contrary, such an evidence as this would be of our good faith and ability, would cause them to be held more firmly. European investors are more careful than they used to be. The immense losses they have recently sustained by loans to nations that could only pay so long as they were able to

borrow, and to companies whose claim to confidence was found to exist only in the glowing terms of their prospectuses, have made them wary. There is to-day a better demand for our solvent securities than there ever has been, and this demand is likely to increase rather than to diminish. The fact, then, that our securities are largely held on the other side of the Atlantic should not be regarded as an obstacle to the restoration of the true measure of value. The plentifulness of specie in Europe, the foreign demand for our securities, the very favorable condition of our export and import trade, the low prices of property of all descriptions, so low as to render a further decline quite impossible, the relief from political excitement soon to be experienced by the election of a new President, the hopeful spirit which is beginning to manifest itself in regard to the future—all these indicate that the time is at hand for clearing the way of all obstructions and letting the country move on towards its former prosperity.

Although I have already claimed too much of your indulgence, I must ask it still further while I say a few words on another, although somewhat similar, subject. A commission has been appointed by Congress to investigate the silver question. I would not, therefore, if I had the time, undertake to discuss it here. This much, however, I may perhaps be permitted to say. The double standard has not been found to work well in other countries, and it ought not to be inconsistent with proper self-respect on our part, for us to profit by their experience. Silver has been, or is being, demonetized by the leading powers of Europe, except as a subsidiary currency. The double standard exists, it is true in France, but there, even, it exists rather in name than in fact. France pays the interest on her debt in gold; if she should claim and exercise the right of paying it in silver at existing rates, she would become a reproach among her sister nations, and sacrifice for naught the advantages she possesses by having maintained her high credit under the most trying circumstances. Silver, according to the legal standard, could undoubtedly be tendered in payment of a debt contracted and payable in France, but a debtor who should avail himself in this manner of his legal rights, would find it difficult to borrow again.

A depositor of silver in the Bank of France receives a credit for silver, and his check is paid in the same currency. The Bank of France is embarrassed by the \$130,000,000 of silver (I speak of course of equivalents) in her vaults, although she holds nearly \$300,000,000 of gold besides, and this is undoubtedly why she does not resume the payment of her notes, although they circulated freely at par. When the present glut of silver is over, France will doubtless adopt the single standard.

The existing depreciation of silver is attributable not to the increased production of the silver mines, which, by the way, has been greatly exaggerated, but by the adoption of the gold standard by Germany. During eight months of the present year, Germany has sent to England alone, over \$12,000,000 in silver, the main outlet for which has been India. Bismarck, the ablest statesmen of this age, and as far as I know of any other, after he had completed his great work of consolidating in a single empire the various German States, went to work, with that iron resolution and far-seeing sagacity, for which he is so greatly distinguished, to rectify and improve its finances. He perceived that Great Britain had derived very decided advantages in her trade and intercourse with other nations, by having adopted, near the commencement of the present century, a single, and, if I may be permitted to coin a word, an unfluctuating standard; that it was the maintenance of the sovereign, as her unchanging measure of value which had tended to give her the precedence she had among the nations, and to make London the clearing house of the world—and so, fully understanding the cost of the substitution, but looking for compensation in future results, he determined to substitute throughout the great German Empire, gold for silver as the standard currency. In this free country of ours, we are apt to attribute to improper influences, opinions and acts which do not meet with our approval. There are many amongst us who suppose that what, in their judgment, are errors, if not heresies in finance and political economy, are here propagated by British gold. Now, let me say that there is no man in the world who clings more tenaciously to his gold than the genuine Britisher, of whom the British Government is a type. He may, under the impression that his services will be more valuable to his country at home than in the field, (nobody doubts his courage,) subsidize foreigners to fight his battles for him, but he is the last man to part with his money to subsidize opinion. But admitting, what I am unwilling to admit, that we money-loving and money-worshipping Americans, if not exactly purchasable, do find it difficult to resist the persuasive and subduing influences of British gold, it is not supposable that the great German statesman has been subject to such influences, inasmuch as the demonetization of silver by Germany, has greatly disturbed the business of Great Britain and very seriously diminished her Indian revenues. *She* has lost immensely without any prospective advantages, while her neighbor anticipates great future benefits from the policy she has adopted. There are, gentlemen, certain laws governing business and international intercourses, that no nation can successfully contend against, and it is the wise nation that readily conforms to them. The law that makes gold and silver the measure of values—the latter sub-

siary to the former—is one of them, each having its own offices to perform. Gold is as unfit for small transactions as silver is for large ones. The gold dollar which was tried some years ago was a failure; the quarter eagle even is so small as to be inconvenient. In the very nature of things, the two metals, so different in character, cannot through long periods, possess the same relative value, and every citizen of the United States has a personal interest in the maintenance of a single unvarying standard. The sovereign is the English standard, the eagle ours, and we shall commit a fatal blunder if we adopt another in its stead. The present depression in the market value of silver is likely to be but temporary. The cause which has produced it will soon cease to exist. It is not, as I have said, attributable to the large yield of the silver mines, but to the demonetization of silver by Germany, followed as her example has been by smaller European States. The sales by these nations, chiefly by Germany, has caused the supply of silver to exceed the demand for it, and the price has declined accordingly. This source of supply will soon be stopped, while the demand will be increased. Trade in India and China has been exceedingly dull for the two or three last years, but there are indications of a revival, and this revival will create a greater demand for this metal for remittances to those populous countries. Silver has always been, and will doubtless continue to be, the coinage of Oriental nations. It is not only used there as currency, but very largely for ornaments, and to some extent in manufactures. From time immemorial they have been the great absorbents of silver. Indeed, the question, What has become of the silver which has been for centuries flowing into India and China? has never been satisfactorily answered. Gold is not used there as a currency, because the people are so poor that not one in a hundred is rich enough to be the owner of a sovereign. A demand for it will also soon spring up in other quarters. It may soon take the place of the paper now in use in some European States. Italy, for instance, which is rapidly improving in her financial condition, will require many millions to take the place of her fractional currency, when her banks resume specie payments. Some fifty millions more than are now authorized by law, will be needed in the United States within the next ten years. Silver has been frequently at a premium over gold. It has been only some twenty years (I am not particular as to dates), since the demand for it for exportation was so great that additional alloy was authorized, and we had, until the legal-tender notes drove it away, a silver currency worth ninety-three cents on the dollar, which was a legal tender to the amount of five dollars. The capital of the State Bank of Indiana, with which institution I had the good fortune to be connected for over twenty years, was paid

in Spanish and Mexican dollars, a large part of which was sold at a premium. If I was a little younger than I am, I should expect to see silver at a premium again. There are some who talk about the payment of the National debt in silver. Why, gentlemen, if our silver mines were worked with the utmost vigor, and they should prove to be as inexhaustible as many suppose them to be, they would not produce silver enough to pay the interest of the debt, to say nothing of the principal. A contract with the holders of the United States bonds, to pay them in silver instead of gold, might prove to be a bad one for the Government. You understand, gentlemen, and allow me to say that it is your duty to impress this important fact upon those who look to you for advice, that the way to lessen the burden of our National debt, is not by discussing in which currency it may be legally paid, but by adhering to the spirit of the contract, and elevating, by doing so, the public credit, so that the interest may be rapidly reduced. The debt of Great Britain, twice as large as that of the United States, is scarcely more burdensome, by reason of the low rate of interest it bears.

In returning to the United States after, with two intervals, an absence of some six years, I perceive everywhere evidences of the misfortunes which have befallen the country, but I see also indications of returning prosperity. New life begins to show itself in our cotton and woolen factories—fires begin to glow again in our long-slumbering iron founderies—trade is improving in our commercial cities, and hopefulness is succeeding despondency. All that is now needed is judicious revenue laws—a return to specie—the exercise of the industry which is natural to our people, and the practice of economy, which is not—and may I not add, reform in our civil service?—for no free government can long endure the strain of a policy which makes public offices spoils, and the tenure of office dependent not upon ability and integrity, but upon party subserviency—to make the people of the United States what I am sure they are destined to be, the most prosperous, as well as the freest, people upon the earth. If I needed anything, which I do not, to make me proud of my country on my return from abroad, it would be the energy, the liberality, and the taste displayed by my countrymen in the buildings erected for this, the most complete and extensive of international exhibitions, and for the variety and value of their contributions to it; and is it not an evidence of the progress of true civilization and of international comity, and of good will and sympathy between nation and nation, that the monarchies of Europe have been most liberal contributors to an exhibition which not only literally brings the ends of the earth into friendly rivalry, but commemorates also, the greatest event in history—the birth on the grandest scale, of republican institutions—the germ of a Government now only

in the hundredth year of its existence, and yet controlling the best part of a continent and protecting 40,000,000 of people in the enjoyment of life, liberty, and the pursuit of happiness?

Even at the risk of wearying you, I must say a few words upon Banks and Banking. Banks are a part of the machinery by which business is carried on in trading and commercial nations, and there is no part of this machinery which contributes more to national development and growth than they do, when under judicious management; and while each nation adopts, or aims to adopt, the system of banking best adapted to its peculiar circumstances and political institutions, it happens, of course, that many experiments have to be tried, before a satisfactory one is discovered.

Our first experiment of a national character was a United States Bank, similar in many respects to the Bank of England and the Bank of France. It was the financial agent of the Government, and while it did not occupy or attempt to occupy the entire field, even in respect to circulating notes, it exercised a controlling and a healthful influence over the banks of issue chartered by the States. It answered for many years an excellent purpose, but the people became jealous, not only of the monetary power which it possessed, but also of the political power which it was accused of endeavoring to wield, and it received just before the expiration of its second charter a fatal blow from the hands of President Jackson, who removed from it the Government deposits. Failing to obtain from Congress a further extension of its franchises, it received a charter from the State of Pennsylvania. But it had lost its national character, and in a few short years it was ruined by the unwise endeavor of its managers to control the trade of a great country in some of its heaviest and most important branches. In anticipation of the expiration of the charter of the United States Bank, many banking institutions were chartered by the States, some of which, known at the time as "pet banks," became the depositories of the public moneys. It soon became apparent, however, that these banks were likely to become unsafe government depositories, and all connection of the Government with the banks was terminated by the Sub-Treasury Act, under which the public revenues were collected in coin and deposited in the Treasury. From the time of the expiration of the charter of the United States Bank up to 1861, the State banks furnished the country with its paper circulation, and to a great extent controlled its business. It is not necessary for me to dwell upon the defects of the State Bank systems, or the character of a considerable part of the notes which the people were compelled to receive and treat as money. There were scarcely two States in the Union whose systems were alike. In some States banks were chartered with proper restrictions upon

their discounts and their circulations; in others without any such restrictions. In some there was individual liability, and in others no such liability whatever—not even in cases of gross mismanagement. In some States the circulation of the banks was secured, partially, at least, by mortgages and bonds; in others there was no security except the capital, which was frequently a myth. In some States banking was a monopoly; in others it enjoyed the largest liberty. The consequence was that we had a bank-note circulation frequently worthless, and, when solvent, lacking that uniform value which was needed in business transactions between the citizens of the different States. It is enough to say that the circulation of the State banks was entirely unfitted for a country like ours, that by it the people were subjected to enormous losses, not only in the way of exchanges, but in the inability of a great many of the banks to redeem their notes. It required a young and vigorous and productive country like ours to prosper under the banking systems which were superseded by the national banking system. As far as circulating notes are regarded, this system meets the wants of the people, and the provisions of the Bank Act, when efficiently enforced, give, perhaps, to the depositors all the protection that can be extended to them by law. As I have said before, the act may need amendment, but the system is a good one. If there be a better, I should not know where to go to find it. Banks of issue have been found indispensable in all trading and commercial communities, and unless madness rules the hour the present system, however bitterly it may be assailed, will not be destroyed by the people of the United States until, at least, a better one has been devised to take its place.

Banking, when intelligently and honestly conducted, is an honorable business. When so conducted, it yields a fair return on the capital invested, and adds to the general prosperity. Upon bank management I hardly feel at liberty to say anything to gentlemen so experienced and enlightened as those I have the honor of addressing, and yet it may not be improper for me, an old banker, to suggest, for the benefit of those of less experience, that there are certain rules and principles, the observance of which is necessary for the success of banking institutions, and for the fulfillment of the duty which their managers owe to the public. I will briefly enumerate them.

First. The capital of banks should be real, not fictitious.

Second. The managers should not be borrowers, nor should loans be made to stockholders merely because they are stockholders.

Third. A certain amount of the annual profits should be carried to the surplus fund—the larger the surplus the better—not only for the safety of the stockholders, liable as

they are, under the Bank Act, for an amount equal to their shares, but for the protection of depositors.

Fourth. Banks should be kept strong in their cash reserves, as times frequently occur when the strongest stand in need of them. Nothing in the long run pays better than a "goodly" amount of idle money, especially when specie is the only *legal* money.

Fifth. As banks are commercial institutions, created for commercial purposes, preference in discounts should always be given to paper based upon actual commercial transactions. Banks are not loan offices. It is no part of their business to furnish their customers with capital, nor should loans be made under any circumstances for operations in stocks, or to furnish facilities in stock operations.

Sixth. Renewals should only be permitted to secure doubtful debts, or in cases in which more time is required than was anticipated when the loans were made to complete the transactions upon which they were based.

Seventh. Such salaries should be paid to officers and clerks as will relieve them from the temptation to dishonest practices—the services of those whose expenditures exceed their incomes should be promptly dispensed with.

Eighth. Bank managers should bear in mind that they are not only trustees of stockholders, but that they owe something to the public—that their whole duty is not performed when good profits are made and solvency secured, but that they should do all in their power to encourage morality in business and elevate credit, especially commercial credit, to the highest standard.

Accept my thanks for the patience with which you have listened to this long and hastily prepared address (it would have been shorter if I had had more time to prepare it), and the expression of my regret that I could not make a better return for the honor conferred upon me by your chairman in inviting me to address you.

RAISED NOTES.—The Massachusetts Supreme Court decides that a bank discounting a raised note cannot recover even the original amount of the note from a defendant who indorsed it (for accommodation of the maker,) prior to the alteration. The ground is, that "the defendant never made the note for the greater sum, which was the only one that the plaintiff accepted." The note in question was made for \$500 by the notorious Lucius W. Pond, of Worcester, who, after obtaining the defendant's indorsement, fraudulently altered the amount to \$2,000, and got it discounted by the Citizens' National Bank. The plaintiff bank, after the maturity of the note, applied to the writing a solution of nutgalls, which disclosed the change from \$500 to \$2,000. The defendant was present and did not object when the test was applied. Demand and protests were made on the note as for \$500, and also for \$2,000, and the defendant was notified as indorser by two notices, each treating the note as for one of these sums.

SILVER DOLLARS IN PLACE OF SMALL NOTES.

The manifest improvement in the currency caused by the substitution of silver for fractional notes suggests the inquiry whether an additional advantage might not be derived by going a step farther and substituting silver dollars for small notes of one, two, and perhaps five, dollars. Many of the reasons in favor of the former measure may be urged in favor of the latter. The principal of these is the short-lived character of small notes, which makes frequent renewals necessary to keep them in a satisfactory condition for use. Senator Sherman states that the cost of the fractional currency is $3\frac{1}{2}$ per cent. of the amount issued, while the average life of these notes is but one year. The one and two dollar notes last somewhat longer than this, but they become worn and defaced much more quickly than notes of larger denominations. The following figures, from the Finance Report and that of the Comptroller of the Currency for 1875, give some idea of the frequency with which small notes have to be renewed.

LEGAL-TENDER NOTES TO JUNE 30, 1875.

Denomination.	Issued. Millions.	Redeemed. Millions.	Outstand- ing. Millions.	Redemp- tions in year ending June 30, 1875. Millions.	Net am't outstanding June 30, 1874. Millions.	Time needed to redem am't in circ'm June 30, 1874, at same rate.
One dollar	\$ 84.52	\$ 57.10	\$ 27.42	\$ 12.78	\$ 25.57	2 years.
Two dollars....	91.29	64.95	26.34	12.71	28.12	2.2 "
Five "	151.46	106.61	44.85	12.62	50.54	4.0 "
Ten "	197.19	124.04	73.15	17.13	76.72	4.5 "
Twenty "	170.94	103.56	67.38	15.24	72.46	4.7 "
Fifty "	68.38	37.12	31.26	7.10	29.40	4.1 "
One hund. "	76.90	45.68	31.22	6.62	34.55	5.2 "
Five " "	131.63	100.93	30.70	5.46	8.21	1.5 "
One thous. "	230.92	186.48	44.44	20.48	57.42	2.8 "

NATIONAL BANK NOTES TO NOVEMBER 1, 1875.

Denomination.	Issued. Millions.	Redeemed. Millions.	Outstand- ing. Millions.	Redemp- tions in year ending Nov. 1, 1875. Millions.	Net am't in circula- tion Nov. 1, 1874. Millions.	Time needed to redem am't in circ'm Nov. 1, 1874, at same rate.
One dollar.....	\$ 18 05	\$ 14.09	\$ 3.95	\$ 2.95	\$ 5.40	1.8 years.
Two dollars....	12.08	9.63	2.45	2.12	3.57	1.7 "
Five "	235.27	124.63	110.64	59.42	131.01	2.2 "
Ten "	174.10	76.08	98.02	36.96	94.24	2.5 "
Twenty "	105.92	40.09	65.83	20.66	59.81	2.9 "
Fifty "	44.21	19.05	25.16	7.47	21.77	2.9 "
One hund. "	64.58	29.94	34.64	10.28	29.59	2.9 "
Five " "	9.24	7.24	2.00	1.40	2.83	2.0 "
One thous. "	5.53	5.05	.48	.36	.56	1.5 "

The rate of redemption of National bank notes for 1875 appears to be more rapid than that of legal-tender notes, partly because the latter, being used to a great extent as a bank reserve, are not subjected to such constant wear, and partly because the redemption of the former was so long neglected that it proceeds more rapidly than it is likely to after the bank notes are restored to a better condition. Making allowance for this temporary acceleration, the ordinary life of the one and two dollar notes is only about two years; that of the five dollar notes four years or less; and that of the ten, twenty, fifty, and one hundred dollar notes from four to a little over five years. Notes of the highest denominations, those of five hundred and one thousand dollars, seem to be about as short-lived as the smallest notes, showing how curiously the extremes meet. Even with these frequent renewals notes of one and two dollars that are neither defaced nor torn are quite scarce.

The fact that the small notes become so rapidly worn, defaced, and unfit for circulation, is a serious objection to their use. A coin of the size of the silver dollar would be subject to comparatively little abrasion, and would not probably become so worn as to be unfit for circulation for twenty-five or thirty years. In this respect it possesses a marked superiority over the gold dollar. By suppressing notes of one and two dollars, and substituting the silver dollar in their place, all the trouble of constantly renewing the small bills would be avoided, while the monetary circulation of the country, below the denomination of five dollars, would be kept in a much better condition. In point of convenience, silver dollars are in every respect, except weight and bulk, superior to small notes. They are far more readily handled. It is possible, (as it is not with a roll of bills,) to take one or more from the pocket-book without disturbing the rest. If one drops, its clear metallic ring immediately apprises the owner of his loss. The quantity which any one person would have on hand would be too small to make their weight and bulk productive of material inconvenience. The total amount of one and two dollar notes to be supplanted is only about \$60,000,000, being about \$1.30 to each inhabitant, or \$6.50 to each family. It is probable that \$2.50 to each inhabitant would suffice both for the silver dollars and fractional currency, giving the country a silver metallic circulation of about \$125,000,000 at the date of resumption in 1879.

Such a measure as this would not only utilize our silver product and steady the price of silver, but materially assist in effecting the resumption of specie whatever standard may be ultimately adopted. If the present gold standard is retained, the amount of gold reserve to be accumulated will be diminished, and the task made to that extent the easier. In any event, the silver accumulated to take the place of

small notes, will be a substantial contribution to the metallic reserve required. After resumption is effected, there would be a substantial stock of coin in the hands of the people, which is not so likely to be the case while small notes are tolerated. With silver for the smaller transactions and gold and notes for the larger, the currency would possess nearly every requisite for convenience; but even if silver were to be remonetized, the proposed change would still be not the less desirable. If the gold standard is retained, it would be desirable to make silver dollars a legal tender for as much as ten or twenty dollars. In Great Britain the silver token coinage is a legal tender for forty shillings, about ten dollars, in one payment, and it would seem that silver coins of full standard weight ought to be at least equally favored. It would also be desirable to discontinue the coinage of the gold dollar, which is too small for convenience and suffers greatly by abrasion, because its surface exposed to wear, is so large in proportion to its weight. With the silver dollar restored to use there need and should be no gold coin of a lower denomination than the quarter eagle.

D. P. B.

THE AMERICAN BANKERS' ASSOCIATION.

Pursuant to the call which was published in the September number of the *BANKER'S MAGAZINE*, a mass convention of bank officers and bankers held its first meeting on October 3d, at Judges Hall, Centennial Grounds, Philadelphia. The convention was called to order by Mr. Charles B. Hall, of Boston, temporary chairman, in so doing, said that the present convention was an adjourned one from that held at Saratoga in the summer of 1875. At that convention, resolutions were passed favoring an early return to specie payments, touching the taxation of banks, and relating to the abolition of the two-cent stamp tax on checks. Since that convention adjourned, some measures had been taken in relation to the taxation of banks. An executive committee had, in April last, an interview with the Ways and Means Committee of the House of Representatives. Mr. Hall stated that no action had been taken by Congress, but none had been expected, the last session being one held for political purposes, and not for legislation beneficial to the people or for the relief of business. Mr. Hall closed by saying that he hoped the present convention would reaffirm the resolutions passed at Saratoga, and especially demand the abolition of the tax on deposits and capital, leaving that on circulation. To show how necessary such legislation is, he said that in April last, two hundred national banks had already wound up their affairs, and four hundred others had surrendered their circulation, many of them preparatory to closing up their accounts, this being chiefly caused by the heavy taxes imposed upon banks.

Mr. James Buell, President of the Importers and Traders' National Bank of New York, then addressed the convention as chairman of the committee appointed at the Saratoga convention. He presented a form of constitution and by-laws for the permanent organization of the American Bankers' Association. In the course of remarks on presenting the document he said:

"It is hoped and believed that this permanent organization of the banking interest may be productive of much good, not only in a business and social point of view, but by exciting among our fraternity such an *esprit de corps* as is gained for other great interests by association and periodical conventions. The

banks and bankers, although representing one of the very largest interests in this country, have hitherto had no general organization, no general conventions in which to discuss subjects which relate to their interest or guild and are of common benefit to the public at large. Such conventions and discussions will, if not conducted on a basis of narrow class interests, tend to broaden and enlighten the views of ourselves and of the community. We shall learn to recognize more distinctly that the prosperity of one is dependent on the prosperity of the other. Free banking removes all features of monopoly from our financial system, and it should be followed by the removal of all features of oppression, such at least as the invidious taxation with which we are now burdened—the war tax which has been taken off from all other individual and corporate interests except ours.

“The necessity for relief is now upon us. We must get out of the business. We cannot continue to pay for State and National taxes, especially in times like these, from seven to ten per cent. per annum upon capital, as the sliding scale of taxation adopted by the Government now obliges many of us to do. Let the public once be made aware that all the taxes levied upon our banks in excess of those charged upon other interests, must of necessity be again levied upon the persons who do business with the banks, that is, upon the borrower, and he in his turn must levy it upon the producers, that is, upon the laboring and poorer classes. Were these facts recognized, the people would soon demand equal taxation for all.

“The banks are an important part of the machinery of commerce. They perform the counting-house work. They make the collections, regulate exchanges, and control credits. They are a necessity. Embarrass them, and commercial chaos follows at once. I have alluded to only one or two points out of the multitude which may well be discussed by us, and those I have mentioned are not the most prominent or important. They are simply intended as examples of the wide range of topics in which we have a common interest among ourselves, as well as with the people whom we serve in the important functions of exchanging the values created by the industries which they pursue.”

Mr. Buell then presented and read for the information of the Convention the Constitution and By-Laws, which, as subsequently revised and adopted, are as follows:

CONSTITUTION OF THE AMERICAN BANKERS' ASSOCIATION.

DECLARATION—In order to promote the general welfare and usefulness of banks and banking institutions, and to secure uniformity of action, together with the practical benefits to be derived from personal acquaintance, and from the discussion of subjects of importance to the banking and commercial interests of the country; and especially in order to secure the proper consideration of questions regarding the financial and commercial usages, customs and laws which affect the banking interests of the entire country, we have to submit the following Constitution and By-Laws for the “American Bankers' Association”:

CONSTITUTION.

Article I, § 1. This Association shall be called “The American Bankers' Association.”

Article II, § 1. Any National or State bank, or trust company, or savings bank, may become a member of this Association, and also any banker upon a majority vote, upon payment of ten dollars (\$10), and may send one delegate to the annual meetings of the Association; and any member may be expelled from the Association upon a vote of two-thirds of those present at any regular meeting.

§ 2. Delegates shall be an officer, or director, or trustee of the institution they represent, or a member of a banking firm, or an individual doing business as a bank.

§ 3. Delegates shall vote in person; no voting by proxy shall be allowed.

§ 4. All votes shall be *viva voce*, unless otherwise ordered; any delegate may demand a division of the house.

Article III, § 1. The administration of the affairs of this Association shall

be vested in the President of this Association and one Vice-President for each State and Territory which may be represented in this Association, and in an Executive Council, composed of nine of the members of this Association, who shall be elected at the annual meetings, and who shall serve until their successors are chosen or appointed.

§ 2 The Vice-Presidents shall have the supervision of the business of the Association in the States and Territories where they reside, and may call meetings when they may deem the same necessary; and in case of absence or disability of the President of the Association to preside, they may designate one of their number to act as President *pro tem.*, and said President *pro tem.* shall, in case of death or other disability of the President, be invested with all the power of President, until a successor shall be duly elected or appointed.

§ 3 The Executive Council of nine shall take charge of the general business of the Association, receive communications, arrange for holding meetings, procure and arrange subjects for discussion in the order in which they may come before the Convention, provide for speakers, and carry out the resolutions passed. They shall also act as a financial committee for raising and disbursing moneys.

§ 4 The Executive Council of nine may appoint and discharge the Secretary and Treasurer, or other employees of the Association at their discretion.

§ 5 Special meetings of the Executive Council may be called by request of three of its own members, giving two weeks' notice to the Secretary, desiring him to call such special meeting. The Council shall have power to fill vacancies that may occur in their own body.

§ 6 The Executive Council shall provide—1st, for keeping the records of the proceedings of their own meetings as well as that of the Association's annual or special meetings; 2d, they shall submit to each annual meeting a report, covering their own official acts as well as a statement of any new or unfinished business requiring attention; 3d, they shall make full statements of the financial condition of the Association; and, 4th, submit an estimate of the amount required to carry on the affairs of the Association according to their judgment of the business to be done, and recommend means for raising money to carry out such plans as may be resolved upon by the Association.

§ 7 The Secretary shall make and have charge of the records of the Association, as well as those of the Council and of the correspondence of the Executive Council. Such records shall be the property of this Association and be held subject at all times to the order of the Executive Council.

§ 8 The Treasurer shall receive and account for all moneys belonging to the Association, and collect assessments, but shall pay out moneys only upon vouchers countersigned and approved by the President of the Association, or by the Secretary appointed by the Executive Council.

Article IV, § 1. Annual meetings of the Association shall be held at such times and places as shall be determined by the Executive Council. Special meetings may be called by the Council, if in their opinion circumstances require them, giving *two weeks'* notice of the time and place of meeting, together with the subject matter of business to come before such special meeting. The Executive Council shall meet to arrange the order of business on the first day preceding any general meeting of the Association.

Article V, § 1. The expenses of the Executive Council of the Association, in carrying out the business to be done by them, shall be provided for by assessment upon the members of the Association; provided, however, that no assessment above ten dollars be made in any current year upon each member of the Association; and the Executive Council shall have no authority to incur or contract on behalf of this Association, any liability whatever beyond the ten dollars hereby authorized, and only that for the purposes hereby designated.

Article VI, § 1. Resolutions or subjects for discussion (except those referring to points of order or matters of courtesy,) must be submitted to the Executive Council in writing, at least *thirty days* before any general meeting of the Association, but any person desiring to submit any resolution or business, in open convention, can do so upon a two-thirds vote of the delegates present, referring the resolution to the Executive Council or Committee on Resolutions to report upon immediately.

Article VII. Any one failing to pay within three months the assessment made for carrying on the business of the Association, shall be considered as having withdrawn from membership, but may be reinstated upon application to the Treasurer and paying the assessment in arrears, with consent of the President.

Article VIII. This Constitution may be altered or amended at any annual meeting, by a vote of two-thirds of the members present, notice of the proposed amendment having been first submitted to the Secretary at least thirty days before the annual meeting, to be placed by him before the Executive Council that they may arrange for bringing it before the Convention under the regular order of business.

BY-LAWS OF THE AMERICAN BANKERS' ASSOCIATION.

1st. The following shall be the order of business at the annual or special general meetings of the Association:

1. Call of the Roll. 2. Reading of the reports of the Executive Council and the Treasurer, 3. The election of officers.

The consideration of subjects submitted in the report of the Executive Council, in the order in which they are submitted, unless changed by a suspension of the rules by a two-thirds vote.

2d. Any resolution or new business not upon the official programme, or recommended by the Executive Council, (excepting those relating to points of order or matters of courtesy,) shall be referred to the Executive Council or Committee on Resolutions, to report upon to the Convention.

3d. No member shall speak more than ten minutes upon one question without consent of the Convention.

4th. The rules of the House of Representatives of the United States, shall govern the deliberations of the Association, so far as they may be applicable and in harmony with the Constitution and By-Laws.

5th. The annual assessment made by the Association shall be considered due at the beginning of the year, which year shall commence with the regular annual meeting, it being understood that absent members from such annual meetings shall not forfeit their membership nor the right to become members, provided they comply with the Constitution and By-Laws, and remit the amount of the assessment to the Treasurer within three months after such annual meeting.

6th. These By-Laws may be amended at any annual meeting, upon a vote of two-thirds of the members present.

On motion of Mr. Spaulding, of Buffalo, it was resolved that the proposed constitution and by-laws be printed and referred to a committee of five, with instructions to report at the opening of the session the next morning. The chair appointed as this committee, Messrs. James Buell of New York, E. A. Rollins of Philadelphia, W. H. Foster of Salem, L. B. Harrison of Cincinnati, and L. C. Murray of Louisville. The convention then adjourned, to meet on the next day at 10 a. m., in Horticultural Hall, Broad Street.

WEDNESDAY, OCTOBER 4th.—The report of the special committee on the Constitution and By-Laws being the first business in order, was presented. Mr. Buell, its chairman, stated that the committee had gone over the articles in detail, and had unanimously agreed to report them for adoption. It was then moved that the constitution be adopted, which motion, and a subsequent one for the adoption of the by-laws, were unanimously carried.

The organization as provided for by the constitution was next entered upon. Mr. J. W. Lockwood, of Richmond, Va., moved that the Hon. Charles B. Hall, of Boston, be elected President for the ensuing year, which was unanimously adopted amid great applause. Mr. J. D. Hayes, of the Merchants' and Manufacturers' National Bank, Detroit, was then unanimously elected Secretary. The chairman then announced that the convention was now organized for business, except as to the appointment of the Vice-Presidents. The constitution provides for the appointment of a Vice-President for each State represented. He suggested that the delegates from each State represented, report some gentleman from their State as Vice-President. It was then moved that the States be called, and that those represented should each name some one present as

their choice for Vice-President, and, that the organization might be complete, the remainder should be appointed by the chair. This was adopted.

Mr. Murray, of Louisville, then alluded to the recent murder of Mr. J. L. Heywood, at Northfield, Minnesota, and read a tribute to the memory of Mr. R. A. C. Martin, of Columbia, Kentucky, expressing the hope that the convention would make some due record of their appreciation of both these noble men, who had fallen in defence of their trusts. A committee of three was then appointed to draft resolutions accordingly.

The Hon. Hugh McCulloch, formerly Secretary of the Treasury, was then introduced by the President, and spoke at length upon the financial history and condition of the country, its banking systems and the currency question. His address will be found in full on another page of the present number. At its conclusion, Mr. McCulloch was formally thanked by the Association.

Speeches upon financial questions were made by Messrs. J. E. Williams, of New York; Joseph Patterson, of Philadelphia; and H. P. Baldwin, of Detroit; and an elaborate and interesting address by Mr. George S. Coe, of New York, upon money, banking and the resumption of specie payments.

At 2 P. M., the Convention adjourned to meet on the next morning at 10 o'clock.

THURSDAY, OCTOBER 5th.—The organization of the Association was completed this morning, the following named gentlemen being appointed by the President as the Executive Council for the ensuing year: George S. Coe, President of the American Exchange National Bank of New York; James Buell, President of the Importers and Traders' National Bank of New York; Thomas Coleman, President of the First National Bank of Troy, N. Y.; Morton McMichael, Jr., Cashier of the First National Bank of Philadelphia; J. S. Norris, President of the First National Bank of Baltimore, Md.; Edward Tyler, Cashier of the Suffolk National Bank of Boston; J. W. Lockwood, Cashier of the National Bank of Virginia, Richmond; J. D. Hayes, Vice-President of the Merchants' and Manufacturers' Bank of Detroit; L. J. Gage, Cashier of the First National Bank of Chicago.

The Vice-Presidents of the Association were then chosen as follows:

Alabama, Wm. H. Pratt; Arkansas, Dr. Duell; California, M. S. Latham; Colorado, C. B. Lamborn; Connecticut, F. B. Loomis; Delaware, Edward Betts; District of Columbia, John Hitz; Florida, J. M. Shoemaker; Georgia, W. H. Tuller; Illinois, C. B. Blair; Indiana, F. A. W. Davis; Iowa, S. C. Bever; Kansas, J. R. Mulvane; Kentucky, L. C. Murray; Louisiana, A. Luria; Maine, W. E. Gould; Maryland, Henry A. Thompson; Massachusetts, W. H. Foster; Michigan, H. P. Baldwin; Minnesota, H. P. Thompson; Mississippi, J. Green; Missouri, J. L. Stephens; Nebraska, H. Kountze; New Hampshire, Frederick Smythe; New Jersey, S. H. Pennington; New York, J. D. Vermilye; North Carolina, J. B. Grainger; Oregon, H. W. Corbett; Ohio, D. J. Fallis; Pennsylvania, Joseph Patterson; Rhode Island, J. W. Vernon; South Carolina, W. C. Breese; Tennessee, H. E. Garth; Texas, Jas. H. Raymond; Vermont, H. P. Hickok; Virginia, George M. Bain, Jr.; West Virginia, J. N. Vance; Wisconsin, N. B. Van Slyke.

A resolution, tendering the thanks of the Association to Mr. James Buell, of New York, Chairman of the Executive Committee of last year, for his services in perfecting the organization of the Association, was unanimously adopted. Mr. Buell thanked the convention, and then offered the following resolutions, each of which was adopted as soon as read:

Resolved, That the Executive Committee be requested to receive from bank officers of the different States, their laws in regard to notes and drafts, and bills of exchange, in their particular State, and in which States grace is allowed. Said committee to prepare them for publication if they shall deem proper.

Resolved, That any banker upon invitation of the President and payment of ten dollars, may become a member of this convention.

Resolved, That it is the opinion of this convention that as the original Legal Tender Act authorized the holder of legal-tender notes to exchange them for gold bonds, it would be proper and expedient to restore that privilege, and that a gold bond bearing four per cent. interest would be an equitable exchange.

Resolved, That the Executive Council be authorized and requested to appeal to Congress for an amelioration of excessive taxes, and abolition of stamp tax on checks.

Resolved, That in the sense of this convention, it is the duty of the Government and the banks, to hasten the time for the resumption of specie payments by all means practicable.

Resolved, That the President be, and he is hereby authorized, to revoke the appointment of any Vice-President who may have been appointed by him, if such appointee shall not accept, or fail to act, and the President may fill such or any vacancies.

Resolved, That the Executive Council be hereby requested to print and distribute to the banks and the bankers, in pamphlet form, the proceedings of this convention, and such papers as have been submitted to this convention.

The committee appointed yesterday to suggest suitable action by the Association, touching the death of Messrs. Heywood and Martin, bank officers, murdered while defending the funds intrusted to their care, reported entries to be made upon the minutes of the convention, and the following resolution:

Resolved, That the names of J. L. Heywood and R. A. C. Martin, be cherished by the members of this convention, as those of men who have not only reflected great credit upon the profession to which they belonged, but who deserved to be enrolled among the true and well-tried men of history; that their heroic conduct be held up to the people of this country for their admiration, that they may realize the fact that acts such as theirs are more precious to a nation and grander legacies to leave their children than all the wealth of the world, and reflect not only on their country, but on mankind itself; that their example in this time of great corruption, will do more to restore faith in man's honesty and integrity, than any act less noble could possibly have done, and while we lament their tragic death, and deeply sympathize with their families in their sad bereavement, we cannot but glory in their courage, which kept them faithful unto death.

Mr. J. D. Hayes, of Detroit, was then introduced, and read a paper on the subject of "Panics," treating clearly their nature and causes. He adduced some striking statistics as to the amount of capital sunk in the United States, beginning with the Chicago fire of 1871. Mr. Hayes, in closing, referred to the influence which the Bankers' Association could exert to avert panics, and urged that "money to let" should be the motto of every bank and capitalist who is fully satisfied that it will be properly used to produce wealth and give prosperity to the land.

After passing resolutions of thanks to Mr. Hayes, for his paper, and to the President, the convention adjourned *sine die*.

ANOTHER BRAVE RESISTANCE by a bank officer was recently made, in Dallas, Texas, which prevented a robbery from being a large one. Two men entered the State Savings Bank, about one o'clock in the day, while the cashier was absent at dinner, and leaped over the counter with drawn revolvers. Major E. H. Gruber, the President, was sitting at his desk writing, and at once sprang forward and grappled with the men. He was struck over the head by one of them with his pistol, knocked down and partly stunned. His young son, the only other person present, joined him in shouting for help, and the robbers, foiled by such unexpected resistance, seized what currency they saw, rushed out the back door, and escaped on their horses, which were held by a confederate. They got only \$213, leaving a pile of larger bills untouched, in their haste. Major Gruber was badly cut and bruised, bleeding profusely, but by his courage prevented a serious loss. A number of citizens mounted and pursued the robbers, one of whom, the leader, was captured the next morning. He proved to be one Riordan, who was concerned in a bank robbery at Comanche, last year.

THE NATIONAL BANK NOTE CIRCULATION.

Statement of the Comptroller of the Currency, showing by States the amount of National bank circulation issued, the amount of Legal-Tender Notes deposited in the United States Treasury to retire National bank circulation, from June 20, 1874, to October 1, 1876, and amount remaining on deposit at latter date.

STATES AND TERRITORIES.	Additional Circulation issued since June 20, 1874.	LEGAL-TENDER NOTES DEPOSITED TO RETIRE NATIONAL BANK CIRCULATION, SINCE JUNE 20, 1874.			Legal Tenders on deposit with the U. S. Treasurer at date.
		For redemption of Notes of Liquidating Banks.	To retire Circulation under Act of June 20, 1874.	Total Deposits.	
Maine.....	\$808,940	41,200	\$555,000	\$596,200	\$269,677
New Hampshire.	368,660	27,400	10,800	38,200	21,123
Vermont.....	766,480	134,807	296,400	431,207	182,279
Massachusetts...	5,340,945	96,400	4,955,900	5,052,300	1,381,614
Rhode Island....	156,200	.....	426,740	426,740	13,500
Connecticut.....	628,810	27,050	903,790	930,840	53,581
New York.....	2,045,210	623,000	13,717,141	14,340,141	4,130,873
New Jersey.....	537,135	23,060	732,340	755,400	291,485
Pennsylvania.....	2,992,210	443,247	3,787,100	4,230,347	1,792,727
Delaware.....	84,100	.....	.....	.....	.....
Maryland.....	110,210	166,600	1,123,100	1,289,700	639,030
Dist. of Columbia.	245,600	393,164	427,500	820,664	354,669
Virginia.....	207,100	706,864	592,415	1,299,279	530,740
West Virginia....	35,370	731,060	204,300	935,360	364,407
North Carolina...	305,060	.....	647,185	647,185	333,080
South Carolina....	6,700	.....	926,380	926,380	328,680
Georgia.....	180,000	242,725	297,275	540,000	207,725
Florida.....	45,000	.....	.....	.....	.....
Alabama.....	90,000	.....	.....	.....	1,013
Mississippi.....	.....	.....	.....	.....	1,821
Louisiana.....	32,130	603,625	1,844,250	2,447,875	1,114,124
Texas.....	62,100	.....	229,340	229,340	85,140
Arkansas.....	.....	.....	90,000	90,000	36,783
Kentucky.....	1,937,140	461,867	748,733	1,210,600	576,631
Tennessee.....	259,200	235,901	408,859	644,760	254,731
Missouri.....	113,470	187,591	3,383,559	3,571,150	1,070,223
Ohio.....	796,520	796,331	1,262,990	2,059,321	1,027,883
Indiana.....	1,282,570	474,677	3,253,752	3,728,429	1,280,847
Illinois.....	785,475	814,509	5,595,251	6,409,760	2,741,026
Michigan.....	303,420	116,400	1,587,800	1,704,200	618,296
Wisconsin.....	50,900	340,481	687,400	1,027,881	418,716
Iowa.....	553,500	410,774	1,358,550	1,769,324	695,629
Minnesota.....	329,320	125,691	1,119,840	1,245,531	521,052
Kansas.....	30,600	444,671	745,600	590,271	266,104
Nebraska.....	.....	45,000	54,880	99,880	47,720
Nevada.....	.....	.....	.....	.....	4,558
Colorado.....	126,000	63,925	135,000	198,925	99,803
Utah.....	.....	161,191	196,800	357,991	98,593
Montana.....	.....	.....	45,000	45,000	5,060
Totals.....	\$21,616,075	\$8,939,211	\$51,750,970	\$60,690,181	\$21,860,943
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....	.....	.....	.....	.....	3,813,675
Total deposits.....	.....	.....	.....	.....	\$64,503,856

JNO. JAY KNOX, *Comptroller of the Currency.*

THE PAPER MONEY CIRCULATION.

STATEMENT of the Comptroller of the Currency, showing the Issue and Retirement of NATIONAL BANK NOTES and LEGAL-TENDER NOTES under the acts of June 20, 1874, and January 14, 1875, to October 1, 1876.

National bank notes outstanding when act of June 20, 1874, was passed.....	\$ 349,894,182
" " " issued from June 20, 1874, to January 14, 1875.....	\$ 4,734,500
" " " redeemed and retired between same dates.....	<u>2,767,232</u>
Increase from June 20, 1874, to January 14, 1875.....	<u>1,967,268</u>
Outstanding January 14, 1875.....	351,861,450
National bank notes redeemed and retired from Jan. 14, 1875, to Oct. 1, 1876....	\$ 39,875,681
" " " surrendered between same dates.	<u>6,613,790</u>
" " " Total redeemed and surrendered issued between same dates.....	<u>46,489,471</u> 16,881,575
Decrease from January 14, 1875, to date.....	<u>29,607,896</u>
Amount outstanding at date.....	<u>\$ 322,253,554</u>
Greenbacks on deposit in the Treasury, June 20, 1874, to retire notes of insolvent and liquidating banks.....	\$ 3,813,675
Greenbacks deposited from June 20, 1874, to date, to retire National bank notes.....	<u>60,690,181</u>
Total deposits.....	64,503,856
Circulation redeemed by Treasurer between same dates without reissue.....	<u>42,642,913</u>
Greenbacks on deposit at date.....	21,860,943
Greenbacks retired under act of January 14, 1875.....	\$ 13,505,260
Greenbacks outstanding at date.....	<u>368,494,740</u>

NOTE.—The amount of National bank notes received from the engravers from June 30, 1874, to July 1, 1876, was \$272,376,512. The amount of new currency issued during the same period was \$218,050,914. The amount of new currency issued in the last fiscal year was \$90,730,565. The total amount of mutilated currency received during the same year was \$106,473,190. The amount of currency in the vaults on July 1, 1876, was \$89,800,200.

JNO. JAY KNOX, *Comptroller of the Currency.*

DIVIDENDS ON SUSPENDED BANKS.—The Comptroller of the Currency has declared a final dividend of thirty per cent., in favor of the creditors of the Gibson County National Bank of Princeton, Indiana, making in all dividends of one hundred per cent.

Dividends have also been declared in favor of the creditors of the First National Bank of Tiffin, Ohio, the First National Bank of Anderson, Indiana, and the First National Bank of Mansfield, Ohio, of ten per cent. each.

THE RIGHT OF SEARCH FOR UNSTAMPED CHECKS.

UNITED STATES DISTRICT COURT, E. D. OF PENN.

The United States v. Rhawn.

Held.—The law under which the National banks are incorporated does not exempt them from examination by any Collector, Deputy Collector, or Inspector of the Internal Revenue Department.

This case was tried at the last November Sessions of the Court, before Judge Cadwalader, who charged the jury as follows :

Section 3177 of Revised Statutes of the United States enacts, that any collector, deputy collector, or inspector, may enter in the day time, any building or place where any articles or objects subject to tax are . . . kept within his district, so far as it may be necessary for the purpose of examining said article or articles, and that any owner or person having the agency or superintendence of such building or place, who refuses to suffer such officer to examine such article or articles, shall for every such refusal, forfeit five hundred dollars. Section 3163 enacts, that every supervisor, under the direction of the commissioner, shall see that all laws and regulations relating to the collection of internal taxes are faithfully executed and complied with, etc.

The present suit is to recover \$ 500, a penalty alleged to have been incurred by the defendant, who is President of a National bank, by refusing to suffer a person who was acting under the direction of Mr. Tutton, the Supervisor of Internal Revenue, to examine such checks of customers of the bank as were kept in it, in order to discover whether any, and which of them were unstamped, contrary to the provisions of the internal revenue law upon the subject.

It is alleged that there was an application to the defendant, to suffer such an examination to be made, and that the defendant refused to suffer this to be done.

The defendant contends that the revenue officer had no right to make the examination requested. The ground of this contention is, that the law under which the National banks are incorporated provides for the occasional examination of their affairs, and for reports of their condition to the Comptroller of the Currency, and enacts, that they shall not be subject to any visitatorial powers other than are authorized by the act, or are vested in the courts of justice.

These banks are fiscal agents of the Government of the United States, and it would be most extraordinary that Congress should have exempted their customers from a necessary and proper scrutiny under the revenue laws in a matter which has no legitimate connection whatever with the affairs of the banks. As to the position thus taken by the defence, I am of the opinion that it is wholly unreasonable and unfounded in law. If you believe the testimony of Mr. Tutton, he told the defendant that there was no desire or intention to examine into the affairs of the bank, or the accounts of its customers, and stated that the sole purpose was to ascertain whether checks in its keeping were unstamped.

If unstamped, they were subject to tax under the revenue law.

The visitatorial powers over a corporation are the subject of a distinct head under the law of corporations. The examination of such checks under the revenue law is not the exercise of a visitatorial power under the Act of Congress relative to the banks. This part of the defence, therefore, fails in law.

It appears, however, that the person who asked to make the examination in this case was a clerk to the supervisor. Such a person is not an officer within the meaning of the law. The words of section 3177 are "any collector, deputy collector or inspector;" and a clerk to the supervisor is not included in this description.

If the supervisor was himself authorized to make such an examination he could not delegate this power to his clerk.

Your verdict should, therefore, for this reason, be for the defendant.

BANKING AND FINANCIAL ITEMS.

NOTICE.—The **Banker's Almanac and Register for 1877** is now in course of preparation. Bank officers and bankers are requested to forward prompt information of any changes not already reported to this office. Orders for the insertion of the *cards* of Banks and Bankers will be received until December 1st.

THE THIRD EDITION of the **Banker's Almanac and Register for 1876**, is corrected to October 15th, and now issuing from the press. Price \$3.00.

The Loan Acts of Congress.—A new edition, comprising the Acts of Congress in relation to the National Debt and the Currency, from 1842 to 1875 inclusive, is just published at the office of the **BANKER'S MAGAZINE**. Price \$1.75.

THE NEW YORK CLEARING-HOUSE.—At the regular annual meeting of this Association, held October 3d, the following officers were elected for the ensuing year:

Chairman—George S. Coe.

Secretary—George F. Baker.

Manager—William A. Camp.

Clearing-House Committee—Charles F. Hunter, Benjamin B. Sherman, William L. Jenkins, Jacob D. Vermilye, Nicholas F. Palmer.

Conference Committee—Henry F. Vail, Frederick D. Tappen, Charles M. Fry, Washington A. Hall, William Dowd.

Nominating Committee—Thomas Monahan, Francis M. Harris, William P. Brintnall, Charles Bard, M. F. Reading.

Committee on Admissions—George Montague, Charles Jenkins, E. H. Perkins, Jr., Francis Leland, J. L. Jewett, Jr.

Arbitration Committee—P. M. Bryson, S. R. Comstock, J. M. Morrison, John E. Williams, W. A. Wheelock

A summary of the transactions for the past year will be found upon another page of this number.

THE NEW YORK STOCK EXCHANGE.—The following article, which has been for several months under discussion among the members of the Stock Exchange, has been adopted by the Governing Committee, in place of the original Article VIII. of the Constitution and By-Laws:

SECTION 1. All deliveries of securities must be made before a quarter past two p. m.; and where deliveries are not made by that time the contract may be closed under the rule, after due notice to the defaulting party, in the manner provided in Article XVIII. of the By-Laws. Such notice, however, must be given not later than half past two o'clock, and the contract must be closed without delay, unless the time for so doing be extended by mutual consent. In the absence of any notice or agreement, the contract shall continue without interest until the following day. In every case of non-delivery, however, the party in default shall be liable in addition, for the damages that may accrue.

SEC. 2. This rule shall apply to borrowed and loaned securities.

THE NATIONAL PARK BANK.—At a meeting of directors, held on September 26th, Mr. James L. Worth, for many years cashier, was elected to the Presidency vacated by the death of Mr. Kitchen. Mr. E. K. Wright, hitherto paying teller, was appointed Cashier.

THE GOLD EXCHANGE.—The annual election of the officers of the New York Gold Exchange, was held in the gold-room on October 16th. Hitherto the presiding officers of the Exchange have been the Vice-President and Secretary, the former receiving a salary of \$6,500 a year, and the latter \$5,500. It was recently decided to employ only one presiding officer (the Vice-President,) at a salary of \$4,000 a year, and to confine the duties of the Secretary to clerical work at a yearly salary of \$1,200 or \$1,500. The election resulted as follows: President, C. O. Morris; First Vice-President, W. P. Wescott; Second Vice-President, C. B. Foote; Treasurer, R. L. Edwards; Secretary, A. W. Peters; Executive Committee, Wm. Fitch, C. Harvier, Horace Manuel, H. R. Moore, Heber Dunham, Ed. Hornbostle, B. K. Stevens, J. S. Cushman, E. W. Gould.

THE SILVER COMMISSION is now holding its sessions in the Post Office building in this city. A large number of circulars requesting information has been mailed to business men, bankers, and others throughout the country, and likewise to foreign countries. The commission work under disadvantage in the limited time allowed it—especially as regards information from foreign countries, which has to be elicited in response to inquiries by mail. The members of the commission hope to obtain a large amount of information in answer to the printed series of questions which have been sent out.

THE GOLD AND STOCK TELEGRAPH COMPANY.—The Board of Directors of this company has elected as Vice-President, Mr. George Walker, of this city, and appointed him executive manager of the company. Mr. Walker was formerly a lawyer and banker of Springfield, Massachusetts, and was for several years at the head of the banking department of that State. He was for many years a director of the Western Union Telegraph Company, of which he was Vice-President from 1869 to 1871, when he resigned to engage in other business.

ORGANIZATION OF THE NEW MINING BOARD.—On October 2d, the first session of the American Mining Board was held at Nassau and Pine Streets. There was a large attendance. The President, Mr. William Ward, delivered an address, in which he said the most sanguine promoters of the enterprise were surprised at the large number of business men who had become identified with the board. The committee had had 650 applications for membership, and 235 persons had been elected, while there was still a list of names awaiting consideration. In the matter of placing stocks upon the regular call, more than 200 applications have been made, of which, over three-fourths have been rejected. The list at present comprises less than fifty companies, a large proportion of them being those whose shares are actively dealt in at the San Francisco Stock Boards. In due time the better class of petroleum wells, and of copper, coal, iron, and lead mines, are to be embraced in the daily call, including the shares of ice companies, gas companies, and others properly coming under the classification of manufacturing corporations. After some statements showing that the financial condition of the board was encouraging, Mr. Ward stated that in due time reading-rooms and cabinets of minerals will be added as necessary adjuncts of such an institution, and as soon as the arrangements can be perfected, a bureau of mines and manufactures will be organized, through which trustworthy examinations may be made of the more prominent properties represented in the board.

DEFALCATION.—The paying teller of the National Park Bank, Thomas Ellis, failed to appear at his post on Monday, October 23d. One of the other clerks was instructed to take his place, and soon after reported a deficiency in the cash of \$36,000.

Ellis entered the bank eighteen years ago as a messenger boy, and had been gradually promoted until he became note teller. On the appointment of the late paying teller, Mr. E. K. Wright, to be cashier, in September, Ellis was advanced to the position vacated. He was very respectably connected, and enjoyed the entire confidence of the officers of the bank. A reward of \$5,000 is offered for the recovery of the money and the arrest of the defaulter.

Upon further investigation it was found that three gold certificates of \$10,000 each had been abstracted by Ellis, making the total robbery \$66,000.

NEW BANK.—The Brewers and Grocers' Bank will commence business on November 1st, under State charter, with a capital of \$200,000 dollars. It has taken the building of the Third Avenue Savings Bank, corner Third Avenue and 26th Street. The officers are James Everard, President; John W. Hesse, Cashier.

THE SUSPENDED SAVINGS BANKS.—The New-Amsterdam Bank of this city was closed on September 27th, on an order of Judge Landon to show cause why a receiver should not be appointed. The action of the Court was due primarily to the request of the trustees and officers made to Superintendent Ellis. The drain on deposits had weakened the bank so much that it was unsafe to continue business any longer. At a meeting of the trustees held on September 25th, resolutions were adopted reciting that the prospects of the bank were unfavorable, and as the assets on hand might, by judicious management, be made to pay each depositor if its affairs were closed at once, the Bank Superintendent was requested to take the necessary steps.

The following is the condition of the bank, September 21 :

INVESTMENTS.

Cash on hand and in banks.....	\$ 10,590.14
Call loans.....	6,750.00
Mortgages.....	313,250.00
Bonds of cities, &c.....	44,300.00
Real Estate.....	128,933.46
Premium account.....	3,631.25
Total.....	\$ 507,454.85

LIABILITIES.

Due depositors.....	\$ 507,024.19
Profit and loss account.....	11,562.70
Stout & Thayer.....	17,000.00
Total.....	\$ 535,586.89

Other smaller debts bring up the assets to balance with the credit account, and it is thought that the bank may finally pay all it owes and have a surplus. The only cause of the failure seems to have been the lack of confidence. No blame is attached to the officers, one of whom is at least believed to have almost impoverished himself in the attempt to keep the bank afloat. The number of depositors in January last was 2,428.

At a meeting of the depositors of the Bond Street Savings Bank, a committee appointed for that purpose at a previous meeting, made a report of the value of the assets of the bank, the figures showing a total of \$1,412,287. Liabilities (due depositors,) \$1,286,688. The President of the bank says that a receiver can pay sixty cents on the dollar on the indebtedness of the bank, within sixty days after assuming control of its affairs, and that every dollar of the bank's indebtedness can eventually be paid. Willis S. Paine has been appointed receiver.

Six hundred depositors of the Mechanics and Traders' Savings Bank, were paid in October, \$150,000, being fifty per centum of their deposit. It is expected that another dividend will be paid in January.

The receiver of the Abingdon Square Savings Bank, Mr. Frank Thompson, reports that there is due the depositors about \$88,000; available assets \$25,300. The mortgages are mostly second mortgages, which, if foreclosed at present, would bring absolutely nothing. The bank safe cost \$4,500, but, when offered for sale, the highest bid was \$400.

John C. Schwartz, Assistant Secretary and Cashier of the German Up-town Savings Bank, New York, pleading guilty to a charge of embezzling \$3,000 from that institution, was, on September 8th, sentenced to State Prison for four years and six months.

CALLS OF FIVE-TWENTY BONDS.—On October 6th, the Secretary of the Treasury issued notice that the principal and interest of the bonds designated below will be paid on January 6th, 1877, at which time the interest will cease. The bonds are all dated November 1, 1865, and are issued under the Act of March 3, of that year. The numbers are all inclusive.

THIRTY-SIXTH CALL.

Matures January 6th, 1877. Amount \$ 10,000,000.

COUPON.		REGISTERED.	
...	...	\$ 50—No. 51 to No. 200	...
\$ 100—No. 12,401 to No. 17,000	...	\$ 100—No. 1,651 to No. 3,450	...
\$ 500—No. 19,001 to No. 22,100	...	\$ 500—No. 1,811 to No. 2,750	...
\$ 1,000—No. 46,851 to No. 53,000	...	\$ 1,000—No. 5,751 to No. 10,000	...
...	...	\$ 5,000—No. 2,901 to No. 4,150	...
Total, \$ 5,000,000.	...	\$ 10,000—No. 3,951 to No. 5,150	...
...	...	Total, \$ 5,000,000.	...

CALIFORNIA.—The Vallejo Savings and Commercial Bank suspended on September 28th, in consequence of the financial embarrassment of the President, General J. B. Frisbie, who has been unfortunate in stock operations. The assets of the bank are stated at upwards of \$ 550,000. The indebtedness is \$ 325,000. It is expected the suspension will be only temporary.

BOSTON.—The result of the last six months' business of the Boston banks, is thus summarized by Mr. J. G. Martin, in his semi-annual statement:

The past six months, so far as net profits are concerned, has been one of the hardest periods our banks have experienced for very many years, but the falling off in dividends at this time is not large, because of previous heavy reductions. It is pleasant to note that four banks, the Central, Commonwealth, First Ward, and Webster, which deemed it advisable to "pass" in April, have now resumed. Four others, the Tremont, Metropolitan, Eleventh Ward, and Broadway, now pass, the latter for the second time. Two new banks commence dividends, the Fourth National, (new July 19, 1875,) two and a half per cent., and the Merchandise, (new November 8, 1875,) three per cent. The other changes are all reductions. The Boston National, four to three per cent.; Continental, three to two; Eagle, three to two; Eliot, three to two; Hide and Leather, three to two and a half; Mechanics', five to four; Monument, six to five; People's, six to five; Third National, four to three; Traders', two and a half to two per cent. The banks pay their dividends free of all taxes, and most of them charge off the amount now, while some divide it, half in October and half in April, which would seem equitable, and it is desirable that the dividends should be alike each six months, and not disturbed by larger tax payments at one time than another.

Of the sixty-one banks within the limits of Boston, three pay six per cent., four five per cent., twelve four per cent., one three and a half per cent., twenty-four three per cent., one three per cent. quarterly, four two and a half per cent., seven two per cent., four pass, and one not declared.

STAMPED INDORSEMENTS.—The Boston *Commercial Bulletin* says that "several banks in Boston refuse to accept stamped indorsements upon the backs of checks received through the Clearing-house in the daily course of settlements."

MINNESOTA.—The Northfield bank robbers are now confined in the jail at Faribault, Minnesota, and are the object of much curiosity from people living near the place, nearly 5,000 persons visiting the jail on one day. The robbers will recover from their wounds. They state that they lost nearly all their money in a gambling-house at Minneapolis, and thereupon determined to rob the bank attacked. A company of riflemen has been formed to prevent a rescue or attempt to escape.

VERMONT.—The Merchants' National Bank of Burlington, Vermont, has retired \$ 200,000 of its capital stock, paying \$ 44 per share, par value \$ 40. Henceforth the capital stock of the bank will be \$ 500,000, one of the three largest in the State.

WISCONSIN.—The First National Bank of De Pere is closing up its affairs, and will be succeeded by the Commercial Bank of De Pere, under the same management, viz.: G. S. Marsh, President, and H. R. Jones, Cashier.

DISAPPEARANCE.—The "Fox River Bank," at Omro, Wis., whose advent into existence was but recently noted, proves to be a fraud. The proprietor has absconded, and the funds of the institution are nowhere to be found.

THE SUPPLY OF COUNTERFEIT CURRENCY.—The following sketch of the present condition of the counterfeiting business, is from the Chicago *Tribune*:

The only engravers working, who were considered experts—Tom Ballard, Ben Boyd, and George White—have been sent to the Penitentiary since October 1, 1874—the first for thirty years and the last two for ten years each. There is another engraver at liberty, an inferior workman, he who cut the Richmond, Ind., \$10 plate, and the title plate for the Lafayette, Ind., \$10 note, (the latter the last counterfeit issued,) both being printed evidently from the same plate. The capture of this fellow is only a matter of time. It took nearly three years to get Ballard, eight months to reach Boyd, and seven months to capture White. Not only were they captured, but all their tools and the plates from which the counterfeit money was printed, thus effectually stopping this inflation of the currency. Previous to their arrest they put out large quantities of their bills. Their number is reduced every month by the apprehension of dealers and shovers, but it is impossible to gather in the whole issue, since thousands of dollars may remain buried for years. In 1867, Nat Kinzie, who engraved the \$10 plate for the First National Bank of Philadelphia, and was sent to "Cherry Hill" therefor, buried \$30,000 in these notes. They remained in the ground five or six years, and many of them are now in circulation, though the issue was stopped in 1867. The same is true of what are known as the "Illinois fives," embracing the First National Banks of Aurora, Canton, Galena, Paxton, Peru, and Chicago, and the Traders' and the Merchants' of Chicago. There were very few notes of the Merchants' and Galena put out, there being no such bank as the First National of Galena; and there were none at all on the First of Peoria, though that is usually in lists of counterfeit notes. There never was a counterfeit \$5 on the First of Louisville, Ky. One was reported, but the statement was never verified. All told, there are perhaps \$150,000 in counterfeit fives now out.

There has not been a counterfeit \$20 note printed in six years, the plates from which the Merchants', Shoe & Leather of New York, and the National Bank of Utica, N. Y., were printed, having been captured by Colonel Whitley, when he was Chief of the Secret Service. Of the \$10 notes several sets of electroplates for the Farmers & Manufacturers', the First, and the City, of Poughkeepsie, N. Y., has been secured. The original steel plates were the handiwork of Ballard. They were cut several years ago, and have rusted out long since, and are now worthless. The First of Redhook is a very old issue, and the plate is not in existence. The \$2 plates for the St. Nicholas, and Ninth National, of New York, and the Westchester County, of Peekskill, were also cut by Ballard, and electroplates have been captured by Washburn. The originals are believed to be in the same condition as Ballard's tens. No notes, however, have been printed from them for several years.

On the 1st of January last there were but two plates for Government notes out—one for the \$50 Hamilton head, and the other a \$500. The former was secured by Washburn, in Cincinnati, some time in February. The other is still out, but under cover, and no notes have been printed from it for a long time.

FRAUDS AND FELONIES.—A man about thirty years of age, named Henry Murray, was arrested at Louisville, on September 6th, for attempting to sell drafts supposed to have been forged. On that morning, every National bank in the city received a letter purporting to come from George W. Toole, cashier of the Central National Bank of Cleveland, which inclosed Murray's signature and asked favors for him, stating he had drafts on New York for \$13,000. The banks, learning there was no such institution in Cleveland, watched for Murray, who, when he made his appearance at the Citizens' National Bank, was arrested, but not until he had slipped the drafts to his partners.

CANADA.—Mr. Charles McNab, general manager of the Bank of British North America, resigned about a week ago. Probably no appointment of his successor will be made until the meeting of the directors in London. Some of the New York journals have stated that Mr. R. R. Grindley, the manager in Montreal, will be promoted, and it would be difficult to find any officer more worthy.

Another change takes place among the officials of the Merchants' Bank. Mr. Walter Watson, who it was stated had left New York to take the joint general management of that institution, has been appointed one of the agents in New York of the Bank of Montreal, in room of Mr. Bell who retires. The style of this agency will now be Smithers and Watson, instead of Bell and Smithers.—*Monetary Times*, Oct. 20.

MONTREAL.—The annual meeting of directors and stockholders of the Molsons Bank was held October 9th. The annual statement showed a net profit, after providing for bad and doubtful debts, of \$205,631, out of which were made two dividends of four per cent. each, and \$40,000 carried to Rest account. The reserve is now \$540,000, being 27 per cent. of the capital stock, with a credit besides of \$10,169 at profit and loss account.

THE BANK OF MONTREAL has declared a dividend of seven per cent for the current half year.

FOREIGN.—The Imperial Bank of Germany refuses to discount commercial paper on which the word *mark* is written *marc*, as frequently occurs with bills drawn in France and Italy.

The Bank of France has issued notice to the public that a certain number of forged one-hundred franc notes are in circulation.

SAVINGS BANKS IN GREAT BRITAIN.—A return, issued recently in a Parliamentary Blue-book gives the following information as to savings banks in the United Kingdom. In England there are 355 banks, and in Wales 22—377. In England and Wales there are 396 unpaid and 1,290 paid officers. The amount of security given by unpaid officers is £301,520, and by paid officers £299,550. The salaries and allowances to paid officers amount to £87,725 18s. The annual expenses of management, inclusive of all payments for the year ended the 20th of November last, were £113,117 7s. 9d. There were 1,149,443 accounts opened on the 20th of November. The total amount owing to depositors on that day was £34,538,495 3s. 8d.; the total amount invested with the National Debt Commissioners on the same day, excluding the surplus fund, was £34,430,901 1s. 3d. Balances in the hands of treasurers on the 20th of November, amounted to £265,169 18s. 3d. The average rate of interest paid to depositors was £2 19s. 5d. The separate surplus fund in the hands of the Commissioners was, on the 20th of November, £367,519 18s. 5d. The number of life annuities was 9,457 immediate, and 880 deferred. For terms of years there were 274 immediate and 15 deferred. The annual number of receipts from depositors in the year ended, as stated, was 1,198,580, and the annual payments 646,355. The average receipt was £4 19s. 6d., and payments £9 11s. 5d.

[Advertisement.]

A GOOD BANKING OPPORTUNITY.—A young man, a good accountant, wanted as a partner in a well established and paying banking business, located in one of the most prosperous and healthy towns in the South West. Capital required about \$12,000. To any one wishing business in this line this is a good opportunity, and will bear inspection.

Address "SOUTH WEST," care BANKER'S MAGAZINE.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from October No., page 320.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
DAK. . .	Deadwood	City Exchange Bank.....	Donnell, Lawson & Co.
GA.	Atlanta	..... Merchants' Bank	National Park Bank.
		\$ 200,000 Campbell Wallace, <i>Pr.</i>	W. W. Clayton, <i>Cas.</i>
"	Sparta	..... J. Clarence Simmons.....	Anderson, Starr & Co.
IDAHO.	Idaho City.....	Boise County Bank.....	Donnell, Lawson & Co.
ILL....	Carthage	..... Cherrill, Sholl & Co.....	National Park Bank.
IND	Newport	..... Vermillion County Bank...	Third National Bank.
		\$ 60,000 Abel Sexton, <i>Pr.</i>	S. S. Collett, <i>Cas.</i>
IOWA..	Carroll.....	Bank of Carroll.....	Corbin Banking Company.
		Wm. L. Culbertson, <i>Pr.</i>	Edward P. Wood, <i>Cas.</i>
" ..	Centerville....	Appanoose County Bank.	George Opdyke & Co.
		\$ 25,200 John A. Drake, <i>Pr.</i>	James W. Calvert, <i>Cas.</i>
KAN...	La Cygne.....	La Cygne Exchange Bank.	Corbin Banking Company.
" ..	Lawrence.....	Exchange Bank.....	Donnell, Lawson & Co.
		J. W. McMillan, <i>Pr.</i>	Henry E. Benson, <i>Cas.</i>
MISS. .	Yazoo City....	Bank of Yazoo City...Ninth N. B.,	Glendinning, D. & Co.
		R. C. Shepherd, <i>Pr.</i>	L. B. Warren, <i>Cas.</i>
MO....	Trenton	..... Union Bank	First National Bank.
		\$ 30,000 William Bradley, <i>Pr.</i>	George Gilmore, <i>Cas.</i>
N. M. .	Las Vegas.....	Raynolds Brothers.....	Kountze Brothers.
N. Y. .	Albany	..... Henry R. Pierson.....	Chase & Atkins.
OHIO .	Beach City....	Farmers' Bank.....	Dry Goods Bank.
		H. L. Savidge, <i>Pr.</i>	A. C. Welty, <i>Cas.</i>
" .	Marietta.....	Bank of Marietta.....	Winslow, Lanier & Co.
		\$ 150,000 Israel R. Waters, <i>Pr.</i>	Asa B. Waters, <i>Cas.</i>
PENN..	Indiana	..... Farmers' Bk. of Indiana...	Manufacturers' N. B., Phila.
		Jas. A. McKnight, <i>Pr.</i>	Robert C. Taylor, <i>Cas.</i>
TENN .	Knoxville	..... Mechanics' Savings Bank.	Chemical National Bank.
		\$ 10,000 Samuel P. Evans, <i>Pr.</i>	Sam House, <i>Cas.</i>
TEXAS.	Corpus Christi.	Friend & Cahn.....	Moody & Jemison.
W. VA.	Fairmont.....	Farmers' Bank.....	(None.)
		William Ridgely, <i>Pr.</i>	Jacob M. Gould, <i>Cas.</i>
WIS ...	Berlin.....	Sacket, Fitch & Co.	Chemical National Bank.
" ...	DePere.....	Commercial Bank.....	Chemical National Bank.
		\$ 50,000 Gustavus S. Marsh, <i>Pr.</i>	Herbert R. Jones, <i>Cas.</i>

RATES OF INTEREST ABROAD.—The following are the current rates for money in the principal foreign markets, as quoted by the London *Times*, of 13th :

		<i>Bank rate.</i>	<i>Open market.</i>			<i>Bank rate.</i>	<i>Open market.</i>	
		<i>Per cent.</i>	<i>Per cent.</i>			<i>Per cent.</i>	<i>Per cent.</i>	
Paris.....	3	.	2	...	Leipsic.....	4	.	3½
Brussels.....	2½	.	2	...	Madrid	6	.	8
Amsterdam.....	3	.	3	...	St. Petersburg.....	7	.	9
Berlin.....	4	.	3½	...	Genoa ..	5	.	4
Hamburg	4	.	3½	...	Geneva.....	3½	.	3½
Frankfort.....	4	.	3½	...	Vienna	4½	.	4

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from October No., page 322.)

November, 1876.

<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. City, National Park Bank.....	{James L. Worth, <i>Pr.</i> W. K. Kitchen.* E. K. Wright, <i>Cas.</i> J. L. Worth.	
CAL.... Nat Gold Bank & Trust Co. }	C. H. Burton, <i>Pr.</i> H. L. Davis.	
San Francisco. }	H. H. Hewlett, <i>Cas.</i>	
" Grangers' B'k of California. }	Alex. Watson, <i>Pr.</i> J. V. Webster.	
San Francisco. }	A. Montpensier, <i>Cas.</i> ... A. Watson.	
" Farmers' Sav. B'k, Modesto.	A. L. Cressey, <i>Pr.</i> C. Dorsey.	
" National Gold B'k, Oakland.	V. D. Moody, <i>Pr.</i> B. F. Ferris.*	
COL.... St'kgrowers' Nat. B'k, Pueblo.	Sewell T. Collins, <i>Cas.</i> J. Raynolds.	
" Bank of Clear Creek Co., }		
Georgetown. }	A. H. Borman, <i>Cas.</i> ... C. Ruter.	
DAK ... First National B'k, Yankton.	W. H. McVay, <i>Cas.</i> ... C. E. Sanborn.	
ILL.... First National Bank, }	A. L. Clarke, <i>Pr.</i> J. Beggs.	
Arcola. }	George L. Wicks, <i>Cas.</i> A. L. Clarke.	
" Union Bank, Quincy.....	John M. Kreitz, <i>Cas.</i> ... E. Cherrill.	
IOWA.. First Nat. Bank, Waterloo..	Henry B. Allen, <i>Cas.</i> ... C. A. Farwell.	
KAN.. People's Sav. Bank, Olathe..	W. H. Betts, <i>Cas.</i> J. R. Brown.	
KY.... Merch. Bkg Co., Caverna...	Butler H. Waters, <i>Pr.</i> C. H. Higbee.	
" Deposit Bank of Eminence.	J. S. Baskett, <i>Pr.</i> J. H. Drive.	
" Com. B'k of K'y, Paducah..	Q. Q. Quigley, <i>Pr.</i> L. M. Flournoy.	
LA..... B'k of Lafayette, N. Orleans.	George Johnston, <i>Pr.</i> ... J. Strawbridge.	
" Merch. & Traders' B'k, "	Hippolyte Gally, <i>Pr.</i> ... A. Bohn.	
" People's Bank, "	U. Marinoni, <i>Pr.</i> R. M. Davis.	
MAINE Kenduskeag N. B., Bangor..	W. B. Hayford, <i>Pr.</i> G. W. Pickering.	
MASS.. Fourth Nat. Bank, Boston...	S. F. Trowbridge, <i>Pr.</i> J. Bennett.	
" ... Metropolitan Nat. B'k, "	G. Howe Davis, <i>Cas.</i> ... S. D. Loring.	
" Nat. Market Bank, "	E. P. Wright, <i>Cas.</i> ... F. G. Newhall, <i>Actg.</i>	
MD.... First Nat. Bank, Baltimore.	E. J. Penniman, <i>Act. Cas.</i> E. K. Holtzman.*	
" Third Nat. Bank, Baltimore.	J. Y. Canby, <i>Pr.</i> P. S. Chappell.*	
MICH.. Second Nat. B'k, Hillsdale.	R. M. Hubbard, <i>Cas.</i> J. K. Fisher.	
MINN . Bank of Anoka, Anoka.....	P. F. Pratt, <i>Cas.</i> C. E. Blake.	
MISS ... Okolona Sav. Inst., Okolona.	J. R. McIntosh, <i>Pr.</i>	
" ... People's Sav. B'k, Meridian.	L. K. Latham, <i>Pr.</i> C. E. Rushing.	
Mo. . . B'k of N. America, St. Louis.	F. B. Chamberlain, <i>Pr.</i> F. B. York.	
" Bremen Sav. Bank, "	{F. W. Prange, <i>Pr.</i> C. Crone.	
" Empire Bank, "	{F. Koltmayer, <i>Act. Cas.</i> C. D. Affleck.*	
" Chillicothe Savings Bank....	B. Heidacker, <i>Pr.</i> H. Kalbfleisch.	
" Macon Savings Bank, Macon.	W. E. Gunby, <i>Cas.</i> J. T. Johnson.	
" Nodaway Valley Bank, }	A. L. Shortridge, <i>Pr.</i> C. G. Epperson.	
Maryville. }	James B. Prather, <i>Pr.</i>	
" Miami Sav. Bank, Miami..	John G. Guthney, <i>Pr.</i> I. C. Withers.	
" Farmers' Sav. Association, }		
Platte City. }	R. T. Darnall, <i>Pr.</i> E. H. Norton.	
" Clinton Co. Sav. Association }		
Plattsburg. }	James M. Clay, <i>Pr.</i> T. E. Turney.	
" Far. & Mech. Sav. B'k, Troy.	H. W. Perkins, <i>Cas.</i> ... E. R. Bonfils.	
MONT . First National Bank, Helena.	E. W. Knight, <i>Cas.</i> D. C. Corbin.	
NEB ... State Bank, Crete.....	James Donnelly, <i>Pr.</i> ... C. H. Parmele.	

* Deceased.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
NEV ...	WhitePineCo.B'k,Hamilton.	William Parady, <i>Cas.</i> ...	W. P. Willard.
N. J....	Merch. L. & T.Co.,Paterson,	C. Lambert, <i>Pr.</i>	R. Barbour.
N. Y. ..	Bank of Dansville, Dansville.	L. C. Woodruff, <i>Pr.</i> ...	L. Bradner.*
"	QuassaickNat.B'k,N'wb'rgh.	Isaac K. Oakley, <i>Pr.</i> ...	O. S. Hathaway.
"	Central Bank, White Plains.	G. S. Lyon, <i>Pr.</i>	W. H. Albro.
N. C....	AlbermarleB'k,Eliz'b'thCity.	D. C. Lippincott, <i>Cas.</i>	R. F. Overman.
" ...	Dawson Bank, Wilmington.	F. W. Kerchner, <i>Pr.</i> ...	J. Dawson.
OHIO .	Miami Valley Savings Bank, } Cincinnati. }	William B. Dodds, <i>Pr.</i>	H. E. Spencer.
" .	Fairfield Co. B'k, Lancaster.	Wesley Peters, <i>Pr.</i> ...	J. C. Harper.
" .	First Nat. Bank, Minerva.	{ J. C. Hostetter, <i>Pr.</i> ... E. R. Eckley. A. F. Hostetter, <i>Cas.</i> G. P. Davis.	
" .	Morgan Sav. & Loan Asso. .	E. M. Covell, <i>Pr.</i>	A. B. Watkins.
" .	Tuscarawas Valley Bank, } New Comerstown. }	Lorenzo C. Davis, <i>Cas.</i>	J. T. Cox.
" .	Ravenna Sav. & Loan Asso.	E. B. Babcock, <i>Pr.</i> ...	J. H. Nichols.
" .	Wadsworth B'k, Wadsworth.	J. K. Darling, <i>Pr.</i>	J. Lytle.
PENN..	B'k of America, Philadelphia.	Josiah Neely, <i>Cas.</i>	C. H. Price.
" ..	Central Bank, Pittsburgh....	M. Hunnings, <i>Cas.</i> ...	J. W. Davitt.*
" ..	Fifth Avenue B'k, "	F. C. Henry, <i>Cas.</i>	F. E. Schenck.
" ..	City D. B'k & Tr. Co. "	H. C. McFarland, <i>Cas.</i>	B. M. Everson.
" ..	Odd Fellows Sav. B'k "	S. C. Applegate, <i>Cas.</i>	W. J. Scully.
" ..	Pittsburgh B'k for Sav. "	Charles G. Milnor, <i>Tr.</i>	D. E. McKinley.
" ..	Safe Deposit Co., "	AbrahamGarrison, <i>Pr.</i>	H. Lloyd.
" ..	Union Saving and Deposit } Co., Pittsburgh South. }	M. M. Felker, <i>Pr.</i> ...	R. B. Brown.
" ..	Allentown Savings Insti- } tution, Allentown. }	B. J. Hagenbuck, <i>Cas.</i>	R. Stahler.
" ..	Empire Trust Bank, "	Ephraim Grim, <i>Pr.</i> ...	A. G. Reninger.
" ..	Real Estate Savings Bank, } Harrisburg. }	Ellis Mumma, <i>Cas.</i> ...	S. Landis.
" ..	Hatboro Nat. B'k, Hatboro.	James Van Horn, <i>Cas.</i> ...	S. Carey Ball.
" ..	Miners' Dep. Bank, Lykens.	A. F. Englebert, <i>Pr.</i>	.....
" ..	Citizens' Bank, Pleasantville.	H. M. Haskell, <i>Cas.</i> ...	F. Merrick.
" ..	Mountain City B'king Co., } Pottsville. }	H. C. Russel, <i>Pr.</i>	J. Dawson.
" ..	Scranton Sav. B'k, Scranton.	G. H. Birdsall, <i>Cas.</i> ...	O. C. Moore.
" ..	Miners' Tr.&Safe Dep.Co., } Shamokin. }	Isaac May, <i>Pr.</i>	A. Robertson.
" ..	Miners' Banking Co., } Shenandoah. }	J. A. Smith, <i>Pr.</i>	F. J. Kern.
" ..	Stroudsburg B'k, Stroudsb'g.	Stogdell Stokes, <i>Pr.</i> ...	D. S. Miller.
" ..	Dollar Sav. B'k, Uniontown.	Robert Hogsett, <i>Pr.</i> ...	A. E. Willson.
" ..	First Nat. B'k, Wellsborough.	JesseM. Robinson, <i>Cas.</i>	E. H. Robinson.*
" ..	Deposit and Savings Bank, } Wilkes-Barre. }	Thomas Long, <i>Pr.</i>	J. Lippincott.
R. I....	Atlantic Bank, Providence..	Caleb G. Burrows, <i>Pr.</i>	H. Hill.
" ...	Bank of America, "	A. C. Tourtillot, <i>Cas.</i>	E. N. Davis.
" ...	Northern Bank, "	Henry J. Steere, <i>Pr.</i> ...	D. Ballou.
" ...	R. I. Nat. Bk., Providence.	Henry Lippitt, <i>Pr.</i>	E. P. Mason.
TENN..	B'k of Clarksville, Cl'rkville.	H. C. Merritt, <i>Pr.</i>	B. O. Keesee.
TEXAS.	First National Bank, Dallas.	R. P. Aunspaugh, <i>Cas.</i>	C. Cunningham.
" .	Paris Exchange Bank, Paris.	S. E. Clement, <i>Pr.</i> ...	W. B. Aikin.
" .	City Bank of Sherman.....	John B. Fairchild, <i>Pr.</i> ...	R. G. Hall.
VA.....	Farmers' Bank of } Nansemond, Suffolk. }	Joseph Boothe, <i>Pr.</i> ...	W. S. Riddick.*
WIS....	Green Bay Savings Bank....	Robert Silber, <i>Pr.</i> ...	A. Weise.
"	B'kof Kilbourn, Kilb'urnCity.	John W. Brown, <i>Cas.</i>	M. Griffin.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from October No., page 323.)

- N. Y. City, Philip Speyer & Co., succeeded by Speyer & Co.
 " " Hone, Nicholas & Co., failed.
- CAL.... Savings and Commercial Bank, *Vallejo*; suspended.
- DAK... J. W. Hoffman, *Elk Point*; suspended.
- GA.... State National Bank, *Atlanta*; now Merchants' Bank of Atlanta.
- IDAHO. C. W. Moore & Co., *Idaho City*; now Boise County Bank.
- IND.... First National Bank, *Newport*; suc. by Vermillion Co. Bank, same officers.
- IOWA . Citizens' Bank, (Hayes & Shunk,) *Afton*; closed.
- KAN.... Farmers' Savings Bank, *Alma*; discontinued.
 " Ketcham & Co., *Chetopak*; succeeded by Clark & Sturgis.
 " Eureka Bank and Martindale, Tucker & Co., *Eureka*; consolidated.
 " Pratt & Moore, *La Cygne*; succeeded by La Cygne Exchange Bank.
 " Second Nat. Bank, *Lawrence*; succeeded by Exch. B'k of J. W. McMillan.
 " Mucke & Shortridge, *Wamego*; succeeded by J. C. Rogers & Co.
- MD Beneficial Savings Fund Society, *Baltimore*; now Metropolitan.
 " Brown, Lancaster & Co, *Baltimore*; now Brown & Lowndes.
- MICH.. Carpenter, Gilmore & Co., *Blissfield*; succeeded by Gilmore & Co.
 " A. M. Chisholm, *Grand Ledge*; succeeded by J. D. Hayes.
 " .. D. R. Corry & Co., *Hubbardston*; succeeded by Percival & Jackson.
- MINN . Lewis & Shaubut, *Mankato*; now Lewis, Shaubut & Harrison.
- MO... B. N. Tracy & Son, *Macon*; failed.
 " M. Hurley & Co., *Milan*; succeeded by Hatfield, Knight & Co.
 " First National Bank, *Trenton*; suc. by Union Bank, same officers.
- N. Y... Bull Brothers, *Whitehall*; succeeded by S. C. Bull.
- OHIO... Marietta National Bank, *Marietta*; suc. by Bank of Marietta, same officers.
 " .. Hoge, Sheets & Co., *Bellaire*; succeeded by Cowan, Sheets & Co.
 " ... Farmers' Bank, (Haines, Hardesty & Co.,) *Malvern*.
- PENN . Battles & Webster, *Girard*; succeeded by R. S. Battles.
 " .. Lloyd, Caldwell & Co., *Tyrone*; out of business.
- VA... Lynchburgh Ins. and Bkg. Co., *Lynchburgh*; ceased the banking business.
- WIS. . Fox River Bank, (D. H. Holland & Co.,) *Omro*; failed.

THE PREMIUM ON GOLD AT NEW YORK.

SEPTEMBER—OCTOBER, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
October.....	14 $\frac{1}{8}$	17 $\frac{3}{8}$	Sept. 25	10	10 $\frac{1}{8}$	Oct. 10	8 $\frac{7}{8}$	9
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$	26	10	10 $\frac{3}{8}$	11	8 $\frac{7}{8}$	9 $\frac{1}{8}$
December ...	12 $\frac{3}{8}$	15 $\frac{1}{4}$	27	9 $\frac{7}{8}$	10 $\frac{1}{8}$	12	8 $\frac{7}{8}$	9
1876.			28	9 $\frac{7}{8}$	10	13	9	9 $\frac{1}{8}$
January	12 $\frac{3}{8}$	13 $\frac{1}{4}$	29	10 $\frac{1}{8}$	10 $\frac{1}{4}$	14	9 $\frac{1}{8}$	9 $\frac{1}{8}$
February	12 $\frac{3}{8}$	14 $\frac{1}{8}$	30	10	10 $\frac{1}{4}$	16	9 $\frac{1}{8}$	9 $\frac{1}{4}$
March	13 $\frac{1}{4}$	15	Oct. 2	10	10 $\frac{1}{8}$	17	9 $\frac{1}{4}$	9 $\frac{1}{8}$
April	12 $\frac{1}{2}$	13 $\frac{3}{8}$	3	10	10	18	10 $\frac{1}{8}$	13 $\frac{1}{4}$
May	12 $\frac{1}{4}$	13 $\frac{1}{4}$	4	9 $\frac{3}{4}$	10	19	10 $\frac{1}{8}$	11 $\frac{1}{4}$
June	11 $\frac{7}{8}$	13	5	9 $\frac{1}{2}$	9 $\frac{3}{4}$	20	10 $\frac{1}{8}$	10 $\frac{1}{4}$
July.....	11 $\frac{3}{8}$	12 $\frac{3}{8}$	6	9 $\frac{1}{4}$	9 $\frac{1}{2}$	21	9 $\frac{7}{8}$	10 $\frac{3}{8}$
August	9 $\frac{3}{4}$	12 $\frac{1}{8}$	7	9	9 $\frac{1}{4}$	23	9 $\frac{7}{8}$	10
September ...	9 $\frac{1}{4}$	10 $\frac{3}{8}$	9	8 $\frac{7}{8}$	9	24	9 $\frac{1}{4}$	9 $\frac{3}{8}$

NOTES ON THE MONEY MARKET.

NEW YORK, OCTOBER 23, 1876.

Exchange on London at sixty days' sight, 4.82% a 4.84%, in gold.

The improvement continues in the tone of the money market, and there is a notable change in the aggregates of the Clearing House banks. Subjoined are the statistics of New York :

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Sept. 23.	\$ 261,842,000	\$ 18,897,700	\$ 57,669,900	\$ 14,495,200	\$ 231,635,400	\$ 18,658,760
" 30.	262,428,900	16,463,200	56,755,200	14,647,200	227,582,500	16,322,775
Oct. 7.	263,323,300	19,469,200	53,687,600	14,705,500	226,065,500	16,540,425
" 14.	262,794,300	18,347,300	50,669,500	14,724,800	221,925,900	13,535,325
" 21.	261,968,700	17,616,600	48,740,200	14,836,700	221,218,200	11,052,250

The aggregates of the Boston banks are given below :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Sept. 23.	\$ 130,077,400	\$ 1,906,000	\$ 7,471,200	\$ 76,523,300	\$ 21,565,600
" 30.	129,709,100	1,752,500	8,060,400	76,330,500	21,821,000
Oct. 7.	131,006,700	1,664,300	7,635,900	79,133,900	21,923,700
" 14.	131,369,200	1,472,300	7,650,400	78,703,200	22,229,100
" 21.	131,207,500	1,353,300	7,951,500	79,074,200	22,392,700

The reports of the Philadelphia banks for the same time are subjoined :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Sept. 23.	\$ 60,915,931	\$ 600,180	\$ 16,943,015	\$ 52,553,078	\$ 10,095,421
" 30.	61,410,846	570,810	17,677,103	53,986,149	10,114,750
Oct. 7.	61,990,045	709,834	18,070,152	54,463,901	10,123,660
" 14.	61,878,093	759,783	18,504,934	55,180,111	10,113,789
" 21.	61,845,523	779,977	19,109,167	55,942,758	10,026,418

Two financial movements are attracting the chief attention in Wall Street, the increasing activity of money, and the excitement of gold from the war news, which sent the price up to 113 $\frac{1}{4}$ on Wednesday. The demand for currency to move the crops has drawn down the legal tenders 10 $\frac{1}{2}$ millions, as will be seen from the subjoined table which gives a comparison of the similar movement in former years :

GREENBACK MOVEMENT IN THE NEW YORK CITY BANKS, SEPTEMBER TO DECEMBER, 1872-1876.

	1872.	1873.	1874.	1875.	1876.
Sept. 16-20.	\$ 44,467,000	\$ 34,307,900	\$ 65,324,900	\$ 67,938,000	\$ 59,223,100
Oct. 21-26.	52,842,100	8,777,700	58,830,800	54,702,700	48,740,200
Dec. 27-31.	41,119,600	44,664,000	47,163,400	39,924,900	.....

To the figures of September and October we have added for 1872 to 1875 the further movement to the close of December. It will be seen that the present greenback averages fall below those of any previous year, except the former year of 1873. If the return flow of currency from the country, which seems to be beginning, should go on, we shall be ready for the demand which usually sets in in December. The drain from this cause was nearly twelve millions in 1872 and 1874, and over fourteen millions in 1875. A similar drain this year would reduce the December greenback reserves several millions below the level they have averaged for several years past. If the state of business promised to be very active for the coming month or two it is evident that some monetary perturbation might be developed. But the general opinion seems to be that no such trouble is likely to occur, and the movements of general business are not expected to be much more lively than they have been of late. For the present, however, and during the whole of the month a growing demand is reported both for discounts and for call loans.

In the money market, another of the most notable circumstances is the excitement caused by the recent failure of several of the New York City Savings banks. Eleven of these institutions have failed within a few months, and the question is asked whether others are not in a moribund condition. It is urged that if any of the savings banks which are now reputed as solvent do not deserve that reputation, the fact should be known; that proper action may be taken to close them, and divide among the depositors as much as can be saved from the general assets. On the part of the Superintendent of the Bank Department it is contended that he has not been remiss in regard to any of the eleven banks of this city which have succumbed. The savings banks in question are: the Third Avenue, People's, Central Park, Mutual Benefit, German Uptown, Security, Mechanics and Traders', Abingdon Square, Trades, Bond Street, and New-Amsterdam. Of the eleven banks, seven were chartered since 1867, they were weak institutions, and their failure was merely a question of time. They were all chartered in the face of the protests of the Superintendent of the Bank Department, uttered in his reports to the Legislature from 1858 to 1875. It was not the fault of the Superintendent that such banks existed. They were created in spite of him, and were subject to no regulating law, except their charters, until 1875. Four of the banks, it is said, might have succeeded. They are the German Uptown, the Bond Street (once the Atlantic), the Mechanics and Traders', and the Third Avenue. The last three were organized over twenty years ago. They were once prosperous banks. They were ruined by the mismanagement of their officers over six years ago, and before there was so effective a check upon the officers as is created by the new law. The officers impoverished these three banks as well as the German Uptown before the Legislature gave the Superintendents full power to guard them, except alone the last; and in the case of the last the conduct was criminal, and no vigilance could have guarded against it. Thus it is contended that out of eleven failed savings banks seven ran their career in spite of the Bank Superintendent. Two of the others were put into a condition which insured eventual failure long before the present Superintendent came into office. Both were examined by competent authorities in 1871, and permitted to go on. The third one was ruined by the criminal conduct of officers, and by no neglect of the Bank Superintendent. We have no wish to enter into the

controversy, and merely refer to it as one of the events which is attracting attention in the money market when the condition of the savings banks is by some persons regarded as a possible source of future trouble. The general impression is, however, that the savings banks of the city and State are for the most part sound.

The stock market is somewhat unsettled by the war news from Europe. United States securities are stronger in sympathy with the advance in gold. State bonds are quiet, but with a firmer undertone. Railroad bonds are strong for all the first-class trunk roads. The share market shows great activity with advancing prices, and an evident demand from investors for some of the cheaper solid securities. Subjoined are our usual quotations :

QUOTATIONS :	Sept. 27.	Oct. 4.	Oct. 11.	Oct. 17.	Oct. 21.
Gold.....	109¾ ..	109¾ ..	109 ..	109¾ ..	110¾
U. S. 5-208, 1867 Coup.	116½ ..	115½ ..	115¾ ..	115¾ ..	115½
U. S. new 58 Coup....	114¾ ..	114¾ ..	114¼ ..	115 ..	114½
U. S. 4½s, 1891.....	....	111 ..	110¾ ..	111 ..	....
West. Union Tel. Co..	69½ ..	70¼ ..	71¼ ..	70¾ ..	71¾
N. Y. C. & Hudson R.	96¾ ..	98¾ ..	102¾ ..	102 ..	104¾
Lake Shore.....	52¾ ..	54¾ ..	57 ..	57½ ..	60½
Chicago & Rock Island	103 ..	98¼ ..	101¾ ..	102 ..	102¾
New Jersey Central...	25 ..	29 ..	37¾ ..	35 ..	37¾
Del. Lack. & West...	73¼ ..	67¼ ..	70¼ ..	72¾ ..	78
Delaware & Hudson...	66 ..	63½ ..	67¼ ..	67¾ ..	75
North Western.....	31¾ ..	34¾ ..	36½ ..	36½ ..	41¾
Pacific Mail.....	23¾ ..	22¾ ..	23 ..	24½ ..	24¾
Erie	10 ..	9½ ..	10¼ ..	10½ ..	11¾
Call Loans.....	1½ @ 3½ ..	2 @ 4 ..	2 @ 4 ..	3 @ 4 ..	3 @ 4
Discounts.....	4½ @ 5½ ..	5 @ 6 ..	5 @ 7 ..	5 @ 7 ..	5 @ 7
Bills on London.....	4.82-4.84 ..	4.83-4.84½ ..	4.83½-4.85 ..	4.83¾-4.85 ..	4.82¾-4.84¾
Treasury balances, cur.	.....	\$ 36,107,296 ..	\$ 39,079,567 ..	\$ 40,585,445 ..	\$ 41,266,479
Do. do. gold.	.....	40,631,561 ..	41,880,010 ..	45,174,874 ..	49,148,275

While the long-continued business depression is beginning to decrease in this country, the tendency in Europe is less satisfactory. The official report of failures in England shows heavier losses there than here, and the transactions of the banks, published by *The London Economist*, indicate a decline since May 1st of 14 per cent. in the inland trade, and of 12.4 per cent. in all trade. The diminution of profits in Germany, where the times are even worse now than in 1875, may be judged from the following statement, given by the Berlin *Borsen Zeitung*, of the profits of banks, iron and coal companies, and trading companies in Germany, in 1872, 1873, and 1875 :

Companies.	Number.	Profits, per cent.		
		1872.	1873.	1875.
Banks, old.....	48 ..	10.75 ..	7.15 ..	5.47 ..
Banks, new.....	95 ..	10.46 ..	2.52 ..	2.10 ..
Iron and Coal, old.....	26 ..	15.60 ..	19.23 ..	4.15 ..
Iron and Coal, new.....	58 ..	10.80 ..	7.02 ..	1.52 ..
Trading, old.....	25 ..	7.92 ..	6.24 ..	5.76 ..
Trading, new.....	225 ..	8.40 ..	3.32 ..	1.36 ..

The negotiation of the new 4½'s is reported to be going on in a satisfactory manner in London. Notwithstanding the war excitement and the depression of consols, 2 per cent. U. S. securities are steady, and the railways, except Illinois Central, are firmer and in demand. These facts are supposed to indicate that whether the expectations of a great European war should be realized or not

there will in any event be a large amount of capital in England and in the Continental countries that will seek to invest itself in American securities. In the report of the National banks and the treasury we notice that there is no contraction of the bank-note aggregate. National bank circulation outstanding—currency notes, \$322,870,952; gold notes, \$2,099,180. The balances in the Treasury at the close of business October 21st were as follows: Currency, \$13,229,346; special deposit of legal tenders for the redemption of certificates of deposit, \$39,890,000; coin, including \$32,210,100 in coin certificates, \$71,273,106; outstanding legal tenders, \$368,494,740. Subjoined are the statistics compared with those of previous reports:

<i>Week ending</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Total bonds.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
1875.						
July 24....	\$ 350,764,469	\$ 374,753,362	\$ 18,792,200	\$ 393,545,562	\$ 66,926,937	\$ 22,628,300
Aug. 7....	348,937,939	374,927,862	18,792,200	393,720,062	71,953,412	22,657,200
Aug. 21....	349,130,000	374,788,762	18,792,200	393,580,962	70,738,807	18,561,000
Sept. 11....	347,980,000	373,382,762	18,792,200	392,174,962	66,730,316	16,389,400
Sept. 25....	347,720,223	372,150,762	18,792,200	390,942,962	66,924,152	12,435,000
Oct. 9....	346,769,853	369,791,762	18,782,200	388,573,962	68,784,332	12,477,100
Oct. 16....	346,813,776	368,857,212	18,782,200	387,639,412	70,472,506	12,775,600
Oct. 23....	344,458,128	368,119,917	18,760,000	386,879,917	69,070,408	11,502,300
Oct. 30....	346,805,616	367,799,412	18,730,000	386,529,412	.....	.....
Nov. 6....	345,799,108	366,658,312	18,730,000	385,388,312	72,042,514	16,069,900
Dec. 18....	343,938,278	364,690,112	18,626,500	383,316,612	69,206,263	21,447,000
1876.						
Jan. 22....	343,253,577	362,108,062	18,626,500	380,734,562	73,200,709	34,429,000
Feb. 19....	341,557,911	358,428,650	18,621,500	376,050,150	75,051,625	33,786,900
Mar. 21....	340,046,776	355,311,715	18,741,500	374,053,215	69,657,203	34,797,600
Apr. 21....	337,635,219	347,800,350	18,623,000	366,423,350	76,148,711	28,457,600
May 20....	335,197,105	344,883,850	18,623,000	363,506,850	.....	.....
June 17....	332,322,678	342,340,550	18,823,000	361,163,550	65,664,354	22,874,000
July 18....	331,839,109	340,249,850	18,723,000	*369,772,284	61,848,009	36,588,600
Aug. 26....	326,562,064	338,823,850	18,723,000	.....	62,580,612	25,120,000
Sept. 16....	324,832,877	337,318,650	18,743,000	*369,334,604	63,204,594	31,678,100
Oct. 22....	324,970,132	327,289,800	19,155,000	*368,494,740	71,273,106	32,210,100

*Outstanding greenbacks.

DEATHS.

At BALTIMORE, MD., on Thursday, October 12th, aged forty-three years, E. KENT HOLTZMAN, Cashier of the First National Bank of Baltimore.

At NEW YORK, on Wednesday, September 27th, aged seventy-two years, LUCIUS HOPKINS, President of the Importers and Traders' Bank from its organization until the year 1863.

At PROVIDENCE, R. I., on Sunday, October 22d, aged fifty years, JOHN LUTHER, Cashier of the Blackstone Canal National Bank.

At WELLSBOROUGH, PA., on Monday, September 25th, aged thirty years, EUGENE H. ROBINSON, Cashier of the First National Bank of Wellsborough.

THE
BANKER'S MAGAZINE,
AND
Statistical Register.

VOLUME XI, }
THIRD SERIES. }

DECEMBER, 1876.

No. 6.

CONGRESS AND BANK TAXATION.

One of the most important reforms which is to be urged in Congress relative to bank legislation, is the repeal of those taxes which are so mischievous in their operation both upon the banks and upon the financial interests of the country. The probability of the early success of this project is the greater, as the banks are united in the effort to obtain it, and as their claims are obviously reasonable and moderate. Ever since the war-tax system was organized a dozen years ago, the banks of this country—private, State, and National,—have been subject to double taxation. They have been taxed as formerly by the State governments, and they have also been taxed by the National Government. The National taxes, as we have frequently shown, are specifically war taxes; and as most of the other war imposts have been repealed, the banks argue that their war taxes should also be taken off. Among the reasons which they present in favor of this relief, we find several which are worthy of special remark.

There is for example, the fact that the existing pressure of taxation surpasses the fiscal power of the banks. Every merchant and capitalist knows that the business of banking is not as profitable as formerly, and that it is embarrassed with a multitude of heavy burdens. These burdens are partly fiscal and partly general. The former are clearly set forth in the able report of the Comptroller of the Currency, an extract from which we give elsewhere. It is estimated that the banks are required to pay more than twenty-

five millions of dollars a year in taxation, of which the National banks pay seventeen millions, and the private and State banks eight millions. Of these twenty-five millions, the National government receives eleven millions, and the State governments fifteen millions. Now, as it has been admitted that nearly one-half of this burden consists of war-taxes which must sooner or later be remitted, and which ought to have been repealed long ago, the equities of the case suggest the repealing of all the federal taxes on the banks, except the tax on the circulation.

A second burden upon the banks is due to the approach of specie resumption. To this anticipation is in part ascribed that accumulation in all our banks of idle deposits which there is not activity enough to employ in the currents of legitimate business. There is a pressure in every part of the financial machinery which closes up or contracts many of those avenues of commerce and trade through which the banks earn their profits. Moreover, much of the strain attending the restoration of specie payments, will, of necessity, concentrate its forces upon the banking system. For these and other reasons it is clear that the complaints of the banks are perfectly just and that banking institutions have to contend with peculiar embarrassments, which render it eminently fit that their fiscal burdens should be made as light as possible.

If Congress should adopt the enlightened course recommended, it will assimilate our legislation to that of the older countries of Europe, in none of which is any special tax paid by the banks, except a light one upon their circulating notes. To illustrate the extent of the popular agitation in reference to bank taxation, we might point to the newspapers where the subject has been frequently discussed in connection with the suits which have been recently decided in the various courts. Two of these cases are reported in subsequent pages of this issue. One is that of the Gallatin National Bank *vs.* The Commissioners of Taxes of New York. This case originated in the dispute which we discussed a few months ago. For several years past the banks in this city have paid the taxes for their shareholders, and the shares have been assessed at par. For the present year, the Commissioners resolved, for reasons to which we will presently advert, to increase or diminish the valuation according as the shares were worth more or less than par at their actual value. The banks remonstrated with the Commissioners at this change of policy. Eventually, however, most of them paid their taxes, and only two of the banks appealed to the courts. One of these was the Tradesmen's Bank, whose suit is not yet concluded; the other is the Gallatin Bank, whose suit has just been decided against the bank. The opinion was delivered by Mr. Justice Brady, who sustains the prin-

ciple adopted by the Commissioners, that bank shares must be assessed at their actual value, so that whether the value of the shares exceeds par or falls below it, the assessment must also correspond. We believe the officers of the Gallatin Bank intend to appeal this case, and to carry it into the highest courts. Their argument is, that the United States, in conceding to the separate States the right to tax the shares of National banks, regarded these shares as representing a new use of the Government securities in which the capital of the banks is invested, and that the new use so authorized, was properly taxable. But as the tax partakes of the nature of a royalty for a grant annexed to the franchise, the taxes by the State are permitted to be imposed without any respect whatever to the character or description of the property or capital of the bank. On this theory, they contend that the par value of bank shares is the fixed value for taxation, whether the shares may happen to have an actual value above or below the nominal amount or not.

There is no doubt that this view coincides with the interpretation of the Tax Laws, which was in vogue in this city until a year or two ago. But it was overthrown by a case decided in the Supreme Court of this State. In November, 1874, a suit was brought to compel the Board of Assessors of the city of Albany to change the valuation for tax purposes of certain bank shares. In deciding this case, the Court laid down the principle that the rule of assessment must be the actual value and not the par value of the shares in question. Prior to that decision, the par value was, as we have said, the ordinary valuation adopted in this city. Perhaps it would be as well to have the validity of this principle tested in the courts, but the better opinion is perhaps that a more judicious course would be for the banks to make no doubtful efforts to control the State taxation by means of suits at law. Where inequalities prevail and injustice is done, a remedy can be applied by the Legislatures of the various States, which will certainly be unwilling to legislate so as to injure the banks or drive them out of the business by excessive taxation. In the absence of new legislation on the part of Congress or the several States, it may be doubted whether the Supreme Court of the United States will not sustain the view of the law which was taken by Judge Brady in his decision above referred to. This is the more probable, from the second case which we report in this number of the *BANKER'S MAGAZINE*, in respect to the taxation of bank shares. This case was tried in the U. S. Circuit Court of Missouri, in the September Term. The question in dispute was not, however, precisely the same as that of the Gallatin Bank, and we must reserve our comments upon it.

THE BANKS AND OUR WAR FINANCE.

BY DR. GEORGE MARSLAND.

We have become so much accustomed in late years to speak of "hundreds of millions," in discussing Government finance, that we can with difficulty bring ourselves to the same state of mind with which, at the outbreak of the war in 1861, the small loans of that period were regarded. The first large sum of money which was ever raised by loan, for war purposes in this country, was the great Bank Loan of August, 1861. No financial machinery existed apart from the Clearing-House, by which operations of such magnitude could be legitimately conducted for the payment of the large instalments, which were then absolutely needful for the safety of the Government and the success of the war. This transaction, small as it may appear to us at this late day, was pronounced at the time to be "one of the most important financial negotiations of the present century." The banks of this city, not only united themselves together for the first time in a compact syndicate, but they admitted into this syndicate the banks of Boston and Philadelphia, and they agreed to pay into the treasury of the United States, within a limited period, a loan of one hundred and fifty millions of dollars. With the exception of the famous "Loyalty Loan," of eighteen millions sterling in 1798, in England, and the French loan of \$100,000,000, in 1855, no Government had ever received so striking a proof of the patriotism of its capitalists as was exhibited in this syndicate loan of 1861.

The ease and promptitude with which the negotiation was finished were the more remarkable, because of the imminent peril in which the Government was placed at the moment when this loan was taken. The battle of Bull Run had occurred a few days before, and Secretary Chase, when he visited this city for the purpose of consulting with the bankers and capitalists on this subject, was obliged to come here by way of Annapolis, because the communications between Washington and New York were interrupted. He reached New York, 10th August, and remained in continual conference with our bankers and financial men until the 16th of the same month. During these six days the negotiations were completed, and he returned to Washington with the guarantee that the banks of the three cities would take 150 millions of dollars of the bonds and notes which had been authorized in the Loan Acts of July 17 and August 5, 1861.

At the first meeting, convened by Mr. Cisco, a large number of our leading bankers, merchants, and capitalists were pres-

ent. After considerable desultory conversation, the president of one of our city banks made a suggestion which was partly discussed at the meeting; and it seemed so important to Secretary Chase that he called next morning upon the proposer of it, and urged him to summon the Clearing-House banks together, and to endeavor to put it into a practical working form. The plan was very simple and effective. It consisted of three parts: First, the Government was to issue interest-bearing securities but no paper money; these interest-bearing securities were to be taken by the banks, and no other means of raising funds for war purposes were to be adopted, but the sale by the Treasury of interest-bearing bonds and notes. This was the first proposition. The second was, that the banks should agree to take 150 millions of these securities, and to pay to the order of the Government \$150,000,000 at the rate of three or four millions a week, which was about the sum which the Secretary estimated as needful. Thirdly, the banks in their Clearing-House settlement were to agree to use loan certificates based upon these Government securities. A plan to issue loan certificates had been used in 1858, and a similar scheme had been devised some months before the bombardment of Fort Sumter, but till this time it had not been put into operation. This plan of loan certificates was to be one of the main features of the new scheme for the placing of the war loan; and, at the desire of Mr. Chase, the officers of the banks were convened once more, and the scheme in its chief details was laid before them. The meeting was held August 15th, 1861, thirty nine banks being represented. Subjoined is a copy of the resolutions, which were passed unanimously, the votes being taken by a call of names:

1. An immediate issue to be made by the United States Treasury Department of treasury notes dated August 15, 1861, bearing interest from that date, at 7.30 per cent., to the extent of fifty millions dollars.

2. The banks of New York, Boston and Philadelphia associated, to take jointly this fifty millions at par, with the privilege of taking at par an additional fifty millions October 15th, by giving their decision to the Department October 1st; and also at par fifty millions December 15th, by giving their decision December 1st, unless said amount shall have been previously subscribed as a national loan. It being understood and agreed, that no other government stocks, bonds or treasury notes, (except treasury notes payable on demand, and the Oregon war loan,) shall be negotiated or paid out by the Government until February 1st, 1862, should the associates avail of both privileges, or until December 15th, 1861, should they avail of the first only, or until October 15th, 1861, if they take but the present fifty millions,

except that the Government may negotiate in Europe or through subscriptions to the national loan.

3. An appeal to the people for subscriptions to the national loan, to be made by the Government, and as the subscriptions for the notes progress and the moneys are paid in, the same shall be paid over to the Government or deposited with banks selected by the Secretary of the Treasury, with the concurrence of a committee of the associates; and so much of the proceeds of said loan as shall be required for the purpose, shall be applied in reimbursement of the associates for subscriptions by them paid in and not otherwise reimbursed. The treasury notes issued to the associates, so far as the New York banks are concerned, shall be received by the Loan Committee of New York banks at ninety per cent. as a basis for issuing clearing-house certificates to any bank desiring under the existing arrangement, (which must necessarily be continued,) and the subscription of the banks shall be in the proportion of capital, except that the interest and proportion of no one institution shall exceed one-tenth of the whole fifty millions of dollars.

4. On the 1st of October, should the associates, for any cause, decide not to avail of the privilege of taking the second fifty millions, then the balance of notes remaining of the fifty millions already taken by them shall be apportioned and divided among them, *pro rata*, and they shall make payment for their respective proportions.

5. Of the sums subscribed by the associates, ten per cent. shall be paid forthwith to the Assistant Treasurer at New York, Boston or Philadelphia, and the residue shall be placed to the credit of the United States on the books of the banks subscribing. Certificates shall be issued to each subscriber, stating the amount so paid in and deposited; and as the deposits shall be withdrawn or paid into the treasury, (which shall be, as nearly as may be, in proportion of the several subscriptions.) Treasury notes bearing 7.30 interest shall be issued in equal amounts to the subscribers respectively. And when the deposits shall be entirely paid to the United States, treasury notes for ten per cent. originally paid shall also be issued, and all notes issued to such subscribers shall bear even date with the certificates, and carry interest from such date.

6. In *part* payment of deposits for the first fifty million dollars, the Treasury Department will receive from the associates any past due treasury notes, or sixty-day treasury notes. Should the second amount of fifty million dollars be taken by the associates, the Department will receive, on account of deposits, any treasury notes outstanding, except 7.30 per cent. notes.

7. The transaction on the part of the associates may be

conducted by a committee in New York, in which the banks of Boston and Philadelphia should be represented; which committee should meet daily for the direction of details, and at least weekly for deliberation and consideration of important business.

8. In addition to the banks of New York, Boston and Philadelphia, it would be desirable that other parties should become associate—say trust companies, savings banks, insurance companies and private bankers—who in lieu of *pro rata* of capital should designate, when joining the association, what amount of interest they decide to take.

9. The capital of the banks of New York, Boston and Philadelphia, and the respective proportions under a *pro rata* division would be as follows:

<i>Bank Capital. Pro rata proportion of fifty millions.</i>			
New York	\$ 70,000,000	..	\$ 29,500,000
Boston.....	38,000,000	..	15,500,000
Philadelphia.....	12,000,000	..	5,000,000

It was proposed that the division should be, say to New York, \$35,000,000; Boston, \$10,000,000; Philadelphia, \$5,000,000.

It will be seen that the prohibition of paper money issues was not included in the agreement between the banks and the Secretary of the Treasury as finally closed. Much anxious discussion was had on the subject, and the banks were desirous to avoid raising any impediment in the way of the legitimate operations of the Treasury. They were therefore content with the assurance of Mr. Chase, that except in some urgent and unavoidable necessity, he would not avail himself of the permission contained in the law to issue treasury notes. When the plan was finally completed, and the agreement among the banks at New York was closed, copies of the agreement were sent to the banks of Boston and Philadelphia, and their coöperation was earnestly solicited. Before the New York banks closed their proceedings, they passed two resolutions, one of which expressed the thanks of the meeting to Mr. Chase, "for the patient, clear and forcible manner in which he had presented the financial condition of the Government and the country" in the several interviews with the bank officers in this city. The resolution also stated that Mr. Chase had "confirmed the confidence before entertained in the wisdom, integrity and efficiency of the administration of his department of the Government." The second resolution was, that the meeting, in assuming the great responsibility of furnishing means to sustain the Government in so important a crisis, "beg leave respectfully to express to the President of the United States its confident expectation that the Government will, without respect to party or personal considerations, so conduct its affairs in every department of administration, as to insure vigor, integrity, economy

and efficiency to the triumphant termination of the war." A copy of the last resolution was sent to the President of the United States, and the sentiments which it embodied were echoed by men of all classes throughout the country. The results of this meeting, followed as it was by similar meetings of the banks in Boston and Philadelphia, gave an immediate impulse to the credit of the Government, and the war was prosecuted with the certainty that the means of paying for the supplies and munitions required would be forthcoming.

It will be remembered that of each fifty millions of the aggregate loan, thirty-five millions were allotted to New York. On referring to the report of the New York banks, presented to the Clearing House after the loans had been cleared up, we find that the first loan, which was contracted for August 15th, 1861, began to be paid by the banks August 19th, the tenth and final instalment being paid on the 24th October. Prior to the completion of these payments, a second loan for the same amount was contracted for on the 1st October. The first instalment of this loan was paid 29th October, and was followed by nine subsequent payments, ending January 15th, 1863. A third loan had been contracted for on November 16th, 1861, on which the first payment was made December 10th, 1861, and was followed by eight other payments, ending February 4th, 1862. Of these three loans, the first two were made upon seven-thirty Treasury notes, and the third upon six per cent. long bonds. The seven-thirties were taken by the banks at par, and the six per cent. gold-bonds at the rate of 89.322463831. This price was agreed upon after an elaborate calculation, so as to reduce the six per cent. bonds to a seven per cent. investment.

One of the embarrassments connected with this loan originated in the delay on the part of the Government in supplying the securities which had been purchased by the banks. The seven-thirties of the loan of August, 1861, were nearly all sold by the Government on account of the banks. Of the thirty-five millions subscribed for, no more than \$3,937,500 remained unsold; and these were delivered from the Treasury to the banks 14th January, 1862. A week afterwards, on the 22d January, 1862, twenty-one millions of the seven-thirties of the loan of October 1st, 1861, were also delivered to the banks. In consequence of the delay in the delivery of the bonds, the Government received the money from the banks a considerable time before the banks could receive and use the securities which they had paid for. To meet the emergency, the banks were obliged to devise the system of loan certificates. These certificates were used for Clearing-House purposes. The first were issued September 19th, 1861. At that date the sum of \$23,100,000 in coin had been paid into the U. S. Treasury on account of the thirty-five mil-

lions of seven-thirties subscribed for August, 19th, 1861. Of these twenty-three millions disbursed by the banks, the Government had repaid to them no more than \$5,600,000. Hence the banks had been depleted of their specie reserve to the extent of \$17,500,000.

Another embarrassment of the banks arose from the circumstance that Mr. Chase began to issue demand notes with considerable rapidity. As above stated, he had refused, at the conference of August with the banks, to accede to the urgent representation of the banks, that a promise should be given that the Treasury would not avail itself of the resource of paper issues which were authorized in the act of Congress. And although some of the banks were extremely desirous to insist upon the assurance that Mr. Chase should use the Clearing House and draw upon the banks, and that no paper money should be issued, as a condition, without which, specie payments could not be sustained. The resolutions to that effect were withdrawn at the meeting preliminary to the loan of August, 1861, lest there should be any disturbance in the unanimity and cordial association between the Treasury and the banks.

A third difficulty which arose has just been suggested. The banks began rapidly to lose their specie reserve. As Mr. Chase refused to use proper precautions, this result was precisely what had been anticipated. Indeed no government, in time of war, has ever issued paper money to any serious extent, without producing the hoarding of gold at home and its export to foreign countries. Mr. Chase thought he ought to insist on payment in gold from the banks on the loans they had taken. This he supposed would insure specie payment. He failed to understand that he was taking just the very course that would cause suspension. He did not know that gold to be useful in modern banking, needs to be concentrated where it is wanted. And the place in which a gold reserve is wanted is in the vaults of those banks which act as the great centres of the financial mechanism. In this country the gold reserves in our New York banks execute their functions for the benefit of the whole system of banks throughout the country. By the wonderful machinery of our day, an amount of gold in New York is instantly available to pay debts in any part of this continent, from Maine to the Gulf, and from the Atlantic seaboard to California. If Mr. Chase had realized the fact that the gold in our New York banks was a reserve for the whole of our banking system, he would never have dared to remove it to the Sub-Treasury. It is singular that he should not have understood that in the ordinary course of business, the checks and the Clearing House and the other facilities of our modern banking system, enable our people to make payments every day to the amount of fifty or sixty millions of dollars in New York, with the use of two or three millions of gold, and

that even that sum in specie was not carried away from the banks, but was merely moved from the vaults of some of the banks to those of their neighbors. Yet so it was. And to this ignorance, as its chief cause, we probably owe the suspension of the banks in December, 1861. At that period the whole payments which were carried on every day in the United States, was estimated at \$200,000,000. For these payments very little specie was actually drawn out of the banks and dispersed among the masses of people. The foreign exchanges were such that gold had been for two or three years attracted to this country in consequence of the large volume of our exports. Hence the banks were in a very strong position, and when the loan of August, 1861, was taken, there was every prospect that the banks could have sustained specie payments and could have supplied the Treasury with all the funds required for the vigorous prosecution of the war.

This expectation was confirmed by the provision introduced into the law of August 5th, 1861, for the express purpose of authorizing the Secretary to use the Clearing-House and check system in the receiving and disbursing of the public monies. Such a reform of the Treasury law of 1846 was so necessary that, without the confidence with which it inspired the banks, they might in all probability have been prevented from venturing to take the loan of August, 1861, and the Treasury would have plunged earlier and deeper into the abyss of irredeemable paper issues.

In view of these facts we find that two active forces combined their influence to weaken the banks at this critical period of our financial history. First there was the issue of paper money in the shape of demand notes by the Treasury; and secondly there was the persistent demand of Mr. Chase that the banks should pay into the Treasury their contributions to the various loans in gold. When the banks agreed originally to take these loans, it was hoped and expected that Mr. Chase could be made to understand the importance of using the Clearing-House and the check system, for the receiving of the installments of the loans, and for the disbursement of the funds to the creditors of the Government. That hope was not realized, and Mr. Chase insisted that the banks should pay their installments in coin. In other words, he demanded of the banks that those precious accumulations of specie which constituted the banking reserves of the whole country, and upon which the great fabric of our financial and commercial solvency was built, should be taken away from their proper place and deposited in the Sub-Treasury. From the Treasury the specie was scattered and dispersed throughout the country, and was therefore speedily lost so far as the legitimate functions were concerned, which it performed in sustaining the solvency of the banks and the supporting of specie payments.

ECONOMIC SCIENCE AND ITS LEADERS.

NO. II. FRANCIS HUTCHESON.

We doubt if many ordinary readers of economic literature could pass a very good examination as to the claims of Professor Hutcheson, as one of the founders of economic science in England. His position as a teacher, both of ethical and political science, has never been as high as his merits justify. He was one of those men who abound in every period of great intellectual activity, and whose mission appears to be to strike out new pathways for human thought, and to show the direction in which other men afterward travel and obtain the honor of pioneers. Destitute of vanity or of self-seeking ambition, Hutcheson was an eloquent expounder of metaphysical and moral truths, and he was by no means weak in such intellectual gifts as lead to original research. A man who in these particulars somewhat resembled him, Sir James Mackintosh, says of Hutcheson, that "a careful perusal of the writings of this now little-studied philosopher, will satisfy the well-qualified reader that Dr. Adam Smith's ethical speculations are not so unsuggested as they are beautiful." We shall find reason to believe if we investigate the evidence, that what Mackintosh says of Smith's ethical originality, is equally true of his claims as a teacher of political economy.

Hutcheson's services as a leader in economic investigation, rest upon three simple facts. First, he was the only Professor in any European university, who, prior to Adam Smith, introduced political economy as a recognized part of the public instruction and lectures. He was not indeed formally acknowledged as the Professor of political economy. No such chair was in existence in Europe till that of Genovesi, in 1764, in Italy. Hutcheson's chair was that of moral philosophy. He was appointed in the year 1729, in consequence of the patronage of Lord Molesworth, Archbishop King, and other men devoted to ethical philosophy. He had attracted the attention of the public by his writings while resident in Ireland, where he was born in 1694, and devoted himself, like his father, to the work of the Christian ministry in the Presbyterian church. His whole life, after his appointment as Professor of Moral Philosophy, was spent in Glasgow, where he died in 1746, at the comparatively early age of fifty-three. There is no evidence as to the reasons which prompted him to introduce a course of economic lectures into his regular series of prelections at the University. But

his example was followed by Adam Smith, and it is not improbable that but for Hutcheson's efforts Smith's attention might not have been directed to the subject, and the world would never have received from him the immortal gift of "The Wealth of Nations."

The next claim of Hutcheson as an economic teacher, rests upon the peculiar basis on which he founded the science. Political economy as he understood it, was a fabric which to be built aright must rest upon three foundations. One of these is metaphysical, another physical, and a third legal. Of the metaphysical basis of political economy, Hutcheson says that it comprehends those desires of man which turn towards wealth as their object. It is well-known that Hutcheson's system of the human mind recognized two kinds of desires. First, those which are primary and belong to the original constitution of our nature; and secondly, those which are secondary, or turn towards such things as are useful to gratify the primary desires. Lord Kames, who was contemporary with Hutcheson, says that the love of wealth, or as he called it, "the love of accumulation," is a primary desire of human nature. Hutcheson did not agree with this opinion, which has found very few followers. According to his system the desire of wealth is a secondary desire, and belongs to the subordinate class of affections in the ethical system. We desire wealth for the uses and the power it gives us to gratify the primary instincts and desires which belong to our interior life.

This is the metaphysical corner-stone on which the fabric of Hutcheson is built. The second basis of his system is physical. Wealth consists in objects which appeal to the secondary desires just mentioned; and these objects are for the most part, though not exclusively, of a material nature. Economic science, then, to be complete, must take cognizance not only of the desires interior to man's mind, and operating within his own individual bosom, but must range throughout the material universe, and comprehend within its purview those objects on which man's interior desires rest, and by which these desires are excited and satisfied. According to this second basis of political economy, the science would treat of those objects which are desired by man, and which constitute in every age and in every language what he has been accustomed to speak of as wealth.

The third corner-stone is that of the established system of law or jurisprudence. In every age and amongst every community, it is for the Government to say what possessions and property of its subjects shall be protected by the law. Without such protection wealth cannot exist. Unless the strong arm of the law sustains the right which we call property, of what value is this right? It is the law which prescribes and marks out what possessions shall be allowed

to be appropriated by individuals, so that the owners can hire them, or sell them, or lend them, or buy them, one with another, without fear and in perfect security. When William the Conqueror and his successors changed the tenure of landed property in England from allodial to feudal, a fundamental change was made in the nature of those rights which were vested in the possessors of the soil throughout that country. When slavery was abolished throughout the dominions of Great Britain many years ago, an important class of property was abolished and destroyed, which formerly was recognized as of great economic value. This destruction was made by the operation of law, just as its creation had been due to the protection of the law. The same phenomenon took place in our own country when slavery was abolished. An immense amount of wealth, formerly recognized as subject to barter and sale, and as protected by the same law which sustained all other property, was annihilated and ceased to exist. These illustrations show us the nature and limit of this third foundation—that of jurisprudence and legal right—on which Hutcheson reared the fabric of his science of political economy.

But there are other claims which might be urged in favor of Hutcheson as one of the earliest and most noteworthy founders of economic science. His lectures, for instance, contain the first attempt, we believe, which is recorded in history, to define the nature of wealth. According to Hutcheson, wealth consists of those things which are desired by man. "Any thing," says he, "which is not desired, ceases to be wealth." Another quality which is needful to the idea of wealth, is difficulty of acquisition. A thing must cost effort and human exertion or nobody will want to buy it, and it will be excluded from the category of wealth.

It is objected that this definition of wealth is extremely vague; and leaves out of view the fundamental quality of exchangeableness. Nothing is wealth which cannot be exchanged for something else. However much a thing may be desired, and however difficult it may be to acquire, it is excluded from the category of wealth, unless it can be owned as property, and unless the rights of ownership and possession can be legally transferred by the owner. So fundamental is this quality to the idea of wealth that Archbishop Whately proposed to change the name of Political Economy for that of "Catalactics," or the "Science of Exchange."

Lord Lauderdale complains of Adam Smith that he nowhere attempts a definition of wealth. The reason for this omission has never, we believe, been explained. Perhaps he was discouraged from the undertaking by having, as a student, remarked the imperfect success which attended the laborious attempts of his tutor Hutcheson, to arrive at a scientific definition, which should be at once clear, precise, and practically useful.

STROUSBERG AND MANTEGAZZA.

Since the conviction and punishment of Mirès, the great railway speculator, in 1861, there have scarcely been any trials of distinguished financial adventurers in Europe which will compare in interest with the two very suggestive ones which have recently been concluded. The first is that of Guisepe Mantegazza, sixth Marquis of Liscate, who was tried in August before the Assize Court at Bologna charged with forgery, fraud, and falsification in forging the names of King Victor Emanuel, Prince Humbert of Savoy, and the British Consul at Florence, to a number of bills of exchange.

The bills and papers stated in the act of accusation to have been forged by Mantegazza were divided under three charges. First, the bills discounted and still running when Mantegazza was arrested, and which, therefore, also constitute the charges of fraud against him: four bills of 50,000 francs, each signed with the King's name and discounted, one by a Signor Gallinetti of Milan; one by Messrs. Maquay, Hooker & Co. of Florence; one by the banker Pezzoli of Paris; and the fourth by the Banca Emilia of Bologna; two bills signed with the name of Prince Humbert, one for 27,550 francs, and the other for 27,275 francs, discounted by the banker Pezzoli of Paris, and two bills for 100,000 francs, signed by Mantegazza, with attached to it an *avalto*, or guarantee, signed with the name of the King. Secondly, bills discounted and paid or renewed when due as follows: one for 50,000 francs, signed with the King's name, and discounted by the Duke Visconte de Modrone of Milan. This was the first of the forged bills, which, it has already appeared in the course of the proceedings, were preceded by others actually signed by the King and the Prince. Two bills for 50,000 francs and 55,000 francs, respectively, discounted by the Banco de Credito Italiano; one for 50,000 francs, discounted by Messrs. Maquay, Hooker & Co. of Florence; and three for 50,000 francs each, which were not put in circulation. All these bear the King's name. Thirdly, documents fabricated to assist in carrying out these operations, and which consist of two letters of *procura*, or authorizations, signed with the King's name, one letter of authorization with Prince Humbert's name, and with this is a certificate, with the signature and stamp of the British Consul at Florence, testifying to the validity of the Prince's signature, and other similar documents. The Marquis acknowledged at his trial that all the bills and documents

mentioned are forgeries, but he absolutely denied having been the author of them. He had, he said, been employed by the King and the Prince in *bond fide* transactions, and while carrying those into effect, he was brought into connection with a person whose name he refused to reveal. Under that person's authority, which he believed to be sufficient, he acted in good faith, and it was not until the thing had gone too far to permit of his retreating, that he discovered the true state of the case. The evidence was, however, too strong to be thus explained away. The trial closed. The Marquis was convicted, and sentenced to eight years' penal servitude.

The second case is that of Strousberg, the great German railway king. No fraud of a gross nature was charged against him, although he was charged with misrepresentation of the value of securities, and with other high crimes, and especially that of bribery. The trial has been pending a year, and closed on the 7th November last, with the sentence of the prisoner to perpetual banishment from Russia. As was stated in the *BANKER'S MAGAZINE* for November, 1875, the charge preferred against Dr. Strousberg, and on which he was arrested and detained in prison at Moscow, was the commission of offenses against the Russian commercial laws involved in his transactions with a certain financial association in Moscow, called the Commercial Loan Bank. It was laid to his charge that he secured advances from the bank on terms unduly favorable to himself, by bribing some of its chief officials. The jury found Dr. Strousberg and parties were acquitted. The persons accused were numerous MM. Handen, Poljanski, and Soumacher, guilty. The other Seventeen members of the Council of the Bank were charged with having presented a fictitious report for the years 1873 and 1874. Two of the Directors were accused of having accepted bribes from Strousberg to advance him some 7,000,000 roubles without sufficient security, and of having presented to the shareholders and published in the newspapers a false balance-sheet up to October 1, 1875, and fifteen members of the Council were charged with having, either by negligence or connivance, facilitated these and other nefarious transactions.

Of the career of Strousberg, *Banking Life in London* says: "There was no more remarkable financial event on the Continent of Europe in 1875 than the failure of Baron Strousberg. He was not altogether unknown in London, having been, as far back as 1850, a writer for magazines and newspapers. There was a striking fact that early in life he kept some small shop; while in 1870 he rented a sumptuous house at the West End; then became familiarly known to Count Bismarck, under whose patronage he went to Berlin, and in that city developed those financial schemes which

proved both his success and his failure. In Roumania, he started a net-work of railways; in Hungary, he projected the North Eastern line; in Russia, the Brest-Grayevo; in Germany, the Halle-Sorau, the Hanover-Altonbecken, and the Berlin-Posen lines. Besides these, he had acquired other railway concessions which were to be begun incontinently; he had just established a large engine manufactory at Hanover, completed the Berlin cattle-market and slaughter-houses, and was increasing and re-organizing his ironworks at Dortmund and Neustadt, not to speak of other important factories on a less gigantic scale. Not satisfied with these undertakings, he had purchased the southern citadel of Antwerp, paying 3,500,000 francs as caution-money, and was prepared to cover the area of the fortifications with dwelling houses, forming a new quarter of the town." His troubles were portrayed by a correspondent in the London *Times* of November 20th, 1875, as follows:

" In the midst of these gigantic speculations he was surprised by the outbreak of the war between Germany and France. The blow thus inflicted was terrible, and he never recovered it. Exerting himself to the utmost, he, indeed, succeeded in carrying on his railway lines, and before the end of 1870 completed the greater part of the Roumanian railway, as well as parts of the Halle-Sorau line and the whole of the Berlin-Posen line. But, as the railway directors whose lines he constructed *were paying him with shares*, which, in the financial depression caused by the war could only be disposed of at a considerable loss, millions the debtor had counted upon were never realized. Other millions were lost by the shareholders of the Brest-Grayevo line discontinuing the payment of instalments. If these accidents went far to make a catastrophe inevitable, the embarrassments of the debtor reached an unmanageable height upon the refusal of the Roumanian Government to pay the January interest of the Roumanian lines early in 1871. The *pros* and *cons* of the question have been so often discussed, that it would be needless to enter upon the merits of the case; but it may be mentioned that though Strousberg held the Roumanian Government responsible for the interest due, he, on the refusal of the Bucharest authorities to pay, endeavored to establish a Railway Construction Company, to which he meant to hand over the greater part of his property and undertakings, upon condition of the new concern advancing 2,000,000 thalers to satisfy the claims of the Roumanian shareholders. Thanks, however, to the long continuance of the war, the projected company could not be established, and the Roumanian interest remained unpaid. From that moment the credit of the debtor, almost unlimited in 1871, was shaken."

The expedients resorted to amidst these difficulties were

sufficient to keep Strousberg afloat for sometime longer. He sold his extensive iron works, he pledged the German estates, and mortgaged other property to the Roumanian Railway Company. From these measures he raised 700,000 thalers to pay the Discount Company, and 400,000 thalers for the Roumanian Railway Company. Still anxious to surmount his difficulties, he sold other large and important properties; yet he found it impossible to carry on his enormous railway undertakings. He therefore abandoned some, but contrived to continue the Brest-Grayevo, the Halle-Sorau, and the Hanover-Altenbecken. He was then daring enough to conceive the idea of recovering his Zbirow estate by purchasing a large railway carriage manufactory, a locomotive manufactory, a railway wheel manufactory, a rolling mill, Bessemer iron works, a number of puddling furnaces, blasting furnaces, &c., To connect these various works he laid down a railway thirty-five miles in length on his own property, and built a city for workmen. Then he endeavored to gain a footing in England, but was foiled in so doing by having to hurry back to Germany to meet new financial difficulties incurred from the immense scale of his Bohemian works. The sale of his famous picture gallery, and of the Antwerp concession, supplied him once more with funds. Then he parted with the right to finish the Hanover-Altenbecken Railway for a consideration; but he contrived to complete and open for traffic the Halle-Sorau and Brest-Grayevo lines. In 1874 he concluded an agreement with M. Polykoff, the Russian railway contractor, in which he engaged to supply him with 2,000 railway carriages within a very short period of time. To carry out this contract he further enlarged his Zbirow manufactory, and purchased another railway carriage manufactory at Budna near Prague. The carriages made under the contract were destined for the Kursk-Charkoff line, which paid the debtor with debentures, on which the Moscow Commercial Bank advanced the cash. Thus arose the connection between the debtor and that bank. The 2,000 carriages furnished and delivered, the debtor entered into an agreement to supply 2,000 more, the Moscow Commercial Bank advancing 1,800,000 roubles on the strength of this contract. Thus busily employed, Strousberg bought back the Neustadt Ironworks and Siegen mines, acquired the Maria Ironworks at Dantzic, all being greatly improved and enlarged. He likewise bought at St. Petersburg a railway carriage manufactory, but failed to get orders in that city.

In 1875 the final catastrophe began. The shares of the Mehltheur-Weida Railway proved a drug in the market; then on the Vienna exchange he was defeated in floating $7\frac{1}{2}$ per cent. debentures, and finally the attempts to establish a joint-stock company for his German and Bohemian mines and iron-works, were unsuccessful. Thus he attained

the culminating point in his career, and in the autumn of 1875 his affairs were brought before the civil courts for administration. The principal difficulty of the liquidation was in the international character of the bankruptcy, and the different legislations of the countries involved. Some advantage, however, creditors might hope to derive from the Austro-Prussian Convention of 1844, under which German creditors might assert their claims either at Berlin or at Prague, according as they thought fit. The Russian and English aspects of the case were different. Contrary to what had been stated, no real property had been handed over by the debtor to his wife, except the Elbing Railway Carriage Manufactory. Mrs. Strousberg had at once declared her willingness to yield up this manufactory to her husband's creditors, but its value in a bankruptcy case was doubtful. The debtor owned in Germany the landed estates of Radawitz, Womwellno, Alt-Laube, Prieibisch, Garth, Lissa, Peisten, Worinen, Diepensee, Waldersdorf, and Moholz. In addition to these he owned a house at Neidenburg, and a mansion and villa, with a good deal of building land, at Berlin. The value of his real property in Germany was officially estimated at 16,916,151 marks; but as the mortgages amounted to 13,818,880 marks, the utmost of the creditors could hope to realize by sale was about 3,000,000 marks. The Neustadt Ironworks with the landed estate of Xaverlah, as well as divers iron mines in the Siegerland and Harz and the Maria Ironworks at Dantzig, had been sold by the debtor to the recently-established company, of which he was the only shareholder; but their actual transfer to the company had not yet been made. The personal estate of the debtor in Germany, as far as could be seen, consisted of the following items:—1. Cash, 22,000 marks; 2. A share in the Zoological Garden Company of 750 marks; 3. A library estimated at 60,000 marks; 4. Furniture in Berlin mansion, 70,690 marks; 5. Object of Art in the Berlin mansion, 34,000 marks; 6. Cooking apparatus, etc., 10,000 marks. Adding to this some minor amounts, they got a total of 218,565 marks, against "privileged claims" (operatives, workmen, etc.), reaching to 122,000 marks. From all this, they could not but arrive at the conclusion that the liquidation of the case would occupy some four or five years, at the end of which creditors might hope to receive a trifling fraction of their demands. It might be different were the debtor free, and in a position to cooperate with them for the reconstruction of the shattered fabric before them. Their special commissary had thought it his primary duty to do all in his power to obtain Baron Strousberg's release from a debtor's prison in Russia.

On the 23d October, 1875, the Commerce and Loan Bank of Moscow stopped payment, the cause appearing to be the

losses of the bank through Dr. Strousberg, at that time in Russia. He was arrested on the 25th in St. Petersburg, apparently as a debtor only, though criminal charges against some of the directors, who had also been arrested, were hinted at by the Russian press, and in private correspondence. Those who studied these events knew that the effect would be very disastrous to the Western States of Europe, because of the poor communities in Russia and Germany, and their inability to struggle against adverse circumstances. The capital of the "Commercial and Loan Bank of Moscow" was about £400,000, its liabilities about £2,500,000. Its failure was sufficient to cause general alarm, and a run on other banks soon followed. The Russian Government, paternal in its solicitude to allay apprehension, sent a delegate from St. Petersburg. He gave the assurance that the disaster had arisen from exceptional circumstances; assistance was rendered by the State to the other banks, and the sense of restored confidence was enjoyed which generally follows that kind of intervention. It has been observed that, with the recent expansion of European trade, there has been a considerable increase of banking accommodation in Russia, over-trading had been indulged, and a collapse of some important interests was inevitable.

After the Moscow panic, there were disturbances in St. Petersburg, thus described in the Berlin *Borsen Zeitung* of 28th October: "The failure of the Moscow Commerce and Loan Bank has given the signal for a succession of failures in the interior of Russia, which affect St. Petersburg but little, but have completely shaken confidence in the principal centres of trade in Poland, and Central and Southern Russia. This is most directly shown in the extensive notices to call in the money deposited with the banks. Particularly the branches of the International Trade Bank in Kiev, and the Warsaw, 'Wechsel Bank' have been violently pressed for some days. Also the bank of Azov-Don, in Taganrog, and the Moscow Merchants' Bank, have had to withstand a run."

These facts support the conclusion that the Russian Government would not have proceeded with so much severity in this case but for some peculiar circumstances which made the failure of Strousberg of some political importance. It has been suggested that one of these circumstances was the disturbance which it caused in the Russian banking system, and the shock which it produced in the credit of Russia abroad. The last evil was all the more annoying, as it interfered with the projects of Russia in the East, and prevented the negotiation of loans which were absolutely needful for the military preparations which Russia has been secretly making for some years past for a struggle with Turkey. Finally, it appears that the creditors of Strousberg have succeeded in obtaining their wishes. For the sentence

of banishment for life from Russia is but a nominal punishment to a man who has no interests in Russia, and whose only motive for ever visiting that country, was the hope of obtaining there some pecuniary aid in his troubles. On the whole, Strousberg has the reputation of being a man who has a successful future before him, and who has in him the capacity and the promise of doing much good.

PAPER MONEY PROSPECTS IN RUSSIA.

As the prospects of war in the East are still urgently discussed, and as the extent of the war must depend largely on the war loans which can be raised, it may be well to look at the financial condition of Russia, and it must be admitted that a notable cause of weakness is found in its paper money system. This system, as we have formerly said, is of some antiquity. When the Crimean War began Russia failed to raise \$50,000,000 in the Continental markets. In 1854 the failure to elicit anything at Berlin and Amsterdam was supplied by a forced loan at Moscow and St. Petersburg. Notwithstanding that the war funds in the hands of the Government amounted to 116,000,000 roubles when this operation was carried out, the paper rouble, nominally worth four francs, was immediately depreciated to one franc. Then followed calamities sure to recur in future issues of paper money. The first occasion in which the Russian Government resorted to the use of paper money was over a century ago.

Catharine II, wishing to attack the Turks and lacking the means, in 1768 palmed the questionable advantage of paper money upon her dutiful subjects. The victories of the army kept the new assignats at par until new wars unduly added to the amount. In 1774 the total in circulation was limited by ukase to 20,000,000 roubles; by 1786 the amount had so much increased that a new ukase restricting it to 1,000,000,000 roubles was considered a boon. The second ukase being no more heeded than the first, we find 158,000,000 roubles issued before the death of Catharine, 577,000,000 roubles in 1810, and 836,000,000 roubles in 1817. It is a suggestive observation to make that in 1817, when the currency had attained these excessive proportions, when all the numerous wars which marked the beginning of the century were hardly over, the value of the assignats had not sunk to a lower figure than that to which it fell on the very eve of the Crimean campaign. The Russia of 1817, a poor and exclusively agricultural country, was so much less affected by the creation of a fictitious currency than the more developed nation which went to war in 1854, that it took twenty years' cam-

paingning in the earlier part of this century to reduce the assignats to one-fourth of their nominal value—the figure to which they sank under Nicholas in a few weeks. To free the country from this encumbrance, the assignats were exchanged for five and six per cent. stock, issued at prices varying between seventy-two and eighty-three. This operation being kept within narrow limits by the difficulty of paying the interest, no less than 595,000,000 of assignats remained in 1839, when the Government attempted to fix their value by decree. Henceforth three and a half paper roubles were to be equal to one silver rouble, although at the time the decree was issued it took in reality four and a-half paper roubles to purchase one of their kind in metal. The measure had no immediate effect, but was eventually carried out with the combined aid of peace and economy.

Prolonged tranquillity and recognized power permitting the Emperor to spend a *minimum* on the civil and military service, the assignats—now called *billets de crédit*—in 1843 were reduced from 595,000,000 roubles, to 170,000,000 roubles. The measure was accompanied by the deposition in 1844 in the St. Petersburg Citadel of 70,000,000 roubles in cash, to which 12,000,000 more were added in less than a year. This, forming a reserve fund nearly half as large as the amount in circulation, raised the value of the currency; and when, a little later, the Emperor Nicholas ordered 100,000,000 roubles Government money to be invested in foreign stock, people naturally thought themselves justified in considering the printed currency of the wealthy Monarch as tantamount to his coin. But, if Russia was able to pay her way in peace, events were soon to prove her incompetence to defray the expense of war. Russia's intervention in Hungary—an insignificant exploit from a military point of view—added 150,000,000 roubles to the *billets de crédit*. At the same time the facilities of exchange were restricted. At St. Petersburg, indeed, you were nominally entitled to present any amount; but at Moscow no more than 3,000 roubles were cashed to the same person, everywhere else no more than 100 roubles being accepted. In 1857, after the Crimean War was well over, the *billets de crédit* had risen to 735,000,000 roubles—*i. e.*, a sum nearly twice as large as that issued by all our National banks taken together. Silver and gold were at a premium of ten per cent., and the disasters would have been even greater had not the absence of commercial confidence precluded operations on credit.

On May 1, 1861, the new Banque de l'Empire, which had succeeded the old credit institutions, had a silver reserve of 86,000,000 roubles against 714,672,000 billet roubles in circulation. The billet rouble still lost 3-16 against the silver rouble, and there seemed little prospect of adjusting the difference without artificial aid. On the contrary, there was

every chance of the next political commotion bringing back the calamity in an aggravated form. Anxious to avert this contingency, the Government, in April, 1862, raised a loan of \$45,000,000 to be employed in cashing billets. The exchange was to begin on May 1, restoring the silver rouble at 110½ kopeks paper. On August 1, this price was to be reduced to 108½; on October 1, to 107½; and so on till January 1, 1864, when it would have to go down to par. This measure was certainly a step in the right direction, and, being such, was at variance with the manifesto of 1839, in which the Government solemnly engaged always to regard the paper rouble as equivalent to the silver one. Accordingly the new device came into force, and was successfully continued till November, 1863, when, the Polish rebellion swallowing up considerable sums, the bank stopped cashing. Depreciation by ⅓ was the immediate consequence, the amount in circulation being still 568,000,000 roubles.

In the autumn of 1869 the attempt to contract the paper currency which had risen 700,000,000 roubles, was renewed. Another loan of 15,000,000 roubles was concluded, in order to withdraw an equal amount of billets from the market. Though conscientiously carried out, the measure did no good. By January 1, 1871, those eternal billets, ever cropping up afresh, had reached 715,000,000 roubles. To day they are at 730,000,000 roubles; and this when the bank discount, under the pressure of present anxieties, has been raised to nine per cent., and is practically at eleven and twelve per cent.; when the advances made from June 13 to September 13 amount to no more than 11,000,000 roubles; when the reserve of the national bank, which amounted to 37,000,000 roubles in June, has gone down to 8,000,000 roubles; and when, notwithstanding the immense sums thus thrown away in the vain attempt to prevent the depreciation of the currency, the rate of exchange on London was again quoted at 31 11-32 in October and has since fallen still lower. The general depression of trade in Russia, as seen by the fact recorded by the *Official Gazette*, that the Customs receipts for the first nine months of this year have amounted to only \$27,640,000, which is a diminution of \$4,650,000, as compared with the same period in 1875, and \$165,000 less than was raised in 1874. The *Gazette* gives no information as to the particular sources of revenue that have proved less fruitful. Russia exported during the first seven months of the year, gold and silver to the value of \$57,301,000, which is no less than \$46,649,000 in excess of the amount exported in 1875, and an increase of \$46,536,500 upon 1874. Her imports have amounted to only \$2,015,000, which is a decrease upon 1875 of \$828,500, and of \$3,437,500 upon 1874. From such a drain of the precious metals, Russia, with her depreciated paper currency, is likely to suffer to even a greater extent in the future.

TAX REFORM IN FRANCE.

A new fiscal scheme has been proposed in the French Legislature, which is obviously full of danger. It is well known that France, in consequence of her late disastrous war, has to raise an enormous sum by taxation. Many complaints have been made of the unequal pressure of the fiscal system as at present adjusted. To remedy the evils and equalize the pressure, Gambetta proposes to remodel the whole system of taxation, and to establish it on a novel plan. First he proposes an income tax, like that of Great Britain, and comprising five Schedules. This income tax he would substitute for the existing four direct taxes and the tax on the interest and dividends, which is paid by all investments except *Rente*. Although the number of the schedules in the new tax is the same as that of the old taxes which it is to replace, the two systems of taxation do not exactly correspond with each other. The term *foncier tax*, which at present includes land and houses, is to be reserved for lands alone. The second Schedule, which Gambetta calls *Immobilier*, consists of the income from houses separated from the present foncier tax; and with it would be combined the tax on doors and windows. The third Schedule has the name of *Industrial and Commercial*, and is designed to take the place of the present *patente* or trade licenses. The fourth Schedule is called *Mobilier*, and consists of an extension of the tax on the interest and dividends of invested capital. The fifth Schedule is the personal tax, and consists of a duty on professional incomes and pensions, combined with a tax on the residence or home, based upon the value of the furniture, works of art, gardens, parks, and other conveniences of which the citizen enjoys the use, but which do not yield an annual interest.

Another scheme has been proposed by a well-known economist, M. Menier, who is also a member of the Committee on the French Budget. He wishes to establish a distinction between fixed capital and circulating capital. The latter he would exempt from taxation so long as it was in "a state of transformation," (that is, actively employed in trade or industry,) and until consolidated in some tangible shape, as in buildings and other fixed permanent forms. This we believe is the first instance on record in which Adam Smith's distinction between fixed and circulating capital has been attempted to be recognised as the basis of taxation. Its novelty led M. Gambetta to reject it. He says, in explaining the difficulty of establishing such a distinction, that a manu-

factory which, according to M. Menier's theory, ought to be considered as fixed capital, would become circulating capital if it belonged to a company and was represented by shares. The answer to this objection is very obvious; but M. Menier will have great difficulty in refuting other objections which are against his plan. One of the principal of these is, that capital is perpetually changing its forms; and fixed capital, as it is called, is being perpetually converted into floating capital, and floating capital into fixed. It has never been found possible to levy a direct tax upon any kind of capital except real estate, without giving rise to very great abuses, complaints, inequalities and fiscal oppression. We have called this tax a novel one, though it is really one of the most ancient in existence. Indeed the Oriental Governments are said to have adopted this principle of taxation from time immemorial. It has been their policy to tax property wherever they could find it. But inasmuch as floating capital is in its nature so fugitive that it cannot be found, unless in very exceptional circumstances, this ancient method of taxation comes to the same thing in practice as that of M. Menier. Another point in the new system of taxation of M. Gambetta is that he formally repudiates the principle of progressive taxation, which is advocated by some of the Republican theorists, and which has to some extent been adopted by the municipality of Paris in the assessment of the *Mobilier* or house tax. According to this progressive principle, the poorer citizens pay little or nothing, and the burden of the tax is so graduated as to fall with increasing weight on the citizens in proportion to their ostensible wealth.

As has been said, the chief reform proposed in this new system of taxation of M. Gambetta, is the division of the real estate taxes into a tax on land and a tax on houses. M. Gambetta is not the original inventor of this distinction: it was recommended by M. Leon Say in his recent bill for the revision of the *Cadastre*, and it has been frequently defended by M. Leroy Beaulieu, in the *Economiste Française*. M. Gambetta has, however, refused to adopt some of the suggestions of these two economists, in order to avoid making his plan too complex. For example, the annual aggregate of the present real estate tax is permanently fixed, so that the tax does not increase in proportion as the value of the property rises from year to year. The assessment is permanently established at a settled sum, and if the property advances in value, the proportionate burden on the owner becomes lighter. To correct this, M. Leroy Beaulieu has proposed to make the assessment bear a closer relation to the growing value of the real estate on which it was levied. He showed that the ordinary tax on real estate in France amounted, fifty years ago, to 12 per cent. of the revenue;

but at present, in consequence of the growth in the value of real estate, the tax does not exceed 6 per cent. on lands and $2\frac{1}{2}$ per cent. on houses. He also showed that the distribution is very unequal, the tax being twice or three times as much in some departments as in others, while contiguous estates and property in the same neighborhood is often charged at rates varying as widely.

Another proposition of M. Gambetta is to open a credit of two millions of francs to the ministry of France in 1877, for the cost of preparing a new *cadaastre* or dooms-day book, in which a separation is to be made between land and houses. He also proposes that the property taxed under the *Immobilier* Tax Schedule, should be converted into an *Impôt de Quotité* as soon as a general valuation can be made of the revenue from buildings. This tax, he thinks, would be easy, as the law of 1871 requires the parties to register all leases and verbal agreements to hire real estate. One of the most fundamental changes, is the change of *patente*, or license tax, into a tax on the profits of trade. The men of business on whom this tax has been levied, have chiefly complained of two things; first, the the arbitrary classification of trades into eight categories; and secondly, the presumption that the relative profits of a trade can be estimated by the population of the town and the rent of the house in which it is carried on. It is noteworthy, that this very system of taxation, which has been found intolerable in Paris, was recommended a few years ago for adoption in the State of New York, by a commission appointed by the State Government, to prepare a new code of taxation for the State. The system has long been established in France where, from long usage, it has seemed to work smoothly enough, though with such inequalities as to render it unpopular. It remains to be seen whether a new system can be devised which will not introduce new evils, and which in attempting a more equal pressure, will not introduce still more the inquisitorial and vexatious visits from treasury officials, which will be needful in order to graduate every year the new assessments which are to be made. With regard to the imposition of a tax on interest and dividends, there has been some excitement and opposition awakened in consequence of the proposal to include among the taxable incomes that derive from *Rente* in defending this tax from the objection that it involves a breach of faith on the part of the Government, M. Gambetta cites the example of the British Government, which has never imposed a tax upon consols, but compels the holders to pay income tax on the revenue derived from them. He proposes to exempt from the tax foreign holders of French *Rente*, provided that they do not reside in France; but he proposes to tax the income from foreign bonds held by French subjects. Another novel feature of the Gambetta system of taxation, is

his proposal to tax furniture and works of art with other æsthetic articles intended for personal gratification and not producing income. This feature seems to be borrowed from M. Menier, and is rather a tax of a sumptuary character than an income tax. A sum of ten thousand francs invested in railroad shares or otherwise, paying five per cent. or 500 francs, would contribute to the treasury by the tax of three per cent. a sum of 15 francs a year. The same sum of 10,000 francs employed in the purchase of a picture or a statue would produce no dividend; but M. Gambetta evidently imagined that the owner receives æsthetic culture and enjoyment equal to five hundred francs a year; for he taxes the picture or the statue in precisely the same sum as the revenue derived from the railroad shares. In estimating the amount to be raised from the new system of taxation, M. Gambetta does not estimate the loss that will be realized in making the change from one system to the other. He evidently means to adjust his proposed taxes, so that the new system shall produce about the same revenue as the system it has to replace. How far this anticipation could be realized is a question which cannot be decided until after actual trial. There are, however, such grave doubts whether serious losses of revenue might not occur during the transition from the old taxes to the new, that it may well be supposed that there will be considerable objections made to the Gambetta project. To meet these objections it is said that one of the promises which M. Gambetta has made, is to reduce the pressure of the indirect taxes, and to increase that of the direct taxes. To carry out this object he proposes to repeal the railroad duty on the transportation of merchandise; he also proposes to repeal the duties on chico oil and soap; he is also in favor of repealing the duties on paper, vinegar, candles, and stearine. Finally he would reduce the duty on sugar, on wines, and on alcohol; and he would lower the letter and telegraph rates. These promises however, so far as they involve a repeal of taxes, are only to be carried into effect after two conditions have been previously realized. The new system of taxation is first to be tried and secondly its productiveness must be proved to surpass that of the existing system so as to leave a surplus available for tax-repeal.

The influential position which M. Gambetta has of late achieved, gives to this scheme considerable importance. Whether it will be adopted by the Chamber of Deputies or even approved by the Committee on the Budget, is uncertain. At present it is only a bill proposed by M. Gambetta himself; it is not a plan embodied in a report from a majority of the members of the committee. But as Gambetta is gaining in substantial influence, and as the Finance Minister, M. Leon Say, is in favor of a part of the plan, there is

reason for the agitation which it has caused. A considerable period, however, will probably elapse before so complete a revolution in the fiscal system of France will be considered possible or safe. Its intrinsic merits, however, are such that it will repay a thorough examination by those who are interested in watching the effects of that wonderful system of taxation, which has enabled France to respond so effectively to the stupendous demands made upon her financial strength by the payment of the German indemnity, and by the raising of an amount of annual taxation greater than is levied in any other country in the world.

To sum up the proportion, we may state that if adopted, it will tax all incomes which reached during the foregoing year the sum of 1,200f., about \$ 240, at fifty centimes per 100f., that is at one-half per cent., for the year 1877. Within three months after the law is passed every resident in France will be obliged to declare the amount of his income during the foregoing year, to the Mayor, Prefect, or Director-General of *Contributions Directes*, this declaration to be renewed every year. These declarations are to be made according to the following five Schedules:—A, income from lands; B, revenue from buildings; C, profits from commerce and industry, including those of farmers; D, revenue from personal property, including the interest of French and Foreign Government, Departmental, and Communal stocks, of mortgages, and generally all interest and dividends of French and foreign *valeurs mobilières*; E, salaries and payments of the artistic professions. The accuracy of the declarations is to be ascertained by Communes, at whose annual meeting for fixing of the direct contributions the Comptroller of the Circuit is to be present. Every person liable would have a right of appeal to the Prefectoral Council, and from that to the *Conseil d'Etat*. To show the productiveness of the present taxes, the *Journal Officiel* of October 22, published the Treasury receipts for the nine months ending the 30th of September. The amount received as *contributions directes* amounts to 514,490,400f., against the roll figure of 466,095,200f., showing an excess of 48,395,200f., against 46,815,700f., the excess in 1875. There is therefore an increase of 1,579,500f. for this year. The tax on the income of *valeurs mobilières* has produced 27,960,000f. of the estimate of 35,174,000f. for the whole year. The total revenue for the nine months from *impôts et revenus indirects* is 501,428,000f.—that is, 107,394,000f. above the Treasury Estimate of 1,394,049,000f. for that period. The amount received during the corresponding months of 1875 was 1,458,315,000f. Of these stamps have brought in one hundred and fourteen millions, against 119 millions anticipated in the Budget, the home sugar tax only four millions, against six millions, the tax on foreign salt four millions less than the estimate of twenty-one millions

and soap 1,717,000*f.* less than the Treasury value of 6,434,000*f.* On the other hand, the amount from general customs is thirty millions above the estimate of 104,688,000*f.*; from excise of spirituous liquors, thirty-one millions over the estimate of 261,326,000*f.*; and from rates on registry hypothec four millions above the estimate of 333,069,000*f.* The receipts of the nine months in question of this year compared with the corresponding months of last year show a diminution in the case of colonial sugars for this year of six millions on 122 millions in 1875, and in that of matches two millions on seven, whereas there is an increase in the case of home sugars of 9,390,000*f.* on 75,432,000 in 1875; in the case of general customs of 12,786,000*f.* on 122,555,000*f.*; and of 7,813,000*f.* on 229,652,000*f.* in that of tobacco.

THE OUTLETS FOR OUR SILVER PRODUCTS.

The evidence seems to prove beyond all doubt that the East is as capable in our day as it ever was of absorbing silver, and that its requirements and monetary uses for that metal have not been exhausted. On the contrary, there is reason to believe that we are on the eve of a further development in the material resources of the Orient, and that the monetary demand there for the precious metals, and especially for silver, will be large for some years to come.

Before entering upon the direct proof of this proposition, it may be well to look briefly into the causes which have checked the flow of silver to Asia. During the last forty years, India has received and retained two hundred millions sterling of silver; 160 millions sterling have been absorbed since 1855. At that time began a period of agitation and industrial growth, consequent upon the influx of British capital and the development of the resources of the country by the construction of railroads and other public works. Of course the first symptom of this energetic growth would be the increase of the interior trade of the country. Of this trade, however, we have no statistics, though it enormously exceeds the export trade, which alone is recorded. The subjoined table shows how the export and import trade of India advanced from the period we have mentioned.

Another great movement resulting from this incipient growth was the influx of silver. It is a very noteworthy circumstance, that in 1861, when the war in this country stopped the export of cotton to England, India was already furnished with a network of railroads, fully competent to carry from the great cotton fields of India large supplies to the seaboard. To this fact is due the large increase in the imports

of silver during the four years of the cotton famine. Soon afterwards, however, these silver importations fell off, and for some years past they have been relatively small. What is the cause that has brought about this recent diminution in the absorption of silver? It may have originated in various circumstances. It is quite possible apart from the evidence, that the immense imports of silver during the cotton famine had produced a plethora of that metal in India. But if this had happened, the price of silver would have suffered then, as it is suffering now in England. On referring to the trade statistics, we find no evidence of any such depression, but abundant evidence that it did not occur. Looking elsewhere for the explanation, we find it in the large increase of the council bills. These bills are drawn on India by the British Government, and their amount has risen from four millions sterling to fifteen millions. The effect of these bills is to prevent the export of just so much silver to India. If these bills had not been in the way, an active current of silver, equal to their value, would have been pouring itself into the monetary channels of India every year. It is easy to believe that this current would have so drained our silver markets here and in Europe, that we should have heard nothing of the recent depreciation or of the decreasing capacity of India as a market for our surplus silver.

Here then is a full explanation of the difficulty. India has not taken as much silver of late as she formerly absorbed, for the simple reason that she could not get it. The British Government, with their annual drafts of fifteen millions sterling, blocked up the channels, and prevented the influx of silver into India as effectually as if they had passed a law restricting the movements of the precious metals. But every one knows what happens when any country is deprived year after year of a commodity for which there is a stated demand. For a little while the old accumulations are utilized, economies are practiced, a little thrift and pinching frugality here and there, enables the community to do without part of its necessary supplies; but there comes before long a point in this process, beyond which economy cannot be pushed. To this point, in all probability, India would soon arrive, in consequence of the stoppage of her usual supplies of the precious metals, and especially of silver. At least such a result as this may fairly be predicted, if we can show that the industrial system of India and the need for an increase of the monetary circulation which that system develops, is really in a condition of growth and promise. To that proof we will now proceed.

And first of all, let us look at the railroad progress which India has made during the last twenty years. In that period nearly 100,000,000 sterling have been expended on railroads in India. We all know from visible proof, in a thousand

instances around us, what an economic force railroads are able to develop in a country as gifted with productive energy as the United States. But we must not make the mistake of supposing that the creative power of railroad growth is as intense and as active in India. Against this error we are warned by the fact, that in our own country hundreds of miles of railroad have been built, which scarcely pay the expenses of operation. Moreover, among our more prosperous railroads, there are all possible varieties and gradations of earning power. In India the same general tendencies have been developed, but on a lower scale, and the most prosperous of the railroads constructed in that country do little more than pay five per cent. on the capital which has been expended in their construction. We may as well explain here, that with singular foresight the British Government, two or three years before our civil war, gave a notable stimulus to the construction of railroads in India by a system of subventions and liberal guarantees. In virtue of these, the Government, in ninety-nine years, will own all the Indian railroads; but during that period, the Government guarantees five per cent. interest on the cost of the roads, and gives beside all the land required for the road, the stations and the other works.

Although, however, the railroads in India have failed to earn enough to pay a fair rate of interest on the capital expended upon them, yet it is well known that there are other compensative advantages which railroads often confer, so that even where they fail to pay dividends as investments, they contribute greatly to the increase of national wealth. In this country it has been computed that a well-constructed, judiciously situated road, with proper outlets to a market, adds ten times its cost within a dozen years to the whole belt of country through which it passes. How far this principle has been already verified in India we cannot tell, inasmuch as the statistics of the interior trade are, as we have said, unpublished. Moreover, the process of development has been retarded, from the circumstance that branches have not been constructed where they are most wanted, and the ordinary roads are in a very bad condition, so that the transportation of many products is impossible, and the railroads lose a great deal of business which would come to them if the local roads were multiplied and kept in good order, and if other feeders were constructed to develop the traffic. Still in spite of all the difficulties which have opposed the growth of the commerce of India, a steady improvement is visible, and there is no apparent evidence that the movement will not be continued. The number of passengers carried by all the lines has doubled since 1865, as has also the tonnage of the freight passage. Looking at the exports of merchandise, we find that its amount has in-

creased steadily if not with great rapidity. From 1860 to 1864 the gross exports of merchandise amounted to £210,733,000; from 1865 to 1869 the aggregate was £379,314,000; from 1870 to 1874, notwithstanding the depression which has been so much complained of, the exports have been £281,177,000, a greater sum than ever before.

We need not enlarge upon this aspect of the Indian trade, the facts are too evident to need comment. We next pass to the prospects for the future, and one of the first questions that suggests itself, is as to the capacity of India to manufacture a portion of the goods which have been heretofore imported from Great Britain. No small amount of agitation has been prevailing in Lancashire on this subject. The cotton manufacturers have been loudly complaining that the five per cent. duty imposed in India on the importation of cotton fabrics, was doing much damage to their trade. After paying this duty and the loss on exchange, the English manufacturer, it was said, was at a great disadvantage, and was actually being driven from the market by his competitors in India. In the *London Times* of March 7th, 1876, the following statement is made on this subject:

“So far as regards India, it is pointed out that the productions of Indian mills are supplanting those of our home mills. Certain kinds of goods that the Indian mills can make have been exported from this country to India in decreasing quantities year by year, while shirtings, which as yet India does not make, have been sent from here in ever-increasing quantities. Thus, the average exports of ‘domestics, gray T cloths, and drills’ from this country between the five years 1852 to 1856 was $9\frac{5}{8}$ millions of pounds, while between the four years 1871 to 1874 it had fallen off to $4\frac{1}{4}$ millions. In the same periods the export of shirtings had increased from 1,310,000 lbs. to 3,480,144 lbs. Statistics as to Indian mills and productions, as well as relating to the effect of the Indian import duty, bear, however, most vitally on the question at issue, and are, besides, the most interesting. From them we learn that the capital invested in mills in India had increased from Rs. 22,085,000 in the middle of 1874 to Rs. 38,685,250 in November, 1875. A mill in India of 60,000 spindles and 1,000 looms would cost £200,000, and the same in England £100,000. The English mill has the advantage in depreciation, interest, and coal, while the Indian mill would have the advantage, so long as its business was confined to the home supply, in transit charges both ways. It would have to bear the cost of increased interest and depreciation to the amount of £12,500 per annum as against the English mill, and would be at a disadvantage of £8,500 in fuel, making together £21,000. The saving, however, of 15 per cent. in the charge for double transit would amount to £45,000 on a £300,000 production,

so that, after all, the balance of advantage on the side of the Indian mill, granting equality of production, would be £24,000. This calculation relates to coarse cotton goods, which Manchester appears inclined to admit that India can beat her in making, duty or not. Shirtings, it is contended, are not yet quite in the same position. The make of an Indian mill of similar cost would be only £100,000 worth of these, instead of £300,000, and the balance of advantage secured by being in the country where the cotton is grown would only be about £4,500, a sum which, possibly, English manufacturers might be able to neutralize. But the five per cent. duty here comes in and imposes another burden, calculated at £6,000, on the English goods, and suffices to turn the scale in favor of India for even that class of cotton goods which she has not as yet successfully produced. She is protected in this manufacture till able to stand alone. It is no wonder, therefore, that mills in India have increased from 11 in 1870-71 to 41 in 1874-5, and that the imports of machinery to India should be steadily growing. The most enlightened among those in Lancashire who agitate for the repeal of the Indian import duty on cotton, appear to recognize as inevitable the ultimate triumph of India in the competition for the supply of cotton manufactures to the Indian empire, but think that this triumph should not be assisted by artificial props such as this import duty, which they do not consider a necessity for the Indian exchequer."

This is no vague complaint, it is sustained as we see by the evidence of facts. The question is now set at rest that India is able to manufacture the coarser descriptions of cotton goods, and to supply herself cheaper in this way than by importation from England. As yet the development of the cotton manufacture by machinery in India is in a low condition, and only the coarsest fabrics can be made. But in process of time, by a law which is sure to assert itself, the difficulties will be overcome, and the finer fabrics will be manufactured. How this movement will affect the silver question, it is not difficult to ascertain. India has for some years past been importing cotton goods to the amount of twenty-five millions sterling. If by the improvement of her machinery and other facilities she can manufacture for herself one-fifth of this aggregate, five millions sterling will be taken off the imports, and by so much will the weight be lessened which has depressed the exchanges and disturbed the import of silver. As to the effect of this active progress of the manufacturing industry upon the interior development of India, it cannot fail to be very stimulating. For it is well known that wherever machinery utilizes labor, a demand springs up for new products, and the markets for agricultural and other commodities are extended.

FINANCE AND TRADE OF BRITISH INDIA.

It is of importance that every one who wishes to explore intelligently the silver problem, should have some accurate knowledge of the recent movements of the trade with India. From the official reports, we find that the value of the foreign trade of India in 1874-75 was, in imports, 43 millions sterling, and in exports 58 millions; and that of the interportal trade in imports 24 millions and in exports 27 millions. Putting aside the latter, the excess of exports over imports was 15 millions sterling, and in the last ten years nearly 12 millions sterling annually. This is the result of India's indebtedness to England.

The home-charges for administration, pensions, interest on capital borrowed for railways, etc., all must be paid by India; and, it may at first sight appear, without any direct return. But this is the payment which India makes for the foreign capital from which she so largely benefits, and for the peaceful government, which has raised her foreign trade from 14 millions in 1834-35 to upwards of 100 millions in 1874-75. These are benefits well worth paying for; but there is much room for further development of her resources. Estimating the population at 200 millions, the above figures amount to 10s. per head, which, compared with other countries, is a very small proportion. The coasting trade has, however, been excluded from this calculation; and this is, in reality, as truly international as is the trade between Holland and Germany, Belgium and France.

India consumes the great bulk of her own products, exporting only sufficient to pay for her current debts, and to provide for such of her few and simple wants as cannot be more cheaply satisfied by her own skill and industry. Her requirements may be said to be generally limited to Manchester cotton goods to clothe the laborer, and copper and iron for his utensils and implements. As is shewn elsewhere, modern enterprise has added machinery and mill-work; and this short list includes more than two-thirds of the total value of her imports. Her exports consist chiefly of raw produce. India finds her best customers in (1) Great Britain, (2) China, (3) France, (4) Ceylon, and (5) the Straits Settlements. The trade with these countries amounted during the year to 88½ millions, out of the total 100 millions. The Mediterranean ports, Persian Gulf, America, and Mauritius, are the next in consequence.

For many years the most important place among the imports into India has been taken by cotton manufactured

goods. They amounted to £19,421,340—an increase of £1,500,000 on the preceding year; but the trade has for some time been in an unhealthy condition, owing to the wanton pouring in of consignment after consignment upon an already glutted market. Many failures have been the inevitable result. A more serious charge against Manchester than reckless over-trading, is the inferiority of the goods sent to India. Meagre in material, sizing gives them a fictitious appearance of excellence, which vanishes after a week's wear. The injury done to the trade by this fraudulent practice may be imagined from the fact that the falling off in the demand has been great, and the local manufacture of cotton is rapidly increasing. To the evidence of this, given on another page of this issue, we may add that at the end of 1874-75, there were in Bombay forty mills, in Calcutta four, in the north-west Provinces two, and in Nagpore one; while Holkar has established one at Indore, which is worked under European supervision. Others are in course of construction, and it is estimated that not less than a million spindles and 10,000 looms are already at work in India. As regards the coarser kinds of cloth at least, Lancashire must look to her laurels, for from the country-made cottons being free from the deceptive sizing, they are much preferred by the natives. From 1850-51 to 1854-55, the value of machinery imported was £48,110, and this had in 1874-75 risen to £711,802. Bengal and Bombay take the largest share. In Bengal much attention is given to machinery for the manufacture of jute. There are now in and about Calcutta ten jute-spinning mills, employing 2,500 looms. Altogether the mills of Bengal contain 3,900 looms, worked by steam power. The Bengal manufacturers confine their operations to the making of sackcloth, rope, and twine, and find abundant demand for their goods, the mills all working full time. The prospects of jute manufacture are so hopeful at present, that one of the Dundee mill-owners has recently closed his mill at Dundee, and transferred his machinery to the banks of the Hooghly. The high prices ruling for iron in England have of late years considerably restricted the imports into India. From 1870 to 1874 they averaged only £780,770; but in 1874-75 they rose to £1,221,831. Efforts now are being made to develop the production and manufacture of iron in India. At Kumaon and at Lohara it is to be obtained in considerable quantities, and it can probably be economically worked elsewhere. Tobacco was imported to the value of £70,274. Serious attention is being given to the cultivation and preparation of the plant in India, and it is anticipated that in a few years nearly the whole of the money paid to foreign countries for this article will be saved.

Among the exports the first place was claimed by cotton,

the value in 1874-5, was £15,257,342 against £13,212,241 in 1873-4. England takes two-thirds of the total, but of this from fifty to sixty per cent. is re-exported to the Continent, where the machinery is specially adapted to the short-stapled cotton produce in India. The demand for the fibre for local consumption is increasing. In addition to the cotton mills of Calcutta, there are two at Cawnpore, and in many rural districts the hand-loom still constitute a flourishing industry. Wheat was exported to the value of £490,435 against £827,606. The best wheat-growing districts are so remote from the coast, and the cost of transit is so heavy, that export becomes profitable only when there are failures in the crops elsewhere and there is a sensible rise in prices. This was the case in 1873-4, when prices ranged high in the European markets, and the remission of the duty in 1873, enabled Indian wheat to compete with the produce of other countries. In the next year prices fell to such an extent that wheat was actually cheaper in Bombay than in the wheat-growing districts of India. A great decrease in the exports was the natural result. The exports of shellac were £189,564 against £184,149; lac-dye was exported to the amount of 8,379 cwt., against 9,902 cwt. The duty was removed in 1874. The trade has been declining for many years owing to the heavy pressure of the export duty. The manufacture of lac-dye is always combined with that of shellac, the dye being the coloring matter contained in the body of the insect whose resinous excretion is converted into the shellac of commerce. In the manufacture of shellac, it is necessary to eliminate the dye, and the process of allowing the liquid dye to solidify into cakes costs a mere trifle. Formerly the dye was more valuable than the shellac, but, owing to the competition of cochineal and aniline dyes, it has now so declined in price that it is only made because its manufacture is necessary in the preparation of shellac, the demand for which is constantly increasing. The Government accordingly decided on the remission of the duty on lac-dye, but it is doubtful whether the trade will ever revive. In Burmah and the Central Provinces measures are being taken to increase the prohibition of lac, the only obstacle to a great development of the trade in shellac being the scarcity of the raw material. More than 500,000 acres are estimated to be under tea, nearly the whole of which are situated in Assam and Bengal. In 1861-62 the exports were 130,283. Since then the trade has expanded year by year, till in 1874-75 it amounted to £1,937,429. The trade in caoutchouc has been decreasing, but the Forest Department is taking measures for the propagation of rubber-producing trees. In Burmah large tracts are covered with them, and the supply might be greatly increased. The value of hides exported was £1,981,982. The merchants purchase hides from a low class, who travel about

the country skinning dead cattle. A large commerce in hides, implying, as it does, great mortality from drought, murrain, etc., is by no means a matter of rejoicing in India. The jute trade decreased from £3,436,015 to £3,246,882. But it is very fluctuating. The United States are competing with India in the cultivation of jute, and grow an article superior to that produced in India. It is said that a good deal of the jute sent to the United States consists of butt-ends, cut off when the jute is pressed into bales. These are called "cuttings" in Calcutta, and, with "rejections," now form a regularly quoted article of export to America, where they are employed in the fabrication of various "shoddy" stuffs. In former years these cuttings were thrown away. "On reviewing the trade of the year," says the *London Times*, from whose summary we have taken many of the above facts, "India may be congratulated on a notable increase in both her imports and exports over the figures given for the preceding twelvemonth. Additional facilities of communication are her chief necessity. Everywhere traffic is seriously hampered by the excessive cost of carriage; but, as the fertile districts of the remote interior are year by year brought nearer to the ports and coast-towns, we shall be more and more convinced of the wondrous wealth of those inexhaustible resources which are only waiting for the genius and enterprise of commerce to call them forth to enrich the world." Subjoined is a table showing the growth of the trade of India, with the movements of gold and silver from 1855 to 1876 :

GOLD AND SILVER MOVEMENTS IN BRITISH INDIA.

	<i>Imports of Merchandise.</i>	<i>Imports of Gold and Silver.</i>	<i>Exports of Merchandise.</i>	<i>Exports of Gold and Silver.</i>	<i>Government Revenue.</i>
1855-56	£ 13,943,494	£ 11,301,288	£ 23,039,268	£ 601,177	£ 30,732,903
1856-57	14,194,587	14,413,697	25,338,451	1,253,426	31,587,811
1857-58	15,277,629	15,815,436	27,456,036	822,438	31,643,267
1858-59	21,728,579	12,817,071	29,862,871	669,427	35,965,018
1859-60	24,265,140	16,356,963	29,960,203	929,007	39,602,805
1860-61	23,493,716	10,677,077	32,970,605	1,119,549	42,728,601
1861-62	22,320,432	14,951,985	36,317,042	683,355	43,487,934
1862-63	22,632,384	20,508,967	47,859,645	1,111,140	44,801,686
1863-64	27,145,590	22,962,581	65,625,449	1,270,435	44,279,467
1864-65	28,150,923	21,363,352	68,027,016	1,444,775	45,395,384
1865-66	29,599,228	26,557,301	65,491,123	2,165,352	48,514,749
1866-67*	29,038,715	13,236,905	41,859,994	2,431,503	41,590,736
1867-68	35,705,783	11,775,374	50,874,056	1,571,946	48,053,178
1868-69	35,990,142	15,155,954	53,062,165	1,395,580	48,531,763
1869-70	32,927,520	13,954,807	52,471,376	1,042,353	50,241,510
1870-71	34,469,119	5,444,823	55,336,186	2,220,765	50,879,058
1871-72	32,091,849	11,573,813	63,189,732	1,495,642	49,603,015
1872-73	31,874,625	4,556,585	55,231,463	1,308,579	49,673,189
1873-74	33,836,029	5,792,533	54,981,561	1,958,512	49,360,142
1874-75	36,222,087	8,141,046	56,359,229	1,625,309	50,226,688
1875-76	38,515,000	.....	56,210,000	.....	50,991,000

* 12 months.

THE PUBLIC LAND POLICY OF THE UNITED STATES.—SOME OF ITS EFFECTS.

BY GEO. M. WESTON.

The possession of an immense mass of unoccupied lands, in the ownership of the Government, and within the entire control of legislation in respect to the manner and terms of their disposition, has been, perhaps, the most important circumstance in the condition of this country. It may have somewhat affected the rate of the growth of our population, and has certainly influenced in an enormous degree its wide diffusion over the continent, and with all the consequences, industrial, social and political, which attend the diffusion, as contrasted with the concentration, of a people. It is easy to trace the effects of the policy actually pursued. Speculation upon the probable effects of a different policy is also both easy and inviting, but perhaps not profitable. The past is beyond the reach of change. Observations upon it are sometimes practically useful, in suggesting some departures for the present and future. In the case of our public lands, however, this can hardly be so. New departures are, from all circumstances, impracticable. The old policy will be persevered in to the end, which will only be found in the exhaustion of the public domain. As affecting present interests, the real point of enquiry is, when the event of exhaustion will occur.

The price of the public lands was first fixed under the present Constitution, by the Act of May 18, 1796, at two dollars per acre, payable one-half in cash and the other half in a year without interest.

The Act of May 10, 1800, did not change the price, but modified the terms, requiring only one-fourth in cash. The three-fourths were made payable in one, two and three years, with interest at six per cent.

The Act of 1796 directed one-half of the townships to be subdivided into quarters, and the other half of the townships to be subdivided into sections of 640 acres each. The Act of 1800 directed the townships which had been subdivided into quarters, to be further subdivided into half sections of 320 acres. The Act of March 26, 1804, directed subdivisions into quarter sections of 160 acres. The tendency was thus constant towards enabling purchasers of small parcels to deal directly with the Government instead of with speculators. Under the Confederation, sales had been made in vast tracts. Thus in 1787, a single sale of one and a half millions of acres had been made to the Ohio Company. In 1789 a con-

tract was made for the sale of an equal quantity to John Cleve Symmes, although, by reason of his partial failure to pay, the actual patent to him was for less.

The Act of April 24, 1820, reduced the price to one dollar and twenty-five cents per acre, payable wholly in cash. The speculative era which followed the war of 1812-15, had induced large purchases in advance of the wants of settlement, and the Government found itself loaded with land notes to the amount of twenty-three millions of dollars. Payments were improbable, and for the most part impossible. The remedy, forfeiture of the lands for non-payment, was not desirable, and public feeling forbade a resort to it. The Government, as was to be expected, compromised. It gave the benefit of the new price to the old purchasers, and when persons had bought several parcels, it allowed them to apply the partial payments upon all, to any selected one. Forfeiture as to the past was deprecated and avoided in all possible ways. For the future, the rule was to be cash, and no credit. The substitute for credit was found in pre-emption laws, constantly undergoing modifications, but always liberal, and even more liberal in their actual administration than in their exact letter. For certain terms of time, they really secured a credit for the whole price, instead of for a part of it, and credit without interest. Intending purchasers obtained a right in their selected parcels by mere occupation. Their payments were postponed, and without enhancement from interest. The Government thus gave an effective credit, without assuming the relation of a creditor, always a troublesome and sometimes a dangerous relation for governments to assume.

The price remained fixed at \$1.25 per acre, until the passage of the Graduation Act of August 4, 1854. Col. Benton, who best and most conspicuously represented the Western desire, that the lands should cease to be a source of revenue, and be administered with sole reference to hastening the occupation of the interior of the continent, commenced and maintained his attack upon the price of \$1.25 per acre, by demanding graduation. He moved a bill for that purpose in 1823, only three years after that price was fixed, and during the remaining twenty-seven years of his Senatorial career, pressed it in season and out of season, with that vigorous and untiring persistence which characterized him in everything. He carried his point, after a contest three times the length of the siege of Troy, leading the final assault, after his transfer to the House, with blows as heavy, and spirit as animated, as when he commenced the war.

Under the Act of 1854, the prices have reduced, of lands which had been open for entry for two years to one dollar, for fifteen years to seventy-five cents, for twenty years to fifty cents, for twenty-five years to twenty-five cents, and

for thirty years to twelve and a half cents. Considering the Government merely as a proprietor of lands, and having no other interest than in the price received for them, this was reversing every rule of sound management. As the surveys and offerings at auction and for subsequent private entry were constantly beyond the absorbing power of actual settlement, immense bodies of good land remained for years uncalled for, but would all have reached the price of \$1.25, or a much higher one, in the progress of time. Graduation was nothing more or less than reduction of price, and only defensible upon such general views of public policy as could be urged for a reduction of price.

Preceding the Graduation Act in order of time, but only by four years, was the Swamp Land Act of 1850, which transferred to the States in which they were situated, all the lands, upwards of fifty millions of acres, designated on the original surveys as swamp lands, but as a whole, the most fertile lands within the limits of the Union. These transfers were for the avowed purpose of enabling the States concerned to perform certain duties of drainage, levees, and reclamation, no security being required or given for the performance of these duties, and they remaining to this day, and likely forever to remain, substantially unperformed. They were disposed of by the States as gratuities, or for nominal sums, the whole effect being to cheapen the public domain, the measure being thus the precursor, and in many respects the justification, of the Graduation Act, which soon followed.

The work was crowned by the Homestead Act, passed during the civil war, and which offered the public domain, without money and without price, upon the single condition of a brief occupancy, and made this offer, not to Americans only, but to the whole human race, merely requiring of foreigners the declaration of an intention to become American citizens. It was supported, of course, by the same Western influence, constantly becoming more powerful, which had reduced the price of the public lands in 1820, and again in 1854 by the Graduation Act. It also received great aid from the pendency of the contest, then at its height and in the last stage of armed conflict and bloodshed, between the free and the slave states. It was foreign immigration which had turned the scale of power in favor of the former, and they were inclined to welcome every measure which would still further increase and consolidate the strength of the white population on this continent.

The policy of the United States has, perhaps, in the aspect of its constant offer of cheap lands to immigrants from the old world, increased the rate of the growth of our population. This was the early idea, and is still the generally prevalent one. It is one of the accusations brought against the king

of Great Britain in the Declaration of Independence, that he sought "to prevent the population of these States," by obstructing naturalization and by "raising the conditions of new appropriations of land." Doubtless, our public lands at a low price, or as a gift, have been an attraction to immigrants, but it may be that evils have resulted from them, which have repelled as much immigration as has been attracted. That will be the view of those who think they have caused an abnormal diffusion of population, and a general loss, by reducing the profits of capital and the wages of labor. It is certain from observation, that mere abundance of land, without other attendant favorable circumstances, has very little power to draw population. Examples of that kind have been presented in the empire of Brazil and in the magnificent regions on the La Plata. They have been presented also in our own Southern States. The Australian colonies receive great accessions of people by migration, but have not so far invited it by their land prices, which would not be called cheap in comparison with ours, although cheap in comparison with English prices. They have maintained them at one pound sterling per acre. Some of them have had a special object in preventing the diffusion of population beyond the actual need of land for cultivation, this object being the preservation of ample ranges for sheep. If five dollars per acre have in no appreciable degree diminished the number who have traversed half the globe and to the antipodes, it is not clear that an equal price would have diminished the number of voyagers across the Atlantic.

The revenues of the Australian colonies are largely derived from lands. The following are the returns for the last year (1875-6) from two of them, of the total revenue and of that from lands, stated in pounds sterling :

	<i>Total.</i>	<i>Lands.</i>
New South Wales.....	£ 4,545,302	£ 2,375,226
Victoria.....	4,322,923	1,020,207

But whatever doubt there may be about the effect of our land policy upon the present aggregate of our population, there can be none as to its effect upon the territorial location of it. It has diffused our people over the boundless West, and absolutely arrested the growth of the agricultural population of the old States. Great hardships have been undergone, and the condition of remote settlers has only been made tolerable by public works of vast cost. All the advantages of compact populations have been thrown away. Cultivation, except in proximity to cities, has been kept within the rudest conditions, little capital being applied to it, and the process being continuous of wearing out the natural fertility of soils. If the prosperity which consists in the rise of real estate is witnessed in the regions to which population has been attracted, it is offset by the decay of the depleted

sections. Grave doubts exist, whether the wealth of the country as a whole would not have advanced more rapidly, if the work of subduing the continent had been conducted in a different fashion, by slower advances, and by a more complete utilization of what was in possession, before moving forward into new regions. There has been an enormous waste in constructing roads and ways of all kinds, and the profits of virgin fertility have been thrown away in long and expensive transportation. Vast sums have been squandered in Indian wars, which a different policy would have avoided. The public expenditure of that kind in New Mexico was officially calculated several years ago to have amounted to one hundred millions of dollars, an immense treasure, totally sunk, and adding nothing to the present value of that region. The gradual western advance of our population, moving with a certain degree of compactness, would have saved nearly all our Indian wars. But the hunt for new acres has been as wild and all-devouring as the hunt for new mines. We want Tamaulipas and Sonora because they contain gold and silver, when we have enough now to occupy all our capital and labor for indefinite years, and when an enlarged area, by multiplying costs and difficulties, must diminish aggregate production and in a still greater degree the profits of production. And we have demanded and obtained new areas for cultivators, who could have raised as much corn and wheat, and with much more gain, on the areas which they abandoned.

Some resistance has been made to the policy which has prevailed. That was manifested in the first (1796) adjustment under the present Constitution, of two dollars per acre as the price of the public lands, which implied a great change from the views which had controlled a short time previously. The ordinance of 1785 offered the public lands at twenty cents per acre, receivable in the greatly depreciated debts of the Confederate States, and without effecting many sales. An advance from twenty cents to two dollars in eleven years, resulted from, and signaled, the great revolution in political affairs. The adoption of the Constitution and the restoration of the currency and credit of the country, brought it out of a slough of despondency, and placed it on solid land. The hopes of men, as is always the case, rose higher than the actual prosperity. It was buoyancy succeeding to despair. Men anticipated the rapid growth of our population, but they could not and did not foresee that opening of the West by canals and railroads, which has so enormously enlarged the available area of the country. There was therefore at that time more disposition, and more reason for a disposition, than there has ever been since, on the part of capitalists, to look upon arable lands as a desirable investment. That sort of speculation was the

order of that day, and to that fact, undoubtedly, is to be attributed the legislation of 1796 in respect to the price put on the public domain.

The most conspicuous illustration of the tendency of that epoch, is the case of Robert Morris, the financier and banker of the revolution, who wrecked his affairs in these land enterprises, and suffered actual imprisonment for debt as a consequence. 1796 is the exact date of his constituting a company, the North American Land Company, owning six millions of acres. Mr. Bingham, the merchant prince of the same city, Philadelphia, bought about the same time of the government of Massachusetts two millions of acres in Maine, and, if tradition can be relied upon, was preparing at the time of his death, to offer a price for all that Massachusetts owned there. All the then centers of wealth participated in the movement. The old families in Portsmouth paid more eighty years ago for agricultural lands in northern New Hampshire, than they would command to-day. Boston, which strangely enjoys the reputation of caution and conservatism in business affairs, when in fact no city in America contains a population so enterprising and wide-reaching, speculated in lands right and left—in Maine, in New York, in Virginia, and in the extreme South. It was debts contracted in Virginia lands which led to the long imprisonment in Paris of Mr. Swan, of Boston, during the first Empire, noticed in so many books. Boston was fortunate in New York, but its losses in the Yazoo lands were heavy and wide spread, and led to many bankruptcies. A wit of that city commemorated them in verses altered from "Captain Kidd," of which the burden was :

"I bought Yazoo lands,
And I failed, and I failed."

These prevalent ideas on the part of the leading men of the old States, controlled the legislation of 1796, and maintained the price of the public lands at two dollars per acre down to 1820. As already noticed, the effort for a further reduction, commenced almost immediately after 1820, was stubbornly and successfully resisted until 1854, when the Graduation Act was carried.

The debates in the Senate of the United States in 1830, memorable on many accounts, but especially so from the reply of Mr. Webster to Mr. Hayne, was on a resolution proposed by Mr. Foote, of Connecticut, to suspend the further surveys of the public lands. There were then on the market seventy millions of acres, surveyed, once offered at auction, and therefore open to private entry. The resolution had for its object the arrest of the diffusion of our population. It was resisted and defeated as an attack, inspired by Eastern jealousy, upon the prosperity and growth of the West, and no further effort in that direction has been made.

The policy actually pursued, culminating in the Homestead Act, and certain never to be reversed, has had results, in the enlargement of our empire, which are splendid and dazzling. The mischiefs attending it will be remedied by time. The extent of the remaining public domain, fit for agricultural occupation, is far less than its geographical area. We have fairly reached those treeless and waterless plains and impracticable mountain ranges, known as the Great American Desert on the maps of the first quarter of this century. On to the Pacific Coast States, there are wide capacities for grazing, and great mineral wealth of all kinds, but only patches fit for the use of farmers, in the American sense of that word. We know too little about it even now to render it safe to speak with positiveness. Col. Fremont said of it, thirty years ago, that it was a desert, "*but with large exceptions.*" Competent authorities still differ widely as to how large the exceptions are. It is very recently that exceedingly variant opinions were given to the public by Gen. Augur and the late Gen. Custer, the former maintaining that the whole country, from Mexico to the Dominion of Canada, west of the rooth meridian of longitude west of Greenwich, quite to the Sierras, was substantially and hopelessly sterile. The adventurous march of the miners will rapidly improve our geographical knowledge; but it is at any rate clear that the larger part of our original arable domain has been run over. Sooner or later, it will be exhausted, and the work of filling up the vast areas, now idle and waste, in the old States, will then commence. If it is prudent to forecast the future, that will usher in an era of prosperity greater and more solid than anything of which we have boasted in the past.

The old States, fronting on the ocean, could to-day supply Europe with food, at a better profit than it is now supplied from the West, burdened as the West is with the charges of transport to the seaboard. Mr. Laird, the most accurate British writer on such subjects, says that the transport charges on our Western wheat, sold in England, equal the rentals on English lands. No small part of the apparent profit of the interior States is imaginary, being in fact a consumption of the virgin fertility of the soil. That is not a current profit at all, but a using up of capital. There are alluvial lands in North Carolina of vast extent, to be had almost for the asking, which would produce corn as bountifully as the fields of Iowa. Gov. Andrew, of Massachusetts, said ten years ago that the wheat lands of Maine and New Brunswick could supply the then entire consumption of the United States. That was theoretically as true, as that single counties in Mississippi can furnish the average cotton crop of the whole country, which is frequently said. Both statements involve the supposition that all the acres fit for the

wheat and the cotton, are used for those crops, which is practically impossible. But the lands of northern Maine are as fertile and as perfectly adapted to wheat, as the lands of Minnesota. The climate is not more inhospitable, and the advantage of position, for the European market, is enormous. In what respect is old tide-water Virginia inferior agriculturally to Missouri in the same latitude?

It is difficult for mankind to realize the possibility of anything new to their experience. The value of agricultural lands in the Atlantic States, as an investment for a rise, or for rentals, has been broken down so completely and so long by the policy of the Government of the United States in its capacity as the great proprietor, that they have almost ceased to be regarded as property in the ordinary sense. It is admitted that men can subsist upon them, but nobody buys vacant agricultural lands with the hope of an augmenting price, nobody improves them with the expectation of getting back the cost, and nobody conceives the idea of a possible rent roll from them. This condition of things, the only one known to our experience, is really abnormal and will be temporary. The cause of it is passing away before our eyes. General laws will finally prevail over exceptional interruptions to their operation. Cultivable lands, within the temperate zone, and under the conditions of an intelligent population and stable government, will not cease to be valuable, so long as the natural wants of mankind remain unchanged. Wheat would have no price, if there were government granaries for its gratuitous distribution, and nobody can sell land so long as the government gives it away. Granaries may be indefinitely replenished, but of acres the number is definite and fixed, and therefore exhaustible.

BANK CLERKS' PROVIDENT FUNDS.

[FROM THE LONDON BANKER'S MAGAZINE.]

The practice of promoting life insurance and provision of annuities for families among clerks and employés has made considerable progress in several of the principal banking companies of the United Kingdom; and, in affording some information on the subject, we feel that we are doing what will be generally acceptable, while at the same time stimulating the professional interest in a beneficial system, which is probably capable of being much and easily extended. The business of insurance and provident funds in all their various forms is so essentially financial in its character that it may be said to belong more peculiarly to the banks, as great centers of the employment of labor and talent, than

to other commercial or industrial establishments, not devoted to insurance business alone. But it is obvious that, wherever there is a large and permanent employment, whether of clerical or manual labor, there is an opportunity of introducing provident arrangements which would fulfil social relations much more effectually than hitherto, and probably have a surprizing effect on the general condition of society much beyond the range of our present subject, which is that simply of provident funds so far as they have been developed in the banking companies. The banks, one may say, have on the whole more facility of introducing secure provident arrangements among their employés than most other trading companies; and, if the system is to become anywise general, it is in the banks one would expect to find the chief and leading illustration.

The principal banking companies have a system of retiring allowances; and in most banks there are also guarantee funds intended to cover mistakes, which may arise innocently enough on the part of the employés in the course of their transactions. These are arrangements made by the bank directorates. They may be said to be sovereign conditions of the employment which every one knows on entering an office, and which we may well believe to have worked beneficially, though they may be susceptible of revision and improvement. But not to mix matters essentially distinct, the subject here principally referred to is that of provident arrangements, not the *dicta* of bank directors or supplied out of the funds of the banks, but the results of well-approved scientific calculation, on which the employed can enter on their own resources with as much security and advantage as they could hope to realize in the widest voluntary sphere, and yet to which their official organization may give a special efficacy and elasticity.

The Bank of England has given an example on this important subject which is well entitled to consideration. The insurance fund of the Bank appears to have begun with a provision for the widows of clerks, and annuities payable after a certain period of life, the advantages of which were so sensibly experienced that a desire arose to place the arrangements on a broader basis; and about twenty years ago, with the general approval required by the rules, the funds and benefits accruing to the members in the annuity and widows' fund were transferred to "The Bank Provident Society," which was organized on a more comprehensive plan, and became obligatory on every clerk on his election into the service of the bank. The members of the older society, whose reversion did not amount to \$200, were required to insure their lives for the deficiency, and a minimum life insurance of \$200 became a leading feature of the new institution. This insurance might be increased at any period or at

various periods to a sum not exceeding £1,000, and might be paid for either in a single sum, or in annual premiums, deducted quarterly under authority of the court of directors, from the salary of the clerk. This insurance being effected on the usual medical examinations, and the payment of the premiums being made perfectly secure, there can exist only entire confidence among all the members of the society, and a clerk can make any disposition of the sum assured that may best suit his relations in life—to his widow if he leaves a widow, or to his children if he has children, or to his kin if he be a bachelor, either in principal sums or by conversion into annuities. All the original purposes are thus fulfilled, while the new arrangements have more flexibility, and more complete adaptation to the various circumstances of the members. When the children of a clerk are minors, he is expected to name a guardian to whom the fund he has appointed in their behalf is to be paid; but if this duty should in any case be neglected the trustees of the society look out some suitable person, whose receipts are a discharge of the fund. Where a member fails to make any appointment of the sum or part of the sum he has assured, it goes to the surviving wife, or if he do not leave a widow, equally among his children, and the issue of deceased children, such issue taking share *per stripes* and not *per capita*. In the case of failure of any will or appointment on the part of the holder of an insurance, it is unavoidable that the trustees should follow mainly the law of personal property. Thus in the case of a member who had four sons and daughters, one of whom is deceased, but has left several children, the latter would receive among them one-fourth part of the fund. The same rule would apply, say in the case of a clerk who has two brothers, one of whom is dead, but has left a family. The latter would receive among them one-half of the fund, while the other half would go to the surviving brother. The rules of the Bank of England Provident Society are drawn with much skill, and it reflects no little credit on the leading officials, as well as the Court of Directors, that so much pains have been taken to secure full freedom of disposal on the part of the several members, and in any unarranged event, a clear, equitable, and satisfactory distribution of the funds.

But in connection with the provident society of the Bank of England there is also a savings deposit department, which must be of the greatest convenience to the clerks, and must stimulate in a high degree their personal economy and financial rectitude. Any member of the provident society, or, in other words any clerk in the service of the Bank, can deposit sums not less than £1 at a time and not more than £50 in a year, and can withdraw from this deposit account on the first Tuesday of each month without previous notice.

The rate of interest on such deposits, though subject to a ten-yearly revision, has hitherto been 4 per cent., which is considerably more interest than can be realized in the old "Trustee," and still more than in the Post-office savings banks. It is considerably more than accrues on the average from any class of bank deposits. At all events, it is a considerable incentive to saving habits on the part of the clerks, to which the Bank itself lends its means of investment and its guarantee. The funds of the savings department are paid over by the managers to the governor and company of the Bank, who thus become responsible for them and for the interest, which latter is calculated to the 30th November each year, and is added to the several accounts. The insurance funds are invested in Government or such other securities as are approved from time to time by the governor or deputy-governor of the Bank, or partly in deposit with the bank at interest. The tables fixing the rates of annual premium reckon interest at 4 per cent. on the invested fund. The highest professional aid and guidance of the Bank of England and thus brought to bear in promoting the security and profit of these provident funds of the clerks.

The general mortality tables have been so amply extended and revised under the more accurate and accumulated statistics of late years as to afford actuaries every means of ascertaining on the largest and most open scale the average risk of life, and the payments and rate of interest necessary to assure certain results within a lifetime or a given period. The practice of life insurance has also been so well studied by the principal companies in that line of business, and has been so variously modified and nicely adapted to every convenience of assurers, that there is scarcely any financial question now better understood, or on which at least there is such minute and extensive information of ascertained results. But in the case of men pursuing a particular avocation, a closer study of the rates of mortality is possible than when the estimate is applied to the general community; and if life insurance can be securely effected at a cheaper rate in such cases than in others, there is no reason why employes more especially should not, or rather every reason why they should, have the advantage of it. The rates of insurance in the Provident Society of the Bank of England are based on "the bank mortality;" and they are certainly more economical to the insured than the rates of any of the public companies which we have examined. This could be easily shown were it desirable to make any comparisons; but the fact is chiefly worthy of mention here as showing the advantage in some cases of this professional form of life insurance, and of its applicability in particular to banking companies. There can be little question that the tables of the Bank of England Provident Society have been drawn with the highest actuarial

skill, and that they must be specially worthy of the attention of all who are seeking to follow the course of which our great national institution has given so good an example.

The general principles observable are, that in the simple life insurance of £200 or upwards, by an annual premium from seventeen or any more advanced age, there is the nucleus of all future provident arrangement. The sum assured may be increased at any time either by the payment of a principal sum or an increase of the annual premium; or if it is desired at the beginning or a later stage of the policy that the payment of the annual premium should cease at a fixed period of life, this can also be attained by a higher premium in the intervening years. When the sum assured becomes due, it can be paid in whole or in divisible sums, according to the appointment of the policy-holder; or it may be converted, on a value basis of three per cent. interest, into immediate life annuities on terms according to the age of the person or persons on whose lives the annuities are to depend. Or annuities of £1 and upwards may be purchased on the same terms, apart from the insurance policy, on lives from the age of ten and under eleven to seventy-nine and under eighty, or any greater age. All these various ends are well embraced in the Bank of England system; and it will be observed how flexible the provident fund becomes under such conditions; with what freedom the members may enlarge, modify, or re-dispose their separate interests in the fund; and how fully it is adapted to the social circumstances that may arise in the life-experience of persons dependent mainly on salaries.

One objection, or at least one cause of hindrance or indifference that may be felt towards such provident arrangements among the employés of banking companies is the trouble they may give, the discussions and dissensions they may evoke, or the legal complications in which they may result, though we hope this cause would have little or no influence in any well-managed concern. But, as far as we have learned, in the Provident Society of the Bank of England these difficulties have been found more imaginary than real, and the business is conducted, not indeed without both time and attention on the part of the officials entrusted with the management, but with the utmost smoothness and good feeling. As for a lawsuit, it is not only the rarest of exceptions, but seldom or never occurs. This is only what might be expected among educated persons, proud of their institution, conscious of its benefits, and having ample choice of officials among gentlemen of the highest experience in the administration of money affairs. But it is also no doubt due to the sense of perfect security that prevails, and to the excellence of the provisions made for the solution of such difficulties as may arise. The trustees, managers, and one of the two audi-

tors are elected by the members, and when the trustees have anything to propose to the society it is put before the members, and the votes taken by signature in a book, under two columns, "agreed," or "not agreed." The necessity of general meetings is thus in a great measure or wholly dispensed with. In some cases an appeal is provided to the highest authorities of the Bank. Thus a manager, elected by the members, may be removed by the resolution of a majority, but only with the consent of the Court of Directors; and any member or other person is debarred from instituting any proceeding in law or equity in the affairs of the society without the consent in writing of the governor, on pain of absolute forfeiture of all right or interest in the funds of the society, or in any money payable thereout. Litigation, if any should arise, is thus confined to cases in which there is a legal question at issue only solvable conclusively by a court of law or equity; for it is improbable that the consent of the governor would be given to law proceedings in any other circumstances. Any member dismissed from the service of the bank for misconduct, or voluntarily resigning otherwise than on a retiring pension, forfeits his interest in the funds; but, in such events, the president and trustees have a discretionary power of returning to the member the whole or part of the premiums he may have paid, without interest.

The practicability of working a provident society among bank employes with success and harmony has thus been demonstrated in a high sphere; and the valuable experience acquired in the Bank of England may well be consulted, whether for guidance in the formation of similar societies, or for improvement and extension where provident arrangements already exist.

The advantages of provident societies in connection with banks appear to us extremely important. In the first place, it is obvious that when such a society is organized in a banking company, the clerks in its employment are certain of being much more generally insured than if left to the ordinary motives and inducements to insure for themselves elsewhere, and that they will also be insured at an early period of life, which is a matter of much importance in the future course of a policy. The habit of looking forward, of saving and laying up a fund thus early and uniformly initiated, cannot fail to have a favorable influence in promoting steadiness of character and general uprightness of conduct, apart from the future benefits secured. It must be allowed also that the salaries of bank clerks are often very disproportioned to the important trusts and interests with which they are charged; and for this reason it is all the more necessary that salaries should be utilized to the best advantage, and that bank clerks, above almost any other employes of the same kind, should find themselves protected, as they advance

in life, against an old age of penury or a family totally unprovided for at their death. Some stress is also to be placed on the beneficial effect which a good and perfect example of this kind in the banking companies might have on other classes of the community. Bank employés are required to be models of accuracy, care, and integrity in the duties of their profession; and it seems only a part of their general position that they should be also eminent in what must be regarded as one of the prime duties and necessities of a steady and honorable life.

BILLS OF EXCHANGE.

THE PRINCIPLES OF INTERNATIONAL LAW TO GOVERN THEM.

The Commission appointed at the Hague in 1875 at the Conference of the Association for the Reform and Codification of the Law of Nations, has prepared the following principles, which have been approved by the Conference held at Bremen in 1876. The Commission consists of Sir Travers Twiss, D. C. L., Chairman, England; Professor Aubert, Norway; Dr. Björck, Sweden; Dr. Borchardt, Germany; Dr. Bredius, Netherlands; Dr. Hindenburg, Denmark; Dr. Jaques, Austria; H. D. Jencken, Hon. Secretary, London. All communications relating to the Commission are to be addressed to the Hon. Secretary, 33 Chancery Lane, London, E. C. :

Principles for an International Law to govern Bills of Exchange, agreed upon by the Commission of the Association for the Reform and Codification of the Law of Nations appointed at the Hague in 1875, and approved by the Conference at Bremen in 1876.

1. That the capacity of a party to contract under a bill of exchange shall be governed by the capacity of the party to enter into an obligation generally.
2. That to constitute a bill of exchange it shall be necessary to insert on the face of the instrument the words "Bill of Exchange."
3. That it shall not be obligatory to insert on the face of the instrument or in any indorsement the words "Value received," nor to state the consideration.
4. That the employment of "usances" shall be abolished.
5. A bill of exchange shall be deemed negotiable, unless restricted in express words on the face of the instrument or in an indorsement.
6. That the making of a bill of exchange or promissory note to bearer shall not be allowed.
7. That the rule of law of *distantia loci* shall not apply to bills of exchange.
8. That a bill of exchange be negotiable by blank indorsement.

9. The indorsement of an overdue bill of exchange which has not been duly protested for dishonor for non-payment, shall convey to the holder a right of recourse only against the acceptor and indorsers subsequent to the date for protest. Where due protest has been made, the holder shall only possess the rights of the last indorser against prior parties, subject to equities.

10. That the acceptance of a bill of exchange must be in writing, on the face of the bill itself. The signature of the party or parties upon whom it is drawn (without additional words) shall constitute acceptance, if written on the face of the bill.

11. The party upon whom a bill of exchange is drawn shall be permitted to accept for a less sum than is expressed on the bill of exchange itself.

12. The cancellation of a written acceptance shall not be valid.

13. That no days of grace shall be allowed.

14. The party seeking recourse shall not be limited to the order of succession of indorsements, and he shall be entitled to his election at any time against all or any of the parties to the bill.

15. That protest or noting for protest shall be necessary to preserve the right of recourse upon a bill of exchange dishonored for non-acceptance or for non-payment.

16. That default of notice of dishonor for non-acceptance, or non-payment, shall not entail upon the holder or other parties to a bill of exchange the loss of their right of recourse for the amount stated on the face of the bill, but the defaulting party shall, nevertheless, be liable for any damages consequent upon such default.

17. The legal time required for protest shall be extended in the case of *vis major* during the time of the cause of interruption, but shall not in any event exceed a short period of time to be fixed by the Code.

18. That the annulling clause on the face of a bill of exchange shall not be necessary in the case of duplicates.

19. That the right of action on a bill of exchange shall be allowed against all or any one or more of the parties to a bill of exchange.

20. That in the foregoing articles the expression "promissory note" shall not apply to coupons, bankers' checks and other similar instruments in those countries where such instruments are classed as "promissory notes."

The Conference desires to express the opinion that, in the event of a universal Code for bills of exchange coming into operation, no special agreement between the parties to a bill of exchange, or any custom, should be permitted to exclude or limit the operation of the Code.

SILVER AND GOLD MINING IN THE UNITED STATES.

BY ABRAM S. HEWITT.

At the Annual Meeting of the American Institute of Mining Engineers, at Philadelphia, the President, the Hon. Abram S. Hewitt, delivered an address on the progress of Mining and Metallurgy in this country. After giving a graphic sketch of the mining industry, and narrating the circumstances of the discovery and working of the mines of lead, copper, iron, and coal, he passed to the mines of the precious metals. We abridge his remarks as follows :

EARLY GOLD MINING IN THE SOUTH.

Jefferson, in his *Notes on Virginia*, mentions the finding of a lump of gold weighing seventeen pennyweights, near the Rappahannock ; and, about the beginning of this century, the famous Cabarrus nugget, weighing twenty-eight pounds, was discovered at the Reed Mine, in North Carolina. But the great gold excitement in the South followed the discoveries in Georgia, from 1828 to 1830. The maximum of production (probably never more than \$600,000 in any one year,) was from 1828 to 1845, since which time it has declined to insignificance, though a few enterprises, both in hydraulic and quartz mining, are now actively prosecuted.

THE GOLD MINES OF CALIFORNIA.

The discovery of gold in California, in 1848—or, rather, its rediscovery, since it had previously been known to both the natives and the Jesuit missionaries, and also to hunters and trappers. The wonderful direct and indirect results of this event have been too often the theme of orators, historians, and political economists, to need a further description from me. Its direct result in the way of mining, was the rapid exploration of the Western Territories by eager prospectors, and the successive development of placer-mines in nearly all of them. It is difficult to fix the dates of these beginnings, but we may assume, with sufficient accuracy, that gold mining practically began in Oregon in 1852, in Arizona in 1858, in Colorado in 1859, in Idaho and Montana in 1860. With the completer exploration of the country and the decline of the placer-mines, stampedes have grown less frequent and extensive than in the earlier days. There is scarcely any corner of the country left, except the Black Hills of Dakota, which has not been ransacked sufficiently to show whether it contains extensive and valuable placer-deposits ; and those districts which present accumulations of gold in such a way as to offer returns immediately, to labor without capital, have

been already overrun. The principal reliance of our gold mining industry for the future, must be quartz and hydraulic, or deep gravel mines. These may be expected to maintain, for years to come, their present rate of production, if not to increase it. In the gold production, there is, it is true, a falling off of late years; but this is to be attributed to the placer-mines.

THE MINES OF QUICKSILVER.

Next, we notice, the commencement, about 1851, of regular mining operations at the New Almaden Quicksilver Mine, in California. The production of this metal in the United States has been thus far confined to the State of California; and it will be seen from the table of the production of the New Almaden Mine, that it has always furnished a large, though of late a waning, proportion of the grand total for the country.

An important condition for the development of our mines of the precious metals was the commencement of Hydraulic Mining Industry. The position of the auriferous slates and quartz veins, on the west flank of the Sierra, with the precipitous mountains behind them, and the broad plain before, has favored exceptionally the formation of deep auriferous gravels, in which California far exceeds any other known region. And the same topographical features furnish the two other prime requisites of hydraulic mining, namely, an abundant supply of water and a sufficient grade of descent to permit the use of flumes and the escape of tailings. These advantages the keen-witted miners of the Pacific Coast were quick to make available; and I think we may set down the invention of hydraulic mining, which occurred, I believe, about 1853, as an epoch in the progress of American mining. It has given us an entirely new and original branch of the art, involving many ingenious hydrodynamic and hydrostatic contrivances; and it has certainly made possible the exploitation of thousands upon thousands of acres of auriferous gravel which could not have been profitably handled in any other way. The mountain torrents of the Sierra, caught on their way to the Pacific, have been forced to pause, and do the work of man. The same agencies that buried the gold among the clay and pebbles of the river beds are now made to strip the covering from it and lay it bare again. The hydraulic mines produce at present not less than \$10,000,000 or \$12,000,000 annually, and many enterprises of this kind, which have been prosecuted through years of expensive preparation, and are just now beginning to touch their harvests of profit, will add henceforth to the product. I may mention, as an illustration, the extensive operations of the North Bloomfield and its two allied companies in California, which have expended in works \$3,500,000, and will have six deep tunnels aggregating over 20,000 feet, and canals supplying 100,000,000 gallons of water daily.

THE NEVADA SILVER MINES.

The next great event in the history of American mining was the discovery, in 1859, that the Comstock Lode was rich in silver. This opened an era of activity and speculation which has scarcely ceased since that time. Single districts have been subjected to fluctuating experiences, passing from the first enthusiasm through all the stages of hope to reaction and despair; but though the fortunes of each have risen and fallen like the changing tide, it has nearly always been highwater somewhere. Thus we have had a succession of favorites in the way of silver-mining districts, each one crowding its predecessor out of the public notice. Of these, the following list includes the most permanently productive: In Nevada, the Unionville, Reese River, Belmont, White Pine, Eureka, Esmeralda, and Pioche districts; in California, the argentiferous district of Inyo County; in Idaho, the Owyhee district; in Utah, the Cottonwood and Bingham districts; in Colorado, the silver districts of Clear Creek, Boulder, and Summit Counties, to which the latest favorite, the San Juan region, may be added. I have named those localities in which mining industry is still active and flourishing. There is a longer and a sadder list, the funereal effect of which I will not intrude upon this festive occasion. But the apparent failure and abandonment of many districts heretofore does not argue their lack of prospective value. It is amazing that under the adverse conditions surrounding the industry of mining in regions "remote, unfriended, solitary"—though not "slow"—so many communities should have succeeded in taking permanent root. Too much is expected of this industry when it is required to supply the lack of labor, food, transportation, government, and the organized support which in settled societies all the trades and occupations give to each other. Pioneer work is full of peril and of waste; and in view of the wonderful results achieved by our pioneers in mining, it ill becomes us to sneer at the losses and failures which constitute the inevitable cost of such conquests. But through all the vicissitudes of silver mining in other districts, the Comstock mines have maintained their place, an instance of rapid exploitation and of aggregated wealth of production unexampled in history. Here, too, there have been intervals of failing hope; but a new bonanza has always made its appearance before the resources at hand were entirely exhausted; and we have seen extracted from the ores of this one vein, during the past fifteen years, the round sum of \$200,000,000 in gold and silver. Dr. Raymond assumes the product of gold to have been (on the authority of Mr. Hague) about forty per cent. of the entire value. We have, therefore, from the Comstock mines during the period named \$80,000,000 gold and \$120,000,000 silver. The swift development of these mines and the active commencement about the same time of deep quartz-mining operations in California led

to a remarkable progress in mining machinery and to the perfection of two distinctively American processes. I refer to the California stamp-mill and amalgamation process for gold and the Washoe pan process for silver. Neither of these is so novel in principle as the hydraulic process of gold mining already mentioned; but both of them have received the peculiar impress of an ingenuity and mechanical skill partly innate in our national character, and partly the product of the stern pressure of economic necessities. Into the fruitful field of further metallurgical improvements born of our Western mining industry—or adopted by it—such as the Blake rock-breaker, the Stetefeldt roasting-furnace, the Bruckner cylinder, the Plattner chlorination, and many others less widely known, I cannot enter here. Our people have advanced in this line with headlong energy, and accomplished great results—at great expense. Much undoubtedly remains to be done; and it may be hoped that future progress will be equally rapid, but less costly. The introduction, three or four years ago, of the smelting processes of Europe for the treatment of the silver ores of the West, is a striking and encouraging instance of the quickness of our mining communities to seize upon the advantages of experience.

THE DESTRUCTION OF NATIONAL BANK NOTES.—The Comptroller of the Currency has issued a circular to National Banks, in which he says:

“It has become necessary to present for the consideration of the National banks, a fact which has occasioned much inconvenience and which is the cause of daily increasing embarrassment, namely, the rapidity with which the National bank notes are wearing out and being returned for destruction, taken in connection with the large number of agents appointed to witness this destruction in behalf of the banks. It is necessary to destroy the notes of from one hundred to one hundred and fifty banks in one day, and the names of about one hundred and fifty persons are registered as agents. Much time is consumed in looking up these gentlemen. Some of them cannot be found when wanted; some are dilatory and others neglect to attend when notified. Then when they assemble the number is often so great that there is no room for their accommodation, and great confusion, delay, and inconvenience are likely to result. The matter has at length reached that point where some change must be made; some relief must be obtained or the public business will be seriously obstructed. He has accordingly concluded that the most feasible method of obviating the difficulties of the situation will be to submit the names of a sufficient number of reliable agents, and request the banks to make a choice from that number.

“The following names are presented: The National banks of Washington city, Messrs. A. S. Pratt & Son, J. C. G. Kennedy, T. W. Patchin, Esq., Messrs. Middleton & Co., Lewis Johnson & Co., and Joseph S. Burnett, Esq. All these will be in daily attendance at the office and will save the necessity of giving special notice, as well as loss of time in looking for them. The necessities of the case have forced him to adopt this plan, and while he does not wish to be arbitrary, such regulations must be prescribed as will prevent unreasonable delay in the transaction of public business.”

THE BURDENS OF BANK TAXATION.

[From the Report of the COMPTROLLER OF THE CURRENCY, December, 1876.]

Section 5214 of the Revised Statutes provides that the National banks shall pay to the Treasurer the following taxes: One per cent. annually upon the average amount of notes in circulation and one-half of one per cent. annually upon the average amount of deposits, and the average amount of capital stock not invested in United States bonds.

The following table exhibits the amount of United States taxes collected, annually, from the organization of the system (1863) to July 1, 1875; which amount has been collected without any expense whatever to the government except the compiling of the returns in the Treasury:

Year.	On Circulation.	On Deposits.	On Capital.	Aggregate.
1864 .	\$ 53,096.97 .	\$ 95,811.25 .	\$ 18,402.23 .	\$ 167,310.45
1865 .	733,247.59 .	1,087,530.86 .	133,251.15 .	1,954,029.60
1866 .	2,106,785.30 .	2,633,102.77 .	406,947.74 .	5,146,835.81
1867 .	2,868,636.78 .	2,650,180.07 .	321,881.36 .	5,840,698.21
1868 .	2,946,343.07 .	2,564,143.44 .	306,781.67 .	5,817,268.18
1869 .	2,957,416.73 .	2,614,553.58 .	312,918.68 .	5,884,888.99
1870 .	2,949,744.13 .	2,614,767.61 .	375,962.26 .	5,940,474.00
1871 .	2,987,021.69 .	2,802,840.85 .	385,292.13 .	6,175,154.67
1872 .	3,193,570.03 .	3,120,984.37 .	389,356.27 .	6,703,910.67
1873 .	3,353,186.13 .	3,196,569.29 .	454,891.51 .	7,004,646.93
1874 .	3,404,483.11 .	3,209,967.72 .	469,048.02 .	7,083,498.85
1875 .	3,283,405.89 .	3,514,310.39 .	507,417.76 .	7,305,134.04
Totals.	\$ 30,836,937.42 .	\$ 30,104,762.20 .	\$ 4,082,150.78 .	\$ 65,023,850.40
1876	3,091,795.76	3,505,129.64	632,396.16	7,229,221.56
Totals.	\$ 33,928,703.18	\$ 33,609,891.84	\$ 4,714,546.94	\$ 72,253,071.96

Section 5173 of the Revised Statutes provides that the expenses of this office shall be paid out of the proceeds of the taxes or duties assessed, and collected on the circulation of the National banks. The amount of tax paid upon circulation from the organization of the system to July 1, 1876, is \$33,928,703.18, while the whole expenses of this Bureau for the same period, together with the cost of printing the notes, have been but \$4,060,223.59.

The Comptroller, in reply to a circular letter addressed by him to the National banks, requesting them to report the amount of State taxation paid by them for the year 1875, has received returns from 2,018 banks, having a capital of 493,738,408 dollars. The returns made to the Treasurer for the same year under the provisions of the Statute mentioned, have been classified in this office by States, and the following table has been prepared, showing the amount of United States and State taxes, and the rate of taxation, in every State and principal city of the Union, for that year.

STATES AND TERRITORIES.	Capital.	Amount of Taxes.			Ratios to Capital.		
		United States.	State	Total.	U. S.	State.	Total.
		p. c.	p. c.	p. c.	p. c.	p. c.	p. c.
Maine.....	\$9,790,104	\$112,652	\$215,981	\$328,633	1.2	2.2	3.4
New Hampshire....	5,482,514	61,006	103,949	164,955	1.1	1.9	3.0
Vermont.....	8,216,467	89,360	169,044	258,404	1.1	2.2	3.3
Massachusetts.....	43,063,374	491,157	865,198	1,356,355	1.1	2.0	3.1
Boston.....	51,362,454	703,218	957,283	1,660,501	1.4	1.9	3.3
Rhode Island.....	20,548,433	201,639	269,402	471,041	1.0	1.3	2.3
Connecticut.....	25,852,987	277,984	435,680	713,664	1.1	1.7	2.8
New York.....	35,471,333	529,804	962,982	1,492,786	1.5	2.7	4.2
New York City....	68,466,576	1,376,541	2,093,143	3,469,684	2.0	3.1	5.1
Albany.....	2,088,462	62,215	71,740	133,955	3.0	3.6	6.6
New Jersey.....	14,972,520	208,559	300,844	509,453	1.5	2.1	3.6
Pennsylvania.....	29,055,994	410,928	175,059	585,987	1.4	0.6	2.0
Philadelphia.....	17,019,239	346,950	128,996	475,946	2.0	0.8	2.8
Pittsburgh.....	10,059,941	141,545	56,246	197,791	1.4	0.5	1.9
Delaware.....	1,523,185	22,025	7,952	29,977	1.5	0.5	2.0
Maryland.....	2,268,238	30,468	31,355	61,823	1.3	1.4	2.7
Baltimore.....	11,469,355	150,003	230,368	380,371	1.3	2.0	3.3
District of Columbia	252,000	4,555	262	4,817	1.8	0.1	1.9
Washington.....	1,239,564	16,905	3,462	20,367	1.4	0.3	1.7
Virginia.....	3,535,719	54,132	70,710	124,842	1.5	2.0	3.5
West Virginia.....	1,971,000	25,775	30,102	55,877	1.3	1.7	3.0
North Carolina.....	2,232,150	31,406	34,584	65,990	1.4	1.6	3.0
South Carolina.....	3,135,000	34,747	106,760	141,507	1.1	3.4	4.5
Georgia.....	2,716,974	29,023	45,790	74,813	1.1	1.6	2.7
Florida.....	50,000	854	1,056	1,910	1.7	2.1	3.8
Alabama.....	1,638,866	18,865	22,204	41,069	1.2	1.4	2.6
New Orleans.....	3,766,067	59,314	9,870	69,184	1.6	0.3	1.9
Texas.....	1,205,350	15,819	20,844	36,663	1.3	1.7	3.0
Arkansas.....	205,000	1,983	3,288	5,271	1.0	1.6	2.6
Tennessee.....	3,468,092	47,341	78,427	125,768	1.4	2.3	3.7
Kentucky.....	7,201,765	80,777	36,311	117,088	1.1	0.5	1.6
Louisville.....	3,158,000	45,012	16,290	61,302	1.3	0.5	1.8
Ohio.....	21,110,393	292,900	507,231	800,131	1.4	2.4	3.8
Cincinnati.....	4,000,000	80,198	105,199	185,397	2.0	2.6	4.6
Cleveland.....	4,550,000	51,011	104,872	155,883	1.1	2.3	3.4
Indiana.....	18,588,189	229,606	470,836	700,442	1.2	2.6	3.8
Illinois.....	11,873,363	186,188	271,636	457,824	1.6	2.3	3.9
Chicago.....	7,673,757	173,506	188,524	362,030	2.3	2.5	4.8
Michigan.....	8,568,270	105,676	146,993	252,669	1.2	1.7	2.9
Detroit.....	1,900,000	33,331	24,744	58,075	1.8	1.3	3.1
Wisconsin.....	2,974,651	47,584	55,156	102,740	1.6	1.9	3.5
Milwaukee.....	700,000	16,263	19,229	35,492	2.3	3.0	5.3
Minnesota.....	4,391,068	60,781	93,736	154,517	1.4	2.3	3.7
Iowa.....	6,416,067	104,667	126,088	230,755	1.6	2.0	3.6
Missouri.....	2,742,199	30,301	93,407	129,828	1.3	3.5	4.8
St. Louis.....	6,160,300	75,135	177,464	252,599	1.2	2.8	4.0
Kansas.....	1,588,821	22,901	45,548	68,449	1.4	3.2	4.6
Nebraska.....	994,758	22,277	21,689	43,966	2.2	2.3	4.5
Oregon.....	250,000	5,654	3,037	8,691	2.3	1.2	3.5
California.....	1,552,622	17,186	.....	17,186	1.1	.....	.....
San Francisco....	2,917,112	35,780	.....	35,780	1.2	.....	.....
New Mexico.....	300,000	4,228	3,250	7,478	1.4	1.1	2.5
Colorado.....	923,478	18,997	25,714	44,711	2.1	3.3	5.4
Utah.....	300,000	3,472	2,550	6,022	1.2	1.3	2.5
Idaho.....	100,000	1,429	2,397	3,796	1.4	2.4	3.8
Montana.....	350,000	7,047	9,137	16,184	2.0	2.6	4.6
Wyoming.....	125,000	2,049	3,523	5,572	1.6	2.8	4.4
Dakota.....	50,000	742	900	1,642	1.5	1.8	3.3
Totals.....	\$503,687,911	\$7,317,531	\$10,058,122	\$17,375,653	1.5	2.0	3.5

NOTE.—The capital of the banks that paid State, County and Municipal taxes on stock and real estate is \$493,738,408. Banks in California pay no taxes upon capital stock.

Similar returns in reference to the year 1874, were last year received and tabulated in this office, and in a previous year tables were prepared giving the amount and rate of taxation, by States, for the years 1867 and 1869, all of which tables will be found in the appendix. Returns were also received from the National banks in 1866, but were not tabulated by States. The United States taxes for the year last mentioned were \$8,069,938; and the State taxes were \$7,949,451; total \$16,019,389. The rates of taxation, National, State and total, upon National bank capital in those States in which the taxation has been highest, will be found from the tables for 1874 and 1875, to be as follows:

States.	1874.			1875.		
	U. S.	State.	Total.	U. S.	State.	Total.
New York.....	1.9	2.9	4.8	1.8	2.9	4.7
New Jersey....	1.5	2.1	3.6	1.5	2.1	3.6
Ohio.....	1.4	2.2	3.6	1.4	2.4	3.8
Indiana.....	1.2	2.6	3.8	1.2	2.6	3.8
Illinois.....	1.8	2.2	4.0	1.8	2.4	4.2
Wisconsin.....	1.8	2.3	4.1	1.7	2.1	3.8
Kansas.....	1.5	3.3	4.8	1.4	3.2	4.6
Nebraska.....	2.0	3.3	5.3	2.2	2.3	4.5
South Carolina	1.1	3.6	4.7	1.1	3.4	4.5
Tennessee....	1.5	2.2	3.7	1.4	2.3	3.7

The rates of taxation in the principal cities of the country for the year 1875, were as follows:

Cities.	Rates of Taxation.			Cities.	Rates of Taxation.		
	U. S.	State.	Total.		U. S.	State.	Total.
Boston.....	1.4	1.9	3.3	Louisville.....	1.3	0.5	1.8
New York.....	2.0	3.1	5.1	Cincinnati.....	2.0	2.6	4.6
Albany.....	3.0	3.6	6.6	Cleveland.....	1.1	2.3	3.4
Philadelphia...	2.0	0.8	2.8	Chicago.....	2.3	2.5	4.8
Pittsburg.....	1.4	0.5	1.5	Detroit.....	1.8	1.3	3.1
Baltimore.....	1.3	2.0	3.3	Milwaukee....	2.3	3.0	5.3
Washington....	1.4	0.3	1.7	St. Louis.....	1.2	2.8	4.0
New Orleans..	1.6	0.3	1.9	St. Paul.....	1.3	2.2	3.5

The following table gives the amount and ratios to capital of State and National taxation for the years 1874 and 1875, by States and geographical divisions:

GEOGRAPHICAL DIVISIONS.	1874.			Ratios to Capital.			
	Amount of Taxes.			U. S. State. Total.			
	Capital.*	United States.	State.	Total.	p. c.	p. c.	p. c.
New England States	\$ 160,517,266	\$ 1,896,533	\$ 2,080,484	\$ 4,877,017	1.2	1.8	3.0
Middle States.....	190,162,129	3,325,425	3,911,371	7,236,796	1.7	2.1	3.8
Southern States....	33,558,483	436,540	517,792	954,332	1.3	1.5	2.8
Western States and Territories.....	109,513,801	1,597,585	2,210,679	3,808,264	1.5	2.0	3.5
United States...	\$ 493,751,679	\$ 7,256,083	\$ 9,620,326	\$ 16,876,409	1.5	2.0	3.5

GEOGRAPHICAL DIVISIONS.	1875.			Ratios to Capital.			
	Amount of Taxes.			U. S. State. Total.			
	Capital.*	United States.	State.	Total.	p. c.	p. c.	p. c.
New England States	\$ 164,316,333	\$ 1,937,016	\$ 3,016,537	\$ 4,953,553	1.2	1.8	3.0
Middle States.....	193,585,507	3,300,498	4,062,459	7,362,957	1.7	2.1	3.8
Southern States....	34,485,433	445,048	476,236	921,284	1.3	1.4	2.7
Western States and Territories.....	111,300,588	1,634,969	2,502,890	4,137,859	1.5	2.4	3.9
United States...	\$ 503,687,911	\$ 7,317,531	\$ 10,058,122	\$ 17,375,655	1.5	2.0	3.5

An estimate of the total taxation of the National banks, for the ten years ending in 1875, was given in my last annual report, and it is repeated here with the substitution of the correct amounts for 1875, in place of the partly estimated ones then given:

YEARS.	Capital.	Amount of Taxes.			Ratios to Capital.		
		United States.	State.	Total.	U. S. p. c.	State. p. c.	Total. p. c.
1866....	\$ 410,593,435	\$ 7,949,451	\$ 8,069,938	\$ 16,019,389	1.9	2.0	3.9
1867....	422,804,666	9,525,007	8,813,127	18,338,734	2.2	2.1	4.3
1868....	420,143,491	9,465,652	8,757,656	18,223,308	2.2	2.1	4.3
1869....	419,619,860	10,081,244	7,297,096	17,378,340	2.4	1.7	4.1
1870....	429,314,041	10,190,682	7,465,675	17,656,357	2.4	1.7	4.1
1871....	451,994,133	10,649,895	7,860,078	18,509,973	2.4	1.7	4.1
1872....	472,956,958	6,703,910	8,343,772	15,047,682	1.4	1.8	3.2
1873....	488,778,418	7,004,646	8,499,748	15,504,394	1.4	1.8	3.2
1874....	493,751,679	7,256,083	9,620,326*	16,876,409	1.5	2.0	3.5
1875....	503,687,911	7,317,531	10,058,125*	17,375,653	1.5	2.0	3.5

* The capital of the banks which reported State taxes was, in 1874, \$476,836,031, and in 1875 it was \$493,738,408.

Section 5204 of the Revised Statutes provides that no National bank shall withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. It also provides that losses and bad debts shall be deducted from the net profits before any dividend shall be declared; and that all debts due to an association, on which interest is due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of the law; and this provision is construed to include stocks and bonds upon which interest is past due, as well as promissory notes. The examiners have been specially instructed to scrutinize the loans of the banks and report the amount of bad debts held by them. These instructions have been carefully followed, and the large amounts which have been charged to profit and loss may be justly attributed to their faithful services and this wise provision of law.

The following table exhibits by States and principal cities the losses charged off by the National banks under this provision, for the two dividend periods of six months each, ending respectively on March 1, and September 1, 1876:

(See Table on next page.)

This table represents returns from all the National banks transacting business which charged losses to profit and loss or surplus account during the periods named; and it shows that the total losses disposed of, were, during the first period \$6,501,169.82, and in the second period \$13,217,856.60, making a total of \$19,719,026.42. The amount charged off by the New York city banks during the year was \$6,873,759.97, by the Boston banks, \$1,598,722.68, by the Philadelphia banks, \$152,976.14, by the Pittsburgh banks, \$333,851.56, by the Baltimore banks, \$876,207.32, and by the New Orleans banks, \$519,701.41. A very small proportion of the assets thus charged off may ultimately be recovered; but there are still other considerable amounts of doubtful debts held by the banks, and it is estimated that an amount nearly as great will be charged to surplus, or profit and loss during the ensuing year.

The banks in the principal cities have for three years past held large amounts of currency as a dead weight, which greatly augments the nominal amount of deposits reported by them. There is no provision of law for disposing of this excess, either by funding, as originally authorized by the legal-tender act, or by redemption in specie, either of which would reduce the amount of circulation. The rate of interest prevailing has therefore been unprecedentedly low, the average rate in the City of New York, for the three years ending June 30, 1876, having been 3.4 per cent. upon call loans and 5.8 per cent. on commercial paper, while the average rate during the year has been 3.3 per cent. on call loans and 5.3 per cent. on commercial paper. It is therefore seen that the rate during the fiscal year of 1875-6 was somewhat less than the average rate for the three years previous. The banks have thus held a large amount of money which could not be used at remunerative rates. The Government is receiving a revenue from the banks which is more than equal to all taxes paid by them before the war; while the States are also increasing very greatly the burdens which were previously as great as could be borne. Within the past two years seventy-one banks, and since the organization of the system, 207 banks, have gone into voluntary liquidation, chiefly on account of excessive taxation; and during the last year fewer banks have been organized than in any previous year since 1869, and unless some favorable legislation is obtained, a large number of banks will retire from the system to engage in private banking. In previous reports the Comptroller has called the attention of Congress to the fact that the amount of tax to which the National banks are subject, (the average rate, including State and National, being about three and one half per centum per annum) is much greater than that imposed on any other capital in the country. The reason for this will be apparent when it is remembered that the data for the assessment and taxation of National banks can always be obtained from their published statements; while the amount of the capital of other corporations, private firms and individuals, cannot be as accurately determined. The United States tax on bank capital and deposits was essentially a war tax; and such impositions having been long since removed from every other similar interest, the Comptroller is fully of the opinion that justice to all parties requires its removal from this one also.

The recommendation for the repeal of the provision imposing a tax upon bank deposits, and also of the one requiring the affixing of a two-cent stamp upon bank checks, is renewed.

States and Cities.	March 1, 1876.		September 1, 1876.		Total of Losses.
	Banks.	Amount.	Banks.	Amount.	
Maine.....	16	\$ 89,913.35	24	\$ 97,775.10	\$ 187,688.45
New Hampshire. 13	69,274.06		24	168,389.65	237,663.71
Vermont.....	10	47,040.80	17	192,390.16	239,430.96
Massachusetts....	65	337,254.65	109	919,404.60	1,256,659.25
Boston.....	30	471,115.98	43	1,127,606.70	1,598,722.68
Rhode Island.....	24	224,163.45	21	203,482.25	427,645.70
Connecticut.....	43	246,769.22	44	365,079.55	611,848.77
New York.....	98	471,725.71	123	828,951.80	1,300,677.51
New York City. 36	2,288,694.10		43	4,585,065.87	6,873,759.97
Albany.....	3	57,687.01	5	39,327.09	97,014.10
New Jersey.....	25	118,276.08	37	181,632.15	299,908.23
Pennsylvania.....	60	197,013.13	81	536,812.13	733,825.26
Philadelphia....	15	72,485.07	13	80,491.07	152,976.14
Pittsburg.....	11	76,533.97	14	257,317.59	333,851.56
Delaware.....	2	1,032.59	5	3,250.20	4,282.79
Maryland.....	6	893.67	8	25,252.35	26,146.02
Baltimore.....	10	260,665.29	11	615,542.03	876,207.32
Washington....	2	8,122.17	4	2,706.19	10,828.36
Virginia.....	12	30,554.02	13	68,408.16	98,962.48
West Virginia....	5	9,777.49	4	176.25	9,953.74
North Carolina....	3	21,375.27	6	29,344.75	50,720.02
South Carolina....	6	30,005.09	6	73,861.04	103,866.13
Georgia.....	4	40,289.88	10	120,270.30	160,560.18
Alabama.....	3	15,764.58	4	56,264.44	72,029.02
New Orleans....	5	73,829.99	7	445,871.42	519,701.41
Texas.....	6	26,353.66	8	15,603.93	41,957.59
Arkansas.....	1	24,486.69	....	.....	24,486.69
Kentucky.....	12	8,637.41	14	20,193.77	28,831.18
Louisville....	4	13,611.01	7	40,492.78	59,103.79
Tennessee.....	6	9,176.41	11	26,403.70	35,580.11
Ohio.....	53	187,825.75	71	362,699.67	550,525.42
Cincinnati....	2	35,392.95	3	66,817.50	102,210.45
Cleveland.....	4	22,033.30	5	30,275.63	52,308.93
Indiana.....	35	143,564.63	36	309,039.14	452,603.77
Illinois.....	31	76,350.24	47	167,676.16	244,026.40
Chicago.....	15	193,323.66	12	202,068.59	395,392.25
Michigan.....	22	51,712.91	34	138,064.04	189,776.95
Detroit.....	1	5,165.06	3	46,454.78	51,619.84
Wisconsin.....	16	53,304.89	17	16,186.29	69,491.18
Milwaukee....	2	16,574.15	2	26,868.77	43,442.92
Iowa.....	29	95,931.48	32	186,443.66	282,375.14
Minnesota.....	18	26,238.59	14	28,504.01	54,742.60
Missouri.....	10	32,757.31	11	11,712.05	44,469.36
St. Louis.....	3	39,159.30	4	318,059.15	357,218.45
Kansas.....	7	8,815.01	7	18,729.94	27,544.95
Nebraska.....	4	12,763.29	4	3,906.90	16,670.19
Oregon.....	1	45.82	1	5,709.76	5,755.58
California.....	1	2,198.23	2	15,655.32	17,853.55
San Francisco..	2	121,250.55	1	81,868.65	203,119.20
Colorado.....	6	16,914.87	6	45,137.33	62,052.20
Utah.....	1	34.85	1	2,781.25	2,816.10
New Mexico.....	2	3,190.04	1	126.32	3,316.36
Wyoming.....	1	18.50	1	2,645.30	2,663.80
Idaho.....	....	.....	1	2,666.85	2,666.85
Montana.....	4	9,082.64	2	392.22	9,474.86
Totals.....	806	\$ 6,501,169.82	1,034	\$ 13,217,856.60	\$ 19,719,026.42

THE TAXATION OF SHARES OF NATIONAL BANKS

U. S. CIRCUIT COURT, E. D. OF MISSOURI—SEPTEMBER TERM, 1876.

St. Louis National Bank v. Papin; National Bank of Missouri v. Same; Third National Bank v. Same; Fourth National Bank v. Same; Valley National Bank v. Same; Merchants' National Bank v. Same.

1. **TAX LEVY—WHEN EQUITY WILL INTERFERE.**—Shares being taxable, and no excessive valuation being complained of, equity will not restrain the collection of the taxes, though the assessing officers may have arrived at a correct result by some erroneous method.
2. **RULE OF CONSTRUCTION OF STATUTES.**—Where an act of the Legislature is susceptible of two interpretations, one of which will overthrow the act or make it unconstitutional, and the other will support the act and give it effect, the latter is to be adopted by the judicial branch of the Government. This principle is one which commends itself to the Federal courts with great force, in all cases where they are called upon to expound and apply State legislation, and especially so where the courts are asked to overthrow the revenue laws of the States.
3. **CONSTRUCTION OF NATIONAL BANKING ACT.**—By the section of the National Banking Act (Rev. Stats., Sec. 5219), which permits the States to authorize all the shares held in national banks by any person, to be included in the valuation of his personal property, and to be assessed at the place where the national bank is located, subject to the restriction "that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individuals," Congress has limited the States to taxation upon the shares in national banks as distinguished from taxation of the banks *eo nomine* upon their property or capital. A State cannot evade the restrictions of the act by requiring the value of the property of the bank to be added to the value of the shares otherwise ascertained, and thus produce an unfavorable discrimination in the taxation of bank shares.
4. **MISSOURI REVENUE ACT—NATIONAL BANKS.**—As regards national banks, section 35 of the revenue act of this State may be construed as intended to impose a tax upon the shares only in such banks at their actual cash value, to be estimated by the taxing officers upon an inquiry *inter alia* into the actual value of the property of the banks, so far as it imparts or confers a value upon the shares.—*Central Law Journal.*

Before Hon. John F. Dillon, Circuit Judge, and Hon. Samuel Treat, District Judge.

The national banking act permits all the States to authorize all the shares held in national banks by any person to be included in the valuation of his personal property, and to be assessed where the national bank is located, subject to the restriction (the only one here involved), that such shares shall not be taxed "at a greater rate than is assessed upon other moneyed capital in the hands of individuals." (Rev. Stats., Sec. 5, 219.) The constitution of Missouri requires all property to be taxed in proportion to its value. In the revenue act of the State of Missouri, approved March 30, 1872 (Wag. Stat., ch. 118) are the following provisions in respect to the taxation of property and shares in corporations.

Section 35 of this act provides as follows:

"Persons owning shares of stock in banks or any joint stock institution or association doing a banking business, or any insurance company, whether fire, marine, life, health, accident, or other insurance, incorporated under or by any law of the United States or of this State, are not required to deliver to the assessor a list thereof; but the president or other chief officers of such corporation shall, under oath, deliver to the assessor a list of all shares of stock held therein, and the names of the persons who hold the same, and shall also state the actual cash value of such stock and all the property belonging to such corporation. In estimating the value of such stock and property, the officer making the same shall estimate and include all reserve funds, undivided profits, premiums or earnings, and all other values belonging to such corporation, which cash value shall be assessed and taxed as other personal property. Insurance companies, or any corporations doing business on the mutual plan without capital stock, shall make like returns of the net value of all assets or values belonging thereto, which net value shall be assessed and taxed in like manner; private bankers, brokers, money brokers and exchange dealers shall in

like manner make returns of all moneys or values of any description invested in, or used in, their business, which shall be taxed as other personal property”

Section 36. “The taxes assessed on shares of stock embraced in such list shall be paid by the corporations respectively, and they may recover from the owners of such shares the amount so paid by them, or deduct the same from the dividends accruing on such shares, and the amount so paid shall be a lien on such shares respectively, and shall be paid before a transfer thereof can be made.”

Sections 37 and 18 and 120 of the act refer to the mode of proceeding to collect the taxes, and penalties for noncompliance with its provisions.

Six of the national banks located in St. Louis brought in this court bills in equity for an injunction to restrain the collection, amounting to \$158,772 53, levied for the year 1875, under the authority of the revenue laws of the State, upon the shares of the respective shareholders of the said banks. Answers were filed and proofs taken, and the cases were argued and submitted together.

James O. Broadhead, Henry Hitchcock, Noble and Orrick, and M. B. Jonas, for plaintiff; F. J. Bowman, Samuel Reber and G. A. Madill, for defendant.

Dillon, Circuit Judge, Treat, District Judge, concurring.

The bills do not allege that the State has taxed or attempted to assess any tax against any of the banks *eo nomine* in respect of property (other than real estate) owned by them in their corporate capacity. The only tax assessed by the State or under its authority, except a tax on the real estate, of which no complaint is made, is a tax upon the shares of the shareholders. It is not alleged in the bills, as a ground for injunction or relief, that the shares have in fact been valued for taxation at more than their actual cash value.

But the special ground of complaint is that the taxes in question are not authorized, and if authorized, are authorized by section 35 of the revenue act of 1872, above quoted, and that that section prescribes a mode of ascertaining and fixing the valuation of the shares (which mode the taxing officers of the State are bound to follow) in conflict with the permission given in the national banking act to the States to tax the shares, and which, if carried out, as it must be if any taxes whatever are levied under it, results necessarily as contended in taxing these shares more than the other moneyed capital in the State is taxed, thus at once contravening the restriction in this respect contained in the act of Congress, and the provision as to equality of taxation contained in the constitution of the State.

It is contended by the counsel for the banks that by the provision of section thirty-five of the revenue act of 1872, above given, the legislature has provided for taxing the shareholders not only upon the value of their shares as such, but in addition to this, for taxing them through their shares upon all the property of the bank by commanding the taxing officers to “include” the value of all such property in the valuation of the shares.

It is probably a sound view of the Federal legislation as it stands (Rev. Stat., Sec. 5,219) that Congress has limited the States to taxation upon the shares in national banks, as distinguished from taxation of the banks *eo nomine* upon their property or capital, and if so, the States could not evade the restrictions of the act of Congress by requiring the value of the property of the bank to be added to the value of the shares otherwise ascertained, and thus produce an unfavorable discrimination in the taxation of bank shares. The question is, whether the Legislature of Missouri has done what the counsel for the banks assert.

It must be that the language of section 35 is not free from obscurity, and that has been quite manifest upon the argument before us, since it showed that the counsel for the defendant have put different constructions upon it. In reaching a conclusion the court must bear in mind certain established principles of construction. One is, that where an act of the Legislature is susceptible of two interpretations, one of which will overthrow the act or make it unconstitutional, and the other will support the act and give it effect, the latter is to be adopted by the judicial branch of the Government. This principle is one which commends itself to the Federal courts with great force, in all cases where they are called upon to expound and apply State legislation, and with

more than ordinary persuasiveness and cogency in cases in which these courts are asked to overthrow the revenue law of the State.

The court is of opinion that section 35, in respect of the valuation of the shares in national banks, does not necessarily require the construction which the banks put upon it. That is to say, it does not require the value of the property of the bank as a corporate entity to be added to the value of the shares, and the whole to be divided by the number of shares, the quotient giving the value of each share. But its requirement is to ascertain and tax the share at its actual cash value; but in ascertaining that value, the officer is directed to regard and include in his estimate all reserve funds, profits, earnings, and other values. Why not? These are important elements in the question of value, and they should be included in estimating the value of the stock. From these, indeed, the stock derives its principal pecuniary value. Suppose the direction to the taxing officers was to assess the shares at their cash value, without prescribing how that value should be ascertained. The cash value may be more or less than the par value, or more or less than the market value. The actual value of shares depends chiefly upon the capital, property and values owned by the bank. Any intelligent determination of the value of a share involves an enquiry into the assets and property of the bank.

The act did not intend to make the estimate of value fixed by the president of the bank conclusive. The duty of estimating the value is devolved on the officers of the State; and as respects national banks, the provision requiring the president of the bank to return the property of the bank and state its value, can and should be regarded as intended to supply the assessing officer with data to form a just and fair judgment as to the actual value of the shares. To this end, and to preclude controversy, the act directs "reserve funds, undivided profits, premiums or earnings or other values belonging to the corporations" to be included in estimating the value of the shares. It does not seem to us that the act excludes from the consideration of the assessor the liabilities of the bank, since these must be taken into account, if the "actual cash value" of the stock and no more is to be ascertained and taxed. This view is confirmed by the next sentence, which requires corporations on the mutual plan to "make like returns of the net value"—which would allow liabilities to be regarded as ascertaining the value of the assets to be taxed.

We do not think a fair construction of sec. 35 requires the assessing officers to exclude from their consideration the liabilities and actual instead of nominal value of the assets of the bank, in ascertaining the taxable value of the property of the bank, as one means of arriving at the value of the shares.

As respects national banks, our judgment is that the act of the Legislature can be fairly construed as intended to impose a tax upon the shares only in national banks at their actual cash value; that such cash value is to be estimated by the taxing officers upon an enquiry *inter alia* into the actual value of the property of the banks, so far as this imparts or confers a value upon the shares, and that this is the purpose which should be judicially ascribed to the Legislature rather than a purpose to impose taxes upon an illegal valuation. The proofs do not show that the valuation of the shares by the taxing officers is excessive; at all events an excessive valuation in fact is not made an object of relief in the bills. Inasmuch as the shares are taxable, and no excessive valuation is complained of, equity would not restrain the collection of the taxes, even though the assessing officers may have arrived at a correct result by some erroneous method.

A decree will be entered in each case dismissing the bill of complaint.

OLD COINS.—In unloading a load of sand recently at Exeter, N. H., sixteen pine-tree shillings bearing the date of 1652 were found. They were as bright as they were when coined. They were evidently in a box that has decayed. The sand being sifted, fourteen more were afterwards found.

THE BASIS OF NATIONAL BANK TAXATION.

Supreme Court of the State of New York. First Department. General Term, November, 1876.

The People on the relation of the Gallatin National Bank, Frederick D. Tappan, *et al.* against The Commissioners of Taxes and Assessments, &c.

BEFORE NOAH DAVIS, P. J., JOHN R. BRADY, AND CHARLES DANIELS, JJ.

Writ of *certiorari* to inquire into the validity of a tax imposed on shares of the Gallatin National Bank.

BRADY, J. The actual value of the shares of the relators' stock, is the proper standard in assessing the tax to be paid.

The par value does not control. *Laws, 1866, Vol. 2d, p. 1647. 1 Rev. Stat. 393, S. 17.* It was the duty therefore of the respondents to ascertain and act upon the true value of the stock as they have done. *People vs. The Assessors of Albany City. 2 Hum. 583.* The provision that the tax so assessed shall not exceed the par value in the enabling act of Congress of 9th March, 1865, does not affect this principle. The impost may be upon a sum not exceeding the par value, when that sum represents the actual value of the share.

The precise question is settled by the highest authority. *Hepburn vs. The School Directors of the Borough of Carlisle, Penn., 23 Wallace Reps. 480.* The only restriction is that the share shall not be taxed at a greater rate than is imposed upon other moneyed capital in the hands of individuals of this State.

This limitation is not affected by the fact that a part of of the capital stock of the bank is invested in bonds of the United States. (*Van Allen vs. The Assessors, 3 Wall 573. The People vs. The Commissioners, 4 Wall 244.*) or by the fact that the bank is obliged by law to accumulate a reserve. The respondents in determining the tax to be imposed, adopted a standard of value founded upon the statement of the Relators' President, and ascertained by deducting from such value, the proportionate share of the assessed value of the relators' real estate. The reserve which is a part of the capital of the bank and the surplus as well, were properly included in the estimate of value. Both contribute to the value of the shares, and are necessarily, therefore, constituent elements of such value. The interest of the shareholder entitles him to participate in the net profits earned by the bank in the employment of its capital during the existence of its charter, in proportion to the number of his shares, and upon its dissolution or termination, to his proportion of the property that may remain of the corporation, after the payment of its debts. This is a distinct independent interest or property held by the shareholder, like any other property that may belong to him, and we add, of course subject to taxation.

Per Nelson, J., in cases in 3d and 4th *Wallace Supra.* It is quite apparent from these adjudications and the principles enunciated by them, that the respondents have acted properly, and that the writ must be dismissed with costs.

RHODE ISLAND.—At the last session of the Legislature of Rhode Island, chapter 129 of the General Statute, "of Bills of Exchange and Promissory Notes" was amended thus—to take effect June 1st, 1876;—

"All bills of exchange drawn at sight, due and payable within this State, and in which there is not a provision to the contrary, shall be allowed three days' grace."

The following act was also passed at the same time:

"Any person upon whom a bill of exchange or draft is drawn which requires acceptance, shall have until two o'clock in the afternoon of the business day next succeeding the first presentation thereof, in which to decide whether or not he will accept the same: provided, however, that all bills of exchange or drafts which may be for cause held over one day, shall, when accepted, date from the day of presentation."

THE LAW OF TRUSTEESHIP.

UNITED STATES CIRCUIT COURT, EASTERN DISTRICT OF PENNSYLVANIA.

Voight v. Lewis, Trustee of Jay Cooke & Co.

Defendants were brokers for complainant, whose bonds they had sold, and held the proceeds at the time of their failure, deposited in their names in a bank account, which they kept exclusively for their brokerage transactions; the balance of the account being more than sufficient to meet the charges arising from such transactions. *Held*, That the complainant was entitled to receive in full the amount of the proceeds of his bonds.

Opinion by McKennan, Cir. J. Oct. 26th, 1876.

If the fund in controversy did not belong to Jay Cooke & Co. at the time of their bankruptcy, no property in it passed to their trustee; and if they could not gainsay the right of the plaintiff to demand and recover it from the bank in which it was deposited, their trustee, who has to receive it, cannot now withhold it. Its origin is clearly established by the proof. It was the product of the sale by J. Cooke & Co., as the brokers of the plaintiff, of \$2,000 of Reading Railroad general mortgage bonds, and it was received by them, not as their own or for themselves, but for the use and benefit of the plaintiff. Their relation to the plaintiff then was strictly fiduciary, and in virtue of it alone were they recipients and holders of the proceeds of the sale of his bonds. As the successors of Jay Cooke & Co. only their right to this fund passed to their trustee, and he took it, therefore impressed with the same character and subject to the same equities, which resulted from their relation to the beneficial owner of it. But it does not follow from the fact that Jay Cooke & Co. received the fund in question in trust for the plaintiff, that he is entitled to the relief which he now seeks. This will depend upon whether they made any appropriation of it, so that it would not be individuated and its identity clearly traced. It is undoubtedly true that a trust fund which has been so intermixed with the money of the trustee that it cannot be followed, cannot be recovered specifically by the *cestui que trust*. But as was said by Mr. Justice Strong, in *Farmers and Mechanics' National Bank v. King*, 7 P. F. Smith, 205: "It is undeniable that equity will follow a fund through any number of transmutations, and preserve it for the owner so long as it can be identified. And it does not matter in whose name the legal right stands. If money has been converted by a trustee, or agent, into a chose in action, the legal right to it may have been changed, but equity regards the beneficial ownership."

Even at law it has been decided that a principal might maintain an action to recover from a bank the proceeds of a discount of his own note, which were placed to the credit of his agent, and which the bank, at the time of the deposit, had no notice it did not belong to the agent. *Frazier v. the Erie Bank*, 8 W. and S. 18. But it is not essential to the effective assertion of a beneficial title to a trust fund that the fund shall be susceptible of separate identification. No more is required than proof of substantial identity. Money has no ear-mark by means of which it can be specifically identified. Into whatever form it may be changed, if it can be clearly traced, equity will rescue it from a wrongful appropriation, and give effect to the right of its real owner. An ear-mark is only a means of identification, but is not evidence of ownership. It "is not indispensable to enable a real owner to assert his right to property, or to its products or substitute. Evidence of substantial identity may be attached to the thing itself; or it may be extraneous. . . . But in regard to money, substantial identity is not oneness of pieces of coin, or bank bills. If an agent to collect money puts the money collected into a chest where he has money of his own, he does not thereby make it all his own, and convert himself into a mere debtor to his principal. The principal may by law claim out of the chest the sums which belonged to him before the admixture." *Farmers and Mechanics' Bank v. King*, *supra*.

Nor will the placing of a fund received by an agent or a trustee in an independent depository to his individual credit, even where it is mingled in the account with his own and the money of other trusts, work a confusion of these

funds, and defeat the right of a beneficial owner. So it was held in *Pennell v. Deffell*, 23 Eng. Law and Eq., 460, and Mr. Justice Strong, in *Farmers and Mechanics' Bank v. King*, referring to this case with decided approval, says of it: "It was a contest between an official assignee in bankruptcy and insolvency and the executors of a prior deceased assignee, who had kept an account with bankers, into which he had paid his own money as well as moneys of the trusts. The accounts were not distinguished as official accounts, but were opened in the depositor's own name. There was nothing to show that he was not alone interested in the sums due from time to time from the bankers." Lord Justices Knight, Bruce and Turner, held that the assignee was entitled as against the executors of the depositor. The former said that "when a trustee pays money into a bank to his credit, the account being a simple account with himself, not marked or distinguished in any other manner, the debt thus constituted from the bank to him is one which, as long as it remains due, belongs specifically to the trust as much and as effectually as the money so paid would have done had it specifically been placed by the trustee in a particular repository and so remanded." There is much more in the case. It is particularly to be noticed that the moneys of several distinct trusts were carried into the account; that the trustee's own money had been mixed with them, and that a rule was laid down for determining what belonged to the trust and what to the depositor.

Applying these principles to the facts proved in this case the right of the complainant to the relief prayed for seems to be free from doubt.

Jay Cooke & Co. were brokers, and their business of this character was carried on in a department which was specially in charge of one of their employes, and was distinct from the other departments of their business. Separate books of account were kept in it, in which were entered each transaction of the firm pertaining to the purchase and sale of stock, bonds, and other securities on commission. All moneys arising from these operations were deposited in the Seventh National Bank in the name of the firm, and this amount was drawn upon exclusively to answer demands in the brokerage department. The proceeds of the sale of the complainant's bonds were carried into this account, and remained there at the time of the failure of the firm, at which time there was a balance to their credit, more than sufficient to pay the charges in the books against the brokerage department for moneys received and deposited in the bank.

Under these circumstances it cannot be gainsaid that the money received by Jay Cooke & Co. for the complainant's bonds entered into and constituted a part of the deposit in the Seventh National Bank. Its origin and amount are positively determinable, and it can, with like certainty, be traced into that account. On this point the clerk who had charge of the brokerage department testified: "I could take the records of sales and the deposit-book and trace up the money of Mr. Voight; for instance, show that it had been deposited in the Seventh National Bank, and remained there."

The substantial identity of the complainant's money is thus completely established. It did not exist in its original form, and, therefore, could not be identified in specie, but the distinctiveness of its substitute is unquestionable. If it had been converted by its agents into a specific security, equity would lay hold of it and control its appropriation for his benefit, not because it could be individuated, but because it could be identified as the product of his property, and he was therefore to be treated as its rightful owner. This result will not be changed by the fact that it has been transmuted into the form of a credit in a bank in the name of the agents themselves. It may be, and has been, traced by extraneous evidence into the bank account as clearly as if a promissory note had been substituted for it. True, it is undistinguishable, in the face of the account, from other trust funds and moneys of the agents which were carried into the account; but as the complainant's proportion of this credit is definitely ascertainable, and so separable from that of the other beneficial owners of it, it will be administered by a Court of Equity as belonging to him just as effectually as if the money which it represented had "specifically been placed by the trustee in a particular repository and there remained." *Pennell v. Deffell*, supra.

Let a decree, therefore, for the complainant, according to the prayer of the bill, be prepared.

BANKING AND FINANCIAL ITEMS

THE BANKER'S ALMANAC AND REGISTER FOR 1877 will go to press early in January. Notices of further changes among Banks and Bankers should be sent in promptly. Orders for the insertion of Banker's *Cards* must be sent in before December 20th.

Quarterly Supplements giving the latest changes to date, will be issued in April, July and October of 1877. A place for their insertion will be provided in the new volume. The price of these Supplements will be fifty cents for the three, but to advance subscribers to the ALMANAC AND REGISTER they will be furnished free of charge. Prepayment by Banks or Bankers is not necessary if any prefer to await delivery, but an *order* is essential.

THE SILVER COMMISSION constituted by a joint resolution passed at the last session of Congress, was organized during the last week of October. The original members are: Senators Jones of Nevada, Boutwell of Massachusetts, and Bogy of Missouri; Representatives Gibson, of Louisiana, Bland of Missouri, and Willard of Michigan. These have elected to complete the commission: the Hon. Wm. S. Groesbeck of Cincinnati, and Professor Francis Brown of Cambridge. Messrs. George M. Weston of Boston, and Alexander Delmar of Philadelphia, are appointed Secretaries. The Commission is now in session in New York. It will send a sub-committee to the Pacific Coast to collect evidence in regard to the production of the precious metals.

NEW YORK.—At a meeting of the directors of the Tenth National Bank on Wednesday, November, 8th, Mr. George Ackerman was elected president, to fill the vacancy caused by the recent death of Walter B. Palmer. Mr. Ackerman has been connected with the bank since its organization, and for several years has filled the position of cashier. Mr. Rufus Story, an old merchant of this city, and for several years a director of the Bank, was elected vice-president, and Mr. Edward A. Bliss was elected acting cashier. Mr. Bliss was formerly cashier of the Lee Bank, of Lee, Mass., which place he left to take the position of teller in the Tenth National Bank at the time of its organization, and with this bank he has been connected since that time.

THE SUSPENDED SAVINGS BANKS.—Wm. J. Best, the receiver of the Mechanics & Traders' Savings Institution, has obtained from Judge Osborn, at Albany, an order to pay a dividend of fifty per cent. On November 1st, 256 creditors had proved claims amounting to \$93,806, and there are other valid claims amounting to \$82,496. The receiver has obtained from the assets some \$95,000.

William M. Banks, receiver of the Security Savings Bank, has been authorized to pay a second dividend of twenty per cent. to the depositors. The former dividend was twenty-five per cent.

DIVIDENDS :—The Comptroller of the Treasury declared on October 27th, a dividend of fifty per centum in favor of the creditors of the Watkins National Bank of Watkins, N. Y.

CALIFORNIA.—A new stock board, to be called the Nevada Stock Exchange Board, is being organized in San Francisco to go into operation December 1. It will be devoted mainly to dealings in Government bonds, State and county securities, gas and water stocks, and mining stocks.

COLORADO.—A new banking institution has been formed at Trinidad, called the Bank of Southern Colorado, and begins business December 1st. The co-partnership consists of Messrs. Joseph Davis, of Davis & Sherman, Trinidad; Matthew Lynch, of Elizabethtown, N. M., Sewell T. Collins, late of First National Bank Denver, and S. G. Collins, Cashier of Exchange Bank of Denver. The business of the firm will be managed by Mr. Joseph Davis as President, and Mr. Sewell T. Collins as Cashier, their New York correspondents being Gilman, Son & Co.

ARRESTS.—Two men, giving the names of Charles Lang and Henry Boland, were arrested at Richmond, Ind., on November, 22d, having in their possession several thousand dollars in counterfeit money, mostly United States Treasury notes. Among the bills were ten \$100 Treasury notes, admirably executed. Circumstances indicated that they had been passing the money by making small purchases throughout the country.

An agent of the National Park Bank, of New York, arrived in St. John, N B., on November, 22d, and procured the arrest of Ellis, its defaulting teller, on a suit for the recovery of \$62,400 due to the Bank. It is however doubtful whether he can be returned to this city. He could only be extradited by the United States authorities, and it is probable that the Government would be unwilling to ask for his release after their failure in the Winslow and Gray cases. Ellis' capture was brought about by means of circulars containing a description of him and his party, which had been extensively circulated throughout the United States and Canada.

KENTUCKY.—The following circular issued at Louisville, November 9th, explains itself.

“TO THE BANKERS OF KENTUCKY.

“It will be remembered that R. A. C. Martin, late cashier of the Bank of Columbia, was murdered while in the discharge of his duties in 1872. His heroic conduct, which made him faithful unto death, has won for him imperishable honor. He left a widow, Mrs. Hester A. Martin, surviving him, and some means of income from stocks and bonds, but these have become unavailing, and she is now left without means of adequate support. Recently the banks and bankers of Massachusetts and other States have contributed over \$13,000 to Mrs. Heywood, the widow of the Cashier of the Northfield, Minn., National Bank, who was murdered, as is supposed, by the same desperadoes who killed Mr. Martin. This contribution to the wants of Mrs. Heywood is commendable, and the object of this communication is to ask the bankers of Kentucky, the native State of Mr. Martin and his widow, to come to her aid in this time of her need, and secure for her at least an adequate support. We will take pleasure in receiving for Mrs. Martin's benefit such sums as can be sent.

“T. T. ALEXANDER,

“Late President Bank of Columbia.

“L. C. MURRAY,

“Cashier Kentucky National Bank.”

We trust that the banks of the nation at large will not fail to testify promptly and fully their appreciation of the faithfulness of both these officers. Everyone ought to contribute something.

Those who are placed in charge of valuable interests, if ever called upon to face danger in their defence, should be allowed no reason to fear that through their fidelity others dependent upon them may be brought to penury or want.

THE TWO HEROES.—The memory of Joseph Lee Heywood, and R. A. C. Martin, ought to be perpetuated not only by a fitting monument to each, but by every other means which can hold up their examples for honor and remembrance. We are glad to have an opportunity to do something in this direction. The **BANKER'S ALMANAC AND REGISTER** for 1877 will contain photographic portraits of both, taken by the “Albertype” process, being an exact reproduction of photographs from life. These likenesses will be studied with interest by the banking community everywhere, and the lesson of two noble lives may thus be effectively impressed upon thousands of its members.

MAINE.—Four men attacked the watchman of the Waterville National Bank on the night of November 22d, and bound and gagged him. Before they could get to work on the bank vault they were discovered by another watchman and fled.

The books of the Lewiston Institution for Savings are quite largely used as currency in some business transactions in that vicinity. They are taken generally at seventy-five cents on a dollar in payment for house lots, &c. The bank will be prepared to pay 50 per cent. on its deposits January 1st, and is expected to pay ultimately 80 per cent.

The trustees of the Waterville Savings Bank decided that the bank should resume business on November 14, a sufficient number of depositors having signed an agreement warranting such action. The trustees are confident that the assets are sufficient to pay the old depositors 90 per cent. The bank now is and will continue to be conducted on careful business principles.

MISSOURI.—The directors of the Second National Bank of St. Louis have elected to its Vice Presidency, Mr. E. D. Jones, formerly its Cashier. Mr. Jones is known to a large circle of correspondents as an experienced and successful banker. The other officers of the Bank continue as before—Mr. George D. Capen, President, and Mr. C. S. Charlot, Cashier.

MINNESOTA.—The Marine Bank of St. Paul, under State charter, suspended on November, 13th.

The failure is attributed to mismanagement, and not to any misappropriation of the funds. It is stated positively by one of the Directors that the assets are in excess of the liabilities, but that at this time it is not possible to say how soon a settlement can be made with creditors.

DEATH OF AN OLD BANK OFFICER.—Mr. James Peale, a well-known citizen of Philadelphia, died at his residence, in that city, on October 27th, in the 87th year of his age. Mr. Peale, in early life, was a teller in the United States Bank, and afterwards general book-keeper in the Farmers and Mechanics' Bank, with which institution he was connected for over forty years, retiring from his position only about two years ago. At one time Mr. Peale was widely known among bank officers for his skill in the detection of counterfeits and forgeries.

PENNSYLVANIA.—The Producers & Manufacturers' Bank, Titusville, Pa., closed its doors on the morning of November 6th. The failure of the Pennsylvania Transportation Co., although not connected with the bank at all, produced a general distrust and a run was made on the bank. Large amounts were promptly paid out, but most of the funds being loaned out it was of course impossible to pay all the depositors at once. The Directors state that the assets of the institution are amply sufficient to pay all its liabilities. The stockholders are individually liable, and, as they are men of large means the creditors of the bank are not likely to lose anything. The directors have made an assignment to John Fertig.

BANK CHECK STAMPS.—The following brief report of a decision by Judge Cadwalader in the U. S. District Court is from the *Philadelphia Ledger* of November, 23d.

United States v. the National Bank of Pottstown, Pa.—This was an action to recover the sum of \$1,050 for failure to stamp twenty-one checks which had been negotiated. The penalty for failure to stamp a check is \$50, and the penalty on the twenty-one made the sum claimed. The inspection of the checks was made in the spring of 1875, and the deputy collector who made the examination said that the twenty-one unstamped checks were all he found out of a large number, probably 25,000. Counsel for this bank took the ground that, as there was no evidence in the case of the United States, as presented, to show an intention to evade the law, and the presumption was against such an intent, the Judge should instruct the jury to find for the defendants. The Judge instructed the jury that if they were satisfied, from the evidence, there was no intent to evade the law, they should find for the bank, which they did.

TEXAS.—The City Bank of Dallas, (the largest bank in North-Western Texas,) offers prompt attention to the business of correspondents. They have a paid capital of \$100,000, and surplus of \$35,000. The officers are W. E. Hughes, President; C. C. Slaughter, Vice-President; Thomas K. Ferguson, Cashier.

Jefferson.—Mr. T. P. Martin, Cashier of the National Bank of Jefferson, has resigned his position on account of ill-health—taking effect November 29th. Mr. Martin does not expect to enter again into the banking business.

CANADA.—A meeting of the shareholders of the Ville Marie Bank, Montreal, was held on November 6th, for the purpose of considering the advisability of amalgamation with the Metropolitan Bank. A resolution declining to unite was passed without dissent. The shareholders of the Metropolitan Bank having met, debated a long time upon the position of its affairs. It was resolved that a statement of the condition of the bank be prepared as soon as possible, showing the losses sustained, the cost of management, &c. A committee consisting of the Hon. James Ferrier, Mr. Gilbert Scott, and Mr. Robert Moat, were appointed to confer with the directors, and report at a subsequent meeting whether the bank should continue, amalgamate, or wind up.

A NEW SAFETY PAPER.—Among noteworthy things at the Centennial Exhibition was a new Safety Paper for checks etc., recently invented by Mr. John Underwood, Practical Chemist. This paper received both a medal and diploma and was thus mentioned by the jury: "This paper is peculiar from the fact that if written on with an ordinary Iron Ink, the writing becomes indelible when an attempt is made to take it out by acids, etc., whilst the appearance of the cheque is destroyed."

The inventor, not satisfied with a paper that made only Iron Ink indelible, has for the last two months been pursuing his experiments still further in order to produce one which should be similarly adapted for all Inks, and we understand that his labors have been rewarded by complete success.

The superiority asserted for this over other safety papers is that whereas they claim to protect the writing from alteration by either ruled lines, printed patterns or tints which change color or are taken out by such chemicals as would remove the Ink, such lines, tints, &c., can be so artistically restored as to deceive without the very closest examination; while with this paper the writing itself is not only absolutely *indelible* but the stain made upon the paper by any attempt to remove the writing is so marked that it cannot escape notice.

We understand that the Patentee hopes soon to complete arrangements for the supply of this paper for Bank Notes, Checks and Legal Documents, and in view of the increasing risks of fraud, we hope that his invention may prove to be a thorough success. Thus far it has triumphed over all tests.

THE BEAUTIES OF PAPER MONEY.—At the Dardanelles the other day, on the approach of the Bairam a month's pay was given to the troops of the garrison in *caime*. A plan adopted, of clubbing four men to divide a hundred piastres note did not, however, work satisfactorily.

Anxious for a dissolution of involuntary partnership, each squad set off to change their paper; but success attended some only of the first applicants to the saraffs, who for a discount of five per centum consented to sever the tie. Fearing a run on the banks, these establishments soon resorted to the simple expedient of closing their doors. The soldiers then endeavored to change their notes at the shops by purchasing some article of trifling value and asking the shopkeepers to give them metallic change at par against their tendered note. This moderate request being refused, the soldiers took to pummeling the shopkeepers with their fists, the result being that shop after shop closed its shutters, until not one of them remained open.

The following day the shops still presented the same sombre appearance, and the soldiers were driven to their wits' end, one day only being left before Bairam to settle their financial difficulties and to make their purchases for the coming feast. At the last moment the Governor General, Ibrahim Pasha, seeing that matters had become serious, ordered that the *caime* should be changed against *beshliks* from the public chest. The soldiers, therefore, received their money, the shopkeepers reopened the shops, and cheerfulness once more reigned in the town.—*Pall Mall Gazette*.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

NOVEMBER, 1876.

(Monthly List, continued from November No., page 409.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
N. Y...	City.....	Brewers & Grocers' Bank.	Third Ave. & 26th St.
	\$ 100,000	James Everard, <i>Pr.</i>	John W. Hesse, <i>Cas.</i>
"	"	Lazard Freres.....	65 Pine St.
CAL ...	Nevada City...	Citizens' Bank .....	.....
	\$ 50,000	E. M. Preston, <i>Pr.</i>	John T. Morgan, <i>Cas.</i>
COLO...	Trinidad.....	B. of Southern Colorado..	Gilman, Son & Co.
		Joseph Davis, <i>Pr.</i>	Sewell T. Collins, <i>Cas.</i>
FLA. ...	Pensacola	Knowles & Brent.....	Importers & Traders' Nat. B'k.
ILL....	Effingham.....	F. A. Von Gassy.....	Winslow, Lanier & Co
IOWA...	Exira	Audubon County Bank....	Central National Bank.
		F. H. Whiting, <i>Pr.</i>	Charles Van Girder, <i>Cas.</i>
"	... Elgin	Citizens' Savings Bank....	Corbin Banking Co.
	\$ 25,000	R. A. Richardson, <i>Pr.</i>	O. P. Miller, <i>Cas.</i>
"	... Ogden.....	Sylvester, Huntley & Osborne,	Merch. N. B., Chicago.
KAN ...	Wichita	Farmers & Merchants' Bk.	John J. Cisco & Son.
	\$ 50,000	H. W. Lewis, <i>Pr.</i>	....., <i>Cas.</i>
KY.....	Dixon	Farmers' Bank of Webster	Sawyer, Wallace & Co.
		H. H. Smith, <i>Pr.</i>	L. A. Doris, <i>Cas.</i>
MINN..	Minneapolis...	German Scandinavian Bk.	Greenebaum Brothers & Co.
		Louis C. Mueller, <i>Pr.</i>	John F. N. De Flon, <i>Cas.</i>
"	... Fayette	The Hendrix Bank	Importers & Traders' Nat. B'k.
		F. M. Hendrix, <i>Pr.</i>	A. F. Davis, <i>Cas.</i>
MISS ...	Kosciusko.....	Bank of Kosciusko	National Park Bank.
		C. S. Jobes, <i>Pr.</i>	James W. Beaty, <i>Cas.</i>
"	... Okolona.. ..	Chickasaw Savings Inst....	.....
		T. W. Williams, <i>Pr.</i>	
MO.....	Carthage.....	Miners & Mechanics' S. B.	Kountze Brothers.
	\$ 10,000	M. L. Reid, <i>Pr.</i>	J. M. Hurley, <i>Cas.</i>
NEB. ...	Sidney	Cheyenne Co. B. (Reynolds & Wallace)	Kountze Brothers.
N. J....	Trenton.....	Clinton Smith.....	Fisk & Hatch.
OHIO...	Cincinnati.....	Bank of Cincinnati.....	<i>(None at present.)</i>
	\$ 50,000	H. A. Langhorst, <i>Pr.</i>	Herman Huseman, <i>Cas.</i>
"	... Ashland.....	Citizens' Savings Bank....	Hanover National Bank.
		E. W. Wallack, <i>Pr.</i>	A. H. Myers, <i>Cas.</i>
TENN..	Bristol.....	Bank of Bristol.....	R. T. Wilson & Co.
	\$ 50,000	John G. King, <i>Pr.</i>	Joseph R. Anderson, <i>Cas.</i>
TEXAS.	Victoria.....	E. Levi & Co.....	Kountze Brothers.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from November No., page 411.)

NOVEMBER, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
	N. Y. CITY. Tenth National Bank ..	George Ackerman, <i>Pr.</i>	W. B. Palmer.*
ALA....	Gainesville N. B., Gainesville	A. A. Winston, <i>Pr.</i>	J. Bliss.
COLO...	B. of Clear Creek, Georget'n	A. H. Borman, <i>Cas.</i>	C. Ruter.
CONN..	Mechanics' B., New Haven.	Charles Atwater, <i>Pr.</i>	N. F. Thompson.
GA.....	Citizens' B. of Ga., Atlanta.	Wm. A. Rawson, <i>Pr.</i>	J. T. Grant.
	" Ga. Bkg. & Trust Co., "	J. M. Patton, <i>Cas.</i>	J. W. Goldsmith.
	" Griffin Banking Co., Griffin.	M. L. Bates, <i>Pr.</i>	S. Bailey.
	" La Grange Bkg. & Trust Co.	A. D. Abraham, <i>Pr.</i>	H. S. Wimbish.*
ILL.....	Auburn Bank, Auburn.....	G. W. Hutton, <i>Cas.</i>	S. Lewis.
	" Hide & Leather B., Chicago	William V. Kay, <i>Pr.</i>	C. F. Grey.
	" First Nat. Bank, Fairbury..	T. S. McDowell, <i>A. C.</i>	D. S. Crum.
	" " Farmer City	A. F. Davidson, <i>Cas.</i>	W. Young.
	" Farm. & Tra. B., Manchester	A. H. Heaton, <i>Pr.</i>	J. C. Andros.
	" Monmouth N. B., Monmouth	William Hanna, <i>Pr.</i>	D. Rankin.
	" First Nat. Bk., Shelbyville.	A. Middlesworth, <i>Pr.</i>	O. S. Munsell.
	" Springfield S. B., Springf'ld.	Geo. H. Souther, <i>Cas.</i>	T. S. Wood.
IND....	Camden Bank, Camden.....	E. C. Price, <i>Pr.</i>	A. J. Thomas.
	" " " " " " " " " "	O. F. Plank, <i>Cas.</i>	E. C. Price.
	" Citizens' Bank, Connersville	James C. McIntosh, <i>Pr.</i>	W. Huston.
	" Meridian N. B., Indianapolis	David Macy, <i>Pr.</i>	W. P. Gallup.
	" State Sav. Bank, " " "	Wm. Hannaman, <i>Pr.</i>	C. Mayer.
	" " " " " " " " " "	W. A. Bradshaw, <i>Tr.</i>	W. P. Gallup.
	" First Nat Bank, Plymouth.	Jas. A. Gilmore, <i>Cas.</i>	J. Soice.
	" People's Bank, Portland....	Jacob M. Haines, <i>Pr.</i>	J. Moorman.
	" First Nat. Bank, Valparaiso.	D. F. Skinner, <i>Pr.</i>	S. S. Skinner.
	" DeKalb Bank, Waterloo.....	Giles T. Abbey, <i>Cas.</i>	A. F. Best.
	" Worthington B., Worth'gton	Wm. C. Andrews, <i>Pr.</i>	A. J. Newsom.
IOWA...	Union Bank, Cedar Rapids.	H. B. Stibbs, <i>Cas.</i>	.....
	" Wayne County B., Corydon.	H. Bracewell, <i>Cas.</i>	E. E. Clark.
	" Franklin Co. B'k, Hampton.	A. G. Kellam, <i>Pr.</i>	J. F. Latimer.
	" " " " " " " " " "	T. C. McKenzie, <i>Cas.</i>	A. G. Kellam.
	" Commercial Bank, Keokuk.	Edmund Jaeger, <i>Cas.</i>	J. W. Hobbs.
	" Citizens' Bank, Prairie City.	S. D. Butters, <i>Pr.</i>	J. W. Deweese.
KAN....	Harvey Co. Sav. B., Newton	T. E. Neal, <i>Cas.</i>	F. P. Neal.
	" Neosho Co. S. B., Osage Mis.	E. N. Bradbury, <i>Cas.</i>	.....
	" Citizens' S. B., Sedgwick City	T. R. Hazard, <i>Cas.</i>	W. H. Hurd.
KY.....	Breckenridge B., Cloverport	Wm. H. Bowmer, <i>Pr.</i>	W. H. Webb.
	" Garrard County Deposit } Bank, Lancaster }	Edw'd C. Hopper, <i>Cas.</i>	W. C. Price.
	" People's B. of Ky., Louisville	B. P. Scully, <i>Pr.</i>	W. B. Hamilton.
LA.....	Germania N. B., N. Orleans	L. B. Cain, <i>Pr.</i>	L. Schneider.
ME.....	North Bank, Rockland.....	N. T. Farwell, <i>Cas.</i>	S. N. Hatch.

* Deceased.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
MASS...	First Nat. Bk., Ashburnham	J. L. Cummings, <i>Pr...</i>	G. C. Winchester.
"	... Lechmere National Bank, } East Cambridge }	T. H. Hudson, <i>Cas...</i>	C. E. Richardson.
MICH..	City Bank, Battle Creek.....	N. Eldred, <i>Pr.....</i>	R. Kingman.
"	" " " "	B. T. Skinner, <i>Act. Cas.</i>	R. P. Kingman.
"	.. Lumberman's State Bank, } Whitehall }	William Weston, <i>Pr...</i>	A. Mears.
MINN..	First Nat. Bank, Lake City.	M. A. Baldwin, <i>Pr...</i>	G. F. Benson.
"	.. Brown County B., New Ulm	C. H. Chadbourne, <i>Pr.</i>	T. J. Templer.
MISS ...	Vicksburg Bank, Vicksburg.	Edward S. Butts, <i>Pr...</i>	.....
"	" " " "	T. R. Roach, <i>Cas.....</i>	E. S. Butts.
MO	Third Nat. Bank, St. Louis.	Thomas E. Tutt, <i>Pr...</i>	J. R. Lionberger.
"	..... Bank of Knob Noster	C. B. Littlefield, <i>Cas.</i>	T. F. Melvin.
N. Y....	First Nat. Bank, Angelica...	Smith Davis, <i>Pr.....</i>	A. Lockhart.
"	... First National Bank, Fulton	R. H. Tyler, <i>Actg. Pr.</i>	M. L. Lee.
"	... Nat. Ulster Co. B., Kingston	William H. Finch, <i>Cas.</i>	B. L. Brodhead.*
"	... Saratoga Co. B., Waterford.	Chauncey Boughton, <i>Pr</i>	W. Scott.
OHIO...	German Bkg. Co., Cincinnati	And. Pfirmann, <i>Pr...</i>	L. Burckhardt.
"	... People's Saving & Loan } Association, Cleveland }	J. H. Sargent, <i>Pr.....</i>	.....
"	... Farm. & Mech. Bk., Kenton	Robert L. Miller, <i>Cas.</i>	.....
"	... Allen County Bank, Lima...	S. W. Moore, <i>Cas.....</i>	J. N. Harrington.
"	... Van Wert Co. B., Van Wert	Isaac N. Alexander, <i>Pr.</i>	D. A. Johns.
"	... Second N. B., Youngstown.	Henry M. Garlick, <i>Cas.</i>	G. J. Margerum.
PENN..	Eighth Nat. Bank, Phila.....	James A. Irwin, <i>Cas...</i>	R. H. Williams.
"	.. U. S. Bkg. Co., Philadelphia	W. W. Widdifield, <i>Cas.</i>	H. B. Pearson.
"	.. Arsenal Bank, Pittsburgh.	S. J. Wainwright, <i>Pr.</i>	J. W. Riddell.
"	.. Monongahela Sav. B., "	John Murray, <i>Pr.....</i>	H. A. Weaver.
"	.. Real Estate Sav. B'k., "	Chas. R. Fenderich, <i>Sec.</i>	G. H. Holtzman.
"	.. Workingman's Sav. Bank, } Alleghany }	John A. Hermann, <i>Pr.</i>	J. J. Herrmann.
"	.. Tuna Valley Bank, Bristol..	John McGill, <i>Cas.....</i>	.....
"	.. Corry National Bank, Corry.	H. F. Sweetser, <i>Pr...</i>	T. Struthers.
"	.. Corry Savings Bank, "	Anson Porter, <i>Pr.....</i>	E. Newlon.
"	" " " "	Will Porter, <i>Cas.....</i>	A. Porter.
"	.. Saucon Sav. Bk., Hellertown	Thos. R. Laubach, <i>Pr.</i>	P. B. Breinig.
"	.. Miners & Mechanics' Loan } & Bkg. Ass., Hyde Park }	L. Reynolds, <i>Cas.....</i>	H. T. Sawyer.
"	.. Juniata Valley B., Mifflintown	James North, <i>Pr.....</i>	G. Jacobs.
"	.. Newport Dep. B., Newport.	J. H. Irwin, <i>Cas.....</i>	J. M. Wright.
"	.. Argyle Sav. Bank, Petrolia.	E. G. Taylor, <i>Cas.....</i>	S. S. Avery.
"	.. First Nat'l Bank, Reading..	Wm. H. Clymer, <i>Pr.</i>	L. B. Smith.*
"	.. Shrewsbury Savings Inst.....	Geo. P. Everhart, <i>Pr.</i>	H. Latimer.
"	.. Miners' Sav. B., Summit Hill	C. R. Potts, <i>Actg. Pr.</i>	A. Schneider.*
"	.. Citizens' Nat. Bank, Warren	Robt. Dennison, <i>Cas...</i>	H. R. Crowell.
"	.. Watsonstown B., Watsonstown	G. W. Rombach, <i>Cas.</i>	R. B. Claxton, Jr.
R. I. ...	Blackstone Canal N.B., Prov.	Oren Westcott, <i>Cas. ..</i>	J. Luther.*
"	... Union Bank, Providence....	Chas. A. Nichols, <i>Pr...</i>	H. N. Campbell.
"	... Greenwich N. B., E. G'nwich	Henry Sweet, <i>Pr.....</i>	S. W. Pence.
TEXAS.	Nat. Exchange Bk., Houston	J. T. D. Wilson, <i>Pr...</i>	W. J. Hutchins.
VA	Border Grange B., Danville.	J. D. Blair, <i>Pr.....</i>	W. T. Sutherland.
"	..... Virginia Sav. B., Lynchburg.	A. M. Davies, <i>Cas.</i>	J. F. Baugh.
WIS. ...	Central Bank, Stevens Point	S. D. Patrick, <i>Cas.....</i>	W. B. Buckingham.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from November No., page 412.)

- N. Y. City, Bell & Smithers, now C. F. Smithers and W. Watson.
 " " Kissam & Co., failed.
 " " F. A. Otis & Co., dissolved; succeeded by William P. O'Connor.
 " " Otten & Taege, succeeded by Taege & Co.
 " " J. F. Underhill & Co., dissolved—forming two firms: J. F. Underhill & Co. and B. L. Smyth.
- COLO... Evans Banking Institution, *Evans*; succeeded by Weld County Bank.
- FLA.... Hyer Brothers, *Pensacola*; succeeded by Knowles & Brent.
- GA..... Loyles & Griffin, *Dawson*; now John L. Griffin.
- ILL.... Bunn & Holmes, *Bloomington*; now Bunn & Co.
 " ... Richards & Brother, *Champaign*; out of business.
 " ... International Bank, West Side Branch, *Chicago*; discontinued.
 " ... Citizens' Bank, *Effingham*; closed.
 " ... Bosworth, Carpenter & Co., *Elgin*; consolidated with First National Bank.
 " ... Thomas, Brothers & Weedman, *Farmer City*; now John Weedman.
 " ... D. A. Knowlton & Sons, *Freeport*; succeeded by Knowlton Brothers.
 " ... Burwell, Clevenger & Lewis, *Gibson City*; succeeded by Clevenger & Sons.
 " ... S. P. Thacker, *Hearne Station*; succeeded by Martin & Co.
 " ... Mason City Bank, *Mason City*; now F. N. Smith & Co.
 " ... J. B. Durham & Brother, *Momence*; now Momence Bank.
 " ... Worcester & Brayton, *Momence*; now H. Worcester & Co.
 " ... Glass & Lowry, *Mount Sterling*; now J. B. Glass.
 " ... Miners' Sav. B'k, (J. D. Freeman,) *Murphysboro*; sold to W. S. Murphy.
- IOWA . Citizens' Exchange Bank, *Elgin*; succeeded by Citizens' Savings Bank.
 " ... V. D. Stoddard, *Red Oak*; not in banking business.
 " ... Leavitt, Johnson & Lusch, *Waterloo*; succeeded by Leavitt & Johnson.
 " ... Bowman, Brothers & Burr, *Waverly*; succeeded by Bank of Waverly.
- MAINE. Mercantile Bank, *Bangor*; closed. All liabilities and stock paid.
- MICH.. J. D. Bennett & Co., *Corunna*; closed.
 " ... S. P. Creasinger & Co., *Maple Rapids*; now S. P. Creasinger.
- MINN . Munger & Viesselman, *Fairmont*; succeeded by Bank of Fairmont.
 " ... Marine Bank, *St Paul*; failed.
- MISS... Adams, Spratt & Co., *Aberdeen*; succeeded by Spratt & French.
- MO... Allen, Copp & Co., *St. Louis*; withdrawn from business.
 " ... A. M. Hendrix, *Fayette*; succeeded by The Hendrix Bank.
 " ... Kansas Stock Yard Bank, *Kansas City*; name changed to Stock Yard B'k.
- N. J.... J. W. Elberson & Co., *Trenton*; closed.
- N. Y. . William Richardson, *Almond*; moved to Hornellsville.
 " ... Cuba Banking Co., *Cuba*; succeeded by Cuba State Bank.
 " ... Bank of Horse Heads, *Horse Heads*; closed.
 " ... J. M. Hammond & Co., *Hume*; succeeded by J. P. Manchester & Co.
 " ... A. G. Dow, *Randolph*; now A. G. Dow & Son.
 " ... S. B. French, *Sag Harbor*; closed.
- OHIO... Gilmore, Dunlap & Co., *Cincinnati*; succeeded by Gilmore & Co.
 " ... Citizens' Bank, *Ashland*; succeeded by Citizens' Savings Bank.
 " ... Stark County Bank, *Canton*; closed.
 " ... E. Franklin's Sons & J. Rider, and Robbins, Wing, Warner & Co., *Newark*; suc. by Robbins, Winegarner, Wing & Co., as the Franklin Bank.
 " ... Zepernich & Lodge, *New Lisbon*; succeeded by Lodge and Small.

- OHIO... Bank of Van Wert, *Van Wert*; winding up.
 " ... D. Armstrong & Co., *Waverly*; succeeded by James Emmitt & Co.
 " ... Farmers' Bank, *Wooster*; winding up.
- PENN.. Bond, Moxey & Co., *Philadelphia*; failed.
 " ... City National Bank, *Pittsburgh*; succeeded by City Savings Bank.
 " ... Hoboken Savings Bank, *Pittsburgh*; out of business.
 " ... Keystone Bank, *Pittsburgh*; closed.
 " ... Masonic Deposit Savings Bank, *Pittsburgh*; now Masonic Bank.
 " ... Penn Avenue Trust Company, *Pittsburgh*; quit business.
 " ... Wood's Run Sav. Fund & Loan Association, *Allegheny*; winding up.
 " ... Juniata Valley Bank, Branch, *Newport*; withdrawn.
 " ... Producers & Manufacturers' Bank, *Titusville*; closed.
- TENN.. First National Bank, *Bristol*; succeeded by Bank of Bristol, same officers.
- TEXAS. R. W. Townsend, *Avon*; succeeded by J. O. Beam.
 " ... Waters, Bivins & Corley, *Terrell*; now Holt, Bivins & Corley.
- VA..... City Savings Bank, *Richmond*; now City Bank of Richmond.
- Wis. .. German Bank, (W. A. Tholen,) *Port Washington*; closed.

THE PREMIUM ON GOLD AT NEW YORK.

OCTOBER—NOVEMBER, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$...	Oct. 25	9 $\frac{3}{4}$	9 $\frac{7}{8}$...	Nov. 9	9 $\frac{1}{2}$	9 $\frac{7}{8}$
December ...	12 $\frac{3}{8}$	15 $\frac{1}{4}$...	26	9 $\frac{3}{4}$	9 $\frac{3}{4}$...	10	9 $\frac{3}{8}$	9 $\frac{7}{8}$
1876.			27	9 $\frac{7}{8}$	9 $\frac{7}{8}$...	11	9 $\frac{1}{4}$	9 $\frac{3}{4}$
January.....	12 $\frac{3}{8}$	13 $\frac{1}{4}$...	28	9 $\frac{3}{4}$	9 $\frac{7}{8}$...	13	9 $\frac{3}{8}$	9 $\frac{7}{8}$
February	12 $\frac{3}{8}$	14 $\frac{1}{8}$...	30	9 $\frac{3}{4}$	9 $\frac{3}{4}$...	14	9 $\frac{7}{8}$	9 $\frac{7}{8}$
March.....	13 $\frac{3}{8}$	15 ...	31	9 $\frac{7}{8}$	10 $\frac{1}{8}$...	15	9 $\frac{7}{8}$	9 $\frac{7}{8}$
April.....	12 $\frac{1}{2}$	13 $\frac{7}{8}$...	Nov. 1	9 $\frac{3}{4}$	10 ...	16	9 $\frac{1}{2}$	9 $\frac{7}{8}$
May.....	12 $\frac{1}{4}$	13 $\frac{3}{4}$...	2	9 $\frac{3}{4}$	9 $\frac{7}{8}$...	17	9 $\frac{3}{4}$	9 $\frac{7}{8}$
June.....	11 $\frac{7}{8}$	13 ...	3	9 $\frac{3}{4}$	9 $\frac{3}{4}$...	18	9 $\frac{3}{4}$	9 $\frac{3}{4}$
July.....	11 $\frac{3}{8}$	12 $\frac{3}{8}$...	4	9 $\frac{3}{4}$	9 $\frac{7}{8}$...	20	9 $\frac{3}{4}$	9 $\frac{7}{8}$
August.....	9 $\frac{3}{4}$	12 $\frac{1}{8}$...	6	9 $\frac{3}{4}$	9 $\frac{7}{8}$...	21	9 $\frac{1}{2}$	9 $\frac{3}{4}$
September ...	9 $\frac{1}{4}$	10 $\frac{3}{8}$...	7	Election Day....		22	9 $\frac{3}{8}$	9 $\frac{1}{2}$
October.....	8 $\frac{7}{8}$	13 $\frac{1}{4}$...	8	9 $\frac{1}{2}$	10 $\frac{1}{8}$...	23	9 $\frac{1}{2}$	9 $\frac{3}{8}$

NEW BOOKS FOR BANKERS.—The following publications have appeared since our last number, and will be reviewed in our next :

"An Alphabet in Finance," by Graham McAdam. With introduction by R. R. Bowker. Price, \$1.25.

"London Banking Life." Papers on Trade and Finance, by William Purdy. \$1.25.

"Ye Outside Fools." Glimpses inside the London Stock Exchange. By Erasmus Pinto. \$1.50.

Orders received at this office.

"REPORT FROM THE SELECT COMMITTEE on the *Depreciation of Silver*," to the British House of Commons, 1876. A few copies have been imported, and are for sale at the office of the *BANKER'S MAGAZINE*. Price \$3.00, postage paid.

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	Oct. 1, 1876.		Nov. 1, 1876.
Bonds at six per cent.	\$ 984,999,650	...	\$ 984,999,650
Bonds at five per cent.	712,320,450	...	712,320,450
	<u>\$ 1,697,320,100</u>		<u>\$ 1,697,320,100</u>

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000	...	\$ 14,000,000
DEBT ON WHICH INTEREST HAS CEASED.	\$ 2,738,530	...	\$ 2,513,240

DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.	\$ 368,561,472	...	367,601,408
Certificates of deposit.	34,520,000	...	40,670,000
Fractional currency.	29,858,415	...	28,555,478
Coin certificates.	29,777,900	...	33,283,100
	<u>\$ 462,717,788</u>	...	<u>\$ 470,109,986</u>
Total debt.	\$ 2,176,776,418	...	\$ 2,183,943,326
Interest.	27,126,227	...	34,473,464
TOTAL DEBT, principal and interest.	\$ 2,203,902,645	...	\$ 2,218,416,790

CASH IN THE TREASURY.

Coin.	\$ 64,591,124	...	\$ 75,967,027
Currency.	12,524,945	...	12,901,326
Special deposit held for redemption of certificates of deposit, as provided by law.	34,520,000	...	40,670,000
	<u>\$ 111,636,069</u>	...	<u>\$ 129,538,354</u>
Debt, less cash in the Treasury, Oct. 1, 1876	\$ 2,092,266,575	...	.....
“ “ “ Nov. 1, 1876	.....	...	\$ 2,088,877,436
Decrease of debt during the past month.	\$ 2,915,365	...	\$ 3,388,139
Decrease of debt since June 30, 1876.	7,172,769	...	10,560,908

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.	\$ 64,623,512	...	\$ 64,623,512
Interest accrued and not yet paid.	969,352	...	1,292,470
Interest paid by the United States.	32,080,218	...	32,080,218
Interest repaid by transportation of mails, &c.	6,950,393	...	6,990,306
Balance of interest paid by the U. S.	\$ 25,129,824	...	\$ 25,089,912

NOTES ON THE MONEY MARKET.

NEW YORK, NOVEMBER 23, 1876.

Exchange on London at sixty days' sight, 4.82½ a 4.82¼, in gold.

There is very little change in the movements of the loan market. The rate continues at about three to four per cent. for call loans, with an apparent tendency to work easier. There is still some outflow of greenbacks to the South. The statement of the New York Banks, issued from the Clearing House, on Saturday last, shows that the gain in surplus reserve during last week was \$648,600 so that the banks now hold \$9,345,025 in excess of the legal minimum. The recent heavy importations of bullion has produced an increase of \$1,496,400 in the specie. Our table is as follows for the New York Banks :

1876.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Circulation.</i>	<i>Deposits.</i>	<i>Excess of Reserve.</i>
Oct. 28.	\$ 259,840,800	\$ 15,947,200	\$ 48,862,000	\$ 15,091,100	\$ 215,303,000	\$ 10,983,450
Nov. 4.	260,684,200	17,436,600	46,353,800	15,090,600	215,392,900	9,942,175
" 11.	259,652,400	17,569,100	44,160,900	15,062,500	212,134,500	8,696,375
" 18.	259,147,100	19,065,500	43,108,000	15,076,600	211,313,900	9,345,025

The Clearing-House exhibit of the Boston banks for the past month is as below :

1876.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Oct. 28.	\$ 130,599,100	\$ 1,322,600	\$ 8,195,400	\$ 79,252,300	\$ 22,281,900
Nov. 4.	131,590,400	1,528,300	8,043,300	80,921,300	22,135,100
" 11.	132,593,600	1,666,600	8,051,000	80,790,500	22,430,700
" 18.	133,264,700	1,696,600	7,410,400	82,034,800	22,059,400

The Philadelphia bank statements for the same time are as follows :

1876.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Oct. 28.	\$ 61,768,500	\$ 772,024	\$ 19,255,628	\$ 56,321,377	\$ 9,998,665
Nov. 4.	61,757,598	811,771	19,166,844	56,059,693	9,997,247
" 11.	61,575,317	797,450	19,754,641	56,135,226	10,130,981
" 18.	61,723,941	764,061	19,589,298	56,473,892	10,094,490

Considerable discussion has been excited by certain statements in the Comptroller's Report as to the losses of the Banks. Extracts from that document are published elsewhere, and show that the National banks in New York have charged off as bad debts during the year \$6,873,759; in Boston, \$1,598,722; in Philadelphia, \$152,976; in Pittsburg \$333,851; in Baltimore, \$876,207; in New Orleans, 519,701. The total is \$10,355,216 and it

offers a striking confirmation of those arguments for tax repeal that are founded on the diminished profits which are earned by the banking business.

The stock market is irregular and somewhat feverish. Governments are well sustained except the Fives of 1881 which are rather lower. There is a fair demand for investment at home; but foreign orders are small. State stocks are quiet. Railroad bonds firm, those bonds being in demand which are issued by the best known trunk lines. Railroad shares are not very active; the coal stocks being weak and lower, although some strong parties are said to be in the market as buyers. The Treasury balances as will be seen are increasing. Subjoined are our usual statistics.

QUOTATIONS :	Oct. 26.	Nov. 2.	Nov. 9.	Nov. 16.	Nov. 22.
Gold.....	109¾	109¾	109¾	109¾	109¾
U. S. 5-20s, 1867 Coup.	115¼	115½	115¾	115¾	115¾
U. S. new 5s Coup....	114¾	113	113	112¼	112¼
West. Union Tel. Co.	73¾	71¾	71¾	72¾	72¾
N. Y. C. & Hudson R.	104¾	101¾	102	101¾	102¾
Lake Shore.....	61	56¾	55¾	56¾	57¾
Chicago & Rock Island	101¾	101¾	101	99¾	98¾
New Jersey Central...	36¾	36¾	35¾	34¾	32¾
Del. Lack. & West....	75¾	74¾	73¾	71¾	68¾
Delaware & Hudson...	74	72¾	72	69	68¾
North Western.....	39	37¾	37¾	32¾	35¾
Pacific Mail.....	25	24¾	24¾	24¾	25¾
Erie	11	11	10¾	9¾	9¾
Call Loans.....	2½ @ 5	3 @ 5	4 @ 5	2½ @ 5	3 @ 5
Discounts.....	4½ @ 7	4½ @ 7	4½ @ 7	4½ @ 7	4½ @ 7
Bills on London.....	4.83-4.85	4.82½-4.84½	4.82-4.84	4.82½-4.84½	4.82½-4.84½
Treasury balances, cur.	\$ 41,858,428..	\$ 42,950,331..	\$ 42,586,810..	\$ 43,309,590..	\$ 43,887,806
Do. do. gold.	\$ 51,288,785..	\$ 50,096,465..	\$ 50,299,767..	\$ 52,437,483..	\$ 55,383,536

The money markets in Europe show some signs of returning animation. The London *Economist* says: "There has been a rise—slight, but still perceptible—in the value of money, and the wonder at first sight, if we look to the causes which have been at work, is that there has only been a slight one. There has been a reduction since the 20th of September of £3,000,000 in the reserve in the banking department of the Bank of England, and of £2,000,000 in the coin and bullion in both departments, and these changes have happened at a time of political perturbation, when they ordinarily produce more than usual effect. Judging by former experience, such changes in the Bank accounts would have raised the Bank rate of discount two per cent. at least. The banking reserve and the bullion would have been reduced to so low a point that it would have been necessary at once to replenish them. But now both are still so large that no one thinks of any such thing. The banking reserve is still £19,218,000, and every one thinks that enough; no one cares that it has fallen from £22,244,000 in six weeks. But if the Bank had had but £8 or £10,000,000 on banking reserve (and it used to keep no more), such a reduction as £3,000,000 in so short a time would have been quickly and keenly felt. The explanation of these changes evidently is that we are now feeling the effects of two influences at once. One of these is the ordinary autumn drain of gold. This is in payment for commodities—corn, cotton, and so on—coming to market every autumn, and is analogous to the 'New York' demand for greenbacks to move the 'crops' of which we hear so much every year. There is an augmentation of business

caused by the season, which requires an augmentation of cash, and this cash is taken from the store of the Bank of England, which is always the readiest place at which it can be obtained. The other cause is, that money is dearer abroad than it is in England. At Paris the market is $2\frac{3}{4}$, and in Frankfort and Berlin $3\frac{1}{2}$; and money is, in consequence, sent from hence. How far even the slight improvement in the value of money thus caused will be permanent, we cannot yet be sure; but on the whole it is most likely that it is the beginning of the end of the long extreme cheapness of money, though as yet we must not expect to see any great rise soon."

With regard to the supply of silver in the European markets, it is said to be small and not likely to be soon increased to any very great extent. The Berlin *Borsen Zeitung* says that the German Government is now considering an obstacle in the completion of its coinage reform. This is the ways and means of providing a floating capital to carry out the operation. It is withdrawing silver and supplying the place of it with gold, but if the operation is to take place conveniently, considerable sums of gold ought to be coined in advance, and held in readiness for exchange for equivalent sums of silver. It should also be assumed that the silver will not be saleable as quickly as it may be advisable to withdraw it, but may have to be kept in hand for a longer or shorter period in order to a gradual scale. But to hold these stocks of gold and silver requires capital, and this the German Government, it seems, is beginning to feel, now that the indemnity has all been spent or distributed, and it is face to face with the toughest part of its work—the withdrawal of the one-thaler coinage. To raise the funds an issue of four and one-half per cent. Treasury notes is recommended by our Berlin contemporary. A loan will obviously be needful if as is affirmed the German Government has no available floating balance, and if it means to demonetize and withdraw the one-thaler coinage, thereby completing its great operation.

The pamphlet by Cernuschi, published in our last issue, has attracted much attention in financial circles. It was written in reply to an article by M. Chevalier, in the *Revue Des Deux Mondes*, of April, in which the demonetization of silver is recommended so far at least as to constitute gold coin the sole standard of the monetary system of France, when resumption is consummated in 1878. M. Chevalier argues that the double standard has never existed in France, except in a very qualified manner, and that although gold and silver are both nominally and juridically a legal tender, the real standard of French money is silver alone. The present system was established by the law of the year XI (1803.) This statute began with a general declaration preceding the numbered articles in these words: "Five grams of silver nine-tenths fine constitute the monetary unit which is called a franc." One of the great objects of the statesmen of that day was to prevent in France the abuses to which the use of gold and silver together in the monetary circulation, had given rise under the *ancien régime*. The old policy was attended by the most flagrant abuses. If the value of silver fell, the weight of the gold coins was lessened to bring them to the same value with the coins of silver. When in its turn gold became depreciated, the weight of the silver coins was reduced, so that in the course of years both monies became more and more impoverished and ended by falling to seventy-six hundredths of their nominal value. M. Chevalier proposed by a fixed and invariable single standard, to raise a barrier against any

such debasement of the currency hereafter. The law of 1803 did indeed fix the relation between the two metals at fifteen and a half to one, but it expressly stated that if the relative value should afterward change, the gold only should be re-coined. M. Chevalier contends that the silver standard should no longer be retained, and regrets that the change for a gold standard was not made when recommended by the International Monetary Convention ten years ago. A large quantity of silver has been since coined, and the situation, in his opinion, is less favorable than it was then; he admits however, that it is still good in the sense that there is more gold than silver in circulation. The evil he would guard against is that of permitting it to become bad by persisting in bi-metallic ideas. The danger of a counterfeit coinage of silver five-franc pieces of the proper weight and fineness, is not, he says, illusory; for formerly Spanish piastres of legal size and fineness, were made out of Spain, for circulation in China, because of the exaggerated value the Chinese gave to those pieces. M. Chevalier mentions, to show the alternatives in the circulation of the two metals under the system of a fixed relation between them, that during the reign of Louis Philippe, the coinage of gold was only 216 millions of francs, against 1,757 millions of silver, while during the empire the proportion of gold was 6,152 millions of silver. In each case the public almost ceased to bring one of the metals for coinage, exchanging it abroad for the depreciated one. Since the publication of M. Cernuschi's pamphlet, a second article has appeared by M. Chevalier. M. Cernuschi's answer we expect to publish in an early number of the *BANKER'S MAGAZINE*.

The bank note circulation shows a decrease of over three millions during the month. The Treasury now holds \$337,849,800 in bonds to secure National bank circulation, and \$19,103,000 to secure public deposits. The National bank circulation outstanding, is of currency notes, \$320,612,289; and of gold notes, \$2,099,190.

DEATHS.

At PRINCETON, N. J., on Wednesday, October 25, aged seventy-three years, GEORGE T. OLMSTED, Cashier of the Princeton National Bank.

At KINGSTON, N. Y. on Monday October, 2d, aged thirty-seven years, BROCKHOLST L. BRODHEAD, Cashier of the National Ulster County Bank.

At CHICAGO, Ill., on Friday, November 3d, aged fifty years, L. V. PARSONS, Cashier of the Third National Bank of Chicago.

At BOSTON, Mass., on Wednesday, November, 15, aged seventy years, JOHN JAMES DIXWELL, President from 1846 to 1873 of the Massachusetts Bank of Boston.

THE
BANKER'S MAGAZINE,
AND
Statistical Register.

VOLUME XI, }
THIRD SERIES. }

JANUARY, 1877.

No. 7.

THE TREASURY REPORT.

The Secretary of the Treasury has presented to Congress an elaborate and clear report of the condition of the national finance. The receipts of the last fiscal year have amounted to 287 millions and the expenditures to 258 millions, so that the surplus is over 29 millions or 13 millions more than was anticipated in the estimates made a year ago. One of the early sections of the report is devoted to the sinking fund. Mr. Morrill's predecessor, Mr. Bristow, contended that by the terms of the Act of Feb. 25, 1862, the Secretary of the Treasury was bound every year to purchase or to pay off one per cent. of the entire debt of the United States. He also supposed that this obligation was not modified or capable of set-off from the fact that in past years an excess over and above this sum of one per cent. may have been purchased and set apart with the sinking fund. On the other hand it was contended by a multitude of respectable authorities that Mr. Bristow's construction of the law was not sound, and that the spirit and the letter of the statute would be satisfied if an average of one per cent. of the public debt were paid off although in some years we might pay off more and in others less. Mr. Morrill has taken this view of the law.

The refunding of the National debt is the next topic of the Secretary, and he shows how, in August, 1876, he made a contract with the Syndicate for the negotiation of four and a half per cent. bonds for the refunding of the five-twenties. He states that under this contract, nearly thirty-six millions

of four and a half per cent. bonds have been sold, that five calls for five-twenties of ten millions each have been issued, and that the refunding operations are still in progress. The chief part of the report is taken up with the subject of resumption. Mr. Morrill begins by stating that the Act of March, 1869, laid the foundation of the subsequent financial policy of the Government, and declares that this policy should consist first in the payment in coin or its equivalent of the greenbacks and of all the interest-bearing obligations of the United States; and secondly, in the redemption of the greenbacks in coin at the earliest practicably period. In conformity with this organic law, the Act of January, 1875, fixed the 1st January, 1879, as the day of redemption, and gave authority to the Secretary of the Treasury to make provisions for resumption, by accumulating gold and by selling bonds for the purpose of buying it. He was also instructed to issue silver coin, with a view to the same ultimate object, and the law of April 17th and July 22d, 1876, further enlarged the powers of the Secretary in regard to the silver issues. Mr. Morrill does not explain the relative value of the various powers thus conferred upon the Secretary, with a view to the resumption of specie payments. With regard to the accumulation of gold coin, and the amount that will be needful, the estimates which have been offered to the public vary from 100 millions to 400 or even 500 millions. Mr. Morrill seems to think that three hundred millions will be sufficient.

He also adds, that "in the interest of permanent redemption, and as a means of maintaining the same, it is deemed important, also, if not quite indispensable, that provision should be made requiring the National banks to gradually provide coin in such ratio as the Secretary of the Treasury may direct, and to hold the same as a part of their legal money reserve, so that said reserve, on the first day of January, 1879, shall be equal in amount to the entire reserve required by law. To the same end, as the fractional currency is withdrawn, it is deemed expedient that not only the vacuum caused thereby in the matter of change should be made good, but that, as additional change, the volume of silver should be increased to the amount of at least eighty millions of dollars, and silver made a legal tender to the amount of ten dollars in all cases, except the obligations of the Government of the United States and the customs dues."

With regard to the emission of silver coin, Mr. Morrill states that the Department began to issue immediately after the passage of the Act of April 17th, 1876, subsidiary silver coin, in redemption of the outstanding fractional currency, the coin having been struck under the authority of the Resumption Act of January 14th, 1875. As the silver issues were rapidly absorbed, and the demand went on increasing,

the silver coined previous to the passage of the Act of April, was issued in payment of the currency obligations of the Government. Another step in advance was made by the Act of July 22, 1876, which authorized the issue of silver coin in exchange for legal tender notes. The total issues of silver to October 30th, 1876, were \$22,096,712, of which amount there has been issued for fractional currency \$12,953,259. The Secretary adds, "that the demand for silver coin for circulation, though growing less urgent, still continues fully equal to the capacity of the mints to supply it."

After a brief summary of the National Bank system, in which Mr. Morrill recapitulates the chief statistics of the Comptroller's report, the Secretary predicts that if the market value of United States bonds should remain unchanged the National Banks will not probably take out, before January 1, 1879, more than 18 millions. If however the bonds should decline, a considerable aggregate of them would he thinks be re-deposited by the banks that have withdrawn bonds amounting to \$65,102,800 since June 20th, 1874. He explains that the profit on circulation depends on the price paid for the bonds and on the rate of interest. If the business of the country should revive, or if the value of the bonds should decline, he supposes that the amount of the circulation will be largely increased. When the rate of interest is 7 per cent. the profit on circulation is estimated at two and a half per cent. and where the rate is 10 per cent. the profit is about one and a half per cent. at the present valuation of the bonds.

As to the Internal Revenue Mr. Morrill shows that the increase in the aggregate collections has amounted to nearly seven millions, of which \$4,344,374 were from spirits and \$2,491,878 from tobacco. Our revenue system is now rapidly approaching that stability which should always be aimed at in fiscal legislation. With the exception of the bank taxes which are collected partly by the Internal Revenue bureau, and partly by the Treasurer directly, there is no agitation for any repeal or modification of existing taxes. A proposition has however been made in some quarters for a tax on tea and coffee. Some of the advocates of these new taxes design them for the accumulation of a surplus in the Treasury, for the purpose of buying gold for resumption; while other advocates of the tea and coffee taxes would substitute them for the bank taxes when these are repealed. As the surplus is now sufficiently large, the repeal of the bank taxes need not entail the necessity of levying any new taxes in their place, except indeed Mr. Bristow's interpretation of the sinking fund law should be revived, which is not very likely. On the whole the Secretary's report has been favorably received, though it is devoid of many of those sensational topics which have given so much of public interest to several of the previous reports of the Treasury.

REPORT OF THE COMPTROLLER OF THE CURRENCY.

We are rapidly accumulating in the annual reports of our banking system by the Comptroller of the Currency, a large mass of valuable information which will be of use to the future historian. The report which has just been laid before Congress, is in some respects more interesting than any of the previous documents which Mr. Knox has prepared since his appointment, three or four years ago. His present report may be considered in two aspects; it is a history of the past growth of our banking system, and it is a representation of its present condition all over the country. Our limited space compels us at present to confine our attention to the second of these. We need not remind our readers of the four distinct branches which make up our financial system. There is first the National Banks, which constitute by far the largest portion of the system; then there are the State banks and the private Bankers, and finally there are the Savings Banks, with which may be combined the Trust Companies and other financial corporations which receive deposits and make loans, and do a qualified banking business. With regard to the National Banks, the report of the Comptroller is of course the most detailed and complete. He presents the following table of the resources and liabilities of the National Banks for the last eight years, as follows:

	Oct. 9, 1869.	Oct. 8, 1870.	Oct. 2, 1871.	Oct. 3, 1872.	Sep. 12, 1873.	Oct. 2, 1874.	Oct. 1, 1875.	Oct. 2, 1876.
	1,617 banks.	1,615 banks.	1,767 banks.	1,919 banks.	1,976 banks.	2,004 banks.	2,087 banks.	2,089 banks.
RESOURCES.	Mil'ns.	Mil'ns.	Mil'ns.	Mil'ns.	Mil'ns.	Mil'ns.	Mil'ns.	Mil'ns.
Loans.....	682.9	716.0	831.6	877.2	944.2	954.4	984.7	931.8
Bonds for circulation.....	339.5	340.6	364.5	382.0	388.3	383.3	370.3	337.2
Other U. S. bonds.....	44.6	37.7	45.8	27.6	23.6	28.0	28.1	47.8
Other stocks, bonds, &c.....	22.2	23.6	24.5	23.5	23.7	27.8	33.5	34.4
Due from other banks.....	109.9	109.5	143.2	128.2	149.5	134.8	144.7	146.9
Real estate.....	25.2	27.5	30.1	32.3	34.7	38.1	42.4	43.1
Specie.....	23.0	18.5	13.2	10.2	19.9	21.2	8.1	21.4
Legal tender notes.....	83.7	77.2	107.0	102.1	92.4	80.0	76.5	84.2
National bank notes.....	10.9	12.6	14.3	15.8	16.1	18.5	18.5	15.9
Clearing-house exchanges..	108.7	91.6	115.0	125.0	100.3	109.7	87.9	100.0
U. S. certificates of deposit	.....	.....	.....	6.7	20.6	42.8	48.8	29.2
Due from U. S. Treasury..	.....	.....	.....	.....	.....	20.3	19.6	16.7
Other resources.....	55.6	55.9	41.2	25.2	17.3	18.3	19.1	19.1
Total.....	1,497.2	1,510.7	1,730.6	1,755.8	1,830.6	1,877.2	1,882.2	1,827.2
LIABILITIES.								
Capital stock.....	426.4	430.4	458.3	479.6	491.0	493.8	504.8	499.8
Surplus fund.....	86.2	94.1	161.1	110.3	120.3	129.0	134.4	132.2
Undivided profits.....	40.7	38.6	42.0	46.6	54.5	51.5	53.0	46.4
Circulation.....	206.1	293.9	317.4	335.1	340.3	334.2	819.1	292.2
Due to depositors.....	523.0	515.3	631.4	628.9	640.0	683.8	679.4	666.2
Due to other banks.....	118.9	130.0	171.9	148.8	173.0	175.8	179.7	179.8
Other liabilities.....	5.9	8.4	8.5	11.5	11.5	9.1	11.8	10.6
Total.....	1,497.2	1,510.7	1,730.6	1,755.8	1,830.6	1,877.2	1,882.2	1,827.2

The resources and liabilities of the National Banks at the close of business on the second day of October, 1876, are exhibited on the following table :

RESOURCES.	Boston, Philadelphia, and Other reserve cities.*				Country banks.	Aggregate.
	New York City.	Baltimore.	90 banks.	1,853 banks.		
Loans and discounts	.....	.....	.....	.....	479,169,333	\$ 927,574,979
On U. S. bonds on demand	\$6,277,492	\$ 843,143	\$ 1,031,631	.....	.....	.....
On other stocks, bonds, &c., on demand	58,749,574	19,114,232	9,025,493	.....	.....	.....
Payable in gold	4,338,058	66,184	3,185,558	.....	.....	.....
On single-name paper, without other security	16,634,532	9,355,654	6,739,679	.....	.....	.....
All other loans	98,243,569	138,596,601	76,204,245	.....	.....	.....
Overdrafts	70,900	53,923	442,806	3,162,106	.....	3,720,735
Bonds for circulation	19,237,500	45,701,200	23,164,250	249,067,450	.....	337,170,400
Bonds for deposits	775,000	600,000	2,993,500	10,419,500	.....	14,698,000
U. S. Bonds on hand	16,135,000	5,113,700	3,088,500	7,994,500	.....	33,142,150
Other stocks and bonds	10,061,841	3,764,452	2,898,144	17,720,720	.....	34,445,157
Due from reserve agents	.....	17,357,152	14,626,028	55,343,771	.....	87,326,951
Due from other national banks	15,819,090	9,416,355	6,316,500	15,973,145	.....	47,525,090
Due from other banks and bankers	2,368,687	1,224,185	2,257,546	6,210,865	.....	12,061,283
Real estate, furniture, and fixtures	8,786,099	6,388,028	4,873,487	23,074,328	.....	43,121,942
Current expenses	95,419	873,246	965,361	4,163,618	.....	6,987,644
Premiums	2,674,989	952,269	975,954	6,112,039	.....	10,715,251
Checks and other cash items	1,856,901	1,119,261	783,553	8,283,425	.....	12,043,149
Exchanges for clearing-house	63,940,479	19,165,458	4,764,880	.....	.....	87,870,817
Bills of other national banks	1,249,038	3,595,725	1,833,969	9,231,583	.....	15,910,315
Fractional currency	105,307	263,554	139,810	908,533	.....	1,417,204
Specie	14,576,574	2,824,504	1,197,380	2,761,239	.....	21,360,767
Legal-tender notes	27,902,384	14,453,686	12,163,255	29,733,592	.....	84,250,847
U. S. certificates of deposits	17,395,000	7,670,000	2,995,000	1,288,000	.....	29,170,000
Five per cent. redemption fund	829,194	2,036,716	997,134	10,843,329	.....	14,706,373
Due from U. S. Treasurer	241,225	739,694	181,212	875,193	.....	2,037,323
Total	389,223,852	311,237,922	184,564,975	942,238,619	1,827,265,368	
LIABILITIES.						
Capital stock	66,400,000	80,886,985	47,005,500	305,599,747	.....	499,892,232
Surplus fund	18,026,148	22,540,745	14,858,851	75,876,535	.....	132,202,282
Undivided profits	8,897,208	4,720,284	3,954,832	28,863,892	.....	46,445,216
National bank notes outstanding	14,832,784	33,202,086	20,164,866	218,344,284	.....	2,154,020
State bank notes outstanding	77,800	92,483	32,793	418,943	.....	622,019
Dividends unpaid	212,279	1,462,452	193,201	1,987,502	.....	3,855,534
Individual deposits	184,063,417	121,104,228	67,185,902	279,031,662	.....	651,385,210
U. S. deposits	279,601	277,719	1,330,813	5,368,578	.....	7,256,801
Dep'ts of U. S. disbursing officers	145,072	14,731	918,603	2,668,376	.....	3,746,782
Due to National banks	71,814,793	32,255,697	15,712,932	11,753,147	.....	131,536,569
Due to other banks and bankers	23,524,660	7,413,797	11,574,183	5,737,472	.....	48,250,112
Notes and bills rediscounted	.....	113,415	589,399	3,761,593	.....	4,464,407
Bills payable	50,000	2,144,900	1,043,000	2,916,884	.....	6,154,784
Total	389,223,852	311,237,922	184,564,975	942,238,619	1,827,265,368	

* The reserve cities, in addition to New York, Boston, Philadelphia, and Baltimore, are Albany, Pittsburgh, Washington, New Orleans, Louisville, Cincinnati, Cleveland, Chicago, Detroit, Milwaukee, Saint Louis, and San Francisco.

Four distinct features of the National banking system suggest themselves for examination. First, there is its system of publicity, which consists of regulations for quarterly reports which are sent by each National Bank to the Comptroller of the Currency at Washington, by whom they are tabulated and their results published in the newspapers. Secondly, there is the system of examination which is carried on under the direction of the Comptroller of the Currency, by experts, who have orders to visit every National Bank at least once a year, and to pay special visits when required by the Comptroller, in any doubtful cases requiring special supervision. It is to be regretted that the Comptroller has said

so little in his reports of this important part of the machinery of his bureau. No other banking system of which we have any account has ever adopted this system of inspection, and in common with a large proportion of our banking community, we had considerable doubts as to the expediency of the plan when it was first proposed in 1863. It is true that this system of inspection was copied from our New York banking law, but there was considerable doubt whether a plan which worked well in the metropolitan State could be made to work equally well throughout the country. These doubts however are at an end. Although there is much room for improvement in some of the details, the work of the examiners must be admitted on the whole to have been efficiently done, and in many instances, both in this city and elsewhere, notable advantages have resulted from the labors of the inspectors, besides those general advantages which attend the vigorous superintendence of any large and widely extended system of banks. We trust that in his future reports the Comptroller will be able to give more detailed information as to the quiet and unostentatious, but efficient and useful labors of the bank examiners.

The second point of interest is the security which is held in Washington for the National bank notes. This plan of exacting security, as established in the National banking law, was borrowed, like many others of its best features, from the banking law of this State. The following table exhibits the kinds and amounts of United States bonds held by the Treasurer, on the 1st day of November, 1876, to secure the redemption of the circulating notes of National Banks:

<i>Class of Bonds.</i>	<i>Authorizing Act.</i>	<i>Rate of Interest.</i>	<i>Amount.</i>
Loan of February, 1861, (81s.)	February 8, 1861.....	6 per cent.	\$ 3,061,000
Loan of July and Aug. '61, (81s.)	July 17 and Aug. 5, 1861.	do.	45,147,450
Loan of 1863, (81s.).....	March 3, 1863.....	do.	23,698,750
Five-twenties of June, 1864.....	June 30, 1864.....	do.	24,500
Five-twenties of 1865.....	March 3, 1865.....	do.	4,013,500
Consols of 1865.....	do.	do.	6,050,100
Consols of 1867.....	do.	do.	9,471,000
Consols of 1868.....	do.	do.	2,502,000
Ten-forties of 1864.....	March 3, 1864.....	5 per cent.	88,950,300
Funded loan of 1881.....	July 14, '70, & Jan. 20, '71.	do.	134,652,400
Funded loan of 1891.....	do.	4 ½ per ct.	10,305,800
Pacific Railway bonds.....	July 1, '62, & July 2, '64.	6 per cent.	9,851,000
Total.....			\$ 337,727,800

These securities consist of \$103,819,300 of six per cent. bonds (including \$9,851,000 issued to the Pacific Railroad,) \$223,602,700 of five per cent., and \$10,305,800 of four and a half per cent. bonds. Since October 1, 1870, there has been a decrease of six per cent. bonds, amounting to \$143,097,000, and an increase of five per cents of \$127,685,150. During the year ending November 1, there has been a decrease of

\$24,783,912 of six per cent., and a decrease of \$15,443,500 of five per cent. bonds. During the last two months, \$10,305,800 of four and a half per cent. bonds have been deposited, of which \$3,409,050 were deposited in exchange for six per cent. bonds, and \$5,357,500 in exchange for five per cent. bonds.

The third feature of interest in our banking system is the taxation to which it is liable both from the State governments and also from the government of the United States. Considerable agitation has been produced by the mischievous pressure of the taxes upon the banking business. Vigorous and enlightened efforts had been for several years put forth with the view of obtaining relief. First of all the banks endeavored to induce the State governments to lessen the pressure of their taxes, and failing here the banks are now making a united effort throughout the country to induce Congress to repeal the national taxes. These imposts consist of a tax on the capital and the deposits of all banks to the extent of one half per cent. a year. The National Banks have also to pay a tax of one per cent. upon their circulating notes. This tax on the circulation is a charge on the profits derived by the banks from this part of their business. It can scarcely, therefore, be objected to as a tax because it is rather an expedient by which the government shares with the banks the profits which really ought to belong in part to the people. We do not understand then that the banks seek for repeal of the tax on circulation; but they do seek and they ought to obtain the repeal of the taxes on their capital, their surplus and their deposits. The Comptroller discusses this question in a very elaborate manner, as was stated in the *BANKER'S MAGAZINE* for December.

The last characteristic of our banking system which we will refer to is that of free banking as it is called. The Act of 1874 authorized National Banks to withdraw their notes and give up the privilege, partially or altogether, of issuing currency. Under this law \$52,853,560 of bank notes have been relinquished by the banks, and an equal amount of greenbacks for their redemption deposited in the treasury. Of these fifty-two millions, nearly three-fourths have been actually called in and destroyed, the amount being \$37,122,069. The chief free banking feature of our system was, however, introduced by the Act of January, 1875, which repealed the old limitation of 300 millions, and allowed unlimited issues of National bank notes, with the proviso that eighty per cent. of greenbacks should be called in and cancelled for every month's issues of new National bank notes, until the greenbacks outstanding should be reduced to 300 millions.

During the year ending November 1, 1876, \$7,093,680 of additional circulation has been issued, of which amount \$1,305,140 was issued to thirty-six banks, having a capital of

\$3,189,800, which were organized during the year. The whole amount of additional circulation issued since the passage of the Act of January 14, 1875, is \$18,080,355; and legal-tender notes equal to eighty per cent. thereof, or \$14,464,284, have been retired, leaving \$367,535,716 of these notes outstanding November 1, 1876. During the year, \$31,929,864 of National Bank notes have been retired without re-issue; the actual decrease for the year being \$24,836,184, and the total decrease since January 14, 1875, being \$30,710,732. Within the same period lawful money to the amount of \$28,179,285 has been deposited with the Treasurer to redeem circulation, \$25,301,231 of which have been deposited by two hundred and thirty banks in operation, for the purpose of retiring circulation, and \$2,878,054 by banks in liquidation. The amount previously deposited under the Act of June 20, 1874, was \$27,552,329, and by banks in liquidation \$6,210,175; to which is to be added a balance of \$3,813,675 remaining from deposits made by liquidating banks prior to the passage of that Act. Deducting from the total of the sums named (\$65,755,464) the amount of circulating notes redeemed and destroyed, and for which no re-issue has been made, there remained in the hands of the Treasurer on November 1, 1876, \$20,910,946 of lawful money applicable to the redemption and retirement of circulation.

The statements, compiled by the Comptroller from returns made of the redemption of National bank notes show that there was received at the redemption agency of the Treasury, during the year ending November 1, 1876, \$216,149,601; of which amount about \$72,000,000, or 33 1-3 per cent. was received from the banks in New York city. The total amount received by the Comptroller for destruction from the redemption agency and from the National banks direct was \$102,793,501; of which amount \$47,863,288 were issues of the banks in the city of New York, \$39,208,292 of Boston, \$15,210,718, Philadelphia; \$8,926,713, Baltimore; \$7,682,207, Pittsburgh; \$3,387,940, Cincinnati; \$6,860,763, Chicago; \$4,334,385, St. Louis; \$2,514,883, New Orleans; \$2,517,640, Albany; and \$2,609,690, Cleveland. There was \$104,188,948 of National bank circulation outstanding on November 1 upon which the charter number had not been printed, and \$215,687,248 in circulation having that imprint.

Passing next from the National banking system to the other systems of banking, the Comptroller gives a very complete review of all the private, State, and Savings banks, with their capital and deposits. He shows that the total number of banks of all the four descriptions which were doing business in May, 1876, is 6,609, and that the capital of these institutions amounts to 720 millions, while their total deposits amount to 1,974 millions. It thus appears that the National banking system has an aggregate capital

more than twice as large as the total capital of the other banks throughout the country, while the National bank deposits are less than one-third of the total deposits of the whole of our banking system.

NOVEMBER 30, 1875.

Geographical Divisions.	State Banks and Private Bankers.	Savings Banks				Total.					
		With capital.		Without capital.							
States and Territories.	Cap'l. Deposits.	Cap'l. Deposits.	Deposits.	Deposits.	Cap'l. Deposits.	Deposits.					
No.	Mil'ns.	Mil'ns.	No.	Mil'ns.	Mil'ns.	No.	Mil'ns.	Mil'ns.			
New England...	126	11.6	24.0	2	0.3	5.2	436	413.9	564	11.9	443.1
Middle	1,270	90.8	232.4	3	0.2	0.8	218	382.8	1,491	91.0	616.0
Southern	517	36.0	42.6	3	0.4	0.5	3	1.9	523	36.4	45.0
Western & Ter. . .	1,853	70.9	188.0	19	4.1	32.6	38	47.0	1,910	75.0	267.6
United States.	3,766	209.3	487.0	27	5.0	39.1	695	845.6	4,488	214.3	1,371.7

MAY 31, 1876.

Geographical Divisions.	State Banks and Private Bankers.	Savings Banks				Total.					
		With capital.		Without capital.							
States and Territories.	Cap'l. Deposits.	Cap'l. Deposits.	Deposits.	Deposits.	Cap'l. Deposits.	Deposits.					
No.	Mil'ns.	Mil'ns.	No.	Mil'ns.	Mil'ns.	No.	Mil'ns.	Mil'ns.			
New England...	135	11.7	23.6	1	0.2	4.4	436	415.1	572	11.9	443.1
Middle	1,256	89.2	223.4	3	0.3	1.2	212	382.5	1,471	89.5	607.1
Southern	516	35.7	44.9	3	0.4	0.6	4	2.0	523	36.1	47.5
Western & Ter. . .	1,896	77.4	188.1	19	4.1	31.0	39	45.0	1,954	81.5	264.1
United States.	3,803	214.0	480.0	26	5.0	37.2	691	844.6	4,520	219.0	1,361.8

If the number, capital, and deposits of the National banks on October 1, 1875, be combined with the number, average capital, and average deposits of the State banks and private bankers, savings banks, and trust and loan companies, as shown by the table (page 500 *ante*) for the six months ending November 30, 1875, it will give a total number of 6,576, a total banking capital of \$719,101,966, and total deposits of \$2,036,296,106. A similar combination of the National Banks for May 12, 1876, with the State banks, savings banks, etc., for the six months ending May 31, following, will give for the latter date a total number of 6,609, a total banking capital of \$720,012,806, and total deposits of \$1,974,189,449.

The Comptroller presents classified tables showing by States and geographical divisions the number of shares of National bank stock, the location of the shareholders, etc. The total number of shares is 6,505,930, and of shareholders, 208,486. The average amount of stock held by each shareholder is about \$3,100. In the Eastern States it is about \$2,100; in the Middle States, \$3,100; in the Southern States, \$3,400; in the Western States, \$4,800; and in the Pacific States and Territories, \$8,300. Shareholders of National bank stock reside in every State and Territory in the Union except in Washington and Alaska; in eleven countries or provinces of this continent and adjacent islands; in twenty-five countries in Europe, Asia, and Africa, and in the islands of the sea. These tables are commended to the lovers of the interesting and the curious in monetary statistics.

FINANCIAL PARALLELS.

In considering our abnormal financial condition—our apparent want of prosperity and real financial and commercial distress—it is curious and may be instructive to note how nearly parallel in both causes and effects is our present experience to that of England from 1815 to 1825. A pamphlet entitled "Silver and Gold in their relation to the problem of Resumption," by Mr. S. Dana Horton, published recently for private distribution, besides being full of arguments and figures, ably showing the necessary relation of both silver and gold to a possible resumption of specie payments by this country, presents interesting statements of the financial changes in England from 1815 to 1825. From these may be seen the remarkable parallel to our own experience from 1865 to the present time; a parallel which may, perhaps, extend through the next few years. We quote as follows:

"Among the results of Waterloo came the necessity imposed upon the business world of Great Britain of abandoning inflation in its various forms, and returning to coin and convertible notes."

"The dreaded day was eventually deferred—first to 1818, then to 1819, and again to 1820-23—but it would seem safe to say the work of preparation was by all interested, silently begun at once."

"A remarkable development of inventions and manufactures falls also within this period, and it is also marked by the exceptional position of England with reference to the ocean trade of Europe, occasioned by Napoleon's attack on British commerce."

"In 1816 the new system of coinage was introduced; the quality of being a genuine 'pound sterling' was taken away from silver; a new coin, the sovereign of gold, was made the new pound sterling and monetary unit and sole unlimited legal tender; while the place of the legal tender shilling was filled with a new coinage of silver tokens, whose paying power was limited to sums of forty shillings."

"In 1817 a partial resumption or redemption in coin by the bank of certain classes of bank-notes ensued, upon which the authorities do not seem to be agreed."

A change of a few words would make this account agree very nearly with our own history. In minor points, as well as in the demonetization of silver, is this the case. In 1817 an attempt was made to partially resume, and which failed, that may be compared to the effort on the part of our Treasury to redeem greenbacks in silver, limited to five dollars to each applicant.



The quotation which now follows will show that the course of England was that which we are now pursuing :

"In the 'Memorandum' furnished to Parliament by the Bank Directors in 1832, they give twenty millions of pounds as the aggregate amount, which they were obliged to obtain from foreign countries, in order to fulfill their duties under the Act of 1819.

"This, of course, is in addition to the existing reserve, which in August, 1818, stood at six million, in 1819 at three and four.

"In view of these figures, and of the low premium in gold which had prevailed for some years, and the amount of silver token money issued in 1816, it would seem safe to say that the specie stock of 1821, compared with the specie stock of 1812 and 1813, must indicate an increase of from twenty-five to thirty million pounds.

"A controlling purpose of this great accumulation within the control of the bank, of gold obtained from foreign countries, was the contemplated substitution of gold in place of the one and two-pound notes of the Bank of England, and of the country banks as well. It will be remembered that the Act of 1797, which originally authorized their issue, limited their duration to the period of restriction of cash payment.

"Seven and a half million pounds were accumulated by the bank to redeem its own notes of these denominations.

"In providing as much more for the redemption of the country notes, the Directors, according to their own account, before cited, had anticipated by three years the commands of Parliament.

"A large part of their own notes were withdrawn in 1821, and although directed to be ready to redeem the country notes before 1825, they had already provided themselves with the necessary gold in 1822."

The motives of those who directed this financial plan were questioned, and the criticisms as to their disinterestedness read like complaints of the present day.

"The effect of this policy of the financial magnates of Great Britain was well and tersely indicated by the words of the Memorandum of 1832, already cited. This great supply of gold could 'only be purchased by reduced prices of commodities.'

"It seems to have been the purpose of the Bank Directors to hasten the period of redemption of the small notes before the time ordered by law.

"Whether and in either case to what extent in this action they were leaders or were led by circumstances, it is difficult to decide; but Ricardo himself had suggested beforehand a motive of self-interest for such action.

"He said in the debate of 1819: 'They had no real

interest in depreciating the currency: it would be rather their interest to raise it, even to double the value. They were in the situation of creditors, not of debtors; their whole capital being in money or in securities representing money."

Ricardo states the case as a debtor of the present time would; and the condition of affairs which the following account describes, is analogous to that of the past three years in this country, and it is entitled to special attention.

"It now became more and more evident that the substantial interests of the nation were suffering grievous ills, arising from mistaken legislation."

But our own inflationists, in their arguments, have not gone so far as "Brougham's proposition to reduce taxation in proportion to what was supposed to be the fall of prices, and the attempt to reduce the sovereign from twenty to fourteen shillings," which fall within the year 1822. Our paper-money advocates are generally more moderate, and only claim to want to be "let alone."

We now come to a part of the experience of England that may foreshadow our own in the coming year; although in entering into the realm of prophecy, we must not forget that to both hard and soft-money advocates the lessons of history have "honor except in their own country."

"In the end the contest was allayed by the passage, in the same year, of a law repealing the provisions of the Act of 1819, which required that the country-notes for £ 1 and £ 2 should be withdrawn on and after May 1, 1823." "A 'respite' was thus granted in the substitution of coin for paper. In truth, however, the gold requisite for the contemplated withdrawal of paper having been already collected from abroad, the law appears to have set these millions free to produce what may be called a Coin Inflation."

Is the legislation of Congress this winter to be similar? If we are to have the parallel perfect, we, too, must have a "respite," even if it comes rather late. But with or without it, the indications are that with political matters settled, we shall find, through sacrifices already made, in other words, "lower prices," our "Coin Inflation" a possibility.

We certainly have been treading in the footsteps of the past. Those footsteps may be named, "inflation by paper money," "mistaken legislation," "policy of financial magnates, who were creditors, and whose advantage was in having money double in value," and the "substantial interests of the country suffering grievous ills." We now come to the history which may be ours in whole or part in the next few years, as we are wise and heed warning. The previous quotation as to "Coin Inflation" refers to the year 1823. At this time "A rise of prices now began and a revival of business, which, upon this new basis of paper and coin, swelled into one of the great tidal waves of speculation, whose

devastations make epochs in commercial history," and which resulted, in 1825, in a suspension of specie payments. The rapidity of change here related is remarkable; the resumption of specie payments, the sudden inflation, and then the suspension of specie payments following upon a rise in prices, all in two or three years.

We are more prosperous than England was in 1822—and this will perhaps prevent our coming "good times" from suffering a relapse. We have almost a monopoly of the staples of trade; and our manufactures nearly supply our own wants and can be exported in competition with the world—a situation rarely before held by any country. Unless therefore there is to be a contest for gold in the world, arising from the demonetization of silver, in which our foreign indebtedness would prove our weakness, we may succeed where England failed, and be enabled to persist in resumption, notwithstanding an inflation in prices to be expected after resumption. We must remember, however, that in a general contest for gold we should fail even with a balance of trade in our favor. Our bonds abroad can be used to pay us for corn and cotton, and to draw gold from us to an extent dictated by the safety of our creditors. We are prosperous but we are a debtor nation, and only through continued low prices, only through *poverty*, can we force resumption before its natural time. With both silver and gold we can better avoid danger, for our creditors are not now contesting for silver.

In the question of resumption, we must also consider the increased demand for gold and silver. The foreign trade of Great Britain, of France and of the United States, has increased three hundred per cent. in thirty years. Our population increases about three per cent. a year; but the stock of gold and silver, coin and bullion, in the world, at the present rate of production of gold and silver, is increasing less than one and a half per cent. a year. In the face of these figures and of the relative decrease in proportion to the demand of the stock of gold and silver in the civilized world, and in view, also, of the contest in Europe for gold, as shown by the amount of gold now held by the National Banks of Europe—a phase in modern finances of hoarding gold, which as a practice and in extent promises to equal in influence the hoarding of silver by India—permanent resumption, therefore, on a gold basis alone, is a problem of unknown quantities and factors too difficult to solve.

In our speculations upon the future as foretold by the past, we must include the recent experience of Germany, France and Great Britain. Germany has demonetized silver at a great cost, and it is a question how much of her commercial adversity may be ascribed to her single standard monomania. France is, financially, prosperous, the envy of

her rivals, and yet France is the champion of silver. Great Britain is again "suffering grievous ills, arising from mistaken legislation," at home and in India; and how much of this comes from a single standard of gold, while India will persist in a single standard of silver, is a question to be discussed just now with calmer philosophy by our manufacturers than by those of England. Unquestionably many of the English political economists already believe in a "silver lining" to their commercial clouds.

We believe it to be an important economical truth, that it is more profitable to see to the prosperity of our debtors or customers than to the welfare of our creditors—and that, in the arguments that we should have the money of the world, we must not forget the advantage, if not the necessity, of our having the money of South America, China and India, our profitable customers—to say nothing of our being the chief producers of silver; their money, and the money of the world for four thousand years, and in all human probability to be so for a time beyond our ken. H.

ARE BANKS ENTITLED TO PURCHASE NOTES ?

This question may seem to many of our readers to admit but of one reply. The banks in all our principal cities have so long been in the habit of purchasing notes in the regular course of their business, without any question having arisen as to their right to do so, that it has come to be an established axiom of banking that the purchase of notes is one of the ordinary functions of the banking business. Two cases, however, have just been decided in the State courts of Minnesota, which dispute this long-established principle. The first case is that of "Farmers and Mechanics' Bank *vs.* Baldwin." We intend, in an early number of the *BANKER'S MAGAZINE*, to give a report of the decision in full. Meanwhile a brief summary of this important case must suffice. The opinion was read by Mr. Justice Cornell, and begins by citing the principle that a corporation can only exercise such powers as are expressly granted, or such as are incidental to its existence or necessary to enable it to execute some one or more of its expressed powers. The Court next examined the bank statutes, in order to discover whether the banks are expressly authorized by them to buy promissory notes. No such express power is found in the law, which merely confers upon the banks the power to receive deposits, to discount bills, notes and other evidences of debt, to buy and sell gold and silver bullion, or coin, and foreign and inland bills of exchange, to lend money on real and personal secu-

rities, and to exercise such incidental power as may be necessary to carry on such business.

In commenting upon these provisions of the banking statute of Minnesota, the Court say that the obvious intent of this legislation was to secure to men engaged in agriculture, in manufactures and in commerce, loans and monetary facilities at reasonable rates of interest; and also to protect the shareholders of banks, and the banks themselves, against the risk of loss from inadequate security, such as might be taken under the tempting influence of high rates of interest, regulated only by the necessities and the cupidity of bank directors and officers. In view of these principles, the Court argue that banks organized under this law do not possess the unlimited power of dealing in promissory notes and other evidences of debt, as property and choses in action, to the same extent as individuals, for otherwise all restrictions upon the rate of interest would be a practical nullity, as the banks would have the power of evading such a restriction at any time by simply buying the paper instead of loaning money upon it. Hence the Court hold that the power to purchase promissory notes does not belong under the law to any bank as a necessary incident to its existence or to the exercise of any of its powers either as a bank of circulation or deposit.

The Court next consider whether a bank can buy a promissory note as a necessary incident of its function as a bank of discount. First it is shown that to discount paper as understood in the business of banking, is only a mode of lending money, with the right to take the interest allowed by law in advance. But discounting a note and buying it are not identical in meaning, the latter expression being used to denote the transaction when the seller does not endorse the note and is not accountable for it. But it is obvious that the right of discounting can be fully enjoyed by the bank without the possession of the unrestricted power of buying and dealing in such securities. And although it is true that the discounting bank acquires a title to discounted paper, and hence, in a certain qualified sense, may be said to have purchased it, yet it is a purchase by discount, which is permitted, and does not involve the exercise of a power of purchase in any other way than by discount.

From these premises the Court infer that the power to buy a promissory note cannot be regarded as necessarily incidental to that branch of the banking business which pertains to a bank of discount alone. And as it was before demonstrated that the powers claimed were not incidental to the other legal functions of the bank as conferred by law, the conclusion is reached that under the statute of Minnesota, incorporated banks have no legal capacity to purchase

promissory notes. Among the numerous cases which were cited in confirmation of the various points held, was that of the Niagara County Bank *vs.* Baker, decided by the Supreme Court of the State of Ohio, 15 Ohio St. 69, in which the Court decided that a power to carry on the business of banking by discounting promissory notes was not a power to purchase such notes but to lend money thereon. From the whole of the facts, the Court decided that the bank had no corporate capacity to make the contract of purchase, and never acquired any title to the note in suit, so that the alleged act of purchase was strictly *ultra vires*, and conferred no rights whatever. It will be seen that this decision turned on a purely technical point of interpretation. We believe it has never been carried up as yet to the Supreme Court of the United States. There is little doubt, however, as to what the decision will be when that tribunal is called upon to adjudicate the question.

STATE TAXATION OF BANKS.

The decision of the Supreme Court of New York in the case of the Gallatin National Bank *vs.* the Commissioners of Taxes, which was published in our last number, has by some critics been attacked, on the ground that the doctrines held by the Court are novel, and that in particular the ruling that bank shares are not to be assessed at their par value but at their actual value, is a decided innovation upon all the old principles of assessment heretofore in use. This criticism is clearly untenable. To whatever other objections Judge Brady's decision may be amenable, it is clearly free from the charge of establishing a novel or unprecedented principle of valuation. Some interesting evidence has just come into our hands in proof of this statement. Before reciting it, we might briefly refer to the decision in the United States Circuit Court of Missouri, which was also reported in our last number; and to the rulings of the two presiding judges in regard to the assessment and valuation of bank shares. It will be enough, however, for our present purpose, to cite that case, which we have not now space to examine. It clearly establishes the principle that for tax purposes the State assessors are not bound to value bank shares at par, except that is their actual value, and that they are justified in setting down bank shares in the tax lists at their actual value, whether it is above par or below it.

This argument, however, as presented in the decision referred to, does not completely clear Judge Brady and the opinion of the N. Y. Supreme Court from the charge of

innovation. To do this it is necessary to refer to some official documents which were issued when the New York law taxing bank shares was passed by the Legislature at Albany. This law, which it was the duty of Judge Brady to apply in case of the Gallatin National Bank *vs.* Commissioners of Taxes, will be found in chapter 761 of the Laws of 1866. A few weeks after this statute was passed, it received an official interpretation from General Hillhouse, the State Comptroller. This document contains the official interpretation put upon the law at the time of its passage. We have obtained a copy of the document from Gen. Hillhouse, who is now the Assistant Treasurer at the port of New York. As will be seen, it accords in several very important respects with the decision of Judge Brady, and so far it constitutes a sufficient answer to the charge of innovation; while the experience, learning and acumen of Gen. Hillhouse offer a presumption that so far as his views of the law are in accordance with the recent decision of the N. Y. Supreme Court, that decision is likely to be sustained if appealed. Still as there is doubt in regard to several of the principles involved, they should be passed upon by the Supreme Court of the United States. The document issued by Comptroller Hillhouse on bank share taxation is as follows:

COMPTROLLER HILLHOUSE'S CIRCULAR OF 28TH JUNE, 1866.

Under the provisions of law which direct the Comptroller from time to time to transmit forms and instructions to the Assessors throughout the State, and which require Assessors to be governed thereby, the Comptroller deems it his duty to call the attention of these officers to the requirements of the Act, chapter 761, Laws of 1866, relating to the assessment and taxation of the shareholders of banks, and to prescribe the following rules for their observance:

First.—In estimating the value of bank shares, the usual course has been to assess them at their par value. But this standard cannot always be relied on as correct. The real value depends very much on the amount of surplus funds that has been accumulated, and where these amount to a large percentage on the capital, as they do in many instances, the real value of the shares will be increased in proportion. Hence to assess on the par value, as a fixed rule, would result in a discrimination in favor of banks holding large amounts of surplus funds, and against others not similarly situated. Assessors should decide as to the value on the best information within their reach. In no case, however, should the assessment be less than the par value, without proper evidence that the capital has been impaired, through losses actually charged over on the books. The Comptroller is informed that in several counties the Assessors are disposed to assess bank shares at a price much

less than the par value, under the pretense that, in so doing, they would only be giving to personal property in the form of bank shares the same advantage that is enjoyed by individual holders of other kinds of personal property, a large portion of which it is said is concealed, and therefore not assessed or taxed. There is nothing in the Act which justifies so loose and incorrect a mode of assessment. The provision in the first section that the shares shall not be estimated "at a greater rate than is assessed upon other moneyed capital in the hands of individuals," evidently refers to the rate per cent. of tax, and not to the amount of the assessment. Such is the construction given to the passage by this Department, and Assessors should conform thereto.

Second.—No deduction should be allowed shareholders from the assessment of their shares for debts. The only deduction provided for is a proportionate part of the real estate of the bank which is to be assessed against the corporation. If it had been the intention of the Legislature to allow of other deductions, it is fair to presume that they would have been expressly mentioned in the Act. The inference that because the value of the shares is to be included in the valuation of the personal property of the shareholder, his right of offset for debts will attach to this as well as other items of his personal estate, does not appear reasonable or just. The value of the shares is to be included in the valuation of the personal property of the shareholder, "at the place, town or ward where 'the Bank is located, and not elsewhere.'" Now, as a large proportion of the holders of bank shares reside in places, towns and wards, other than where the institutions are located, it is plain that the value of their shares cannot be included in the valuation of the personal property of this class, because it is a general provision of law that the tax-payer is to be assessed for his personal effects, in the district where he resides. Hence, if the law were administered on the inference stated, it would give resident shareholders a privilege not possessed by non-residents, and thus result in an inequality which it may be presumed the Legislature did not intend to sanction. It would have another bad effect, by making it impracticable for banks to assume and pay the taxes levied on the respective interests of their shareholders, as it is believed most of them will do, provided the shares are included in the valuation of the personal property of the stockholder, as a separate and distinct item. If mingled with other property, subject to deduction for debts, it would be difficult, if not impossible, to separate it from the mass, and ascertain the exact amount of tax with which it was chargeable. Thus any benefit and convenience to be derived from an assumption of the tax by the banks would be lost. Practically the question is of no

importance, except to the few tax-payers where debts exceed the value of their personal property other than bank stock. To the great majority, the right of offset would be of no advantage if admitted, while it would create inequalities and embarrassments that would render the administration of the law more difficult.

Third.—No deduction should be allowed for the proportionate interest of a shareholder in the stock or bonds of the United States held by the corporation. It is true that these securities cannot be taxed either in the hands of corporations or individuals, but the Supreme Court of the United States, in the case of *Van Allen vs. Nolan et al.*, assessors, has decided that a tax on the shares is neither a tax of the capital of the bank, nor of the stocks of the United States, where the whole or a portion of the capital may be invested in such stocks. However opinions may have differed on this subject, the case referred to must be taken as an authoritative decision of the question, which leaves the whole of the interest of the shareholder subject to the tax.

Fourth.—In the case of individual bankers, the Act contemplates that they are to be assessed in the same way as banks and banking associations. This appears evident from the fact that, although they may not issue certificates of stock, each one hundred dollars of their capital, for the purpose of taxation, is to be held and regarded as one individual share, and the shares are declared to be personal property. It should be understood, however, that the term "individual banker" does not include persons engaged in business, under the name of bankers, who are not organized as such under the banking laws of the State, who issue no circulation, and who do not therefore appear to come within the designation of the term as used in the Act. The capital of this class is to be assessed on the same principle as the property of other individuals, and they are entitled to the same deductions from the amount of their assessments, for debts and investments in the United States stocks.

Fifth.—By the seventh section of the Act, "the franchises and privileges granted by the Legislature to savings banks or institutions for savings are declared to be personal property and liable to taxation as such, in the town or ward where they are located, to an amount not exceeding the gross sum of their surplus earned and in the possession of said bank or institution." The right to tax corporations for their franchises is so clear, that it is difficult to see how it can be strengthened by making them personal property, if that were possible. It is no less difficult to realize the policy or justice of taxing a bank for them to an amount equal to its whole earned surplus, a procedure which would at once close up every savings institution in the State. Construing the section in conformity with what is believed to have been the

intention of the Legislature, though the language fails to express it, the Comptroller concludes that these institutions should be assessed on the amount of their surplus funds, *after deducting such portion as may be invested in the stocks of the United States*. It is not easy to see how this deduction can be avoided by a tax on the franchises and privileges, as provided in the Act, if such tax be imposed in the usual form of a percentage on a fixed valuation or assessment. The stocks of the United States being exempt from taxation, they could not properly be included in the assessment, and must therefore escape. It is equally clear that these securities, as owned by savings banks, do not come within the scope of the decision of the Supreme Court before referred to. It is there held substantially, that a tax on the shares of a banking corporation is not a tax on the stocks of the United States in the possession and ownership of the institution, but that on the contrary it is a tax upon the new use and application of these securities, conferred by the charter of the association. As there is no use or application of the indebtedness of the Government, open to savings banks, except such as is enjoyed in common with individuals, that is, the right of holding them for the purpose of investment, it seems plain that they are as fully exempted from local taxation in the one case as in the other.

THE COMMERCIAL CRISIS IN GERMANY.

The history of the last ten years has been rich in illustrations of some of the most obscure and fundamental principles of political economy. When at the close of the Franco-German war the victorious Germanic Empire had to receive from France 1100 millions of dollars in gold, almost every one supposed that a period of unexampled poverty and depression, anarchy and distress, awaited the prostrate nation; and that the victorious Germans would enter on a career of commercial and industrial prosperity, and might become the richest nation in the world. How singularly these anticipations have failed is now matter of history. For a century to come the economists of the future will have a wide field opened before them in these facts for the exercise of their ingenuity and scientific acumen. An article in the *Revue des Deux Mondes* attempts to analyze some parts of this interesting financial history. In 1869 it says business in Germany was active and prosperous. For the capital and industrial enterprise of the country there was ample employment. The depressing effect which had so long been fostered by the fears of a war with France had passed away and financial confidence gave a healthy tone to the chief departments of

business. This activity of financial confidence was illustrated by the success which attended the operations of Strousberg, who was then at the height of his adventurous career. We have lately shown in narrating the incidents of Strousberg's successes and troubles, how severe was the shock which heralded the announcement of the war with France. Such a paralysis came over the financial community that when a German national loan of 125 millions of thalers was announced at 88, scarcely three millions were subscribed on the Berlin Bourse previous to the public opening of the books. This panic, however, was but momentary. When the news arrived of the battle of Weissembourg, this very same loan which happened on that day to be publicly offered was eagerly bid for and ran up from 88 to par. From that time the credit of the German Government never receded, and as the military successes of the imperial army followed in quick succession, the public confidence was raised to so high a pitch, that an indemnity of large amount began to be talked of, and ambitious schemes were mooted for raising Germany to as high honors in the commercial arena as it had already won in the theatre of war. After a short and brilliant campaign, when these inflated notions were culminating, the French milliards were poured into the German Treasury. With these funds the most extravagant notions of wealth and of future progress took possession of the new Empire. The means of developing Germany, of carrying out vast enterprises, of stimulating manufactures and commerce, of strengthening its military force, of carrying on public improvements such as canals, docks, forts and railroads seemed to come into their hands, and almost immediately, a violent fever of speculative excitement began, the extent and evils of which are set forth with graphic clearness in the article before us. In reading it one seems to be exploring a chapter in our own financial history, with notable exaggerations. Before 1870 the number of banks whose stocks were dealt in at the Berlin Bourse was 48, but in 1873 the number had increased to 133. From 1799 to 1870, nearly 300 joint stock companies had been organized in Germany, but in 1871 and 1873 the number of new companies formed was 780. Of these new enterprises many were building societies; and "A statistician has calculated that if all the projects of these societies had been carried into execution, a town capable of accommodating 9 millions of inhabitants," or more than four times the aggregate population of Boston, Philadelphia and New York, would have been built. Of course, however, the formation of manufacturing companies attracted a considerable portion of the speculative agitation, and of the fictitious capital in which it flourished. "In 1870 28 such companies were quoted on the Berlin Bourse, representing a capital of 98 million of marks; these were substantial companies which the subsequent crisis has touched but little, and their average dividend in 1874 was 5.88 per

cent. which was a little higher than before the war. In 1876 225 new companies had been entered on the list with a capital of 564 millions of marks; their average dividend at 10.38 per cent. to finish at one per cent.; and the latter figure scarcely gives a true idea of the loss borne by the share holders, for a great number of the companies are bankrupt, and since 1874, 136 of them have paid no dividend.

We notice in passing that till now we have heard very little of the defaulting railroads of Germany. To read the European newspapers, reviews and journals, one might suppose that the only railroads in the world that had been defaulting in their interest were those of the United States. Now the fact comes out that in Germany there have been railroad defaults to a very large amount. The reviewer whom we are quoting tells us that the speculation in German railroads was so active and rabid, that nothing seemed able to stop it. The cost of building the roads increased 50 to 100 per cent., but the new stock issued was rapidly absorbed, though in 1872 it amounted to 244 millions of marcs, and in 1873 to 471 millions.

With regard to the operative classes, their condition was not much improved, though in many cases their wages were doubled and their hours of labor reduced by one-half. Extravagance and indolence united to rob the laborer of his earnings. "The deposits in the savings banks did not increase, the house of the mechanic and laborer was no better furnished, and his family were no better lodged and no happier, so that when the day of panic and cessation of work arrived, the mechanic, after all his increase of wages, found himself as poor as before, but more discontented than ever, and more ready to believe in the magical power of strikes, revolutions and political or financial chimeras." At the close of this gloomy chapter, our historian asks, with some bitterness, what good the French milliards have really done to Germany. Is there not, he inquires, a greater loss shown by the difference in the price of stocks in 1870 and 1876—a difference which represents not the transfer of wealth but its absolute annihilation? For although some of the enterprises that have been started have been successful, an enormous sum of active capital has been wasted, and has been either made temporarily unproductive, or utterly and irrecoverably lost. "There remains nothing of the increased earnings of the workman, nor of the immense sums expended upon ill-advised railroad schemes, upon houses badly built, upon colonies without colonists, and upon work-shops which have remained empty; so that after all, Germany has been unquestionably weakened and impoverished."

Such is the conclusion of a French economist, who may be excused if he somewhat magnifies the evil. Without any exaggeration, however, the dangers which the French

milliards have sown broadcast in Germany are sufficiently great, and they illustrate the principle that whenever any country receives a plethora of capital, some feverish development and spasmodic fluctuations of productive activity will be sure to develop themselves. But for the phlegmatic constitution of the German people, the evils in question must have been enormously augmented. An interesting paper might be written comparing the effects of the French indemnity in Germany with those produced by the rapid growth of wealth among another phlegmatic race, the people of British India, in consequence of the cotton famine as it was called, which during our civil war attracted immense sums of capital to India for the purchase of cotton. In both these cases a large influx of floating capital was precipitated into a financial system, imperfectly prepared to absorb and assimilate it. In our own country during the war a somewhat similar state of things existed, and a large increase of capital was poured into all the channels of productive industry. Here, however, there was a preparation, a receptiveness in the channels of industrial enterprise, so that the speculative fever was sooner checked, and the equilibrium was sooner regained. Still there were enormous mischiefs developed by the inflation movements in this country as everywhere else. The course of events in Germany will be watched with the most interest, as it offers the latest and in some respects the most remarkable example of the evils to which we have referred as the result of a plethora of capital.

THE PAPER CURRENCY OF INDIA.

So much attention has been given of late to the finances of India, with a view to elucidate the silver problem, that it is somewhat surprising that the paper currency in use in that country, has received so little attention. Most of the economists who have discussed the Indian aspect of the silver difficulties, have argued as if there were no money but coin in circulation among the 200 millions of population in British India. It is a fact, however, that for many years past, government notes have been in circulation in that country, and that their amount at present exceeds fifty millions of dollars. This system of government notes was established about the same time as the greenback circulation of the United States. Since 1862, the Indian Government has issued, through its Paper Currency Department, notes of denominations ranging from £1,000 to 10s., these being secured in the same way as the notes of the Bank of England—partly by a deposit of Government securities, and in part by a fluctuating stock of gold and silver coin and

bullion. For the emission of these notes, the whole country has been divided into ten "circles" of issue, the notes of each circle being legal tender only within its limits, but payable on demand, either at the place of issue or at the capital city of the Presidency within which that place is situated. Commencing with an issue of £ 3,690,000, the volume of the note currency steadily increased until, in 1869, it amounted to £ 10,141,070. Since then, however, as will be seen from the subjoined table, it has fluctuated considerably :

AVERAGE AMOUNT OF NOTE CIRCULATION, AND OF EACH DESCRIPTION OF RESERVE OF THE PAPER CURRENCY DEPARTMENT OF THE GOVERNMENT OF INDIA, during each of the undermentioned years.

Years ended Mar. 31.	Average Note Circulation.	Average Amount of Reserve in—			
		Silver Coin.	Silver Bullion.	Gold Coin and Bullion.	Government Securities.
1870	£ 10,669,078	£ 5,041,325	£ 1,662,989	£ 31,249	£ 3,933,515
1871	9,813,224	5,838,798	815,162	27,249	3,132,015
1872	11,415,744	6,343,078	1,142,816	7,249	3,922,601
1873	12,864,037	5,135,110	1,968,417	7,249	5,753,261
1874	11,145,191	4,828,522	615,407	7,249	5,693,953
1875	10,670,407	3,994,452	974,753	7,249	5,693,953

The highest point it will be observed, was reached in 1873. In 1874, there was a fall of about £ 1,700,000, and in 1875, a further decline took place, which brought the circulation down almost to the level of 1870. These fluctuations, however, have, in the main, been restricted to the Bombay circle of issue, the figures for the three chief circles, which between them absorb about four-fifths of the whole issue, being as follows :

AVERAGE VALUE OF GOVERNMENT CURRENCY NOTES IN CIRCULATION IN EACH CIRCLE THROUGHOUT INDIA, during each of the undermentioned years.

[Average at two shillings sterling for the Rupee.]

	Circles		
	Calcutta.	Madras.	Bombay.
1869-70	£ 4,145,743	£ 699,946	£ 4,572,490
1870-71	3,509,339	841,504	3,880,746
1871-72	4,303,347	1,072,626	4,145,232
1872-73	4,780,495	1,023,974	5,159,047
1873-74	4,702,974	1,148,559	3,002,741
1874-75	4,843,862	866,742	3,049,534

It is further worthy of notice, that, in addition to benefiting the country by supplying a cheap, convenient, and perfectly secure currency, the Government has earned for itself a legitimate profit by the transaction. For the first three years after its introduction, the expenses of the note issue exceeded the profits derived from it by £ 42,000, but in all subsequent years there remained a balance of profit, which, in the aggregate, amounted, at the end of 1875, to £ 1,375,347. The profits for 1870, and the subsequent years, are shown in the subjoined table :

RECEIPTS AND DISBURSEMENTS OF THE DEPARTMENT OF ISSUE OF GOVERNMENT PAPER CURRENCY, during the undermentioned years.

<i>Years ended March 31.</i>	<i>Receipts.</i>	<i>Disbursements.</i>	<i>Excess Receipts.</i>
1870 ...	£ 166,787 ...	£ 28,986 ...	£ 137,801
1871 ...	149,387 ...	33,623 ...	115,764
1872 ...	142,597 ...	28,539 ...	114,058
1873 ...	239,223 ...	31,352 ...	207,871
1874 ...	237,158 ...	45,598 ...	191,560

The profits in 1873, it will be noticed, went up with a bound of fully eighty-two per cent., the reason, as a glance at the first of the tables given above will show, being that in that year an addition of fully £ 1,800,000 was made to the amount of the Government securities, against which notes could be issued, and it became possible, therefore, to effect an equivalent reduction in the stock of bullion.

NEW PHASES OF THE SILVER PROBLEM.

Two conclusions may be deduced from the rapid advance of silver of late. It is evident that the policy which is the best for the United States if not for other countries to adopt is to wait events. Holland and England with their immense eastern dependencies are much less favorably circumstanced than we are. They may at any time find themselves obliged to adopt some definite policy looking to a permanent settlement of difficulties in their monetary system which refuses to be postponed. France, Belgium and Italy are beset by embarrassments, but in this country no such difficulties surround the silver question and therefore we have argued in common with many other economists and journals that the expectant treatment, as it is called, should be persevered in so that the natural course of events may if possible settle the difficulty or at least show us its precise extent and magnitude.

The second inference which is suggested by the rise of silver to fifty-eight pence and upwards, is that the heavy fall in its price during the last year was rightly ascribed to a panic. If there had been any reasonable cause sufficiently strong to justify the fall of twenty per cent. in silver, it is presumptuous to suppose that a reaction could have been developed so soon. It is the property of a panic to cause men to see everything in a haze. Magnified by their fears, the smallest accidents appear gigantic, and causes which are very minute are supposed able to produce effects of grave moment. So it has been in the silver troubles. Germany demonetized silver and adopted a gold standard, the exchanges on India became deranged by temporary circumstances which

must evidently work their own speedy cure, exaggerated anticipations as to the rich producing power of the Nevada silver mines, with other rumors true and false, were magnified by the speculators and their victims, until an extraordinary bewilderment and agitation spread itself over the public mind not only in England, but throughout the continent of Europe, and it even reached this country also. Now that the facts are becoming more visible and the mists which concealed or magnified them are passing away, a reaction in the public sentiment is beginning, which may perhaps go as much too far in one direction as it was driven by the panic in the other. An interesting letter has just appeared in the *London Times* from a correspondent in San Francisco, which has attracted general attention, and is supposed to have had much to do with the advance in price of silver during the last few weeks. After giving a summary of the course of the silver production in Europe and in the United States, this writer proceeds to show that one great mistake invalidates all the reasoning on which the promoters of the silver panic professed to rely. He says that the production of silver in this country will fall very far below the estimates, moderate as they were, which were given in the report of Mr. Goschen's committee, and secondly that the demands of the United States for silver will fully absorb all that its mines can produce. Singularly enough, about the very time when this letter appeared, a quantity of silver was purchased in London for the account of the United States Treasury, thus giving an implicit corroboration of the statements of the *Times* correspondent. He explains his views as follows :

“Taking the estimates of the production of silver from the returns of the mines, and from those engaged in the purchase and shipment of silver, the year's production in the United States may be set down at about \$ 28,000,000. There is not the slightest doubt that the silver product of the United States has all along been exaggerated, and those who have access to the best sources of information consider 24,000,000 ounces of fine silver a full estimate, and one, moreover, that, with the amplest knowledge of the prospects of further production, they think is not likely to be exceeded in future from the present known sources. There is, therefore, nothing to warrant expectations of enormous production, and the discovery of new mines of great value is entirely speculative, there being always some slender chance of such a thing, though no more now than at any time in the last 25 years. It is evident also that if the present supply is to be kept up for an indefinite period new mines must be discovered to take the place of those now being worked out. Humboldt, in his great work on Mexico, has shown that nearly one-half of the whole gold and silver production of Mexico came from three mining districts, while the remaining half came from about 50

districts comprising about 3,000 mines. So it is in Nevada, the great production has been from the Comstock Lode; all else in that State and the surrounding States has been comparatively insignificant.

“At the same time there may be additional production from two sources. The Sutro Tunnel, on which about £500,000 has been expended, is now in about three of the four miles from the mouth of the tunnel, near the Carson River, to the Comstock Lode; and as it runs right angles to all the lodes of which the Comstock is the chief, it may strike some new ledges of value before reaching the Comstock, or after passing through it into Mount Davidson. The great object of this tunnel is to cut the Comstock at a depth of about 1,800 feet, so that the enormous bodies of water that now have to be pumped from that, and even from lower depths, with powerful and very costly machinery, may run off through the tunnel into the Carson River, and may at the mouth of the tunnel, give ample water for the mills intended to be erected there for the reduction of the ores which it is expected will be run out through the tunnel. It will not reach the Comstock for at least 15 months yet: but when completed it will be of immense service to the mining interest. Yet, with all its advantages, with the prospect of cutting unknown or undeveloped ledges, and of enabling low grade ores to be worked at a profit that cannot be reduced to advantage at present high cost of mining and milling, the superintendent of the Sutro Tunnel Company makes an estimate of the production of the Comstock at \$30,000,000 of silver and gold on an average for the next ten years, the division probably being 55 per cent. of silver and 45 per cent. of gold. The other probable source of increased production is Arizona, which before long will be placed in communication with this city by the Southern Pacific Railway, of which 600 miles of the 715 from this city to the Colorado River at Fort Yuma are completed. The railway, when extended through Arizona, will open up new mining fields at present too inaccessible to be worked to advantage. Yet, while the States or territories of Nevada, Oregon, Utah, Montana, Idaho, Colorado, and Arizona itself have abundance of mineral belts that have been largely explored, there has not been found more than one exceptionally large silver lode—the Comstock—and it is probable that the railway, even if completed through Arizona, might not materially increase the production of silver. I make this reference to Arizona in case some wild ideas may be set afloat as to a deluge of silver in connection with railway extension there, the more so because, although no valuable large bodies of silver ore have been discovered, some very valuable small ore bodies have been worked.

“The report of Mr. Goschen’s Committee, taking the mean between Dr. Linderman’s £10,000,000 and Messrs. Roth-

schild's agents' £8,000,000, has placed the estimate of 1876 at £9,000,000, whereas the amount will not exceed £5,600,000. This over-estimate of £3,400,000, or about 60 per cent., is of the utmost importance in considering the question of supply, and the deduction of this large amount from the figures in the report puts a very different aspect on the prospect of the silver question. * * * The silver question in the United States may, therefore, be summed up in a few words. The total production for the year 1876 will amount to about 24,000,000 ounces of fine silver, valued at \$1.15c. per ounce, the price of the day, at \$27,600,000 in gold, and there is no reasonable expectation of increase for the future from all known sources, while the continuance of the present supply is, to say the least, problematical. The redemption of the fractional currency will require \$20,000,000 more, and if coinage is commenced for resumption on January 1, 1879, on the single gold standard, there will be needed at least \$75,000,000 of subsidiary silver coin; and if the double standard be adopted, involving full valued silver coin, or the single silver standard be adopted with gold as subsidiary, it is difficult to say to what price silver may rise.

"Passing across the Atlantic to England, what are the main facts that confront us in regard to silver there? The total imports into the United Kingdom for the eight months ended August 31, 1876, were £8,286,797, against total exports during the same period £7,559,314, showing the net imports to be £727,483. Now, taking the allowance for eight months for manufacturing purposes of £400,000, the report of Mr. Goschen's Committee setting down the annual consumption at £600,000, and estimating the coinage for the same period at £400,000 in the proportion for the year 1875, these two items give £800,000 against a net import of £727,483. On further analyzing the Tables of Export and Import in the Supplement to the *Economist* of September 9, 1876, the imports of silver from Germany during the first eight months of 1876 were £2,689,271 against £707,375 in the same period of 1875, showing the imports to be £1,981,896 more in the period of 1876 than of 1875, and, allowing for an excess of export to Germany for the period in 1876 as compared with 1875, the net imports from Germany into the United Kingdom were £1,898,383 more in the first eight months of 1876 than of 1875. On the other hand, the diminution of net imports from Mexico, South America (except Brazil), and West Indies amounted to £511,219 for the period of 1876 as compared with 1875, and similarly a diminution in net imports from the United States of £81,912. So that looking on the supply and demand as almost exactly balanced in the period under consideration, the supply is only kept up by an excessive import of £1,898,383 from Germany, a merely temporary source of supply, whereas the United States, Mexico,

South America and West Indies, the permanent sources of supply, from which largely increased quantities were confidently reckoned upon, show a falling off during the eight months of £593,131. Further, the total imports of silver into the United Kingdom for the four years and eight months from 1872 till the 31st of August, 1876, were £54,836,000, and the total exports for same period were £49,093,000 making net imports £5,743,000. Taking the figures for coinage for the four years—namely, £3,810,115, and taking £400,000 for the eight months in 1876 as already estimated, and adding for manufacturing purposes £600,000 per annum—a total home consumption for these four years and eight months is obtained of £7,210,000, against a total net import during the same period of £5,743,000, making an excess of export and consumption of £1,467,000 over the supply. Moreover, the net export of silver to British India for the first eight months of 1876 exceeded those during the same period of 1875 by £1,622,025, and if British India, China and Japan are taken together, the increase of export was £1,380,825.

“Yet the diminution of import from the producing countries was happening at the very time when there was a severe panic in London, in consequence of the belief that the world was going to be deluged with silver from these sources, and this excess of export and home consumption over supply was going on in the leading silver market of the world, while it was supposed that Europe was being flooded with silver in consequence of the demonetization by Germany. Then the average price of silver during these last five years of deficient supply fell from 60¼d. in 1872 to 59¼d. in 1873; to 58 5-16d. in 1874, to 56¾d. in 1875, and to 52½d. in the first eight months of 1876. The average price from 1852 to 1872 had been 61d., and from 1868 to 1872 60½d. The fall from 52½d. to 47d. in July last may be regarded as the depreciation of sheer panic; but the actual fall from 60½d. in 1872 to 52½d., is 13⅓ per cent., and from 56¾d. in August, 1875, to 52½d. in August 1876, about 7½ per cent. I remark here that the rise of the price of silver after the gold discoveries in Australia and California was from 59½d. to 62d., or only 4 1-5 per cent.

“The supply of silver thus falling short of the demand, the actual fall in price must arise from one of two causes. Either the cost of producing or acquiring it has diminished, or the cost of producing gold or of acquiring it has increased. There is no reason for supposing that the cost of producing silver has diminished, as although two mines in Nevada are making extraordinary profits at present, this is not the case in Mexico, South America, or in many other mines in Nevada; and following the economic law that the price of the total production of any article is determined by the cost of that part of the supply which is produced at a profit under the greatest

disadvantages, it is clear that the price of silver will not be determined by the cost in the more profitable mines of Nevada, but by the cost in the least profitable mines of Nevada, Mexico and South America. But the demonetization of silver in Germany, had, at the time of the sittings of Mr. Goschen's Committee, caused £6,000,000 to £7,000,000 of silver to be sold, and, therefore, by the effect of this additional supply to be acquired cheaply, though that has not hindered the export and home consumption of silver in the United Kingdom from being £1,467,000 in excess of the net imports, including whatever of this surplus German silver may have come to London. On the other hand, there is no reason to suppose that there is any material increase in the cost of producing gold, but in the last four years the German Government have accumulated about £60,000,000 of gold. So that the two main causes tending to lower the price of silver have been the £6,000,000 to £7,000,000, about £2,000,000 a year, that the German Government have sold and thus practically added to the supply; and the purchase or acquisition of about £60,000,000 of gold drawn from the yearly production and the gold supplies of the world, thus rendering gold scarce, and therefore dear. Now this increase of silver and diminution of gold must have had their natural influence on the relative prices of these metals, and the question is in what proportions £6,000,000 to £7,000,000 of silver added to the supply, and £60,000,000 of gold subtracted from the supply, have respectively contributed to the fall in the gold value of silver of 13 1-3 per cent., since the German accumulation of gold began to the present time, when the price is 52½d. There have been also purchases of gold for Sweden and Norway, Holland and Japan, assisting in rendering gold scarce. If the price of silver had fallen in consequence of its excessive amount, the effect would have been distinctly traceable in a general rise of silver prices in India, while silver was depreciating. But in a letter in *The Times* of September 6 this is distinctly asserted not to be the case, while on the other hand it is asserted that in London gold prices of Indian imports have fallen in consequence of the increased purchasing power of gold. In one of the business notes of the *Economist* of September 16 a list is given of 24 articles of import during the month of August placed "nearly according to their relative importance," with the prices current in August, 1875, and August, 1876, and of these the first 11 staple articles, beginning with cotton, have all declined in value, the average fall in price being 7 1-5 per cent.; and of the other 13 articles seven have increased in price including silk, in consequence of the diminution in the European crop, and flax and jute, and six have decreased in value. Now, it is very singular that taking the average gold price of silver for August, 1875 (Appendix to Report, p. 20), at 56¼d., and for August, 1876,

at 52d., the depreciation in the twelve months is about $7\frac{1}{2}$ per cent.; and taking the first 11 articles referred to above, the average depreciation in gold prices is 7 1.5 per cent. during the 12 months; while the prices in India, where an excess of silver should have been distinctly felt, are stated to remain comparatively stationery, and China was so bare of silver that the rate of exchange for six months' bills on London rose in Shanghai from $60\frac{1}{4}$ d. to 70d. per Shanghai tael, as soon as the tea and silk seasons set in, that is the end of May or the beginning of June, thus producing a rapid variation about $16\frac{1}{2}$ per cent."

Another point which this writer brings to light, is that during the panic in silver, immense profits were made by bullion-brokers and dealers. This fact is very well known here, but we have not previously seen any account of it in the European journals. Subjoined is his statement in detail: "I will illustrate the large profits that were for a brief time obtainable by the figures of an actual shipment of silver made by the agent of a China bank here about the 12th of July, just immediately after a sale of Council draughts in London at the lowest rate at which sales were made:

400,000 oz., 998 fine silver, at 23 per cent. discount... ..\$397,413 gold.
Paid for by telegraphic transfer on London at $48\frac{3}{4}$ d. per \$....£80,724 10 0

OUTTURN IN SHANGHAI.

Canton Taels, weight 331,120, sold at t/s. 111.4=Shanghai
Taels, 363,867.68—invested in six months' bills on London,
at 5s. $9\frac{3}{4}$ d.....£107,202 3 6

"About £1,200 have to be deducted for interest in London, leaving a balance of profit on the transaction of about £25,000, or rather more than 30 per cent.

"Yet in *The Times* of September 8, the total imports of ten of the above eleven articles (brandy not being mentioned in *The Times'* list), for August, 1876, were £12,680,766, against £12,460,345 in August, 1875, or less than two per cent. in favor of 1876, while the average prices of the individual articles had declined in the twelve months about 7 1.5 per cent., almost exactly the amount of the fall in silver during the same period. I do not assert that the rise in gold is the sole cause of the simultaneous decline in staple articles and in silver of over seven per cent., but at least the above shows a case for investigation where fuller materials on the subject are accessible. At the same time the burden of evidence seems to favor the idea that the fall in silver has been mainly brought about by the rise in gold, in consequence of what has been practically a permanent lock-up by Berlin of £60,000,000, which, disturbing the normal movements of gold to that extent, has made it scarce and raised its purchasing power."

We are gratified to find that an observer of so much ability, has been led to the conviction that a part of the trouble in the silver market is due to the appreciation of gold. We have frequently demonstrated this opinion, and although it is not held by some of our leading economists, and has been dogmatically denied by others, no evidence has been brought to overthrow the proofs that have been adduced to show that gold from a series of circumstances has been appreciating for the last four or five years. What is the amount of this appreciation it is impossible at present to say. Some persons have held that after the gold discoveries of 1848, the value of gold depreciated thirty per cent., by a series of fitful and spasmodic movements. These persons hold that from 1870 to 1872 a reaction began, and that gold has appreciated twelve to eighteen per cent., or nearly half as much as it had depreciated during the previous quarter of a century. On this subject, the *Times* correspondent offers some lucid remarks, which we regret that our space forbids us to cite. He concludes as follows:

“It would indeed be strange if £60,000,000 of gold could be withdrawn from the ordinary sources of supply and circulation without having a decided effect; so accepting this rise in its purchasing power as beyond all doubt, and that this is the chief cause of the depreciation of silver, the question is, can silver be brought back to its former price, and how? There are four ways in which silver might be made to rise to its former average ratio to gold of $15\frac{1}{2}$ to 1—(1) by a diminution in the supply of silver itself, or (2) by an increase in the demand for it; (3) by an increase in the supply of gold, or (4) by a diminution in the demand. In the first case, from what is known at present, there is no reason to expect any increase in the supply of silver, and the chances are in favor of diminution; in the second case, there is the certainty of an enlarged demand for it by the United States Government, and a high probability of their absorbing all the home production and becoming importers; and this latter is a certainty also, if the Act of January 14, 1875, is carried out, an Act not only signed by the President, but the approval of it made the subject of a special Message to the Senate. Regarding the third case, the rise in the purchasing power of gold, will to some extent increase the supply, but not to any extent out of proportion to the demand, that is likely to have much effect on silver; and regarding the fourth case, there is no immediate expectation of a diminution in the demand for gold that is likely to materially lower its purchasing power, and the demand may be increased. The main hope of those interested in silver lies, therefore, in the carrying out of the Resumption Act by the United States Government.”

Two points in this letter are worthy of special attention.

First, this writer under-estimates the silver supply for the year 1876 at twenty-eight millions instead of thirty-eight millions, which is the actual amount reported by the Director of the Mint, in page 7 of his Report, just forwarded to Congress. Secondly, he estimates the aggregate of the monetary circulation of Great Britain much higher than the ordinary amount stated by the best English authorities. On this subject we do not now dispute the figures, but simply point out the discrepancy.

From the Report of Mr. Goschen's Silver Committee, presented 5th July, 1876, to the House of Commons, we compile the subjoined statistics, given in the testimony of Sir Hector Hay as to the production of gold and silver in the United States and throughout the world; and as to the shipments of silver to the East with the average price of silver in London for each year :

PRODUCTION, &C., OF GOLD AND SILVER, 1852-1875.

[000's omitted; thus 20, = £20,000, and 814,085, = £814,085,000.]

	Produced in the United States.		Produced in all Countries in the World.		Amount of total Production. Gold & Silver.	Silver Shipped to London. China & India.	Silver per oz.
	Gold.	Silver.	Gold.	Silver.			
	£	£	£	£	£	£	
1852	12,000	.....	36,550	8,120	44,670	2,630	60½
1853	13,000	.....	31,090	8,120	39,210	4,710	61½
1854	12,000	.....	25,490	8,120	33,610	4,580	61½
1855	11,000	.....	27,015	8,120	35,135	7,980	61½
1856	11,000	.....	29,520	8,130	37,650	14,120	61½
1857	11,000	.....	26,655	8,130	34,785	20,150	61½
1858	10,000	.....	24,930	8,130	33,060	5,690	61½
1859	10,000	20	24,970	8,150	33,120	16,350	62½
1860	9,200	30	23,850	8,160	32,010	10,800	61½
1861	8,600	400	22,760	8,540	31,300	8,860	60¾
1862	7,800	900	21,550	9,040	30,590	14,600	61¾
1863	8,000	1,700	21,930	9,840	31,230	15,130	61½
1864	9,220	2,200	22,600	10,340	32,940	16,855	61¾
1865	10,645	2,250	24,040	10,390	34,430	9,740	61
1866	10,700	2,000	24,220	10,145	34,365	7,070	61¾
1867	10,345	2,700	22,805	10,845	33,650	2,050	60½
1868	9,600	2,400	21,945	10,045	31,990	3,560	60½
1869	9,900	2,400	21,245	9,500	30,745	6,560	60½
1870	10,000	3,200	21,370	10,315	31,685	2,220	60½
1871	8,700	4,600	21,400	12,210	33,610	3,900	60½
1872	7,200	5,750	19,910	13,050	32,960	6,530	60½
1873	7,200	7,150	19,240	14,050	33,290	3,470	59¾
1874	6,400	7,200	18,150	14,300	32,450	7,770	58¾
1875	8,000	9,000	19,500	16,100	35,600	4,540	56¾
Total	231,510	53,900	572,195	241,800	814,085	199,815	60¾

THE SILVER BILL IN CONGRESS.

BY S. DANA HORTON.

The Bland Bill means mischief !

The Bill proposes that the old silver dollar shall be coined as legal tender side by side with the gold dollar. Silver becomes legal coin, and laws ordering payments in gold alone become an anomaly, inviting speedy repeal. In effect, it therefore restores the monetary system, which obtained before 1873, with its ratio of one to sixteen. Payments are to be made in dollars, of which the silver weighs sixteen times as much as the gold dollar.

This bill is really an attack upon the Bi-metallic System, the restoration of which is needed for the future prosperity of the world ; and that if it becomes law it will prove an obstruction to the prosperity of the United States.

Our situation with reference to the two metals is well known. There are few silver dollars in existence, and there is but little silver bullion in the country. Of gold, we have some 130 million dollars worth, coined and uncoined.

The readers of this Magazine are well aware of the late vicissitudes of the price of silver brought on chiefly by demonetization in Germany. Silver has fallen, and has risen and fallen again, driven hither and thither like a rudderless ship in a storm. Germany, alarmed at the depreciation of the metal she had to sell, has calmed the panic by withdrawing for awhile from the market ; while the United States, unconscious of its truest interest, has powerfully sustained the price of silver in London by its demand for coinage of tokens.

Turning to Europe, we observe that there the coinage of legal tender silver is at an end. Germany's demonetization has put the world into a state of siege on that subject. The Latin Union has been compelled to abandon the half-measure of partial limitation of coinage, which she adopted in self-defence against Germany, and has stopped the mintage of silver entirely. So Holland is in a state of dead-lock, awaiting the convocation of an International Conference.

The causes of the stoppage of silver coinage are not, in any proper sense, temporary. So long as the policy of demonetization prevails in a country which has silver to sell, other countries must abstain from maintaining free coinage of silver as legal tender, or consent to part with their gold in return for the silver thrown upon the market by their neighbor state.

Free coinage of a metal as legal tender, is a standing statutory bid for all of that metal that there may be for sale at the price. But if a nation loses all its gold, while gold remains an international money, and receives in its place silver, which is no longer an international money (being demonetized), no proper par is maintainable between it and other countries. The country that takes the silver becomes a sort of India to the serious detriment of international commerce.

But if a sufficient number of nations coin silver at one fixed equation with gold, silver would remain an international money; the par would be secured in permanence, and there would be no danger of the latter event above suggested. This was abundantly illustrated in the case of Holland, whose demonetization of a circulating metal (gold) in 1849 was made possible by the working of the Bi-metallic System in France and other countries.

All is different to day. The northern countries of Europe are demonetizing silver; the product is increasing, and no great combination of nations exists to neutralize so violent a disturbance of the equilibrium of the metals.

Hence it is plain that the action of the Latin Union in refusing to coin legal tender silver, is in the present phase of the question, *final*. It is an adjournment, *sine die*. There can be no further action until the entire situation is changed.

Another vital fact as to the possible action of the Latin Union is also clear. The legal ratio is there 1 to 15½. The silver franc weighs 15½ gold francs. *The Latin Union can not coin silver at any other ratio.* It is a *sine qua non* for the resumption of coinage of legal tender silver in the Latin Union, that the situation should be such as to make it a wise course for her to coin *at that ratio* and at no other.

The causes of this necessity are apparent. France possesses a stock of about a thousand millions of dollars, about half gold and half silver. For the last sixty years business has been done in coin (for paper being at par has not altered this fact). To change the ratio of gold and silver, would compel France to melt down and recoin 2½ milliards of francs, either of gold or of silver.

The same observation holds good of the remainder of the continent. It is worth remarking, also, that the entire gold-mark and silver-thaler stock of Germany stands (in nearly equal amount) at this same ratio of 1 to 15½, so that the hope of inducing Germany to abandon demonetization is bound up in this maintenance of the 1 to 15½.

It is evident that if silver is to be coined again as legal tender in Europe, it must be at the ratio of 1 to 15½.

Now in this struggle against demonetization, the franc is the natural ally of the dollar. The English sovereign

declared war on silver in 1816, and the German mark has entered the field of conquest with fatal force. The franc has been compelled to withdraw within the fortifications of coinage, and for the present, legal tender silver is unknown in European mints.

What shall the dollar do? Shall it come to the help of the silver franc, and restore silver to its rightful position, or shall it reinforce the mark and the sovereign, and prevent silver from becoming an international money in Europe?

Now to coin silver dollars at 1 to 16, is to take the latter course. Coinage at 1 to 16 in the United States, while it may for a time raise the price of silver in London, and so serve the prejudices of Germany and England, yet deprives silver of its chief supporter in Europe. Coinage at 1 to 16 drives the Latin Union out of the field.

For there is a difference of about three per cent. between the equations 1 to 15½ and 1 to 16. Water flows readily at an inclination of three feet to the 100, and silver will move as readily at the call of three per cent.

If the Latin Union coins at 1 to 15½, while the United States coins at 1 to 16, the irresistible gravitation of self-interest will carry all available silver with steady flow to the mints of France. Not a single silver dollar would be coined in the United States.

A similar experience was made long ago. From 1834 to 1873 the market-price of silver in London was controlled by the French ratio of 1 to 15½, and the ratio of 1 to 16, which the monetary legislation of 1834 had attempted to make effective, failed to bring to pass the coinage of Silver dollars in the United States. Had the statesmen of Jackson's administration, in abandoning 1 to 15 in 1834, adopted the 15½ instead of 16, the silver dollar might have been coined side by side with the gold dollar down to the present time. Here was Benton's mistake! Had not this mistake been made, the proverbial palmy days of Hard Money Democracy would have deserved the name.

It is sufficiently obvious that the Leaders of the Latin Union are cognizant of these facts, and they are men who are not likely to stultify themselves. The Latin Union can not coin the silver franc if we coin the silver dollar at one to sixteen. She can not become at once the sole receptacle of all the silver demonetized in Germany, and of the new silver from American mines.

Hence we say, if the United States coins silver at 1 to 16, it will be without supporters in the Western World—and will alone assume the Asiatic role. What will be its situation in such event? How will it bear the shock of this silver inflation?

Of course England and Germany (bondholders excepted) will hail with pleasure the acceptance by the United States

of the rejections of Europe. Our hundred and thirty millions of gold are a glittering prize for Germany, and, while the annual product of the gold mines diminishes, Gold-monometalists will be glad to see the United States unconsciously binding itself not to employ gold at home, and precluding itself from sending silver to Europe.

But in the meantime what will be the condition of the monetary par between America and Europe? Our silver legal tender, like our paper legal tender, will not have the character of money in Europe. In Asia, of course, it will be money and this is an advantage. But how will our dealings with Europe be regulated? Can there be anything in the nature of a steady "par" between the two systems of money? Will the gold market in New York, under the new regime, take the place of the silver market of London, in chronicling the fluctuations of silver the American money? Will silver be more steady in value than paper has been—or will the Whiteback be coupled in popular imagination with the Grayback and the Greenback which it replaces?

How will our balances, our interest, be paid to Europe? We cannot pay in silver for it is not money in Europe. If we pay in gold we must buy the gold and Europe will determine what quantity of silver we must give in exchange for it.

I leave the answers of these questions to the thoughts of men of business, and will simply sum up the result in a word.

If the United States are alone in coining silver we lose our gold; we are flooded with a legal tender which is not a legal tender in Europe, the chief country with which we deal; we weight ourselves with coin which has ceased to be an international money, and we have destroyed the par between our money and that of Europe. And we are a debtor nation!

In view of these considerations I think I am justified in saying that the Bland Silver Bill means mischief.

A word as to restoration of silver at 1 to 15½.

It is obviously the wise policy of the United States to make easy the way of resumption of specie payments, and assure a speedy return of prosperity. To do this it is necessary to have free coinage of silver and gold at full-weight as unlimited legal tender. But as we have seen, we can not do this alone, and if we coin at 1 to 16 we are inevitably alone in restoring silver.

The occasion is one for diplomacy. The time demands a success greater even than that of the Treaty of Washington. If the spirit of Alexander Hamilton, could direct our diplomacy an International Conference might induce England and Germany to join the United States and the Latin Union in free coinage of gold and silver at the equa-

tion of 1 to 15½. This would be the inauguration, if not of universal, at least of comparative monetary peace throughout the world. There are many signs that the fulness of time for this has come. It has long been evident that the labors of "Wolowski" were not in vain—and opinion is breaking down before the crusade which Cernuschi has organized in Europe.

Austria is hoping for a Conference, and the President of the Chamber of Commerce of Liverpool, is writing philippics in favor of bi-metallic money. The presses of Carlsruhe have just put forth a work, (*Die Silberentwerthungs frage—Dr. Karl Walcker—1877*) which proves that the German coinage reform was a mistake; that the spirit of the time demands bi-metallic money, and that an International Monetary Union is not only necessary but practicable.

But failing to obtain the support of Germany and England, the other parties to this need of restoration of silver may join by treaty, and secure a settlement second only in excellence to that just suggested.

That this solution is entirely within our reach, there can be no doubt. In the meantime a practical question may be suggested, as an appropriate subject of public discussion.

In adopting the ratio of 1 to 15½ shall we leave the gold dollar as it is, and coin a new silver dollar weighing 399.9 grains, 3 per cent. less than the "Dollar of the Fathers," or shall we recoin the Dollar of the Fathers,—make the existing gold dollar legal tender at 97 cents, until we can recoin the existing stock of gold into new dollars containing 3 per cent. more gold than the present coin? There is but one other alternative: to make a complete break with the past and mint coins of different weight from either the gold dollar of the sons, or the silver dollar of the fathers.

In the debate on the Silver Question at the meeting of the Social Science Association, at Saratoga, in September last, I had occasion to make a brief presentation of the views which are above set forth in full (as applied to the criticism of the silver bill).

For the fuller development of these views however, and for security in discussing the probable action of European countries, it is to me a pleasure to be able to express my indebtedness to the conversation, criticism and suggestions of the distinguished author of the word "Bi-metallism," and most devoted living promoter of the Monetary Peace of the world.

In extending to America that impassioned activity which has already borne such fruit in Europe, M. Cernuschi has laid the cause of sound finance in this country under obligations, of which posterity will owe its share.

S. D. H.

THE EXHAUSTION OF OUR TIMBER SUPPLY.

The statement that the timber lands in the United States are nearly exhausted, seems incredible. Who entirely believes it? And yet careful estimates show that it is so. Pamphlets and articles giving figures and arguments have been lately published, stating that both Canada and the United States, east of the Rocky Mountains, would be denuded of timber in ten years. This prophecy was jeered at, and the writers called alarmists. Recently, careful and extensive calculations have been made by other Western lumbermen to disprove these statements, and to quiet aroused and supposed imaginary fears. But the results of the new calculations are not comforting; on the contrary, they substantially prove the first assertion. And in fact, the question whether the time in which the supply of lumber will be exhausted in this country is ten, fifteen or twenty years, is of but small moment, provided either one is true. The important point to be ascertained is whether the supply will last only a few years. We give an epitome of the calculations, calling attention first to the difference between timber-land and wood-land. One is increasing and the other decreasing. One is the growth of a few years; the other takes a century, and unlike history, does not "repeat itself." Timber-land is of commercial value; wood-land has only a local value. Scrub-oak generally follows pine; white-birch and poplar come after spruce; so that timber-lands, when once entirely cut, are in fact exhausted forever as timber-lands.

Estimates by counties give in the States of Michigan, Wisconsin and Minnesota about fifty thousand millions of feet, (a foot board measure being the unit of measure in lumber), of standing pine; of this rather more than half of the whole quantity is in Michigan. This includes all the white pine available in the country, except a remnant in Pennsylvania, and quantities not worth mentioning in Maine, New York and Virginia. In the New England States, New York and Pennsylvania, the forests of spruce and hemlock are large, but less in extent than the pine forests of the north-west.

Leaving out the production of small mills, from which they could get no returns, the "National Association of Lumbermen" estimate, the production of pine lumber in Michigan, Wisconsin, Minnesota, Iowa and Illinois at 4,495,000,000 feet; or making an allowance for the small mills, this estimate of the yearly production of lumber in the north-western States is about one-tenth of the estimate of the amount of standing timber in the same region; or five thousand millions of feet

of yearly production against fifty thousand millions of feet of total supply. Other estimates figure the yearly production of pine timber in the north-west at between six and seven thousand millions of feet, and increase in proportion the estimate of the total supply.

The United States Census Report of 1870 gives the entire production of lumber in 1870, as twelve thousand millions of feet. Allowing two thousand millions of feet for the Southern States and the Pacific States and for hard-wood lumber, and estimating the standing timber in the New England States, New York and Pennsylvania as equal to the standing timber in the north-western States, or in all one hundred thousand millions of feet of pine, spruce and hemlock, the quantity on this basis is ten years' supply! It seems incredible, and yet the figures are the result of laborious calculations and fair estimates, at the same time dealing, it must be remembered, with a difficult statistical question. Therefore when we recall the fact that the pine forests of the eastern States have disappeared, consumed by a population averaging from 1800 to 1870 fifteen millions of people, it inevitably follows that with a population of forty-five millions of people, and increasing rapidly, the result, if the same relative consumption continues, must be the general exhaustion of our available lumber supply in a very few years. In other words, we are rapidly consuming the entire supply, instead of using the annual growth—wasting our heritage of incalculable value, and more in ignorance than by intent.

One remedy that suggests itself, is the appointment of a Commissioner of Forests, to give accurate information in place of estimates, making us, by self-interest, to regulate in some degree production according to supply.

The surveys of the Land Office would enable a Commissioner to get information of the standing timber in every township in the timber regions, and at a moderate cost. Consumption would be lessened by appreciating the value of timber-land, and waste also prevented, if accurate statistics showed a definite limit of supply.

We cannot expect supplies in the future from Canada, for the foreign export from this country exceeds now and probably will continue to exceed our imports from Canada; besides, the Canadian forests will not last five years longer than our own; and in proof of this, it can be stated that in the past year, pine deals, to an extent of over thirty millions of feet, have been shipped from Michigan, most of it by railroad to New York, and thence to Great Britain, an almost entirely new trade, and heretofore enjoyed by Canada.

The accessibility of our forests, and the practicability of operations in every township in the country at the same time, make the relation of production to supply to be entirely regulated by profit.

The West needs all of the lumber growing in Michigan and Wisconsin, and what is now sent East will have to be returned in poorer lumber hereafter; in other words, the West will have a short supply first. We have the example of Europe before us. Wood is grown as a crop in France. In Norway, the Government has prohibited the cutting of trees less than a certain diameter. A recent writer, in reference to the waste of timber in Servia, says that the people of portions of that country will be driven in the future to "burn the dried dung of the cattle, and so impoverish the land, if exhaustion of timber in that country continues," and yet twenty years ago, in the same districts, vast forests existed. In our own country the use of wood in making paper has increased, so that almost all paper for newspapers is one-half wood pulp. One paper-mill on the Connecticut river uses one million of feet a year in spruce and poplar logs.

Accurate statistics will do much to regulate consumption, and the old adage again comes to mind—"A stitch in time."

HOW POLITICAL ECONOMY AIDS NATIONAL WEALTH.

By ROBERT LOWE,

LATE CHANCELLOR OF THE EXCHEQUER OF GREAT BRITAIN.

[FROM HIS ADDRESS TO THE LONDON POLITICAL CLUB, 31 MAY, 1875.]

Mr. Mill, in the introduction to his Political Economy, has spoken, I think, rather harshly of Adam Smith. What he says of him is, that he is often obsolete and he is always imperfect, and that the science was in his time in its infancy. Now, I am quite prepared to admit that in a certain sense a great deal of that is true. Of course the questions that Adam Smith argued in his day are not the questions of our day; they have become obsolete, and they have become obsolete mainly through the labors of Adam Smith himself, because, by the cogency of his arguments and the force of his demonstrations, he has done away with many of the questions which then agitated the public mind. That, therefore, is nothing against Adam Smith. It is said, also, that he is always imperfect; and in one sense that also may be said to be true. It is true that Adam Smith was not what was called a systematic writer. I do not think his arrangement is at all a model of clearness or perspicuity. I do not think that he shines in that in which so many inferior geniuses have shone, namely, in the art, after having discovered several great truths, of comparing them, and correlating them

with each other, and bringing them into harmony. I do not think that that was Adam Smith's turn of mind at all; he puts me much more in mind of what we read of the sages of ancient Greece, who, as the result of a life of labor and study, bequeathed to mankind half a dozen maxims for their guidance; only that Adam Smith was in this superior to the sages of ancient Greece, that while they bequeathed their maxims to mankind in all their generality, he gave us maxims with a direct practical view, and always added to them a practical application. This not only has the effect of making what he has left us more intelligible, but it reacted upon him, I apprehend, in a most favorable manner, and certainly it enabled him to lay down principles and rules so wide, so weighty, and so true, that they have served for the guidance of mankind from his time to the present, and, so far as we can judge, they will last as long as mankind shall seek after truth, or busy themselves with any intellectual study whatever. That is the peculiar merit of Adam Smith. He cannot claim the merit of being a systematic writer, or that he was a man whose ideas readily took a scientific form; he puts me much more in mind of a very able man, say in Parliament for instance, who has thoroughly mastered a question, who is thoroughly impregnated with it, and with his whole force is endeavoring to explain it to an audience like the House of Commons, who are fully able to follow him in his reasonings and deductions. He is much more popular than the founders of science have generally been. I am bound to say, further, that it is not always easy to reconcile one part of Adam Smith with another. He wrote for the particular object on which his mind was fully engaged, and I do not think that he appears always to have taken a great deal of care to compare what he wrote at one time with what he wrote at another, so that it has been easy for those who came after him to point out, for instance, a want of strictness in his definitions, or an use of terms sometimes in one sense and sometimes in another, which far inferior geniuses than Adam Smith would most likely have carefully guarded against. Therefore I admit that there is some truth in what Mr. Mill has said with regard to Adam Smith's imperfection; but then I must say that all that is much more than counter-balanced, is far more than redeemed, by the wonderful force and truth of those maxims and those positions which he has evolved, and which he has laid down with such inimitable force. When we have got the original thinker who has struck out the idea, it is easy to find men who can do the systematizing part of the work; and that has been admirably done by those who followed him, men well worthy to follow such a leader. I might say, I think, without much exaggeration, that Adam Smith has been the Plato of Political Economy, and that Ricardo (a member of this Club) also has been its Aristotle.

I would also mention another thing as a proof of the extraordinary power which Adam Smith had—a power which, I think, no man that ever lived ever had before to the same extent—of condensing truth into a few memorable words, which mankind could retain and act upon. Adam Smith had his errors like the rest of us ; he would not have been human if he had not ; but the errors that a man makes in generalizing are usually of this nature, especially when generalizing as to the human mind, that when he sees his way to a great general proposition, he rushes at it without sufficiently considering whether there may not be exceptions that ought to be made in it ; and while a great generalizing intellect of that kind carries along more or less of continuity in his thought, he is in too much of a hurry to grasp at what he conceives to be a truth to take into consideration how far the exceptions are capable of modifying it. Now the peculiarity of Adam Smith is exactly the contrary. Smith also made great and sweeping generalizations ; Smith also in many cases, I am bound to say, has failed ; but where he has failed it has not been because he did not take sufficient notice of the exceptions to his own rules, but because he believed he had found exceptions to his own rules that did not really exist. Smith failed there mainly because he had not sufficient confidence in the truth of the doctrines which he laid down, and admitted exceptions which, I think, we all of us are familiar with, to those rules, but which were not really so. I would mention one or two instances merely by way of illustration. Take the case of rent. We all know that the matter in which Adam Smith most signally wandered away from that which we now conceive to be the true rule of Political Economy was the matter of rent ; that he believed rent to be an element of value ; and yet if you will read Smith's chapter on Rent, instead of looking at the rent of land, with regard to which his mind was in some degree biassed and influenced by some special circumstances, and read what he says about mines, you will find in that very chapter in which he lays down a false theory as regards land he lays down the perfectly true theory when it is applied to mines. If you look also at his general principles, you will find that while he lays down that rent is an element of value, he will tell you in another place that the value of a commodity depends entirely upon the quantity of labor that is required to produce it, and he thus negatives by his own great generalization the exception that he made. I could multiply instances if it were necessary. The Usury Law is another case. Adam Smith thought that high interest would only be paid by spendthrifts and prodigals, and that this should be forbidden, while he, throughout the whole of his work, fulminates against any such attempt in any way to check the freedom of any man to invest his capital as he

thinks best. In the same way with regard to the Navigation Laws, nothing could be stronger than Adam Smith's views with regard to the right of merchants to deal with whom they please, or in what ships they please, and with what men they please; but, at the same time, you will find that Adam Smith is an advocate for the Navigation Laws. I quote these things, in the first place, because it is right that we should not be indiscriminate in our laudation, and should look at both sides of the question; but I quote them mainly for this purpose, to show you how just, how wise, how practical and true were Adam Smith's generalizations, and that the principal errors that he has committed in the course of his long and arduous work really consist in not having sufficient confidence in the truth of the generalizations that he had made, instead of, as in the ordinary case, having pressed his generalizations too far. I think that such merits as I have mentioned amply compensate for the want of system in his work. This is as much as I have thought it right to say with regard to Adam Smith's system.

Now I pass, I hope after not too long a digression, to the subject which is more immediately committed to me by the Club, and that is, to inquire into the advantages that we have already reaped from the labors of Adam Smith, and the advantages which we may hope to reap hereafter.

Now as to that, so comprehensive are the principles that Adam Smith lays down, so clear and easily understood in their generality, that I apprehend that one great merit which we may fairly ascribe to him in this, that he really has enabled us to condense the whole theory of wealth and poverty into something like four words. I apprehend that the result of Adam Smith's investigations amounts to this, that the causes of wealth are two, work and thrift; and the causes of poverty are two, idleness and waste; and that these will be found, the longer you reason out from those simple propositions all that is necessary to be known, and perhaps almost all that can be known, with regard to the subject of the production and accumulation of wealth. In the chapter on the Mercantile System, and in the chapter on the Restrictions of Trade, he has laid down those principles which have revolutionized the whole course of thought and proceeding with regard to the causes of wealth.

Well then, gentlemen, I think I have no very great difficulty in answering the question, What is the good that we have derived from Adam Smith? It is demonstrated in a passage which I have no doubt is familiar to every reader, that any proceeding on the part of a Government which attracts capital to a course in which it otherwise would not go, or repels capital from a course into which it would go, must be injurious, because every man is the best judge of his own interest, and in doing the best for himself he is

doing the best for the State. Therefore those two agencies, the attractive and the repellant agencies, being eliminated, there remains as the only agency which is left, perfect and absolute freedom. That is the principle of Adam Smith; and the question, of course, is very easy to answer, What are the advantages which the world has derived from that principle?

Of course it is almost impossible for us to imagine at the present day the state of ignorance in which, notwithstanding the writings of many most admirable persons, Adam Smith found mankind on this subject. I will only mention one instance of it, and that is a conversation between Dr. Johnson and Mr. Boswell, on the "Wealth of Nations," and this is the memorable dictum which Dr. Johnson delivered on the subject: "As for mere wealth, that is to say money, a man cannot increase his store without making another poorer." That is what the sage of the age, who in the opinion of mankind stood far above Adam Smith at that time, thought of what Adam Smith had laid down as the rule for obtaining wealth. It seems to us all obvious, now that the battle has been won, now that the thing has been proved, but we are apt to forget the slough in which people were grovelling until he raised them up to his clear and pure conceptions of good sense and justice.

One of the first things that Adam Smith did, that we know of, was that he made a convert of Mr. Pitt. Mr. Pitt, as Adam Smith said himself, was as well acquainted with the "Wealth of Nations" as Adam Smith was. The effect of that was the first French Treaty. It has been somewhat overclouded from the miserable events which succeeded it; but if you look at the state of opinion and the knowledge of mankind at that time, I consider it one of the most wonderful and glorious effects that Adam Smith ever produced. I trace that not merely by inference, but directly, to Adam Smith. There is no doubt that Smith and Pitt had repeated conferences, and thus he entirely imbued Pitt with his own notions. It is impossible to say what a misfortune it was to mankind that a minister so fitted to advocate free trade should, by unforeseen circumstances, have been turned into a minister of war.

We must skip over twenty years of war, and then we come to the glimmering of the dawn which Adam Smith had prepared for us. We come to Mr. Huskisson relaxing the Navigation Laws and doing away with the monopolies in the colonies, and then, after a severe struggle, in which Adam Smith really found all the arguments, we come to the glorious triumph of the abolition of the Corn Laws. I do not stop to dwell on these things; I have already taken up too much of your time. The modified tariff of Sir Robert Peel was an enormous stride in advance, and then,

I must be allowed to say, the measures of my right honorable friend who occupies the chair to-night are the very crown of the edifice. I sincerely grieve to say he left nothing for his successors to do, at least in the direction of carrying out the principles of Adam Smith.

I will venture to point to a comparatively small matter, which already has not been without its results—that is, the improvement in the law with regard to the aggregation of capital, collecting small capitals together so as to make one large one, which we interpret by the name of limited liability. That again was in the true spirit of Adam Smith, because it was removing an obstacle to men investing their capital as they thought it best and most prudent to invest it. I have no doubt that a great deal more might be said as to the results from Adam Smith which we have already reaped, but I have taken up quite time enough, and I leave it for those who are better informed to fill up the hiatus.

I come now to the more difficult question of the future; and here I tread upon rather thorny ground. It is well-known that the French Treaty of 1860, was a treaty made under very peculiar circumstances, by which great advantages were obtained for this country which could have been obtained in no other way but by means of a treaty. I am not therefore, to be understood as saying one word about it, or as saying that it would or would not have been condemned by Adam Smith if it could have been submitted to his judgment; but I think that he would condemn, and condemn most energetically, that which has followed upon it. People seem to consider that because the relaxation of duties between England and France, for certain reasons which I need not further allude to, with regard to the Government regulations of France, was carried out by means of a treaty, that therefore it is impossible to take off duties or to make advances in the direction of free trade without having a treaty. If the Club will allow me to descend so far from the dignity of logic and of biography as to offer an illustration, I will make use of one from Mr. Morier's novel of "Hadji Baba," where a gentleman falls desperately in love with a lady, and he is extremely anxious to persuade her to marry him. He consults his friend as to how he managed in order to persuade his wife to marry him. His friend said: "Why, sir, it was on a rainy morning, going to church under an umbrella; just as we got about half-way to church I proposed, and she accepted." This gentleman with incomparable diligence, watches for his opportunity, he purchases an umbrella, he watches Sunday after Sunday for a rainy morning, he accompanies the lady to church, and he proposes to the lady and is most enthusiastically rejected. That seems to me exactly like the error of foreign countries with regard to this treaty. The essence of the thing is not in the treaty, it is in

the taking off the duties and in preventing the imposition of duties. It is a melancholy delusion, and worse, because it prevents these things being done if people suppose that a treaty is essential. I think that Adam Smith would have addressed them something in this manner. He would have said what he said with regard to the mercantile system: "Gentlemen, the object is consumption. Production is only good so far as it tends towards consumption; consumption is the end, production is the means, but you are acting as though consumption was the means, and production was the end. You say, 'If you will submit to the misery and hardship of consuming our productions, we will submit to the misery and hardship of consuming yours.'" That is the language which Adam Smith would address to them; and I only hope that whenever arguments of this kind prevail, due regard will be paid to what Adam Smith says on that subject in his chapter on the Mercantile System. And this is the most extraordinary thing about him, that, with his higher intellectual prevision, he has anticipated and dealt with subjects which could not possibly have been supposed to have been in his mind or in the mind of anyone at the time that he published his work.

The next subject that I would mention is that of Education. I am inclined to think that, perhaps, of all that Adam Smith has written, there is nothing more admirable than his chapter upon Education, and yet I believe that there is no part of his works that is less read, or that has exercised less influence on the transactions of mankind. To say that Adam Smith is ahead of the present age in this matter is to say nothing; he is centuries before it. He attacked the doctrine of promoting education by endowments. He says, "If you do this you will make men lazy, and they will not work." He says, "If you will give money, and will confer degrees as a bribe to go to a particular university or a particular place, they will go there for that purpose and for that only, and you dispense people from the necessity of teaching well, because people must go there." He says that a young man should not be kept to a teacher whether he teach well or ill, and that he should be at liberty to find anywhere the people who can teach him best. He says if you have scholarships, and fellowships, and other eleemosynary benefactions of the kind, those should not be connected with particular places because they form a bribe to people to go to those places independently of whether they get good instruction there or not; that students should be allowed to take them with them wherever they go if they have once fairly earned them by competition. He says that a man who goes to a college, if he finds that he is not well taught at that college, should be allowed to quit that college and go to another where he may be better taught, so that there should be competition between college and college, between teacher and teacher, and

between pupil and pupil. These are the views of Adam Smith, and it is really wonderful, it is almost incredible, that a man a hundred years ago should have had foresight to entertain them and to express them; and yet I know of no part of his works that is less read or has been less practically applied than that, and if I were to say what is the solitary result that has come of all his wonderful good sense and good reasoning, I would point to the speech of my Right Honorable friend with reference to putting the Income-tax upon Charities.

Then, my Lords and Gentlemen, there is another subject of very great interest indeed, and that is, the question of Unionism. There is nothing more lamentable in these times, when we have for so many years enjoyed the full light of Adam Smith's teaching on this subject, than to see the errors and follies into which those people are led—such, for instance, as the rule that a man shall not hold a brick and a trowel in the same hand; that you shall not be allowed to get your stone or other things except from a particular place; that you shall not chase, that is, that you shall only work at a very moderate pace, and that you shall not attempt to distinguish yourselves in any way;—all contrivances in order to waste the capital of the master, and really, in the end, to injure the persons whom they are intended to benefit. I apprehend that there can be no better doctor for such a disease than Adam Smith. I must say myself, although I have sometimes been accused of rather despairing of the working classes, that in this case I do not despair. I believe that as education spreads, these things will diminish; and I have the greatest possible hope that as Adam Smith has eaten out so many other diseases that were injuring the public, he will also destroy this. I daresay you are all very familiar with the celebrated passage of Adam Smith's, in which he says, in a moment apparently of despondency, that he considers that nothing is more impossible than that England should ever regain free trade, and that we must sooner expect an Oceana or Utopia than that free trade should ever find its way to England. He underestimated his own strength; free trade has found its way. The merchants and the jobbers of those days were quite as stupid and quite as ignorant with regard to the advantages of free trade as the Trades-Union men of our day are; and I do not the least doubt that in course of time, as instruction is diffused, they will cast aside this as the merchants and other classes of England have cast aside Protection. I think it is one of the most interesting facts in the history of Adam Smith to find that after all that he had done, after all the light that he had poured upon this subject, after the firm conviction with which he saturated his own mind, he felt still, after all, that the sons of Zeruiah were too strong, that he could not hope even with all of

them to prevail. How gratifying a thing it is to think that in this alone, of almost all the aspirations and views of this great man, he has been most fortunately disappointed.

I do not presume to go further in the way of prediction as to what we may hope for the future. I cannot help thinking that we must look rather to the negative than to the positive side, at least at present. I can imagine that it may be suggested that Adam Smith has been happier where he has been denouncing abuses than where he has been describing the results of his principles. It is a question upon which you will, of course, form your own opinion. I do not myself feel very sanguine that there is a very large field—at least, according to the present state of mental and commercial knowledge—for Political Economy beyond what I have mentioned; but I think that very much depends upon the degree in which other sciences are developed. Should other sciences relating to mankind, which it is the barbarous jargon of the day to call Sociology, take a spring and get forward in any degree towards the certainty attained by Political Economy, I do not doubt that their development would help in the development of this science; but at present, so far as my own humble opinion goes, I am not sanguine as to any very large or any very startling development of Political Economy. I observe that the triumphs which have been gained have been rather in demolishing that which has been found to be undoubtedly bad and erroneous, than in establishing new truth; and imagine that before we can attain new results, we must be furnished from without with new truths to which our principles may be applied. The controversies that we now have in Political Economy, although they offer a capital exercise for the logical faculties, are not of the same thrilling importance as those of earlier days; the great work has been done. I will conclude by saying, that if you consider Adam Smith in his literary character as perhaps the very best, or almost the best, prose writer in the English language; if you consider him in his scientific character as having been the only man who has ever been able to found a science dealing with the conduct of mankind in their transactions with each other upon a clearly deductive and demonstrative basis, and who has established the truth of his predictions; and, lastly, if you consider him as the benefactor of countless millions, born and yet unborn, whom he has delivered from the most disgraceful and miserable slavery—the slavery of ignorance, stupidity, and blundering—you will say that there is no one probably, if men are valued not according to show and glitter, but according to the solid achievements of their lives, who is more worthy of our admiration, esteem, and veneration than this simple Glasgow Professor.

RELATION OF THE VOLUME OF CURRENCY TO PRICES.

BY B. F. NOURSE.

[READ AT THE MEETING OF THE SOCIAL SCIENCE ASSOCIATION, AT SARATOGA, SEPT. 7, 1876.]

What is the measure of effect on prices by an expansion or contraction of the currency?

This question, apparently simple and easily answered, contains a complex and difficult problem. By Americans of this generation it is considered with reference to an irredeemable, redundant, and, of course, depreciated currency. We will consider it chiefly with reference to those conditions.

Given an existing outstanding currency of four hundred million dollars; gold at ten per cent. premium; and prices in common average twenty per cent. above the gold value level. Suppose the currency suddenly increased by the addition of one hundred millions, or twenty-five per cent. of former amount, what should be the effect on prices? Is there any rule, known or to be derived from experience or by process of reasoning, whereby the measure of effect can be computed or stated in advance of the fact? Again, suppose the existing four hundred millions of currency to be reduced by the withdrawal and cancellation of one hundred millions of it, what should be the effect on prices under the previous conditions mentioned? Is, or can there be, any rule whereby the measure of effect can be anticipated?

The common impression, shared by many thoughtful writers on finance and currency, is that when the volume of four hundred millions is expanded to five hundred millions, the average level of prices will be raised in the same degree, or twenty-five per cent., and when the total of four hundred millions is contracted to three hundred millions, that prices will be reduced in the same measure, *i. e.*, to only three-fourths of what they were before the contraction.

Just that measure of effect, in either case, is possible under some remarkable concurrence of circumstances, but only possible. Dependent upon conditions, no one of which can be foreknown in its actual force or bearing, the degree of effect of expansion or contraction of currency on prices cannot possibly be predetermined. Truth of statement can go no further in this direction than to say generally that an expansion of currency will enhance prices, and a contraction of currency will depress them; and even this rule of tendency may exceptionally fail.

The possible variety of circumstances under which any

change in the amount of currency may be made, is without limit. These circumstances may relate to the condition of the Government issuing the currency, its credit, resources, and apparent financial policy, or to the habits, business, and wealth-producing power of the people; and the depreciation of the currency may be influenced more by the confidence or distrust inspired by them than by the greater or less amount of the currency. Unceasing change attends these circumstances and their relative force and influence, independent of the amount of the currency, as well as in their relation to it.

There is an aggregate value of salable property vast in amount, to be affected by expansion or contraction of the currency, so far as such change has effect on prices; for all of this aggregate value is the subject of price.

What is this aggregate of transferable values at any given time, counted in all its forms and duplications, together with so much of the credits based on that property as require the use of currency in their liquidation and clearings, during the period of effect? Ignorant of the actual amount of values, let us assume, for that period before the panic in 1873, when inflation of prices was at the highest, when the currency was unchanged since 1868, and when business of all sorts was in great activity, the sum of three thousand five hundred millions. The currency then being about seven hundred millions, the proportion of values to currency was five to one. If an increase in the currency is attended by proportionate increase in prices, then the addition of one hundred millions (or one-seventh) to the currency would have raised the sum of values one-seventh, to four thousand millions. By the same rule of proportion and parity of reasoning, a contraction of the currency one-half, or to three hundred and fifty millions, should have reduced the sum of values to one thousand seven hundred and fifty millions, a sum far less than their gold value,—which was impossible.

While average prices in this country were kept very high in the five years preceding the panic, the prices of the chief articles of export—cotton, breadstuffs, etc.—were nearly adjusted by their value abroad in competition with similar productions of other countries, and on a much lower plane, in currency, than the average of other prices. In October, 1873, when the panic was at its worst and currency most scarce (by a contraction which will be referred to again), the crops of those articles of principal export were moving to market under great pressure to sell them. Very little foreign exchange could be negotiated, and that at great depreciation. The gold premium had fallen to six or seven per cent. Prices of cotton, wheat, and other exportable productions, were much depressed by these severe circumstances. Yet the decline was not probably more than twenty-five per

cent. when gold began to flow in from Europe in exchange for them, or for the bills drawn against them. They had fallen so low that gold came for them regardless of American debt to Europe. The course of exchange commanded—and gold obeyed the command—in the panic of 1873, as a like command was obeyed in 1861, just as the war of secession was opening. In both cases American credit was violently shaken, yet gold moved under the law of exchange, and that was made applicable by the attraction of prices. Be it remembered, too, that in October, 1873, there was a great contraction of the currency, not by Act of Congress, but under a higher law. Gold in the miser's hoard is as useless to business as if in its native quartz bed. So of all currency withdrawn from the ordinary channels of business and laid aside. In the panic a portion of the paper currency, estimated to be more than half of the whole amount in issue, was rendered utterly unavailable for trade, exchanges, and other ordinary uses. In practical effect, as well as in actual fact, it was as if, for the brief period of stringency, one-half of all the seven hundred millions of greenbacks and bank currency had been called in and destroyed, and so far worse, that in the latter case the destruction by law of one hundred and fifty millions bank notes would have set free one hundred and sixty-six millions of bonds, such as would command capital at will. Here was a practical demonstration of the limited effect on prices by actual contraction of currency, in a time of panic, too, when exaggerated depression was to be expected.

To spread the increase of one hundred millions currency over the surface of three thousand five hundred millions of aggregate value, and say the enhancement of price will be only one thirty-fifth, or about three per cent., would be even further from the truth.

In the darkest financial period of the late civil war, July, 1864, two hundred and eighty-five greenback dollars were required for the purchase of one hundred gold dollars. Within ten months thereafter one hundred and thirty greenback dollars would buy one hundred gold dollars. In the ten months the volume of outstanding currency had been increased by hundreds of millions. Herein is complete denial of any constant proportion between the depreciation of the currency by over-issue and the gold premium. Equally there is proof of the influence of confidence in the prevailing estimate of the gold value of the currency. The greenback dollar had risen from thirty-five cents gold in July, 1864, to seventy-seven cents gold in May, 1865. Five-sixths of the depreciation existing when the result of the war seemed most doubtful in the estimation of financiers, disappeared as soon as the same financial opinion recognised the triumph of the federal government. The appreciation of the currency

was one hundred and twenty per cent. in the face of its increase of volume. The average fall in prices (excluding exceptional articles especially affected by the war) during the same ten months, did not probably exceed twenty-five per cent. Besides the expansion of the currency, this same period witnessed the largest expansion of the public debt for any equal period; the cost and waste of war had already counted up in thousands of millions dollars, and hundreds of thousands of lives yet more precious, but this period had added fearfully to both; yet with the confidence born of success came the appreciation of the currency as stated.

Average prices were considerably lower in the winter of 1865-6 than in the winter of 1864-5, notwithstanding the great increase in the amount of the currency. There were reasons for it: (1) the increased purchasing power of a paper dollar by its appreciation; (2) the practical withdrawal from use as currency of the 7-30 and compound interest notes, which had been laid aside by capitalists as investments; (3) the cessation of enormous purchases of supplies for war purposes, and sales of surplus stores by the Government; and (4) the general expectation of the people in their simple honesty, that immediately upon the close of the war ("at the earliest period practicable"), Congress would take measures and provide adequate means to redeem the promises made during the war, and pay or fund the floating debt of the Treasury. (Speaking of the average decline in prices at the close of the war, exception should be made of those articles of which the South was the usual source of supply, made scarce and dear by the war, and manufactures from these articles—the price of which declined far more than the average prices.)

Of the above-mentioned reasons why prices declined against the inflating influence of an enlarged currency, the expectation of an early return to specie payments was the most potent. The fitness of the opportunity wonderfully concurred with the plain duty and declaration of purpose to return to specie payment—an inevitable effect *then* of retiring the outstanding Treasury notes. Business had been so conducted during the war, upon a cash basis, that very little private debt by solvent persons or corporations existed. Banks, bankers and other capitalists had the greater part of their funds invested in national obligations, which were rapidly rising in value at home and in Europe. The foreign demand for them made the course of exchange in our favor, and opened to us a command of the surplus of gold of the world, if we would treat it as money. Most of the gold held here in 1860, or a nearly equal amount, remained here in 1865, and later, until it became clear that Congress would not provide for paying off the forced loan at any early day. The State banks were rapidly withdrawing the remaining

ninety millions of their circulation, to avoid the ten per cent. tax, and the national banks had then (October, 1865,) issued less than one hundred and seventy-five millions of their notes, to protect which they held many times that amount in Government securities, to be made worth more than par in gold by the simple act of taking up the floating debt of the Treasury. Besides all these concurring favorable circumstances, which would have made the act one of great public and private benefit, good faith and common honesty required it, even at great sacrifice.

The confidence of the people that Congress would have political sagacity and faithfulness to do this righteous thing was misplaced indeed, but for some time it had a depressing effect on prices. By neglect and delay of decisive action the opportunity was lost. The spirit of speculation, fully aroused during the war by the immense disbursements of the Government and its large contracts; still more favored by the lowered moral tone in public and private life always produced by a great and protracted civil war, asserted itself in and out of Congress, not openly but insidiously. Fidelity to past pledges of public faith was pledged again by resolution of Congress and by the platform of the dominant party. A policy of legal tender contraction was authorized under the persuasion of Secretary McCulloch, and followed for some months in a slow and feeble way, keeping the word of promise to the ear, while it was breaking to the hope by four-fold greater expansion of bank-note currency, and the rapid process of substituting private debt in the banks for the Government debt, in which their loanable capital had been invested. Very soon the speculative spirit became the controlling power; even the pretence of contraction was abandoned in 1868; all restraint upon the expansion of private and corporate debt was removed; senators and representatives, who had advocated sound principles of finance in 1866-7, became open advocates of currency extension in 1869 and later. The line of demarkation between right and wrong seemed lost to sight, and the great question which involved the honor and welfare of both Government and people was pushed aside or feebly discussed as if it had no moral character to be considered.

Congress, having all the power to act and the responsibility that goes with power, did nothing to check the fearful drift, after accelerating it by the resolution of 1868, forbidding further contraction of greenbacks. The result was inevitable. It came in the crisis of 1873 and its consequences, the end of which no man can yet see. Since the crash came, and when the difficulties of the work had been increased a hundred fold, Congress, under the lead of some true and earnest men, has attempted the work of restoration.

Prices, having declined at the end of the war as before stated, gradually recovered a higher average when it became clear that all the efforts of Congress for the liquidation of the demand debt of the Treasury would be exhausted in "*how not to do it.*" This higher level, with fluctuations from changes in supply and demand, continued until the money stringency occurred in the business season 1872-3; preceding and foreshadowing the panic of the Autumn following. Because of our high prices foreign goods flooded our markets in exchange for our cheap gold, which at twelve to sixteen per cent. premium left rich profits to the foreign producer, after paying our high duties; and in exchange for national, State and corporation bonds, which were still cheaper, *if proving to be good.* It follows that the average gold premium must have failed to measure the inflation of average prices by twenty-five to forty per cent. during this period, else the large importation of foreign goods could not have been continued.

Now we have the gold premium only five or six per cent. lower than during that inflation period; and in Europe a great reduction in the cost of such goods as then found so large market in this country, yet their importation has greatly fallen off and is decreasing year by year. The reduction is caused by the fall in our prices, which are no longer remunerative, though returns are made more favorable by the lower gold premium, and prices are universally lower throughout Europe.

Here we are confronted by the fact that there has been no material change in the amount of outstanding currency in the long period from 1867-8, when the 7-30 and compound interest notes were retired and soon replaced by national bank notes, down to the past year when the currency has been reduced some fifty millions by the surrender of bank circulation and withdrawal of legal tenders; yet in that period, prices, after years of extraordinary inflation, have fallen very low—of many articles lower than ever before known. In the amount of currency there is substantially no difference between the high-price period 1869-72 and the present period of extreme depression.

This fact seems to prove conclusively that prices do not depend alone or chiefly on the volume of currency.

A true money currency must be one conformed to the standard of the world in its international relations—of sustained gold value, its paper portion infallibly redeemable in gold. England has such a currency. Germany, the most progressive nation of the day, is getting one. Such would be our currency if its paper portion were made exclusively of United States Treasury notes, and these were made as surely redeemable in gold on demand as are the Bank of England notes. Now our currency consists of certificates of

national debt not redeemable, and bank notes redeemable in those certificates; both regarded as ultimately good because carrying the Government pledge of payment, but depreciated in past years by lack of a fixed date and method for its performance, and now appreciating under the definite promise of the Act of January, 1875, though slowly, because the promise does not carry with it a provision of means for its assured performance.

When the currency is redeemable or of gold value, and its amount adjusted to the business of the country (such a currency is always self-regulating, self-adjusting), its sudden increase, without corresponding increase of production and trade, must tend to inflation of prices: but in less degree and of less duration than when the currency is depreciated. The advance in prices, when so stimulated, checks export and other trade, and brings about an adverse course of exchange. Gold is drained away; free or loanable capital becomes scarce; and trade and manufactures soon feel the pressure. Then prices break down; labor and its products are cheapened; exports and trade revive; the course of exchange becomes favorable, gold flows in again, capital is set free, money cheapens to the borrower, and business resumes its usual course.

It would be a mistake in terms to speak of the contraction of a sound or redeemable currency. But there is sometimes a condition of affairs when business has been widely extended, with the usual accompaniment of increased debt, so that the supply of currency seems inadequate to the need, and the relative effect is like that of actual contraction. For the time there is not money enough available. As free capital can always command its representative, money, it follows that this condition is one of scarcity of free capital. Inflation of prices, increase of business debt as negotiable paper, and other absorbents of capital, have fixed or locked up so much of it that the loanable portion remaining is insufficient. Pressure falls upon trade and manufactures, and here as in the other case the process of recovery is by the way of lower prices, reversed exchange, inflow of gold, capital set free, and return to the usual course of business. The remedy is self-acting and sure when the currency is good, excepting, of course, extraordinary cases like those from war, pestilence or famine, or the arbitrary interference of Government.

No quality of currency can exempt any people from the ill consequences of excesses of any kind, but the beneficence of a good currency limits their extent and duration.

Other things being equal (as they never are in two cases), the more a currency is already depreciated, the greater will be the inflation of prices by a given per centum of increase in its volume; and, conversely, the greater the previous

depreciation of currency, the greater will be the decline in prices caused by a contraction of its volume, by reason of its higher purchasing power. But in either case, of increase or reduction of the currency, there is no necessary parallel of proportion between the change in its volume and the course of prices. The power of confidence as opposed to distrust under any given conditions, is impossible of prediction. Then, possible conditions, infinite in variety and relation—of supply and demand, of activity or dulness, of higher or lower credit, of good or bad harvests, of international relations, are all beyond foresight. Yet each may have power to defeat or modify any presupposed effect of an increase or diminution of the currency on prices.

The conclusion seems to be irresistible that there is no constant or even general relation of prices to the amount of currency in issue, whether redeemable or depreciated, and that no rule of proportion between them can be stated.

What is the practical bearing of this conclusion?

Nearly all arguments for and against contraction of the currency, as a means to specie payment, have carried the admission or assertion that contraction must of necessity depress prices. Its advocates urge the sacrifice for the sake of the benefits to follow. Its opponents, even of the class who desire a return to specie payments, are in dread of further depression and of further disability of debtors to meet their liabilities.

It becomes then of the highest importance to show that stagnation in business, continued downward tendency of prices, and increased disability for both consumption and payment of debts, may consist with redundant currency and *because* of its redundancy; also, that industry may be quickened, consuming power be increased, capital and labor find better employment, average prices be advanced, and the ability of debtors increased, not only in coincidence with a contraction of the currency, but as a consequence of it. Under certain circumstances these propositions are true, and those circumstances now exist. The quantity of currency has by its excess reversed the ordinary effect to enhance prices, because of its subjection to the superior consideration of *quality* in the command of confidence. The candidates for the Presidency, and the platforms of both parties, have declared that a restoration of a sound currency redeemable in coin is necessary to the highest prosperity of the people. Contraction is a pre-requisite to redemption. Hence the importance of the conclusion that contraction will not necessarily cause a further hurtful reduction in prices.

THE BANK CLERKS' MUTUAL BENEFIT ASSOCIATION OF NEW YORK.

The eighth annual meeting of the Bank Clerks' Mutual Benefit Association of this city, was held at Association Hall, on the evening of December 7th, the Hon. W. E. Dodge in the chair. After a brief address by the chairman, the annual report was read by Mr. C. H. Dummer, President, from which we ascertain that the Association is in a highly prosperous condition. During the eight years of its existence there has been paid to the families of deceased and disabled members, \$78,741, and there is now a permanent fund and accrued interest of \$69,465.34, which, with cash in the hands of the Treasurer, makes an aggregate of \$72,258.18. There has been paid during the past year, on claims arising from death, \$14,300, and to disabled members, \$1,750. There is held in trust for disabled members, \$2,750, and the relief fund, for the payment of the dues of members out of employment, amounts to \$130.35. There has been collected for dues and assessments during the year, \$14,703.50, and for interest, \$4,478.70. The donations received during the year amount to \$3,337, including \$2,000 received from Mrs. A. T. Stewart. The membership is now 1,079, and the total expenses of the Society for the year have been \$1,187.89, including \$300 salary paid the Financial Secretary.

An able and interesting address was delivered by Rev. Joseph T. Duryea, D. D., of Brooklyn, of which, on motion of Mr. W. E. Dodge, the Association was requested to print, at his expense, 10,000 copies for general distribution. The exercises of the evening, already sufficiently interesting in themselves, were further enlivened by excellent music from the Apollo Club, under the direction of Mr. W. T. Williams, and some choice arias and ballads by Madame Julie de Ryther. We congratulate the Association on its continued prosperity.

The annual election of the Association was held on Tuesday, Dec. 12, at the Merchants' Exchange National Bank. The following officers were elected for 1877: President, Walter Coggeshall; Vice-President, T. W. S. Middleton; Recording Secretary, Fernando Baltes; Financial Secretary, John H. Brennen; Treasurer, R. W. Swan; Directors, J. C. Parsons, E. D. Butler, and E. T. Hulst.

BANKERS' MUTUAL BENEFIT ASSOCIATION OF PITTSBURGH.

The third annual meeting of the Bankers and Bank Clerks' Mutual Benefit Association of the city of Pittsburgh was held at the Chamber of Commerce on Monday evening, November 20th, 1876. The president, Mr. Wm. M. Riddle, was in the chair, Mr. John T. Woods being Secretary. The report of the Board of Management for the year was read, with the reports of the Corresponding Secretary and Treasurer. From these the condition of the Association is seen to be a prosperous one—the fund has increased, the membership is enlarged, and the progress of the year is quite satisfactory. The number of members is now 110, a net gain of six for the year; two members have died, and four have been dropped from the list for non-payment of dues. There are also ten honorary members. There has been paid within the year \$1,000 for losses by death, \$500 to the family of each deceased member—notwithstanding which the Treasurer's report shows a gain of \$253.09. the balance of cash on hand being \$1,783.07.

The Board of Management expect to make a personal appeal to every bank officer and employé in the city, and further to call upon banks and banking institutions for assistance, through which means they hope to carry out, at an early day, the original project of providing a reading-room and library, giving to the Association a place for business and social meetings.

The election of officers for 1877 followed the reading of the reports, the following gentlemen being chosen:

President, William N. Riddle; *Vice President*, W. H. Dennis-ton; *Recording Secretary*, John T. Woods; *Corresponding Secretary*, Charles G. Milnor; *Treasurer*, Robert Wardrop.

The praiseworthy character of these associations, and their right to be abundantly sustained by the financial community which each represents, are well evinced by the following, which precedes this report:

“The objects for which the Association was formed, are to relieve the necessities of the aged and disabled; to benefit families of deceased members; to afford relief in sickness, when necessary; to assist the deserving when in distress; to obtain employment for members who may be out of situations; to create among the members ties of friendship and fraternity; and to extend such other assistance as the Association may from time to time determine.”

NATIONAL BANKS AND MORTGAGE SECURITY.

SUPREME COURT OF PENNSYLVANIA.

ROBERT WOODS *v.* PEOPLE'S NATIONAL BANK OF PITTSBURGH.

A mortgage given to a National Bank to secure a pre-existing debt by the mortgagor, and to secure a future loan to him, is as to the latter *ultra vires*.
 If the mortgaged premises be sold, the proceeds arising therefrom must be applied in discharge of such pre-existing debt, notwithstanding such proceeds arose from a sale by the sheriff.
 An endorser of notes held by a National Bank, secured by a mortgage, has a right to have the proceeds arising from a judicial sale of the mortgaged premises by the bank, applied to the payment of such notes in his relief.
Fowler v. Scully, 22 P. F. Smith followed.

STATEMENT OF THE CASE.

In the early part of 1870, the People's National Bank discounted for R. L. McAboy three notes, amounting to \$7,000, which were endorsed by Robert Woods. The bank had also loaned to Mr. McAboy \$5,055, taking his own unendorsed note. These notes were renewed several times, until about August, 1870, when Mr. McAboy applied to the bank for a loan of \$8,000. The bank agreed, provided he secured by mortgage the four notes above, including enough to cover the \$8,000 loan, to lend him the additional amount, taking his own unendorsed notes for \$4,000 each. Accordingly, about the 1st of September, 1870, Mr. McAboy gave the bank a mortgage on his wife's property, the same being her separate estate, for \$40,000, conditional for the payment of \$20,000, and the same was placed on record. On the 8th of September, seven days after the mortgage was recorded, the bank placed \$8,000 to Mr. McAboy's credit, and he delivered then the two notes for \$4,000 each. None of the notes having been paid, proceedings were commenced by the bank to foreclose the mortgage. The property was sold for \$13,816.66, and the bank subsequently sued Robert Woods, the endorser, on his three notes. The case was tried in the Common Pleas, No. 1, and was defended on the ground that the bank could only take the mortgage for the three notes, and the \$5,055 McAboy note, that it was bound to apply the proceeds of the Sheriff's sale to their discharge, and that the proceeds could not be applied to the liquidation of the \$8,000 loan because that was not a pre-existing debt as provided for by the act of Congress.

The court charged the jury that the defence was not sufficient, and directed a verdict to be found for the plaintiff, for the amount of the three notes with interest.

Opinion of the court by PAXSON, J., filed November 20, 1876.

It was held in *Fowler v. Scully*, 22 P. F. S. 456, that the loaning of money by a National bank upon mortgage, or other real estate security, is *ultra vires* and forbidden by the act of Congress. This, of course, does not apply to the case where a bank has in good faith taken a mortgage by way of security for a previous existing debt. Such case comes within one of the express exceptions of the act of Congress. It follows therefore, that in so far as the mortgage of Mrs. McAboy to the People's National Bank of Pittsburgh was given to secure money, thereafter to be loaned to her husband, it was *ultra vires*. It is manifest from the evidence that the loan of \$8,000 to Mr. McAboy on or about the 8th of September, 1870, was upon the faith of the mortgage. As to the loan, the mortgage was not a valid security. But it

was good as to the indebtedness of Mr. McAboy to the bank existing prior to its execution, amounting to about twelve thousand and fifty-five dollars. For \$7,000 of this sum, the bank held the endorsements of the plaintiff in error. His contention is, that the bank was bound to apply the money received from a sheriff's sale of the mortgage premises to the notes held by it at the time the mortgage was given. In this we think he is right. As the endorser of Mr. McAboy's notes held by the bank, he had a right to call upon the latter to apply the money to the payment of the notes for which alone the mortgage was legally held as security. The mortgage was as much for his benefit as for the bank. The latter has no right to apply the proceeds thereof to the two unsecured notes of \$4,000 each. Under the authority of *Fowler v. Scully*, Mr. McAboy could have objected to such appropriation. Whatever he might have done in this respect, the plaintiff in error, as his endorser, may do also.

From what has been said, it will be seen that both the assignments of error are sustained.

The judgment is reversed and a *venire facias de novo* awarded.

USURY BY NATIONAL BANKS.

SUPREME COURT OF PENNSYLVANIA.

Overholt & Co. vs. The First National Bank of Mount Pleasant.

Error to the Common Pleas of Westmoreland County.

When suit is brought on the last of a series of renewal notes, the borrower is entitled to credit for all the interest he has paid from the beginning of the loan, and not merely to the excess above the lawful rate.

The defendant is not entitled to defalk the interest on another note which is not in suit.

The opinion which follows was rendered at Pittsburgh, on November 13th, by Justice Sharswood, in the case named. The decision carried several others from Westmoreland, which were argued with it, as well as the case of *Bryan vs. the Tradesmen's National Bank of Pittsburg*, and others pending in the courts of that county. The entire court concur in this opinion.

STATEMENT OF FACTS.

This was a suit to recover the amount of two promissory notes, one dated January 6, 1876, at three months for \$2,200, the other March 6, 1876, at three months, for \$2,000, made by Overholt & Co., and discounted by said bank, at the rate of nine per cent. per annum. The defendants, Overholt & Co., set up as a defence to the action, that the bank had discounted a series of notes for them, of which the notes in suit were the last, and had also discounted another note for them for \$4,000, which still remained unpaid, on which it had likewise charged interest at the rate of nine per cent. per annum, and they claimed the right to set-off against the plaintiffs' demand in this case, twice the amount of interest paid on all the aforesaid notes. The court below, however, gave judgment in favor of the bank, for the principal of the notes in suit, less the excess of interest over the legal rate (six per cent.) paid on all the previous notes, of which they were the renewals.

OPINION.

The thirtieth section of the act of Congress of June 3, 1864, under which the

defendants in error were organized and incorporated as a National Bank, declares that "the knowingly receiving, reserving or charging" by a National bank, "a rate of interest greater than" that lawful in the State in which such bank may be located, "shall be held and adjudged a forfeiture of the entire interest which the note, bill or other evidence carries with it, or which was agreed to be paid thereon; and if in law a greater interest has been paid, the person or persons paying the same, or their legal representatives, may recover back in any action of debt, twice the amount of interest there paid from the association taking or receiving the same; provided that such action is commenced within two years from the time the usurious transaction occurred."

It is very clear, we think, that Congress intended that the National banks should be effectually prevented, as far as legislation could prevent it, from either charging or receiving more than the legal rate of interest in the State in which they might be located and carrying on their business. Experience had abundantly shown that to do this it would not be sufficient to provide that the excess over the lawful rate only should be illegal. These institutions of large capital would naturally exercise great power over those who should stand in need of their assistance; for it is as true now as it was in the days of Solomon, "The rich ruleth over the poor, and the borrower is servant to the lender." It was considered, no doubt, that it would be too hard a measure to provide that the debt itself should be forfeited, or the security given for it declared void. That, too, had been tried in England and some of the United States, but was found not to arrest the practice, but only to increase the unjust gain of the usurer, who required to be indemnified by the needy borrower for the risk he ran by a much increased rate. It was deemed a sufficiently effectual preventive to enact that whenever the bank violated the law by "knowingly receiving, reserving or charging" more than the lawful interest, they should recover none, and that when the unlawful interest had been voluntarily paid, the debtor should be entitled to recover, as a penalty, double the whole interest paid, provided suit were brought within two years. Whenever the bank must resort to a suit, then the forfeiture of the entire interest, when an illegal rate has been stipulated or taken, follows as a necessary result. It was abundantly shown (*Campbell vs. Sloan*, 12, P. F. Smith, 485,) by numerous English and American authorities cited in the opinion of the Court, that where there has been a series of renewal notes given for the continuation of the same original loan or advance, the taint of usury in the first transaction follows down the descent through the entire line. A renewal note is not payment of the original debt, and is not a new debt, or novation, in view of the usury laws, however it may be, if the parties so intend, as to the other questions. If it were held otherwise, nothing would be so easy as to evade the statute. What the creditor is entitled to recover is the original loan, with lawful interest, and the borrower is entitled to credit for all that he has paid beyond what, by law, he was bound to pay. It is clear then as to the National banks that whenever they charge or stipulate for an illegal rate, all payment of interest, and not merely the excess, is illegal. "The illegal act," as is well remarked by Mr. Justice Gordon, in *Lucas vs. Government National Bank*, 28 P. F. Smith, 231, "destroys the interest-bearing power of the obligation." . . . "The receiving of such excessive interest is treated by the supreme power of the State as a public evil, and as such prohibited; consequently when taken against the statutory prohibition, it is acquired without right, and no title thereto rests in the taker. In such case he is to be held as one wrongfully in possession of his neighbor's property." It follows that when the bank resorts to legal proceedings to recover its debt on the last of the series of renewal notes, the borrower is entitled to credit for all the interest he has paid from the beginning on the loan, and not merely to the excess above the lawful rate.

This question was not before the Court, and was not decided in *Brown vs. the Second National Bank of Erie*, 22 P. F. Smith, 209. The only matters which could avail the plaintiff in error there, were the answers to the first two points which he made below. These were that the bank could not recover any part of its claim, and that if it could, the debtor was entitled to defalk double the amount of interest paid. These the Court below refused, and then judgment

was affirmed. The third point was that he was entitled to credit for the excess of interest he had paid from time to time on the renewal note, and his fourth was that he was entitled to an abatement of all the interest on the note in suit, and these the Court below affirmed. What is stated in the syllabus as decided by the Court below—if indeed it was meant to say that the debtor could only set off the excess of interest on previous notes, was not involved in the affirmance of the judgment. In *Lucas vs. Government National Bank*, 28 P. F. Smith, 228, the credit claimed was not for interest paid on former notes of which the note in suit was the last renewal, but upon entirely independent loans which had been paid in full, and the defendant claimed to defalk double the amount which he had paid. This the Court held he could not do, but that he was entitled to defalk the usurious interest he had paid on previous transactions. The affidavit of defense stated that the defendant had paid not less than \$3,000 in excess of the legal rate of interest, and this, it was held, he had a right to defalk. Further than this it was not necessary to go in order to reverse the judgment and award a *procedendo*.

We are of opinion that the defendant below was not entitled to defalk the interest on the \$4,000 note which was not in suit. The words of the act of Congress—"shall be held a forfeiture of the entire interest which the note, bill, or other evidence carries with it," as was said in *Brown vs. the Second National Bank of Erie*, have evident reference to the enforcement of the contract by judicial process. No action is given to recover back the interest charged, and if not, there can be no defalcation against an independent claim. *Non constat* that the principal of the \$4,000 note will ever be sued for, but when it is, all the interest paid on the note, of which it is the last renewal, will be a credit upon it. Judgments reversed and a writ of *procedendo* awarded.

SILVER AS VALUED BY LONDON QUOTATIONS.

Silver is quoted in the London market at so many pence, meaning that such is the price of one ounce of the British mint standard, which is thirty-seven fortieths fine

Stated decimally, an ounce of pure silver contains eighty-one thousandths more silver than an ounce of British standard silver. Therefore, when the latter is quoted at fifty-nine pence, an ounce of pure silver would be worth 63.779 pence.

The gold coins of Great Britain contain an ounce of pure gold in 1019.45 pence. When one ounce of standard silver is quoted at fifty-nine pence, which is 63.779 pence for pure silver, the ratio of pure silver to pure gold, is as one to 15,98410.

The legal ratio of silver to gold, in this country, if the coinage of the old American silver dollar was resumed, would be one to 15,98837, which would be almost exactly the market ratio, if silver was quoted at fifty-nine pence in London.

And by whatever per-centage silver in London goes above or below fifty-nine pence, the American silver dollar will be worth in the market the same per-centage more or less than the American gold dollar.

Thus, when the London quotation of silver is fifty-three and one-tenth pence, the American silver dollar would be worth ninety cents in American gold. If the London quotation is fifty-four and twenty-eight one-hundredth pence, the American silver dollar would be worth ninety-two cents in American gold.

In France and the other States of the Latin Union, a higher legal value is given to silver, relatively to gold, the ratio being as one to 15.50. And it is by this ratio that Germany redeems its silver coinage in gold. To have the market value of silver as high as this, it must be quoted in London at 60.87 pence. And the per centage below this, of the London quotations, is the measure of the loss of the German Government in taking in its silver coins.

BOOK NOTICES.

London Banking Life. By WILLIAM PURDY. New York: Lovell, Adam, Weston & Co.

This is an interesting and useful collection of essays on trade and finance which was published a year or two ago, in London, and is now republished in this country. It is evidently written by a man who has had excellent opportunities for watching the movements of the last monetary panic in Great Britain, and whose mind has been well trained and disciplined to observe and record financial phenomena. The book opens with a sketch of the state of trade previous to the English revulsion of 1874. For ten years there had been an extraordinary activity in production both in Great Britain and throughout the world; and the progress of wealth as Mr. Gladstone said went on not by steps but by leaps and bounds. Suddenly, however, unforeseen dangers disclosed themselves. Extravagance of living impoverished the classes formerly noted for frugality, strikes began in the coal and iron trade, failures of large firms and corporations shook the financial fabric to its foundations and threatened general disruption and widespread distress. The various symptoms by which the great revulsion began and went on are analyzed and described in this little book with a masterly hand. After closing his sketch of the panic in England, the author turns his attention to foreign countries. He is less successful in this part of his work, because his information is less accurate and precise. Perhaps the most useful part of the book is the appendix, which consists of nine brief, but elaborate, papers comprising statements of the failures in England in 1875, the German speculation since the war of 1871, the Turkish loans, the balance sheets of the failed firms during the Aberdare panic, and the stored bullion in Europe. These and some other topics referred to in the book are treated in the appendix at greater length and will well repay an attentive examination. The earlier part of this book would have been much improved if the writer had given more attention to the question, which has been often asked, why the confidence of the banks and money lenders was so suddenly and completely withdrawn, in the early stages of the Aberdare panic, from houses which were no more insolvent then than they had been for several years before. This question is one of the most interesting and suggestive. It would have led our author had he taken it up to give a much more original and useful character to his work. Still, as it is, the book is very comprehensive and it ought to have a wide circle of readers in this country.

An Alphabet in Finance: A Simple Statement of Permanent Principles and their Application to Questions of the day. By GRAHAM M' ADAM, with introduction by R. R. BOWKER. New York: G. P. Putnam's Sons.

In the University of Glasgow the custom used to prevail, and perhaps is still kept up for every student to write several times a week a brief essay on the

subject of a Professor's lecture of the day before. The excellent little book before us reminds one of this old Scotch University custom. As we read its pages it brings before us the picture of an intelligent young economist feeling his way through the labyrinth of financial and monetary science, guided by able and well-informed preceptors, and noting down day by day his fresh acquisitions of economic knowledge. It has often been said that other things being equal, the best teacher of young minds is one who knows a very little more than the scholar, but who is a busy learner. The freshness of newly acquired knowledge gives a vivacity to the teacher and excites the appetite of the learner. There is no doubt some truth in this view. And perhaps one of the numerous charms of the book before us is that it is written by a learner and lover of financial knowledge for other learners who love it too. The first three or four chapters of the book are devoted to the ordinary topics of the origin of money and to those qualities of the precious metals which have from time immemorial caused them to be selected by all nations as the monetary instruments of trade. After these preliminary flourishes of his pen the author takes up the bi-metallic standard or as he calls it "the double standard" and declares himself a monometallist. He does not discuss the questions at issue very elaborately and he shows that he has not penetrated very deep into the foundations of this difficult question. He is more successful with the credit system and discusses the greenback problem with much ability. The soundest part of the book is decidedly that in which the author exposes the sophistries of inflation and demonstrates the importance of coin redemption on demand for every system of paper money that is to be kept stable in value. On the silver question as might be supposed he is defective in logical precision and clearness, but on the subject of resumption and the evils of an inconvertible currency his views are admirably illustrated and well expressed. Altogether this book is a timely production and although it consists of essays which first made their appearance in the columns of a suburban daily paper it has been so much elaborated as to be free from many of the faults which usually characterize books which are written by newspaper men, and are made up of a series of newspaper articles.

Mecanique de L'Echange. PAR HENRI CERNUSCHI. Paris: A. Lacroix, Verboeckhoven et Cie.

M. Henri Cernuschi is so well known to our readers that we have no need to introduce him. The elaborate treatise before us is the one by which his reputation as an economist was first established. The work consists of forty chapters, about one half of which are given to monetary and banking questions while the rest are devoted to general questions pertaining to exchange. Very little trace is here found of the theory of bi-metallism, by his vindication of which M. Cernuschi is now chiefly distinguished. It is no more than ten years since this book appeared and although we presume the writer would modify it considerably if he had to re-write it, still it is one of the most suggestive and valuable works on the subject, replete as it is with novel and ingenious analysis and with broad and comprehensive generalizations. M. Cernuschi was inferior to Wolowski in originality as a thinker, and in personal weight as a man of practical experience in the professor's chair and in statesmanship; but, in eloquent vivacity, and in energetic exposition of his luminous ideas, Cernuschi must certainly claim precedence.

Getting on in the World; or Hints on Success in Life. By WILLIAM MATTHEWS
LL. D. Chicago: S. C. Griggs & Co. 1875.

There are several chapters in this popular work which ought to be engraven in the memories of our young clerks and our older employes in lawyers', merchants', and banker's offices. Scarcely a single means ordinarily recognized as contributing to success in life has been omitted by our author. He tells us what the Roman poet has briefly expressed in the line *Mens Sana in Corpore Sano*. Professor Matthews presents to his readers in a thousand different ways the maxim that a healthy mind in a healthy body is the first and fundamental condition of a prosperous career. His second rule is equally important. He says that a youth who would be successful must choose his profession well, and when it is chosen he must give his whole strength and faculty to the single task of excelling in it. Another point which he dwells upon is that of avoiding excessive labor and overwork. He says very truly that a man who is to accomplish much in life must have somewhere stored up a mass of *reserved power*. Another of his chapters is on mercantile failures. In a future number of this magazine we hope to give our readers some extracts from this essay with comments and illustrations. Meanwhile we may say that this is one of the best and safest works to place as a birthday gift in the hands of a youth who is just entering trade or who is contemplating an early adoption of the career of a banker or Merchant.

Ye Outside Fools! Glimpses Inside the London Stock Exchange. By ERASMUS
PINTO, Broker. New York: Lovell, Adam, Wesson & Co. 1877.

This is a reprint of a book which belongs to an order of literature that has always had a singular charm for a certain large class of readers. It is extremely amusing and it embodies a vast amount of information about stock jobbing in England and elsewhere which is not generally known. The author is evidently a practised writer and he leaves no doubt on his reader's mind that he knows very accurately the ways which he attempts to explore and reveal to those who place themselves under his guidance.

Safety Book-keeping: Being a Complete Exposition of Book-keepers' Frauds.—By
H. J. METTENHEIMER. Cincinnati: Robert Clarke & Co.

This little book shows in detail the methods by which fraudulent entries are made, or proper ones omitted by dishonest book-keepers, and explains how these are to be discovered and prevented. It also makes other suggestions of value to merchants and book-keepers in the management of accounts and of the cash in business houses. The object of the book is to enable all concerned to *audit their own accounts*, a duty which is too often neglected. The style is simple and condensed, and the suggestions such as ought to be heeded as well as understood by all business men. The author closes his preface with the sentence: "Admitting the worldly inhumanity of the advice to *trust no man*, it is well-known that the most successful merchants are those who adopt so harsh and uncharitable a rule."

BANKING AND FINANCIAL ITEMS.

THE BANKER'S ALMANAC AND REGISTER FOR 1877 will go to press early in January. Price Three Dollars. With Marginal Index of States \$3.50.

Quarterly Supplements giving the latest changes to date, will be issued in April, July and October of 1877. A place for their insertion will be provided in the new volume. The price of these Supplements will be fifty cents for the three, but to *advance* subscribers to the ALMANAC AND REGISTER they will be furnished free of charge. Prepayment by Banks or Bankers is not necessary if any prefer to await delivery, but an *order* is essential.

Bankers who have not sent in their orders should do so at once.

BANK TAXATION.—A meeting of the bank officers of this city was held at the Clearing House, on the afternoon of December 13th, to consider the question of obtaining relief for the banks from their present burden of taxation.

Mr. P. C. Calhoun, president of the Fourth National Bank, presided, and Mr. George F. Baker, cashier of the First National Bank, acted as secretary.

After some discussion the following resolution was adopted:

Resolved That in the opinion of the Associated Banks of this city the earnest efforts of the banks throughout the entire country, in asking for relief from the unjust and burdensome weight of taxation imposed upon them and their shareholders by federal, state and city governments, should be especially directed to securing from Congress,

First—The repeal of the tax on deposits.

Second—The repeal of the tax on capital.

Third—That in order to protect bank shares from unjust and unequal taxation by state or local authorities, an amendment to Section 5219 of the Revised Statutes of the United States be procured, providing that bank shares shall be valued and assessed at no greater rate of valuation, nor in a different manner than other real and personal property, and they shall have the same privileges and exemption in respect to taxation as other personal property.

Fourth—That a further effort be made during the coming session of our state Legislature to secure a uniform system of taxation of bank shares applicable to the entire State of New York, by which the burdens of such taxes shall be equitably distributed.

A resolution was then passed requesting the chairman of the Tax Committee of the Clearing House (Mr. George S. Coe,) to report the proceedings of this meeting to all the clearing houses in the United States, in order to secure the adoption of similar measures by all the banks in the country.

THE AMERICAN MINING AND STOCK EXCHANGE.—The American Mining Board, adopted on November 29, a new constitution and set of by-laws. Its name has been changed to "The American Mining and Stock Exchange," and it is provided that the Exchange shall deal in all mining, railway and miscellaneous securities which may be approved by the Committee on Stocks under rules similar to those now in force on the New York Stock Exchange, except that the rate of commission has been fixed at one-twentieth of one per cent. The fifteenth article of the new constitution, establishes a life insurance plan for members very similar to that of the New York Stock Exchange. The number of seats is limited to four hundred, and the price is to be \$500 until there shall be three hundred members; after that number is attained the price will be \$1,000. There are now 245 members. After providing for the rent for six months in advance, the Exchange has nearly \$30,000 invested in United States bonds.

RESPONSIBILITY OF BANK OFFICERS.—An important suit has recently been decided in the Chester County Court, held at West Chester, Pa., touching the responsibility of bank officers to the institutions by which they are employed. The action was brought by the Iron Bank of Phoenixville, against Daniel H. Reiff, its cashier, to recover damages for negligence on his part, in paying money to a stranger on a forged draft without proper personal identification of the payee. The defendant claimed that when the bank employed him it was promised that he should be instructed in the ways of banking, and that no such instruction had been given him. It was on this ground that he claimed he could not be held responsible for a breach of banking usage. Verdict in favor of the plaintiff in the sum of \$2,704.46.

NEW YORK.—Colonel Washington R. Vermilye, the senior member of the banking firm of Vermilye & Co., died on December 23d, at his residence, in Englewood, N. J., after an illness of about three weeks. Mr. Vermilye was born in this city in 1809. When very young he entered the office of Rufus Nevins in Wall Street where he remained until he went into business for himself, nearly forty-five years ago. Soon after he formed a partnership with the late George Carpenter, under the name of Carpenter & Vermilye, which continued until 1861, when the firm was changed to Vermilye & Co. Mr. Vermilye was President of the Greenwich Savings Bank, and a director in several other large corporations.

Mr. David Crawford, of the firm of Clark, Dodge & Co., bankers, died at his residence, in this city on December 24th, at the age of forty-four years. He was well known in financial circles, though not a member of the Stock Exchange. Mr. Crawford has been a director of the New York Central and the Chicago, Rock Island and Pacific Railroads, and was one of the organizers and most active directors of the Missouri, Kansas and Texas Railroad.

Mr. Paul Bunker, many years paying teller of the Bank of New York, died on December 6th, at his residence in Brooklyn, at the age of seventy-one. Mr. Bunker was an esteemed member of the Society of Friends, and was noted among business men for his calmness and courtesy. He entered the service of the bank in 1832, and was at his post until ten days before his death.

CLOSING OF A SAVINGS BANK.—The Park Savings Bank of Brooklyn, has discontinued business, and is paying off all its depositors. It was organized in 1868, and continued to transact business up to November 12, 1876, when the trustees concluded that, on account of the high prices of such securities as savings banks are permitted by law to invest in, and the danger of a possible decline in a year or two of all securities, it would be better to close up business. Since then, six hundred depositors have been paid. Nearly seven hundred remain to be paid, all of whom will receive their money at any time they choose to present their pass-books. The amount yet to be paid is only about \$40,000.

CALIFORNIA.—The eighth and last assessment of ten per cent. on the capital stock of the Bank of California has been paid in full. This restores the capital to its original \$5,000,000. The syndicate organized shortly after the suspension of the bank to assist in the work of rehabilitation has wound up its affairs and dissolved.

San Francisco.—A "corner" in trade dollars was occasioned on December 2d. by the demand for shipment to China and the fact that one of the local banks had recently deposited at the mint a large amount of silver for coinage into trade dollars, thereby monopolizing its working capacity and virtually excluding other banks. Trade dollars were quoted at par.

CONNECTICUT.—The aggregate of Savings Bank deposits in this State on October 1st, was \$80,759,028. The whole number of depositors at the same date was 203,514, being 4,516 less than last year. There was an increase of \$18.75 in the average amount to the credit of each depositor, and the average income was 26-100 of one per cent. less.

ILLINOIS.—The National Bank of Commerce, Chicago, having retired from business, has consolidated its accounts with those of the Central National Bank. The officers of the new bank are, W. F. Endicott, President; E. Maynard, Vice-President, and J. McK. Sanger, Cashier.

INDIANA.—General W. D. Allen, a pioneer, and for many years proprietor of the Exchange Bank of Greencastle, died in that city on December 20th, aged sixty-six. He represented the county two terms in the State Legislature, was Mayor of the city four years; was a public-spirited citizen and highly esteemed.

MAINE.—The report of the Maine State Bank Examiner, shows that sixty banks were doing business on November 6th, with assets aggregating \$27,818,734 50, a decrease, as compared with last year, of \$4,264,549.58. The number of the depositors was 90,621, a decrease of 10,705.

The committee to codify the State banking laws of Maine, have agreed to report a bill recommending a semi-annual dividend of two and a half per cent., and a reserve fund and State tax of a one-quarter of one per cent. each; also that when the reserve fund amounts to five per cent. of the assets, a special dividend may be declared.

INTER-STATE CONTRACTS.—In the Court of Common Pleas at Cincinnati, a case was tried in November, of which the leading point was, as to the rate of interest on notes made in one state and payable in another. Suit was brought by O. J. Wilson *v.* The Rose Clare Lead and Spar Company, William Van Vleck and Stearns & Foster, on eleven promissory notes of \$1,000 each, made by the company, and guaranteed by Van Vleck and several others. The notes were made in Illinois, and secured by mortgage on property there, but were payable at Cincinnati. Van Vleck and Stearns & Foster alone answered, the former setting up usury, and the latter claiming that there should be only a *pro rata* judgment against them. The plaintiff demurred to the two answers.

Judge Johnston, in deciding the case, remarked that there was much difference of opinion as to the question of interest where the note is made in one State and is payable in another, the question being whether the rate of interest at the place where the note is made shall govern, or the place of payment. The Supreme Court of this State has very recently settled that question so far as our Courts are concerned, in the case of Kilgour *v.* Dempsey, 25 O. S. The Court there decides that where the rate of interest in the State in which the note is made and the State where it is made payable conflict, the parties may in good faith, adopt the rate of interest legal in either State. Hence, in the case at bar, the parties had the right to adopt the rate of interest legal in Illinois to govern them, and did so, fixing the rate at ten per cent. To that extent the contract would be considered legal here; but Van Vleck alleges in his answer that, in addition to the ten per cent., \$1,000 was also reserved as usurious interest.

Referring then to the statute of Illinois, by which the parties were willing to be governed, it appears that no higher rate of interest than ten per cent. can be reserved, and if a greater sum be reserved, then the party loaning the money loses the entire interest, and can recover only his principal, differing from our statute in this: that where a greater sum than eight per cent. is reserved in Ohio the party is remitted to six per cent. The demurrer, admitting the transaction to be as claimed by Van Vleck, must be overruled.

OHIO.—On the morning of December 14th, at Somerset, Perry county, William M. Ream's bank was robbed by four masked men of over \$10,000. The family (who live over the bank) were surprised about 1 A.M., and Mr. Ream was conducted to the vault, which he unlocked as ordered. It is supposed one of the robbers stole into the house in the early evening, and afterward admitted his associates. In consequence of the robbery, Mr. Ream made an assignment on December 18th.

WISCONSIN.—A new National Bank has been organized at La Crosse, called the La Crosse National Bank. It has a paid Capital of \$100,000. The officers are: G. C. Hixon, President; Charles Michel, Vice President; and Samuel S. Burton, Cashier. Judge Burton was the Receiver of the late First National Bank, whose building has been purchased by the new institution.

Eau Claire.—The banking house of Clark, Ingram & Co changed its style on January 1st to "Clark & Ingram." Mr. Eugene R. Leland late of the former firm, has removed to New York City, where his literary abilities are to be engaged in the well known publishing house of D. Appleton & Co.

CANADA.—At a meeting of the shareholders of the Jacques Cartier Bank held at Toronto on December 21st, it was resolved to reduce the capital stock to \$1,000,000, to accept 5,000 shares paid up from the old directors to free them from their responsibility for any loss sustained by the shareholders on account of the failure, and to ask Parliament for power to amalgamate with any other bank or banks as the shareholders might deem expedient. The old board of directors were re-elected.

CANADA.—Mr. Richard Bell, who for many years occupied the leading position as representative in New York of the Bank of Montreal, having retired from active business, the bank has testified its appreciation of his long services, by a liberal provision for his declining years.

In the Bank of British North America, Mr. McNab, general manager, has resigned, and is to be succeeded by Mr. B. Grindlay, recently the local manager at Montreal. Mr. Tuzo, who has been one of the New York agents for two years past, and who took the position of New York agent about two years ago has also resigned. His successor is Mr. Duncan A. McTavish.

TRUST FUNDS.—A question of considerable interest to stock-brokers and their customers, was decided in Court of Appeals, Westminster Hall, London, November 16, *in re Strachan, ex parte Cook* in bankruptcy. The bankrupt was a broker, and the question was whether his customer, who had placed trust funds in his hands, with notice that they were trust funds, was entitled to receive them out of the assets in preference to general creditors. The ruling was that he was so entitled if the money could be traced, Sir G. Bramwell saying that the principal difficulty arose out of the fact that crossed cheques were used in the transfer of the money to the broker. If the amount had been handed to him in sovereigns, there could be no question.

BELGIUM.—On December 14th, it was announced that the President of the Union du Credit Bank of Brussels, M. Merique, had absconded, having used the funds of the bank for his private speculations. The defalcation is estimated at four million francs. A meeting of directors of the leading financial establishments was held the same day, and organized a syndicate to assist the Bank to continue operations.

THE LAW OF NEGLIGENCE.—In the case of *Bird v. Louisiana State Bank*, which was one of error to the Circuit Court of the United States for the District of Louisiana, the holder of an indorsed promissory note sent it to defendant for collection. One of the indorsers, upon whom reliance was placed at the time of making the note, resided in a parish adjoining that of Baton Rouge, Louisiana. Defendant's notary protested the note for non-payment, and sent notices for the indorsers to the cashier of defendants' branch bank at Baton Rouge. Two days after indorsing the note the indorser mentioned had died, and executors of his will had duly qualified before the note was due. The death was unknown to the notary and to the officers of the branch bank. No notice was ever served on the executors. Action was never brought on the note against the maker, he being worthless. In an action against the defendant for loss resulting from the negligence of the officers of its branch, in failing to notify the executors of the indorser, the court held that there was such negligence as to make defendant liable, and that the fact that the action was not brought until 1870, the time not having elapsed in which defendant might have brought action against the maker of the note, did not render plaintiff guilty of such laches as would preclude a recovery.—*Albany Law Journal*.

UNITED STATES SUPREME COURT DECISIONS.—LIABILITY OF EXPRESS COMPANIES.—Bank of Kentucky *v.* Adams Express Co., and Planters' National Bank of Louisville *v.* same—Error to the Circuit Court for Kentucky.—The restriction in the bill of lading of the express company providing that the company shall not be liable for any loss, damage or detention of a money package, occasioned by fire, does not protect the company against liability where the loss is the consequence of the negligence of the carriers or their servants or agents. Therefore the company is responsible for losses by fire caused by the negligence of the railroad company employed by it in the transportation of the package. The railroad company, in transporting the messenger of the express company and the express matter in his charge, is the agent of the express company—employed and paid by it; the service performed is the service of the express company, a duty incumbent upon the express company and upon no one else. If any one is to be affected by the acts or omissions of persons employed to do a particular service, it must be the one who gave the employment. Reversed.

DAMAGES ON FOREIGN BILLS.—In the case of a bill of exchange on London, drawn in Boston, negotiated in New York, accepted, but protested for non-payment, the United States District Court, Massachusetts district, in *ex parte* Heidelberg, *re* Glyn, holds that the rule of damages is governed by the law of Massachusetts.

RARE COINS.—Mr. J. R. Stevens, a Hartford jeweler, has on exhibition a collection of Chinese copper coins of rare interest and completeness. It was obtained by the Rev. Mr. Chewer, who for twenty years was a Roman Catholic missionary in China, from a professor in the university at Peking, who collected and arranged them. They cover a long period of time, from the earliest authenticated dates of Chinese civilization to the present century, and are arranged in the order of their presumed date. One of them is ascribed to 2354 before Christ; others to 245, 186, 178, and 139 before Christ. The oldest is forked, and might be taken as a rough imitation of the human figure, and another of the antiquities is in the shape of a razor. Those of these odd shapes may be regarded as charms against pestilence, or instruments to allay the wrath of the terrible Fung Shuey, rather than as money. Most of the coins, however, are the well-known round coins with the square holes in the center, and the inscriptions on the border, by which the Peking professor was able to fix the period of their issue. Some of them are nearly as large as a half-pound weight, but the average size varies from that of the quarter-dollars to that of the half-dollars, which are still occasionally to be seen at brokers' shops or in numismatic collections.

THE PREMIUM ON GOLD AT NEW YORK.

NOVEMBER—DECEMBER, 1876.

1875.	Lowest.	Highest.	1876.	Lowest.	Highest.	1876.	Lowest.	Highest.
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$	Nov. 24	9 $\frac{3}{8}$	9 $\frac{1}{2}$	Dec. 11	7	7 $\frac{1}{4}$
December....	12 $\frac{3}{8}$	15 $\frac{1}{4}$	25	9	9 $\frac{3}{8}$	12	7 $\frac{1}{8}$	7 $\frac{5}{8}$
			27	9 $\frac{1}{2}$	9 $\frac{1}{4}$	13	7 $\frac{1}{4}$	7 $\frac{5}{8}$
1876.			28	8 $\frac{1}{2}$	9	14	7 $\frac{3}{8}$	7 $\frac{7}{8}$
January.....	12 $\frac{3}{8}$	13 $\frac{1}{4}$	29	8 $\frac{1}{8}$	8 $\frac{1}{2}$	15	7 $\frac{3}{8}$	7 $\frac{3}{4}$
February....	12 $\frac{3}{4}$	14 $\frac{1}{8}$	30	Holiday.		16	7 $\frac{3}{8}$	7 $\frac{7}{8}$
March.....	13 $\frac{3}{4}$	15	Dec. 1	8 $\frac{1}{2}$	9	18	7 $\frac{1}{4}$	8
April.....	12 $\frac{1}{2}$	13 $\frac{7}{8}$	2	8 $\frac{1}{2}$	8 $\frac{7}{8}$	19	7 $\frac{1}{2}$	7 $\frac{3}{4}$
May.....	12 $\frac{1}{4}$	13 $\frac{1}{4}$	4	8 $\frac{3}{8}$	8 $\frac{3}{4}$	20	7 $\frac{1}{4}$	7 $\frac{1}{2}$
June.....	11 $\frac{7}{8}$	13	5	8 $\frac{1}{8}$	8 $\frac{1}{2}$	21	7 $\frac{3}{8}$	7 $\frac{1}{2}$
July.....	11 $\frac{3}{8}$	12 $\frac{3}{8}$	6	8	8 $\frac{1}{4}$	22	7 $\frac{1}{4}$	7 $\frac{3}{8}$
August.....	9 $\frac{3}{4}$	12 $\frac{7}{8}$	7	7 $\frac{5}{8}$	8 $\frac{1}{8}$	23	7 $\frac{1}{4}$	7 $\frac{3}{8}$
September....	9 $\frac{1}{4}$	10 $\frac{3}{8}$	8	7 $\frac{7}{8}$	7 $\frac{5}{8}$	25	Holiday.	
October.....	8 $\frac{7}{8}$	13 $\frac{1}{4}$	9	7	7 $\frac{1}{4}$	26	7 $\frac{3}{8}$	7 $\frac{3}{4}$
November....	8 $\frac{1}{8}$	10 $\frac{1}{8}$						

NEW BANKS, BANKERS, AND SAVINGS BANKS.

DECEMBER, 1876.

(Monthly List, continued from December No., page 487.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ARK...	Pine Bluff..... \$ 58,000	Merchants & Planters' B'k. F. D. Wilkins, <i>Pr.</i>	Importers & Traders' Nat. B'k. H. H. Hunn, <i>Cas.</i>
CAL...	Wheatland... \$ 40,000	Far. Bank of Wheatland... C. Holland, <i>Pr.</i>	W. W. Holland, <i>Cas.</i>
COLO...	Canon City....	The Bank of Canon.....	Gilman, Son & Co. Berthard F. Moore, <i>Pr.</i>
"	... Evans.....	Weld County Bank.....	William H. McClure, <i>Cas.</i> Ninth National Bank. D. C. Wyatt, <i>Pr.</i>
"	... Lake City.....	Bank of Lake City.....	S. A. Stevenson, <i>Cas.</i> Commercial Nat. Bank, Chicago.
DAK...	Sioux Falls....	Sioux Falls Bank, (J B. Young.)	W. A. Stephens & Co.
ILL...	Chicago.....	Branch Ger.-Amer. Bank.. Justus Kilian, <i>Pr.</i>	German-American Bank. Herm. Niether, <i>Ass't Cas.</i>
"	... Galva.....	Lynd & Yocum.....	John J. Cisco & Son.
"	... White Hall...	White Hall Banking Asso. L. E. Worcester, <i>Pr.</i>	Isaac Powell, <i>Cas.</i>
IOWA...	Washington....	Wash. County Sav. Bank. William Rowan, <i>Pr.</i>	Third National Bank. J. H. Young, <i>Cas.</i>
KAN...	Council Grove.	State Bank.....	Donnell, Lawson & Co. O. S. Munsell, <i>Pr.</i>
"	... Holton.....	Holton City Bank.....	T. E. Newlin, <i>Cas.</i> Importers & Traders' Nat. B'k. John S. Hopkins, <i>Pr.</i>
KY...	Owensboro....	Farmers & Traders' Bank. A. D. Hill, <i>Pr.</i>	Ninth National Bank. Edward B. Colgan, <i>Cas.</i>
LA...	Baton Rouge..	David & Garig.....	Third National Bank.
MICH..	Ewart.....	Exchange Bank. (Mark Ardis.)	National Park Bank.
"	... Imlay City....	George N. Terry & Co. ...	Importers & Traders' Nat. B'k.
"	... Midland City..	M. Anderson & Co.....	Importers & Traders' Nat. B'k.
MINN..	Lu Verne.....	Bank of Lu Verne..... P. J. Kniss, <i>Pr.</i>	Ninth National Bank. O. D. Brown, <i>Cas.</i>
MO...	St. Louis..... \$ 150,000	Lafayette Bank..... John Paul, Jr., <i>Pr.</i>	German-American Bank. F. Leser, <i>Cas.</i>
"	... Albany.....	Gentry County Bank..... G. W. Lewis, <i>Pr.</i>	Donnell, Lawson & Co. M. L. Millen, <i>Cas.</i>
"	... Brookfield....	H. De Graw.....	Fourth National Bank.
"	... La Plata.....	La Plata Savings Bank...	Donnell, Lawson & Co.
"	... Trenton.....	Union Bank..... William Bradley, <i>Pr.</i>	First National Bank. George Gilmore, <i>Cas.</i>
NEB...	North Bend....	C. C. Kendall.....	Kountze Brothers.
OHIO...	St. Marys....	Bank of St. Marys.....	Third National Bank.
PENN..	Bangor.....	Bank of Bangor..... Simon B. Chase, <i>Pr.</i>	Fourth National Bank. Jacob E. Long, <i>Cas.</i>
TEXAS.	Fort Worth....	McCrearey & Barlow.....	Ninth National Bank.
UTAH..	Ogden.....	G. W. Guthrie & Co.....	George Opdyke & Co.
WIS...	La Crosse....	La Crosse National Bank Gideon C. Hixon, <i>Pr.</i>	National Park Bank. Samuel S. Burton, <i>Cas.</i>
"	... Waupun.....	George Jess & Co.....	Fourth National Bank.

CHANGES OF PRESIDENT AND CASHIER

(Monthly List; continued from December No., page 489.)

DECEMBER, 1876.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	Grand Central Bank...	Frederick W. Loew, <i>Pr.</i>	G. N. Williams.
"	Harlem Bank.....	W. T. Ryerson, <i>Pr.</i>	A. Smith.
"	"	C. H. Roberts, <i>Cas.</i>	W. T. Ryerson.
"	Manufs. & Merch. Bank.	Joseph Pool, <i>Pr.</i>	A. Masterton.
EAL.	Bank of Gilroy, Gilroy.....	George E. Hersey, <i>Cas.</i>	S. Barkley.*
"	Bank of San Luis, Obispo...	P. W. Murphy, <i>Pr.</i>	C. H. Phillips.
"	"	C. H. Phillips, <i>Cas.</i>	E. J. Smith.
COLO.	Stockgrowers' N.B., Pueblo.	M. H. Fitch, <i>Pr.</i>	C. B. Lamborn.
"	"	Fred. Rohrer, <i>Cas.</i>	S. T. Collins.
"	Bent Co. B'k, W Las Animas.	John H. Maugham, <i>Cas.</i>	J. S. Hough.
D. C.	People's Sav. B'k, W'shing't'n.	C. D. Gilmore, <i>Pr.</i>	.....
"	"	W. L. Van Derlip, <i>Cas.</i>	G. W. Bullock.
GA.	B'kof the University, Athens.	M. Stanley, <i>Pr.</i>	Y. L. G. Harris.
"	Tatnall Co. Bank, Reidsville	James McNatt, <i>Pr.</i>	J. O. Easterling.
"	"	J. J. Easterling, <i>Cas.</i>	L. Hubbell.
ILL.	Third National B'k, Chicago.	W. S. Smith, <i>Cas.</i>	L. V. Parsons.*
"	"	T. B. Hicks, <i>Ass't.</i>	W. S. Smith.
"	Farm. Nat. Bank, Princeton.	W. W. Ferris, <i>Cas.</i>	C. Gray.
IOWA.	Ger. Am. Sav B., Burlington.	William A. Torrey, <i>Cas.</i>	H. Herminghaus.
KAN.	Farmers' Bank, Holton.....	R. J. Tolin, <i>Pr.</i>	H. P. Bishop.
"	Farmers' Sav. B'k, La Cygne.	J. W. Marshall, <i>Cas.</i>	F. M. Davis.
"	National Bank of Lawrence.	Albert Hadley, <i>Cas.</i>	W. Hadley.
"	Lawrence Savings Bank.....	John K. Rankin, <i>Cas.</i>	A. Hadley.
"	"	Enoch Hooy, <i>Pr.</i>	J. K. Rankin.
MASS.	Nat. Webster Bank, Boston.	Charles L. Riddle, <i>Cas.</i>	E. R. Hall.
MICH.	Lenawee Co Sav B., Adrian.	S. B. Smith, <i>Cas.</i>	W. W. Bruce.
"	First Nat. Bank, Negaunee.	A. J. Maas, <i>Cas.</i>	F. E. Snow.
MO.	Bremen Sav. Bank, St. Louis.	Charles E. Kircher, <i>Cas.</i>	.....
"	Bank of Knob Noster.....	T. F. Melvin, <i>Ad'g Pr.</i>	C. Field.
N. Y.	Fulton Bank, Brooklyn.....	John Williams, <i>Pr.</i>	E. A. Lambert.
"	First National B'k, Palmyra.	Pliny T. Sexton, <i>Pr.</i>	— Cuyler.*
"	"	R. M. Smith, <i>Cas.</i>	P. T. Sexton.
"	First Nat. Bank, Westfield.	Edward A. Skinner, <i>Pr.</i>	L. A. Skinner.
N. C.	People's Nat. B., Fayetteville.	B. Fuller, <i>Cas.</i>	A. McLean.
OHIO.	First Nat Bank, Batesville..	Wilber W. Elliott, <i>Cas.</i>	A. P. Spencer.
"	Girard Sav. Bank, Girard....	Wm. B. Sampson, <i>Pr.</i>	E. Morris.
"	Northern Nat. B'k, Toledo.	John T. Newton, <i>Pr.</i>	E. C. Bodman.
PENN.	Dime Sav. Bank, Lebanon..	George Gleim, <i>Pr.</i>	A. R. Baughtner.
TENN.	N. B. of Lebanon, Lebanon.	N. Green, <i>Pr.</i>	J. S. McClain.
TEXAS.	Galveston Bank & Trust Co..	J. S. Brown, <i>Sec.</i>	C. F. Hohorst.
VT.	First Nat. Bank, St. Albans.	Edward A. Sowles, <i>Pr.</i>	H. Bellows.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from December No., page 491.)

- ARK... Smart, Hudson & Co., *Pine Bluff*; merged in Merchants & Planters' Bank.
- COLO... Otero, Sellar & Co., *Granada*; now at La Junta.
- DEL... Craig, Johnson & Co., *Wilmingon*; now Elliott, Johnson & Co.
- ILL... National Bank of Commerce, *Chicago*; retired.
 " ... J. M. Erlenborn, (Germania B'k.) *Mendota*; now Erlenborn & Goedtnr.
 " ... D. & W. A. Rankin & Co., *Rankin*; now Rankin & Whitham.
 " ... S. H. Morrell, (Merch. & Planters' Bank,) *Sullivan*; now William Elder.
 " ... W. M. Miner, *Wyoming*; succeeded by Farmers' Bank of Wyoming.
- IND... J. G. Hardy, *Covington*; withdrawn from business.
- IOWA... George E. Frost, *Clear Lake*; now Clear Lake Bank.
 " ... Kridler & Mosher, *Dallas Centre*; now W. H. Kridler & Co.
 " ... D. Heaton & Co., *Greenfield*; now Adair County Bank.
 " ... J. R. Pumphrey, *Pringhar*; now Pringhar Exchange Bank.
- KAN... First National Bank, *Council Grove*; suc. by State Bank of Council Grove.
 " ... John P. Johnson & Co., *Highland*; now John P. Johnson.
 " ... Farmers' Bank, *Holton*; now Farmers' Bank and Loan Agency.
 " ... Henry Taylor & Co., *Oskaloosa*; now Henry Taylor.
- KY... People's Bank of Kentucky, *Louisville*; in liquidation.
 " ... Morton, Green & Quigley, *Louisville*; now Quigley & Green.
- MICH.. Charles Montague, *Caro*; now Caro Exchange Bank.
- MISS... J. & T. Green, *Jackson*; now Green's Bank.
 " ... Keller & Co., *Woodville*; discontinued.
- MO... Lafayette Savings Bank and Carondelet Avenue Bank, *St. Louis*; consolidated as Lafayette Bank.
 " ... Comstock & Millen, *Albany*; succeeded by Gentry County Bank.
 " ... First National Bank, *La Grange*; in liquidation.
 " ... James H. Neal & Co., *Lamar*; now James H. Neal.
 " ... Maysville Exchange Bank, *Maysville*; now Maysville Bank.
 " ... First National Bank, *Trenton*; succeeded by Union Bank, same officers.
- MONT.. A. F. Graeter & Co., *Bannock City*; not in banking business.
- N. J... Samuel R. Smith, *Trenton*; succeeded by Clinton Smith.
- PENN... First National Bank *Northumberland*; winding up.
 " ... Iron Bank, *Phenixville*; in liquidation.
 " ... Darlington & Marshall, *West Chester*; now Smedley Darlington.
- WIS... Crim & Starkweather, *Beloit*; succeeded by Exchange Bank of Beloit.
 " ... Clark, Ingram & Co., *Eau Claire*; now Clark & Ingram.
 " ... L. C. Patterson & Co., *New London*; suc. by Bank of New London.
 " ... C. W. Henning, *Waupun*; succeeded by George Jess & Co.

OFFICIAL BULLETIN OF NEW NATIONAL BANK.

Authorized December 1, 1876.

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2344	La Crosse National Bank, La Crosse, Wis.	Gideon C. Hixon..... Samuel S. Burton.	\$ 100,000	\$ 50,000

NOTES ON THE MONEY MARKET.

NEW YORK, DECEMBER 23, 1876.

Exchange on London at sixty days' sight, 4.83 a 4.83½, in gold.

Several important changes are taking place in our money market. There has been the usual outflow of greenbacks to the interior to move the crops; and the usual movement preparatory to the Christmas settlements. Although, therefore, the demand for money is not very large in legitimate business, still there has been considerable temporary movement, and rates are somewhat advancing, though they will probably recede again. Considerable irregularity has prevailed in consequence of the large amount of idle capital which lies accumulated in all the financial centers seeking investment. Another point of interest which has created considerable excitement in the monetary circles is the determination on the part of several of our banks to reduce their capital. The Bank of the Republic, the Metropolitan Bank, and the Fourth National Bank are the institutions which have at present taken actual steps for this purpose. Other banks are expected before long to follow their example. One of the reasons for this reduction of capital is a desire to escape the pressure of taxation. And another is that the profits of banking are now so much diminished, that the directors find it very difficult to earn dividends on a large amount of capital. Of course, under ordinary circumstances, a bank with five millions of capital should offer greater security to the public than a bank with two or three millions only. But the public do not seem to take this view of the advantages of a large capital at the present moment, and as the public are unappreciative we cannot wonder that the managers and directors of our banks are inclined to listen to the temptations which exorbitant taxation and other circumstances offer to them to reduce their capital. It will, however, be a cause of much regret and of some future danger if this movement of diminishing our banking capital should go too far. Another movement of importance is being conducted by the Clearing-House banks against the burdens of taxation. A meeting was held at the New York Clearing-House a few days ago on the subject, when resolutions were passed to make efforts for the repeal of the most mischievous of the bank taxes, and to memorialize both Congress and the State Legislatures for this purpose. Similar meetings we learn are about to be held in all the other cities of the United States where Clearing-Houses are in operation.

There has been a little more monetary excitement during the month, and the rates are somewhat better. Loans on call are made at three and a half to six per cent. The banks and trust companies lend at the higher rate. Commercial paper of the best grades is scarce, and there is a fair demand. Lower grades are not in favor. The movement of currency from the City continues, and is likely to do so for some time to come. The disbursements of dividends at the close of the month will tend, it is supposed, to revive the ease and to increase the plethora of money. The reserves of the banks are increasing and the surplus above the legal minimum now amounts to nearly twelve millions, being larger than at any period since October, 14, when the surplus amounted to \$13,535,325. Prior to that date the surplus had ranged above twelve millions for several months as may be seen from the subjoined table :

	<i>Loans.</i>	<i>Total Reserve.</i>	<i>Deposits.</i>	<i>Surplus.</i>
Jan. 8.....	\$ 263,044,000	.. \$ 63,478,200	.. \$ 210,820,200	.. \$ 10,773,155
" 15.....	261,052,100	.. 67,471,600	.. 216,058,500	.. 13,850,970
" 22.....	260,806,900	.. 69,141,100	.. 217,324,200	.. 14,810,055
" 29.....	262,207,000	.. 69,141,100	.. 220,023,900	.. 15,505,720
Feb. 5.....	266,067,400	.. 70,927,000	.. 224,500,100	.. 14,749,725
" 12.....	266,556,700	.. 72,400,200	.. 225,558,500	.. 16,010,575
" 19.....	268,011,400	.. 71,012,700	.. 224,762,200	.. 14,822,150
" 26.....	268,480,000	.. 69,719,300	.. 224,337,400	.. 13,634,950
Mar. 4.....	270,162,800	.. 66,646,800	.. 226,420,200	.. 13,040,200
" 11.....	270,748,400	.. 70,709,300	.. 227,102,800	.. 13,943,600
" 18.....	263,806,700	.. 67,977,500	.. 220,584,900	.. 12,851,275
" 25.....	261,254,000	.. 65,277,000	.. 214,181,600	.. 11,732,500
April 1.....	261,351,200	.. 62,880,600	.. 211,561,100	.. 9,995,325
" 8.....	261,786,200	.. 59,037,200	.. 207,093,300	.. 7,034,875
" 15.....	258,297,000	.. 58,237,600	.. 205,544,500	.. 6,851,975
" 22.....	253,752,400	.. 59,474,100	.. 203,262,400	.. 8,688,500
" 29.....	252,117,200	.. 60,165,900	.. 202,529,100	.. 9,533,025
May 6.....	257,015,600	.. 58,986,600	.. 205,060,000	.. 7,509,350
" 13.....	255,808,800	.. 61,524,400	.. 207,960,300	.. 9,549,325
" 20.....	253,210,500	.. 64,050,100	.. 207,933,500	.. 12,000,725
" 27.....	251,492,700	.. 60,958,900	.. 208,078,700	.. 14,414,225
June 3.....	250,979,500	.. 60,255,300	.. 211,196,600	.. 16,456,150
" 10.....	249,300,700	.. 68,789,100	.. 208,300,500	.. 16,081,475
" 17.....	246,862,100	.. 69,678,400	.. 208,602,000	.. 17,527,900
" 24.....	248,397,400	.. 69,104,500	.. 208,751,800	.. 16,916,550
July 1.....	251,883,300	.. 73,072,200	.. 216,055,200	.. 19,056,405
" 8.....	256,653,300	.. 77,031,800	.. 223,704,100	.. 21,105,770
" 15.....	252,964,100	.. 77,117,600	.. 224,167,500	.. 21,075,725
" 22.....	251,682,100	.. 77,879,600	.. 224,505,800	.. 21,703,150
" 29.....	250,565,000	.. 78,818,600	.. 223,829,100	.. 22,861,325
Aug. 5.....	252,750,300	.. 80,450,300	.. 226,479,800	.. 23,839,350
" 12.....	253,075,800	.. 79,775,200	.. 226,515,100	.. 23,446,425
" 19.....	253,389,400	.. 77,475,700	.. 226,006,600	.. 20,956,050
" 26.....	254,443,400	.. 77,885,500	.. 226,542,900	.. 21,249,770
Sep. 2.....	255,823,500	.. 79,922,800	.. 228,593,000	.. 22,774,555
" 9.....	258,431,100	.. 80,307,400	.. 231,060,500	.. 25,540,025
" 16.....	260,630,500	.. 81,627,300	.. 234,198,100	.. 23,077,775
" 23.....	261,842,000	.. 76,567,600	.. 231,635,400	.. 18,654,750
" 30.....	262,428,900	.. 73,218,400	.. 227,582,500	.. 16,322,750
Oct. 7.....	263,323,300	.. 73,056,800	.. 226,065,500	.. 16,540,425
" 14.....	262,744,300	.. 69,016,800	.. 221,925,900	.. 13,535,325
" 21.....	261,968,700	.. 86,356,800	.. 211,218,200	.. 11,052,250
" 28.....	259,846,800	.. 64,809,200	.. 215,303,000	.. 10,983,450
Nov. 4.....	260,684,200	.. 63,790,400	.. 215,392,900	.. 9,912,175
" 11.....	259,652,400	.. 61,730,000	.. 212,134,500	.. 8,666,375
" 18.....	259,147,100	.. 62,173,500	.. 211,313,900	.. 9,345,025
" 25.....	257,487,700	.. 62,294,800	.. 209,932,400	.. 9,811,800
Dec. 2.....	256,590,700	.. 60,397,600	.. 207,322,000	.. 8,475,300
" 9.....	256,081,000	.. 59,297,600	.. 204,580,800	.. 8,084,600
" 16.....	254,147,200	.. 63,479,600	.. 206,524,500	.. 11,848,475

It will be observed that the increase in the reserves during the last week has amounted to nearly four millions. This increase is due chiefly to the disbursement of \$4,023,800 of specie from the sub-treasury which has been

received from Europe. Another peculiarity of the Bank statement is the falling off in the loans in consequence of the stagnation of business. The deposits show very little change during the month notwithstanding the drain to the West to move the crops. The explanation probably is that the movements of currency are so rapid in consequence of the facilities of our railroads and telegraph, that the same mass of greenbacks is made useful after very little delay in widely remote districts. The specie averages show an increase which is partly produced by the causes just referred to. Subjoined are our usual statistics of the clearing house banks of New York :

1876.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Nov. 25.....	\$ 257,487,700 .	\$ 20,084,500 .	\$ 42,210,400 .	\$ 15,132,700 .	\$ 209,932,400 .	\$ 9,811,800
Dec. 2.....	256,589,700 ..	20,484,100 ..	39,823,700 ..	14,952,800 ..	207,322,000 ..	8,477,300
" 9.....	256,681,000 ..	22,923,400 ..	36,373,900 ..	15,032,100 ..	204,850,800 ..	8,084,600
" 16.....	254,147,200 ..	26,947,200 ..	36,532,400 ..	15,121,100 ..	206,524,500 ..	11,848,475

The Clearing-House exhibit of the Boston banks for the past month is as below :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 25.....	\$ 132,980,900	\$ 1,863,600	\$ 7,994,100	\$ 82,314,700	\$ 22,199,900
Dec. 2.....	133,750,900	1,962,200	8,161,900	83,601,800	22,086,700
" 9.....	134,541,300	2,052,600	7,801,000	84,139,000	22,202,600
" 16.....	132,747,700	2,663,500	7,296,400	80,777,500	22,347,600

The Philadelphia bank statements for the same time are as follows :

1876.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 25.....	\$ 62,032,675	\$ 780,596	\$ 19,205,431	\$ 55,903,511	\$ 10,117,215
Dec. 2.....	62,305,082	829,170	18,416,390	55,626,693	10,071,157
" 9.....	62,590,289	919,713	16,680,227	53,854,703	10,136,541
" 16.....	62,607,257	982,819	14,699,909	52,110,691	10,133,268

The stock market is active and feverish, Governments are in demand for banks and investors but there is very little activity in the foreign demand. Still the expectation is that in a short time the demand from abroad for Government securities will augment. So many circumstances are combined to shake the confidence of European investors in the chief securities which have been popular there that some new investments are certain to be demanded and it is the opinion of some of the best and shrewdest of our foreign bankers that the Government bonds of the United States are more likely than any other securities to supply this want of new investments. Mr. M^r Culloch who is now on a visit to this country has frequently expressed this opinion; and we believe that he extends his expectations of a foreign demand to our best railroad securities whose credit is approved and whose management is sound. In State bonds there is very little doing in this market. Railroad bonds of the best trunk lines are in good demand, but there is less disposition than has recently appeared to invest in those of doubtful future. In railroad shares there has been a feverish and speculative activity but very little decisive movement. Coal stocks are more steady and are being taken up for investment by shrewd capitalists. The cessation of the railroad war is favorable to the market for railroad shares. But the general movements at the Stock Exchange are heavy and slow, hesitating and feverish. We append our usual quotations :

QUOTATIONS:	Nov. 27.	Dec. 1.	Dec. 8.	Dec. 15.	Dec. 23.
Gold.....	109½ ..	109 ..	107½ ..	107½ ..	107½
U. S. 5-20s, 1867 Coup.	115½ ..	115½ ..	115 ..	115½ ..	116½
U. S. new 10-40s Coup.	114½ ..	113½ ..	112½ ..	112½ ..	113
West. Union Tel. Co.	71½ ..	71½ ..	72½ ..	72½ ..	71½
N. Y. C. & Hudson R.	102½ ..	101½ ..	102½ ..	106½ ..	102½
Lake Shore.....	56½ ..	55½ ..	56½ ..	58 ..	58½
Chicago & Rock Island	98½ ..	99½ ..	100 ..	99½ ..	101½
New Jersey Central...	34½ ..	34½ ..	34½ ..	4 ..	37½
Del. Lack. & West....	69½ ..	69½ ..	71 ..	71½ ..	72½
Delaware & Hudson..	69½ ..	69½ ..	70½ ..	70 ..	71½
North Western.....	35 ..	35½ ..	36 ..	35½ ..	36½
Pacific Mail.....	24½ ..	24½ ..	24½ ..	24 ..	24½
Erie	9½ ..	9½ ..	9½ ..	9½ ..	9½
Call Loans.....	3 @ 5 ..	3½ @ 6 ..	3 @ 4 ..	4 @ 4½ ..	5 @ 6
Discounts.....	4½ @ 7 ..	4½ @ 7 ..	4½ @ 7 ..	5 @ 8 ..	5 @ 8
Bills on London.....	4.82-4.84 ..	4.82-4.84 ..	4.82-4.84 ..	4.82-4.84 ..	4.83-4.85
Treasury balances, cur.	\$ 43,396,014 ..	\$ 42,396,739 ..	\$ 42,535,102 ..	\$ 42,785,616 ..	\$ 42,409,214
Do. do. gold.	\$ 54,513,534 ..	\$ 55,889,683 ..	\$ 57,052,674 ..	\$ 66,071,700 ..	\$ 65,497,230

The money market in London shows similar features to our own. The London *Economist* says that there is a decided improvement in the rates for money and that the activity in the iron and woolen industries arising from military mobilization and from the preparations for war on the part of various Governments, has given a stimulus to the activity of the money market, though there is still in other directions a very contracted demand for loans in ordinary business. In Europe as here mercantile and manufacturing operations are checked by the uncertainty as to the solution of the Eastern question. The large withdrawals of gold from the Bank of England are also producing considerable uneasiness. On the other hand the silver market is recovering and notwithstanding the large amounts sold by Germany and taken for India there is a singular firmness and upward tendency in the price. It is believed by many persons here that the upward turn has been too rapid and that a reaction is not improbable even should the price afterwards recover and go higher than at present. The movements of the British money market are chiefly interesting to us in connection with the demand for our securities abroad and with the shipment of gold this way. In both these respects the monetary condition both of England and of Continental Europe can scarcely be considered as otherwise than favorable.

The National Bank circulation outstanding is reported at \$319,894,894 of currency notes, and \$2,097,390 of gold notes. The Treasurer holds \$337,602,800 in U. S. bonds to secure National Bank circulation, and \$18,967,000 to secure public deposits. These statistics compare as follows with previous returns:

Week ending 1876.	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
May 20....	335,197,105 ..	344,883,850 ..	18,623,000 ..	363,506,850 ..	.....	.....
June 17....	332,322,678 ..	342,340,550 ..	18,823,000 ..	361,163,550 ..	65,664,354 ..	22,874,000
July 18....	331,839,109 ..	340,249,850 ..	18,723,000 ..	*369,772,284 ..	61,848,009 ..	31,588,600
Aug. 26....	326,562,064 ..	338,823,850 ..	18,723,000 ..	.....	62,580,612 ..	25,120,000
Sept. 16....	324,832,877 ..	337,318,650 ..	18,743,000 ..	*369,334,604 ..	63,204,594 ..	31,678,100
Oct. 22....	324,970,132 ..	337,289,800 ..	19,155,000 ..	*368,494,740 ..	71,273,106 ..	32,210,100
Nov. 18....	320,612,289 ..	337,849,800 ..	19,103,000 ..	367,535,716 ..	79,771,725 ..	36,224,300
Dec. 19....	319,894,894 ..	337,602,800 ..	18,967,000 ..	356,569,800 ..	.....	.....

* Outstanding greenbacks.

A table of the traffic through the Suez Canal, drawn up by the company, shows that the route is now taken by 24 regular lines of steam vessels, employing 234 vessels, of a total gross tonnage of 509,447 tons. Classed according to their nationality the share of England is 152 vessels, of 350,273 tons; next follows France, 18 vessels, of 42,624 tons; Holland, 15, of 36,535 tons; Austria, 18, of 29,227 tons; Italy, 10, of 15,218 tons; Russia, 8, of 13,433 tons; Germany, 8, of 11,386 tons, and Spain, 5, of 10,751 tons. The English vessels and tonnage do not, however, represent the share of England in the traffic, which amounts to nearly four-fifths, English vessels making more frequent passages. The company which employs the greatest number of vessels on the route is the Peninsular and Oriental, with 46; the Messageries Nationales and Austrian Lloyd's have each 18; France, Austria, Germany, Spain, Italy, and Russia have each only a single line of steamers using the canal; Holland has 3, and England 15. With regard to the itineraries of the different steamers, 17 run to the Red Sea and the Persian Gulf; 62 to Bombay; 60 to Colombo, Madras, and Calcutta; 5 to the Mauritius and Reunion, 62 to Cochin China, China, and Japan; 5 to Rangoon and Burmah, 5 to the Philippines, and 18 to the Dutch Indies.

In connection with the silver question the London *Economist* says: "The proposition is put forward in Germany for the coinage of a new trade dollar, (*handels-piaster*.) The reasons for this are forcibly given by Prof. Soetbeer, of Hamburg. It seems that the silver which the Government will have for sale in large quantities during the next two or three years is of great fineness—over 996-1000. Supposing that the silver which will have to be sold in the market exceeds fifteen million sterling, no better market can be found than the vast Eastern countries which have already absorbed so much since the price of the metal began to sink. It will manifestly be of advantage to coin this silver, if it be coined, into pieces of the same degree of fineness. Moreover, a high degree of fineness is what is most prized among the Eastern mercantile communities. A coin of high value would be appreciated, and probably taken in preference to those of a lower standard of purity. But the experiment will have to be on a large scale; the new coins would require to be known and generally circulated in China and connected mercantile districts. The degree of their popularity could not be ascertained by a small experiment. If the German Government are to do it, they must do it on a large scale. In any case the loss would not necessarily be large, and it would probably be not only the best means of encouraging an Eastern demand for the silver which Germany has to spare, but it would be the most economical method by which the form of the old demonetized coins could be changed into one suitable for current use. The precise value of the new coin would be 40 20-49 to a kilogramme of fine silver, and the fineness would be 995-1000. The silver handed into the German mints for coinage in this new form would require to be at least 995-1000 fine. The mint-charge would be only one-half per cent. The main difference between the proposed new coin and the American trade dollar would be that while new coin would contain the above proportion of fine silver, the trade dollar is only 900-1000 fine; and a further advantage to the coin lies in the fact that the mint-charge is only put at one-half per cent., while that of the trade dollar is as much as one and a quarter. The scheme has plainly the merits of providing for a rapid and economical supply, in order to meet the main demand in the most direct manner conceivable. Maria-Theresa thalers have lately been coined in increasing amounts in Austria for this very purpose of export to the East, and principally to Egypt.

The exports from New York to foreign ports in the month of November, were as follows :

	1874.	1875.	1876.
Domestic produce.....	\$ 19,108,192	\$ 222,84,560	\$ 23,783,896
For free goods.....	106,843	157,207	165,170
Do. dutiable.....	773,200	808,538	697,383
Specie and bullion.....	4,448,600	2,231,635	950,959
Total exports.....	\$ 24,436,835	\$ 25,487,940	\$ 25,597,408
Do. exclusive of specie.....	19,988,235	23,250,395	24,646,449

The foreign imports at this port for the month of November, are subjoined :

	1874.	1875.	1876.
Entered for consumption.....	\$ 11,137,035	\$ 7,291,475	\$ 8,289,412
Do. for warehousing.....	4,253,653	4,089,354	3,617,664
Free goods.....	8,564,179	7,687,532	5,493,182
Specie and bullion.....	306,405	1,031,950	5,886,110
Total entered at port.....	\$ 24,256,272	\$ 22,100,311	\$ 23,196,368
Withdrawn from warehouse.....	5,679,873	6,812,727	5,229,733

The foreign imports at New York for eleven months from January 1, compare as below :

	1874.	1875.	1876.
Entered for consignment.....	\$ 162,126,165	\$ 138,275,125	117,526,456
Do. for warehousing.....	100,247,004	85,342,054	72,611,084
Free goods.....	100,817,010	82,975,469	68,330,083
Specie and bullion.....	5,750,689	12,802,601	14,965,152
Total entered at port.....	\$ 388,949,868	\$ 319,395,249	\$ 273,432,775
Withdrawn from warehouse.....	99,430,613	91,874,836	74,862,331

The total, exclusive of specie, for eleven months, is thus seen to be fourteen and a half millions above the corresponding figures of last year, but as much below the returns for the same time in 1874, and twenty-seven millions below the aggregate for the first eleven months of 1873. We annex a summary for the last three years, of the exports from New York to foreign ports for eleven months from January 1 :

	1874.	1875.	1876.
Domestic produce.....	\$ 251,766,476	\$ 224,451,482	\$ 238,544,391
For free goods.....	1,979,171	1,821,116	2,626,915
Do. dutiable.....	6,689,700	5,965,768	5,683,826
Specie and bullion.....	48,724,587	65,793,440	41,693,339
Total exports.....	\$ 309,159,934	\$ 298,031,806	\$ 288,588,471
Do. exclusive of specie.....	260,435,347	232,238,366	246,895,132

It must be remembered that both in imports and exports a much larger volume of goods is now represented by an equal number of dollars. All classes of foreign goods have been very much lower in this than in the previous years.

DEATH.

At TROY, N. Y., on Friday, December, 22d, aged seventy-five years, THOMAS SYMONDS, President of the Manufacturers' National Bank of Troy.

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THE PROSPECTS OF OUR SECURITIES ABROAD.

A noteworthy change has taken place since the spring of 1876, in the movements of our Government bonds. During the early months of last year, we imported 100 millions of five-twenties from Europe. Now, on the other hand, since the last two calls of bonds, in January, a considerable amount of argument and ingenious speculation are being directed to demonstrate the probable activity of the foreign demand and of the revival of funding operations, both here and in Europe. At Washington, the officials of the Department are in possession of information which leads them to expect an increasing demand for the new bonds; while among financial men, here and in the other banking centres, the prevailing opinion is not quite so sanguine. The bonds just called in, on which interest will cease in April, are the five-twenties known as the old 65's, of which the amount outstanding before the calls was \$100,558,650; so that more than eighty millions of these bonds remain to be called, before the Secretary can reach the class of bonds which stand next in order on the debt schedule. There is little doubt that the Syndicate had already sold a considerable part of the ten millions of four and a half per cent. bonds, which they have just contracted for, before they arranged with the Treasury to issue the recent call for ten millions of the six per cents. The net result therefore, of the operation, has two aspects. To the Treasury it secures a reduction of one and a half per cent. in the annual expenses for interest on this installment of the debt. To the general market it causes the removal of six per cent.

short date obligations, and the substitution of four and a half per cent. long bonds. On the whole, therefore, the operation consisted in a simple displacement or exchange of securities, and its effects do not resemble those which would be produced by the sale of new bonds for gold. Such a negotiation was recommended some time ago by one of our contributors. It is authorized in the resumption law. The Secretary can, if he deems it expedient, dispose of ten millions or any other sum of bonds, in exchange for gold for the purpose of preparing for specie payments. If this power had been exercised in the recent sale of four and a half per cent. bonds to the Syndicate,—if these bonds had been sold for specie, and the coin hoarded in the Treasury, we should have had no saving of interest on the public debt, but we should have augmented the annual charge of the debt by \$900,000. We should, on the other hand, have made an important increase to the gold balance of the Treasury, and should have put the Government into a better position for the duties of resumption which are to devolve upon it in January, 1879.

From what has been said it is evident that the questions regarding the future prospects of our securities in Europe are much more complicated than many persons suppose. If the supply of our bonds in Europe is likely to be increased at an early date by our putting on the market a large sum of four and a-half per cents. in exchange for gold with a view to resumption, the effects of such a loan would be very different from those produced by a simple exchange of securities like that described above. Moreover, the movements of the European money markets, and their power to absorb our Government bonds, are likely to be much disturbed in case the expected war in the East should suddenly break out, and especially if the conflagration should spread and threaten to last a long time. The effect of such a war would be, at the outset, to induce a multitude of bond-holders to convert their securities into cash. To what extent the bonds of the United States are held by this class of men we cannot tell; but a considerable volume of securities of all kinds would certainly be thrown upon the various bourses of Europe for sale, and it would be futile to expect that American bonds would not suffer seriously in common with other securities. It is true that there is a growing confidence in our Government credit, which is making itself felt more and more every year; but this confidence is a plant of slow growth, and we must wait many years before our Government bonds can be expected to stand at as high a point in Europe as their merits may seem to us to justify.

We may sum up the whole case so far as it is at present discussed in Wall Street, in two or three simple propositions. First, there are in the European money markets some influ-

ences very favorable to the growth of a foreign demand for our Government bonds such as would lead to the export of a considerable volume during the present year. Secondly, some of the rival securities which formerly competed with our bonds have ceased to do so because of their loss of credit, and there are comparatively fewer foreign bonds which take so high a place as those of the United States in the estimation of the great body of investors abroad. Thirdly, there is the expectation of war which baffles all our attempts at forecast. Until this, and other contingencies, assume more definite shape and dimensions, and until the anxieties of our own political situation are more settled, the prospects of our securities in Europe in the early future must inevitably be involved in doubt, and certainty cannot take the place of conjecture.

CHAMBERS OF COMMERCE AND BANK TAXATION.

BY DR. GEORGE MARSLAND.

An important and influential meeting was held by the New York Chamber of Commerce, on the 11th January, to take steps for the repeal of the heavy taxation on the banking business. Several important resolutions were passed, and a committee of ten were appointed to visit Albany and Washington, and to take effective measures to secure the proper legislation as soon as possible. Not the least important of the proceedings was the union proposed of all the Chambers of Commerce and Boards of Trade in the United States, and instructions were given to the Secretary of the New York Chamber, to take steps to induce these organizations to co-operate in the work so vigorously begun in this City. The petitions have already received a large number of signatures, and the labors of the Chamber will be all the more useful, from the fact that for the first time in the history of the bank tax agitation, our business men have taken up the subject, and their energy augurs the best results. Up to this time nearly all the public meetings, both in New York and elsewhere, which have been held to promote the repeal of the taxes on banks, have been convened and managed by bankers and financial men. To many persons there might seem to be something narrow and selfish in the agitation by the banks themselves for relief from their fiscal burdens. But in the present movement by the Chamber of Commerce, not a single banker or bank officer appeared to take any prominent part. The effort originated and was carried on wholly by mercantile and industrial firms and the names of a number of men well-known and highly respected in com-

mercial circles, were appended to the request presented early last month to Mr. Samuel D. Babcock, the President of the Chamber, to convene this special meeting. Here we see one of the numerous facts confirmatory of the statements we made sometime ago that popular opinion was being rapidly turned in favor of the relief demanded by the banks for some years past from the war taxes which have been so productive of evil both to our commercial, industrial and financial progress and to the productive interests of the country.

As to the evil effects of the taxation on our banks, very little was said at the meeting which would strike the reader as novel. It was very far indeed from the intention of the speakers to dazzle and amuse each other or the public. Their arguments were plain, simple, and direct. No business they said, can bear a tax of four or five per cent. on the amount of capital invested in it; and yet this is the amount of the fiscal burdens imposed upon the banking business. Indeed, in the city of New York, for a number of years past, the taxes upon our banks have averaged over five per cent. on the amount of their capital. No wonder that with such a pressure weighing them down, the banks should be making, just now, so general and so lamentable an effort to lessen their burdens by reducing their capital. As one of the speakers observed, "the reduction of bank capital in this city, within a year, amounted to \$12,500,000, or about twelve per cent. of the incorporated bank capital of this State, and fifteen per cent. of the bank capital of this city. This movement for the reduction of bank capital and surplus, as it has been chiefly caused by excessive taxation, so it will go on increasing unless its cause is removed." Moreover, it is quite certain that if our banks weaken themselves by reducing their capital, they will to that extent diminish the facilities which our banking system is capable of rendering to commerce and trade. Not less certain is it that they will multiply the danger of future financial panics. Every one knows that the chief causes which have preserved this country during the last ten or twelve years, in so remarkable a manner from commercial revulsions, and have rendered these disasters as few in number among us as in England, have been much aided by the large capital which our banking system possesses. As has been frequently stated in this journal, the American Bankers' Association, which is a union of all the banks in the United States, is at work to get rid of these pernicious burdens on capital, and is prosecuting an active agitation for this purpose throughout the country. The meeting at our Chamber of Commerce, may fairly be expected to give a new impulse to this movement. It will bring into it a large number of intelligent and influential merchants, manufacturers, and other business men, and notwithstanding the pressure of other legislation in

Washington, the taxes on banking which have so often been demonstrated to be both unpopular and promotive of mischief, can scarcely fail to be repealed at an early day. At least the new movement so promisingly begun by the New York Chamber, will have the effect of stimulating the activity and promoting the vigor of the campaign against the excessive taxation of banks.

In Baltimore and in some other cities the Chambers of Commerce and Boards of Trade are agitating the repeal of bank taxes, as will be seen from the report given on another page of this issue.

With regard to the nature of the relief asked for by the Chamber of Commerce, it was clearly stated in the petitions adopted by the meeting. The first is addressed to Congress, and declares that war taxes have been for some years imposed upon our banks by Congress, and have done great harm; that in no other country are such taxes known, and that the war having long been ended, the taxes which it imposed should be repealed, and that such taxation is driving capital from the banking business, and injuring the commerce of the country, tending to prolong the depression of business, and to prevent the revival of commercial and industrial prosperity. For these and other reasons, the petition asks that the taxes on bank deposits and capital should be immediately taken off. The petition to the State Legislature states that the assessment of bank shares has been so ordered as to reduce the aggregate capital of the banking business in a single year some twenty million dollars, and a further reduction is still threatened. Hence a change in the mode of assessment is demanded, which shall treat bank shares like other personal and real property, and allow to them the same privileges and exemptions. The petition also refers to the injury which may result from a weakening of the banks at this critical moment, when the commercial preëminence of this metropolis meets with rival interests, and when all the national resources should be husbanded to restore the country to a sound financial condition.

On the whole, there is no doubt that these arguments are perfectly sound. It is of the highest importance that the members of Congress and of the various State Legislatures should understand aright the banking situation. The tendency is well illustrated in the following table, which shows that before the war the capital and surplus of our clearing house banks in New York amounted to about seventy-eight millions. At the height of the inflation period in 1864, the capital and surplus suddenly rose to eighty-five millions, and in 1865 to 104 millions. The movement culminated in 1873 at 127 millions. Since that time it has gradually declined, and amounted in October last to 113 millions, which sum is in process of reduction by several millions more.

CAPITAL, SURPLUS AND DEPOSITS OF THE NEW-YORK CLEARING-HOUSE BANKS, 1858-1876.

<i>Year.</i>	<i>Report.</i>	<i>Capital.</i>	<i>Surplus.</i>	<i>Total.</i>	<i>Deposits.</i>
1858	June 19	\$ 67,041,200	\$ 7,531,600	\$ 74,572,800	\$ 103,082,600
1859	June 25	68,645,000	7,555,500	76,200,500	96,458,400
1860	June 30	69,758,800	8,055,200	77,813,000	106,382,800
1861	June 22	69,650,600	8,328,800	77,979,400	102,165,100
1862	June 28	69,125,700	8,647,600	77,773,300	104,043,900
1863	June 13	69,401,800	11,714,200	81,116,000	207,839,800
1864	June 25	69,683,500	15,704,000	85,387,500	231,468,700
1865	June 24	83,357,300	21,440,000	104,797,300	285,757,700
1866	July 2	84,322,200	23,144,800	107,567,000	303,540,200
1867	July 1	84,772,200	27,467,000	112,239,200	207,077,200
1868	July 6	84,260,100	29,224,700	113,484,800	238,198,300
1869	June 26	84,923,300	32,504,500	117,427,800	208,241,400
1870	June 25	85,162,000	32,837,100	117,999,100	246,799,500
1871	June 17	88,678,800	34,854,900	123,533,700	270,001,700
1872	June 29	87,315,700	36,361,300	123,677,000	261,625,500
1873	June 28	88,051,800	38,867,100	126,918,900	250,030,000
1874	June 26	85,285,200	40,787,000	126,072,200	265,841,200
1875	June 12	84,085,200	39,851,800	123,936,000	254,134,900
1876	June 30	81,822,200	31,870,600	113,692,800	245,541,300
1876	Oct. 2	81,731,200	31,943,500	113,674,700	255,027,600

It thus appears that the capital of the New York Clearing-House banks increased from 69 millions to 83 millions between 1864 and 1865, and that afterwards there was a slow, conservative growth till 1873, since which, the decline has been rapid, and threatening to be productive of serious weakness in the banking system if not stopped.

With these facts in view, it is easy to see that the pressure of taxation, though not the only motive which has been operating upon the banks and diminishing their capital, is at least the principal one. Still we must take into the account a multitude of influences which during the war, and for several years afterwards, gave active employment for the growing capital and deposits of the banks. With the panic of 1873 began a new state of things. The trade and industry of the country is seeking its old narrow channels, and is moving with a rapidity very much less from that of former years. Economies of the most rigid sort are becoming familiar. Prices have fallen. The volume of capital moving in the currents of finance and trade is contracted, the mercantile agencies have marked down their ratings, and as so many departments of commercial and monetary industry have been reduced and condensed within a narrower basis, we ought not to wonder if the banking business shows changes of a similar tendency. After we have made due allowance for all these forces which are at work in our banking system, we shall find abundant reason to agree with the Chamber of Commerce in its declaration that by far the most powerful of the causes which is reducing and weakening, at this critical time, the capital and surplus of our banks, is the oppressive burden of over-taxation.

THE GERMAN CURRENCY MOVEMENTS.

The coinage of gold by the mint of the Imperial Government is going on with less activity than formerly. On the 18th November, the total was reported at \$357,638,225 of gold; at \$89,202,977 of silver; at \$8,787,319 of nickel; and at \$2,325,973 of copper; much less progress has been made than was expected in the work of calling in the thaler currency, with a view to the establishment of the gold basis of circulation throughout the empire. In Southern Germany the whole mass of the old silver coins have been withdrawn. This circumstance is the more noteworthy because the anticipation was that Northern Germany would complete its currency reform, and that Southern Germany would be more tardy in effecting the change. Now that Southern Germany has called in the whole mass of its own silver currency, it has been found that 24 per cent. less has been presented for withdrawal than had been coined and issued. From this fact it has been inferred that the aggregate of thaler currency still in circulation in the other states of Germany may also fall below the anticipation. According to the memoir of Prince Bismark, February, 12th 1869, the sum of thaler currency issued by the German Governments, without calculating the amounts withdrawn, gave an aggregate for Northern Germany of 456 million thalers. But the area of the circulation of thalers is much larger than the area of South Germany whose currency has shown a fall of 24 per cent. Making the same deduction from the thaler currency, the amount of thalers now in circulation, will be 342 millions, or 255 millions of dollars. Up to the latest reports there had been withdrawn about 200 million thalers of which about 45 millions were gulden of the currency of South Germany. From the thaler currency 148 millions had been withdrawn; so that 194 millions of the old silver thaler currency will be still in circulation. The estimates made seven or eight months ago were from 170 to 200 millions of thalers. These figures must have been too low in as much as large amounts are said to have withdrawn during the interval. It is now a question of considerable interest whether the German Government will be able to advance with much rapidity in the withdrawal of the thaler currency. This undoubtedly is the most difficult part of the work which has been so vigorously begun and carried on. Of course one part of the difficulties in the path of this currency reform would be removed if the new paper currency, the Reichs-Kassen-Scheiner—which constitutes the only paper circulation below twenty dollars in

Germany, should have a large volume. For these notes would not only take the place of the bank currency of small denominations which have been withdrawn, but they will also supply the lack of much of the silver coinage which has been called in and disposed of.

HOW TO STEADY THE SILVER MARKET.

One of the most recent incidents in the silver agitation is the arrival in Washington of a proposition to the Secretary of the Treasury from Mr. Allard, the director of the Belgian mint. This distinguished financier has made an offer to our Government, that he will undertake the coining of silver at Brussels if authorized to do so, and that he will carry it on to such an extent and at such times as shall best promote objects which are to be the aiding of the work of resumption in the United States by steadying of the price of silver in the markets of Europe, and by preventing those spasmodic and sudden fluctuations which have had so serious an effect upon the monetary interests of the whole commercial world. His proposition is reported as follows in the *New York Herald* of January 19 :

“In view of the measures taken by the United States to develop the coinage of silver, and of the serious questions to which the deplorable state of the European market (in consequence of the closing of all the mints of the Continent to this metal) has given rise, I have taken the liberty to place before you what I consider to be measures to be taken by the United States to assure a greater stability in the European market. It would be necessary, as you will see, sir, by the notes attached, that the United States, with all the authority that belongs to that great country, should open in Europe at least one of the mints whose closing has caused the trouble in the silver market. According to the last report of the director, Mr. H. R. Linderman, the silver coinage of the United States for August and September far exceeded all previous limits. Silver has been turned out during these two months at the rate of \$32,282,460 a year, while the highest coinage reached up to that date (and corresponding to the year 1853, at the moment of the change on the standard, was only \$9,077,571. In order to meet this heavy coinage the United States have been forced to buy silver in Europe, or at least to pay for it at the mint in America such a price that it was profitable to buy in Europe. Here is the sacrifice:—These silver orders coming on a market already very unsteady, and as a consequence of its unsteadiness, irregularly and poorly supplied, these sudden

orders cause a rise in prices of a most unreasonable character, and they have also this other serious inconvenience—that this momentary rise has the effect of attracting silver to the market just at the time when the orders cease. The consequence is a violent drop in the price of the metal. At one time there are orders, but no metal on the market; some days after there is metal, but no further orders. There is, nevertheless, a very simple remedy to be employed, which, if it does not stop completely this state of things, so hurtful to American interests, would be certain, at least, to palliate its pernicious effects. It is this remedy that I desire to clearly point out. If I have occupied myself with this question so important to the United States it is that, being for thirty years the Director of the Belgian Mint, I am the only coiner of money who, through the bullion houses I have established in Brussels, Paris and London, has solely consecrated himself during this time to the study of the questions concerning the buying and selling of gold and silver in Europe, and I am able, in consequence, to judge exactly of the position of the European market.”

“Until the moment arrives when by the force of things more reasonable ideas on this question will be entertained in Europe, the American government can, by a simple action to be taken by it, and which, without a doubt, will cost it nothing, approach very near to the end desired. The government of the United States, who have to coin between resumption of specie payments on the 1st of January, 1879, should address itself to the mint at Brussels, and authorize it, under the inspection of the Belgian Government, to coin for the account of the American Government, at a price to be determined by it, dollars or fractions of dollars, in silver, of the weight and fineness laid down by the American laws. The moment this resolution is arrived at the fall in the price in silver would be paralyzed, and could not again in Europe pass the limit determined on by the United States. In point of fact, on every fall in the price of silver, were it only for twenty-four hours even below the limit fixed, the American government would have on the spot a monetary establishment situated in the center of the European market, absorbing silver for it under favorable conditions, whether it is Germany, on the one hand, that is a seller, or India, on the other hand, that, for the moment, is a non-absorber. In other words, the remedy that I propose consists simply in putting in vigor partially in Europe, by means of a mint, the principle which from 1803 to 1873 has maintained the equilibrium between the value of gold and silver. Silver cannot fall in Europe below 220.55½ the kilogramme of fine silver, because the mints buy at that price to coin five franc pieces. Neither can silver fall below the limit determined on by the American Government, because that Government will have

placed the means before the public of converting their silver into dollars at the Brussels mint."

Mr. Allard is well known in Europe as a man of great financial knowledge, of broad views and of vast experience. For thirty years he has been the director of the mint of Brussels. He has also established Bullion houses in Paris, Brussels and London. He is known to be one of the chief advisers of M. Leon Say, the financial Minister of France. And it is said that to his sagacity and judicious advice must be ascribed a considerable part of the success which attended the payment of the indemnity money by France to Germany. It is not easy to suppose that a man of so much reputation and probity could allow himself to make an official proposition such as that we are discussing with any other purpose than to promote the objects he professes to have in view, namely: To aid the United States in the work of resuming specie payments, and to give to the markets for silver in Europe such a stability that this country can safely resume cash payments in silver coin, without running any risk of being flooded with immense masses of silver from Europe.

Still at first sight it does seem as if M. Allard had an eye to a profitable business, both as a coiner of silver, and a dealer in precious metals. From the terms of his proposition, which are given above it will be seen that what he desires is first to receive an unlimited order from our Government to buy silver as cheap as he can obtain it in Europe, and secondly, to induce us to take off his hands all the silver coin he chooses to send to the United States at a fixed, stated price.

We do not say that some new condition could not be introduced into the agreement to obviate the objection we have raised. Clearly, however, the plan requires some modification, and if we are to authorize Mr. Allard, or any other agent, to purchase silver in Europe, we ought not to allow him to charge us a higher price than he actually has to pay for the commodity supplied to us. But there are other objections which have been made to Mr. Allard's scheme. There is, for example, the unpopularity which would attach to the employment of a foreign mint to coin American dollars for circulation here. This part of the scheme would have to be wholly abandoned to make it acceptable to our people. Mr. Allard's proposition, notwithstanding its many merits, is open to some other objections. Without discussing these, we will simply give the further details of his plan, which are stated as follows:

"First, without expense on its part, the American Government would augment its production for the resumption of specie payments in 1879. Second, it would have all known guarantees, the same even as if the silver had been coined in its own mints. Third, it would steady the value of silver

by paralyzing any excess in the fall in price. Fourth, while this fabrication in Europe is going on at the Belgian Mint of dollars, or fractions of dollars, the American Government could develop its remittances of trade dollars to India and to China. It would receive in return merchandise which otherwise would find its way to the English markets, and this merchandise would be the natural return, in the course of time, against silver dollars coined in Europe. To sum up, the coinage of silver dollars in Europe for the account of the American Government would become a powerful lever to aid in the displacement of commerce with India, until lately concentrated in England, and which seems to open out thus a new field of exploitation for the United States of America."

THE DEFAULTING STATE DEBTS.

Two meetings of great importance have been held at the New York Clearing House on the adjustment of the defaulting debts of the Southern States. On the 4th of January, the first of these meetings was convened to consider the bonds of the State of North Carolina. Owing to some misapprehension, the assembly was not so numerous as had been desired, and complaints were made that its object was not set forth with sufficient precision in the announcements made in the newspapers beforehand. By many persons it was imagined that the movement was in the interest of a few capitalists, who own the bonds of the State, and having bought them at low prices, are anxious to enhance their value in the market. These and other mistakes were set at rest by the chairman of the meeting, Mr. Taylor, of the firm of F. Butterfield & Co., who stated that the meeting was not called in the interest either of the bondholders exclusively, or of any of the other special interests connected with these defaulted securities. The purpose of the promoters of the agitation which was just beginning, could not be fully appreciated, unless it were first understood that the debt of North Carolina formed but a small part of the defaulted obligations which it was proposed to deal with. What was desired was not a temporary or partial adjustment of the debts of one or two States, but a comprehensive plan applicable to the discredited bonds of all the Southern States which were in default. To accomplish this object a board of impartial and well-known arbitrators was to be formed, who should constitute as it were a Court of Adjustment, and should hear both the bond-holders and the authorities of the debtor States, and should be empowered to devise, suggest, prescribe, and aid in carrying out, plans of adjust-

ment, taking into the account not only the claims of the original bond-holders or of the present owners of the evidences of debt, but also the ability, population, productive capacity and taxable sources of the State, with such other circumstances as ought in equity to govern such a final adjustment of the respective debts as was now proposed.

At first it might appear that the work sketched out by Mr. Taylor is too broad and complicated to be practicable. But when we examine the list of names connected with the movement, all scruples of this kind must speedily vanish; for if the plan were not obviously feasible, it could not have received the sanction of so many of our leading bankers and financial authorities both in New York and elsewhere. Three States have been specially selected as the first objects of the movement: North Carolina, Tennessee and Virginia. The reasons which have led to this selection were not stated, but they may be readily inferred by those who are familiar with the condition of the debts of those States. When the operations of the promoters of this scheme have been concluded in these three States, the merits of their plan will be sufficiently tested to enable them to decide whether it is desirable to proceed with the plan in the remaining States.

It is somewhat singular that this movement has not been made before. This suggestion, indeed, was made by one of the speakers, Mr. Coe, who, in giving an account of the origin of the movement, said: "Two or three weeks ago, a gentleman who had been prominent in the arrangements of the Centennial Exposition, called upon some of the bank officers in this city, and suggested that a meeting should be summoned to confer upon the general subject of the Southern State debts, and that the Centennial year could not be better closed than by an attempt to restore to the Southern States that financial and commercial credit which they ought to enjoy. It was to this gentleman that the suggestion was due of a board of arbitration, consisting of five bank presidents of known experience and high character, who would be accepted as a competent, impartial tribunal, both by the defaulting States, and by their creditors at home and abroad. When a sufficient number of bank presidents had consented to serve, on condition that the plan would be adopted by a sufficient number of creditors of the defaulted States, and would be concurred in by the authorities of the States themselves, another step in the preliminary negotiations was the preparing of a written request from some of the largest holders of North Carolina bonds, that the board would at once accept the trust which was offered them. The third step was a request to the gentleman who originated the scheme, to visit the States of North Carolina, Virginia, and Tennessee, and confer with the executive authorities of those States and ascertain whether the proposed plan of adjustment would

meet their approval, and whether they were disposed to recommend it to their respective Legislatures. He was also instructed to ask for some authoritative expression of the concurrence of the State authorities, in the general effort which was being made." The gentleman here mentioned, is still pursuing his negotiations with the State authorities, and although his reports are said to be favorable, they are not final, because nothing has yet been completely settled. The general impression is, that if the committee should meet with obstacles and unexpected delays, they will still accomplish something, and the movement which they have started will finally result in the adjustment and consolidation of the defaulted bonds of a large part of the Southern States, on terms satisfactory, both to the bondholders and the taxpayers.

There are two or three points in regard to this scheme, which should commend it to the special notice of the financial community. For example, it proposes to remove a cloud from the credit of the Southern States, which has done great harm throughout the country, to public and private credit. In all the financial cities of Europe, the discredited bonds of various State governments have been a source of trouble and mischief to our trade and commerce. During the last year, the success of the Centennial Exposition, and a number of other circumstances, have tended to enhance the prestige of the United States abroad. Moreover, our exports of manufactured goods of various kinds, are receiving an impulse which is favorable to the balance of trade, and to the improvement of our credit abroad. If to these wholesome changes beneficial to our foreign commerce and to the credit of our bonds in foreign countries, we can add the advantages aimed at by the committee, we shall greatly aid in the revival, both of general business and of financial activity. Our defaulted State bonds have been too long a reproach to this country, among other nations. Few things can so powerfully contribute to restore the financial status, the reputation, and the prosperity of the defaulted States, as the adjustment of their public debts. For, as one of the speakers at the meeting declared, "such an adjustment will serve more than any political, or even religious and moral movements, to re-establish a whole country in the eyes of the world, to re-habilitate our public credit, and to give a new impulse to commercial confidence, and to the revival of trade." It is impossible to overestimate the evil which the defaults in the payment of the interest on State bonds has produced throughout the country upon private and public credit. The experience of all nations, and the history of our own country, especially of late years, abounds in illustrations of the vital force of that bond which connects public credit with the credit of private, corporate, and industrial enterprises. It has been well said, that public confidence is one of the most

energetic forces in the body politic; when it stands high it gives a high tone to private credit; and, on the contrary when public credit is neglected, private credit often decays. In view of these principles, the movement we are considering has an evident tendency to promote in the South as well as in other parts of the country, the revival of industry and the return of commercial activity. What the South now wants is capital. Of course many other things are also needful as elements of material prosperity, but all will be of no avail without capital, and with it the other conditions of growth and industrial prosperity will not long be wanting. Hence it is obvious, that if the arbitration and adjustment here proposed have a direct tendency to restore the public credit of the South, and to place it on a sounder foundation, then it will tend to attract capital to that section of our country, and it must of necessity stimulate and strengthen private credit. It thus appears that by doing what is right in regard to the defaulted Southern bonds, we shall promote the productive power, and restore the industrial prosperity of Southern industry, and we shall thus add a new stimulus to its material growth and reviving trade.

We have said little as to the details of the plan of adjustment, because in all probability it will receive some changes before it is finally set to work. In its present form, the scheme contemplates the appointment of a Board of Arbitrators, who shall be able to command the respect of the State authorities on the one side, and of their creditors on the other. It is obvious that no class of men offer the desired qualifications so conspicuously as the presidents of our city banks. These gentlemen are not of a speculative turn of mind. They own personally none of the defaulting bonds. They are accustomed to trusts, arbitrations and financial adjustments. They have not only a high reputation for integrity, financial experience and decision of character, but they are esteemed and trusted by a large circle of industrial, financial and mercantile firms, who are in daily contact with them in business. At the outset of this movement, therefore, it was resolved that to secure success, the Board of Arbitrators must be selected from the circle of bank presidents. The Board of five members is made up of three members from New York,—Mr. George S. Coe, Mr. B. B. Sherman, and Mr. J. D. Vermilye, with Mr. B. B. Comegys, of Philadelphia, and Mr. Enoch Pratt, of Baltimore.

Such is the composition of the Court of Arbitration before whom the facts and arguments of the bond-holders on the one side, and of the State authorities on the other, will be submitted for consideration and for future action. The question at once is suggested, what are the powers of the Arbitrators, and how much weight will attach to their decision? To this question no reply has as yet been given.

FAILURES AND THEIR CAUSES.

In discussing mercantile failures, it is common to assign two general causes for these disasters, namely the faults of the individual sufferers, and the faults of the financial system of the country. Thus it has been pointed out that in England and in the United States commercial failures have usually increased in number and in amount, whenever perturbations occurred in the financial organism of the country—and whenever speculative excitement led multitudes of persons to take large risks and to trade beyond their capital. On like principles it has been predicted that the number of failures in the United States would now show a diminution, for the two-fold reason that the speculative era of paper-money inflation is over, and that while individuals are not beset with temptations, as formerly, to court disaster by gambling in stocks or merchandise, the financial machinery of the country is gradually approaching the solid basis of specie payments. This reasoning would be very sound but for one fatal defect. It leaves out of view the fact that we are in a transition state; and in financial affairs a period of transition is always a period of danger. Of this we are reminded by the report of Messrs. Dun, Barlow & Co., on the failures for the year 1876. Instead of the past year showing, as it was anticipated, a decrease in the number of insolvencies, there has been a notable increase. Indeed if we except the years 1857, 1861, 1874 and 1875, the failures of last year were twice as numerous as those of any twelve months in the financial history of this country. The subjoined table shows the number of failures in the United States as compared with those in New York city during the last five years, with the average liabilities of each failure:

	1876.		1875.		1874.		1873.		1872.	
	<i>No. of Fail-ures.</i>	<i>Average Liabilities.</i>	<i>No. of Fail-ures.</i>	<i>Average Liabilities.</i>	<i>No. of Fail-ures.</i>	<i>Average Liabilities.</i>	<i>No. of Fail-ures.</i>	<i>Average Liabilities.</i>	<i>No. of Fail-ures.</i>	<i>Average Liabilities.</i>
U. S.....	9,092	\$ 21,020	7,740	\$ 25,960	5,830	\$ 26,627	5,183	\$ 44,085	4,069	\$ 29,906
N. Y. City..	887	37,479	951	51,769	645	59,510	644	143,843	385	53,724

In the city of New York, it will be seen that the failures last year were 887 against 951 in 1875. The aggregate of the two years is 1,838, which is a larger number of insolvencies than have ever occurred before in this city in twenty-four months. The same remark may be made of the failures in the United States. During the last two years 16,832 of these insolvencies have occurred, and the number has never been equalled before in any two previous years in this country. A better result is shown when we come to com-

pare the average liabilities. These are gradually diminishing, and the decrease shows that the trouble, which has heretofore been most severe among the larger firms, has spread itself, and is reaching those of inferior grades. Hence, the increase in the number of insolvencies is partly accounted for. Still it is a significant fact that in the year in which improvement had been expected, so notable a catalogue of disasters is recorded. The following table gives a comparative view of the failures of the last three years:

FAILURES IN THE UNITED STATES AND CANADA, 1874-1876.

1876. Number reported in Business.	States and Cities.	1876.		1875.		1874.	
		Number of Failures.	Amount of Liabilities.	Number of Failures.	Amount of Liabilities.	Number of Failures.	Amount of Liabilities.
			\$		\$		\$
4,961	Alabama	51	771,827	42	1,118,100	48	963,000
133	Arizona	1	8,000	..	..	..	..
3,580	Arkansas	35	268,257	31	391,300	22	406,000
15,336	California	163	1,674,973	237	5,281,111	68	2,571,000
	City of San Francisco	79	2,202,698	..	..	..	..
1,782	Colorado	45	501,582	70	918,351	..	..
12,517	Connecticut	197	4,186,548	191	2,851,926	151	2,286,000
379	Dakota	10	83,400	..	..	..	..
2,932	Delaware	19	209,600	21	259,500	27	578,000
2,327	District of Columbia	18	87,977	18	164,924	18	256,000
1,445	Florida	14	121,000	16	263,800	14	293,000
6,928	Georgia	147	3,110,145	156	6,128,464	118	1,845,000
274	Idaho	3	30,500	1	3,000	..	..
48,502	Illinois	434	6,079,710	499	8,218,470	332	7,510,000
	City of Chicago	199	9,164,200	..	..	..	..
24,777	Indiana	262	4,787,401	332	4,804,052	167	2,397,000
21,953	Iowa	491	3,990,080	183	1,610,305	144	2,034,000
7,084	Kansas	48	435,900	88	829,400	94	988,000
15,278	Kentucky	241	6,659,247	148	3,669,758	167	1,879,000
7,404	Louisiana	80	1,438,143	58	2,937,684	99	4,429,000
10,798	Maine	138	1,916,450	130	1,537,500	84	1,063,000
11,914	Maryland	145	2,104,637	108	10,067,690	110	1,601,000
34,949	Massachusetts	462	12,994,829	772	27,494,943	416	10,600,000
	City of Boston	258	10,510,000	..	..	..	..
22,519	Michigan	576	9,736,852	283	4,123,718	286	4,477,000
7,961	Minnesota	132	1,565,684	140	1,803,406	60	1,029,000
5,618	Mississippi	81	738,258	45	913,565	66	1,555,000
23,920	Missouri	84	1,272,737	189	3,748,793	175	3,061,000
	City of St. Louis	83	2,618,557	..	..	..	..
308	Montana	3	75,000	6	92,000	..	..
3,536	Nebraska	37	93,600	32	197,400	42	521,000
1,683	Nevada	25	206,167	45	1,014,700	..	..
7,462	New Hampshire	48	559,255	73	1,076,400	32	266,000
18,779	New Jersey	159	2,273,141	134	2,830,485	146	3,854,000
107,349	New York	993	19,311,933	706	11,920,822	573	10,295,000
	City of New York	887	33,244,018	951	49,263,667	645	32,580,000
6,028	North Carolina	126	994,918	56	928,429	56	542,000
43,357	Ohio	371	5,414,893	389	7,993,282	343	8,481,000
	City of Cincinnati	96	3,191,349	..	..	..	..
2,332	Oregon	34	422,416	18	219,448	..	..
74,634	Pennsylvania	541	10,731,880	583	18,247,872	644	34,774,000
	City of Philadelphia	138	4,281,495	..	..	..	..
4,922	Rhode Island	138	6,079,056	106	6,281,695	71	1,250,000
4,511	South Carolina	89	1,500,114	131	2,781,048	61	1,531,000
8,153	Tennessee	158	2,229,553	136	1,121,839	94	1,355,000
..	Territories	..	..	..	..	67	1,059,000
9,617	Texas	167	1,900,515	250	2,495,849	142	2,201,000
688	Utah	3	6,000	8	249,500	..	..
6,911	Vermont	173	1,410,930	63	772,700	36	380,000
13,617	Virginia and West Virginia	172	3,351,289	138	3,296,307	111	1,514,000
684	Washington Territory	6	203,864	1	2,804	..	..
19,949	Wisconsin	209	4,307,314	245	2,130,346	101	2,575,000
338	Wyoming	10	140,900	..	..	..	..
630,099	Total	9,092	191,117,786	7,740	201,060,353	5,830	155,239,000
54,282	Dominion of Canada	1,728	25,517,991	1,968	28,843,967	966	7,696,705

It appears from these statistics, that the liabilities involved in the 9,092 failures of last year, were \$191,117,786, against \$201,060,353 in 1875; \$155,239,000 in 1874. We may also remark that in 1873, the amount was \$228,499,000; in 1872, \$121,056,000; in 1871, \$85,252,000; in 1861, \$207,210,000; and in 1857, \$291,750,000. It is somewhat remarkable that the failures in Canada have received a notable increase during the last two years. The details of these failures are as follows:

FAILURES IN CANADA, 1873-1876.

Provinces.	1876.		1875.		1874.		1873.	
	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.
Quebec	600	\$ 13,673,646	678	\$ 13,994,909	310	\$ 2,840,450	272	\$ 2,735,910
Ontario	873	9,458,052	855	8,803,307	443	3,188,143	430	3,031,132
Nova Scotia	150	1,419,921	243	2,759,750	111	870,000	192	3,263,000
New Brunswick	78	740,854	172	3,100,908	41	685,672	71	1,255,150
Prince Edward Island...	23	149,654	16	104,648	8	77,500	20	297,000
Newfoundland.....	4	40,833	4	15,445	3	35,000	9	1,752,900
Total.....	1,728	\$ 25,517,991	1,968	\$ 28,843,957	966	\$ 7,696,765	994	\$ 12,334,192

The causes to which this rapid increase ought to be ascribed are well worthy of investigation. The Canadian failures of 1875 and 1876 were 3,696, with liabilities of \$54,361,958. Hence in 1876, in Canada, there was one failure to every thirty-two persons reported in business. In 1875 there was one to every twenty-eight, and in 1873 one to every forty-seven. The average liabilities for 1876 were \$14,767, and for 1875 \$14,656. In the United States, the failures in 1873 were one to every 108; in 1875, one to eighty-three; and in 1876, one to sixty-nine. The subjoined table shows the proportion of failures in various sections of the country:

FAILURES IN VARIOUS SECTIONS OF THE COUNTRY, 1873-1876.

States.	1876.					
	No. in Business.	No. of Failures.	Proportion of Failures.	Amount of Liabilities.	Average Liabilities.	
New England.....	77,539	1,314	1 in 59	\$ 37,657,062	\$ 28,628	
Middle.....	165,184	2,909	1 in 57	72,244,681	24,800	
Western.....	225,309	3,139	1 in 72	52,870,541	16,843	
Southern.....	87,140	1,361	1 in 64	23,083,266	16,960	
Pacific.....	22,313	369	1 in 60	5,262,236	14,261	
Canada.....	54,9000	1,728	1 in 32	25,517,991	14,767	

States.	1875.		1874.		1873.		1872.	
	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.	No. of Fail-ures.	Amount of Lia-bilities.
New England.....	1,335	\$ 40,015,164	790	\$ 15,845,000	599	\$ 29,550,000	620	\$ 30,671,000
Middle.....	2,395	82,522,346	2,035	82,041,000	1,914	140,946,000	1,399	40,748,000
Western.....	1,959	33,948,254	1,744	33,073,000	1,619	36,040,000	1,148	27,891,000
Southern.....	1,333	36,277,777	1,126	20,690,000	917	19,085,000	807	19,060,000
Pacific.....	377	2,525,610	.....	.....	.....	.....	.....	.....
Canada.....	1,968	28,843,987	966	7,696,765	944	12,334,192	.....	.....

We have been frequently told that trade in the Western States is less safe now, and that credit is in a less wholesome condition than two or three years ago. This opinion is not confirmed by the figures above given. In the Western States there is one failure to every seventy-two names reported in

business, while in New England, with all its wealth and stability, one in every fifty-nine has succumbed, and in the Middle States one in every fifty-seven. In England there are no statistics with which we can compare our own, so as to obtain an accurate comparison. For the year 1875, a report was made of 1,700 failures among 60,000 firms prominent in trade. This indicates one failure to every thirty-six, with an average liability of \$87,870. In this country, in the same year, the proportion was one to eighty-three, with an average liability of \$21,000. It thus appears that, however severe the pressure of the times has been in this country, it has been equalled in England. On the general conclusions suggested by the failures of the year, Messrs. Dun, Barlow & Co. make the following remarks :

“If the safety and prosperity of the trade of the country is to be judged by the comparative number of failures in business, the above figures for 1876, would indicate that these conditions are further away than ever. The marked increase in the number of these casualties in the year just closed, following the equally large increase in 1875, reveals a condition of things far more encouraging, and, were it not for the reflection that these disasters are the result of circumstances not directly chargeable to the business of the year, the prospect would be well-nigh disheartening. But that a large number of these failures are the results of departure from correct business principles in years gone by, there can be no doubt. The crisis of 1873, and the condition of expansion and over-valuation which it revealed, have had far more to do with causing the numerous failures of 1876, than have the business operations of that year. The effects of the depression and necessary contractions of 1874 and 1875, were hardly more apparent in the failure of those years than they are in those of 1876. It would be entirely unreasonable to expect that the restricted and profitless trade of these later years would be sufficient to sustain the large number of traders which former prosperous seasons seduced into business ; while even those a long time in trade, and possessing all other elements of success, found it almost impossible to solve that most difficult of problems—of reducing expenses with the same rapidity as their trade and profits diminished. To intrench on capital and largely reduce it, was of course the necessary consequence ; but unfortunately a very large number of traders, unmindful of the axiom that ‘to depart from legitimate trade is to lose money,’ had in the good times invested their surplus in outside operations, such as real estate and other permanent assets, so that when the need for active capital came upon them, they were in no position to respond to pressing obligations. The consequence is seen in the augmented list of failures. It is true many of these failures are the result of other influences, but it will be readily admitted

that to other causes than those which have originated and prevailed during the past year, may be attributed a large share of the misfortunes. It would, therefore, be unfair to conclude that the trade of the country is in an unpromising condition, because the failures show such a marked increase. A wider view would include many circumstances that would bring more comfort. For instance, it is undeniable that the past year has witnessed a marked improvement in the values of many leading staples, as compared with the prices prevailing in 1875. It is equally true that in extent of profitable trade there has been a perceptible gain, and there is no denying the fact that, in many branches of business, a much larger number have added to their available surplus during 1876, than in 1875. Many articles had reached a par value, in illustration of which the statement may be ventured that, as far as further depreciation in prices was concerned, specie payments might have been resumed in the early part of 1876 without causing any material disturbance in values. Not only had some prices reached par—and in some cases below it—but it was a settled conviction that the stock of goods in all hands nearest the consumer had reached the lowest possible point. Production, warned by previous losses, had been regulated to the extent of positive wants; and the pressure to sell, so apparent in 1875, was largely diminished. Thus, barely the first half of 1876 was reached, when all the conditions of stock, supply, demand, and price favored an improved condition of business. That this improvement did take place in September and October was everywhere evident; but the heated Presidential contest, and the miserable muddle as to the result of that contest which has since prevailed, has almost completely paralyzed business. The last two months of the year, therefore, were most disappointing, and from causes exceptional and temporary in character, the promise of the early autumn of improvement in business, was not fulfilled. It is significant, however, that the failures in the last quarter of 1876, are less, by twenty per cent., in number, than for the last quarter in 1875, while the total liabilities for the last quarter of 1876, are not one-half of those of the corresponding quarter of 1875. The same favorable comparison also holds good as to the decreased number of failures which occurred in the fourth quarter of 1876, as compared with the larger number in the third quarter."

There are other points which have been suggested as adding to the number of failures. One of these is the shrinkage in values. Commodities of all sorts have fallen in price to such an extent that those traders who held considerable stocks of goods must have suffered very severely. The solvency of a large number of business firms cannot but have been seriously compromised by this circumstance alone. Moreover, the habit which has been but too common among

business men in all parts of the United States, of withdrawing capital from business, to put it into real estate or some outside speculations, has also contributed a large share of influence in augmenting the frequency and the extent of mercantile failures. If our merchants, manufacturers, and farmers, would only learn from the insolvencies which they see around them, to keep their capital in their own business, and to recognize the golden maxim that a man can always make more by using his capital in his own business, than by lending it, or investing it in outside ventures, the enormous losses of past years, by mercantile failures, will suggest valuable lessons, and will bear good fruit.

Another active cause of commercial failures is stated in the circular before us; this is the accumulated burden of unsuccessful trading in previous years; and the effect of these troubles is enhanced by the National Bankrupt Law, which ought to be amended without delay. On this subject, Messrs. Dun, Barlow & Co., are very positive. They give their testimony as follows:

“A fruitful source of failures is the National Bankrupt Law. Whatever laudable purpose was contemplated in the enactment of such a law, it is vastly overbalanced by the encouragement it affords to those who desire to force their creditors into accepting less than the face of their claims. So long as the law is allowed to remain in force in its present shape, just so long will unprincipled traders, with the help of local and timorous creditors, be able to dictate terms to those whose interests should entitle them to the permanent control of the bankrupt's estate. As at present applied, the law not unfrequently legalizes a fraud upon creditors, which is as disgraceful to the country as it is disastrous to its trade. The disposition is already sufficiently strong on the part of wholesale dealers to compromise indebtedness, and thus permit parties to remain in business who, by their failure, demonstrate their lack of character, capacity, or capital; but, if in addition to this, the parties themselves can, by the aid of the Bankrupt Law, force their creditors into agreeing to their terms, the law, instead of a preventative, becomes a virtual encouragement of fraud, renders business unsafe, and places the honest trader, who is anxious to pay a hundred cents on the dollar, at a tremendous disadvantage. The “weeding out” process which these hard times should produce, in order that the restricted trade of the hour may not be divided among a number so large as to yield profit to none, is virtually at a standstill; for the number of those who go out of business, in proportion to those who fail, is a mere bagatelle. The whole future of the mercantile trade of the country is bound up in this consideration. The natural laws which govern commerce, as to the number which can live on the business of any given locality, should be allowed to prevail;

certainly it was never the intention that legislation should intervene to prevent their action, and thus legalize failures, enforce compromises, unsettle values of goods in each locality, and encourage a competition for a limited trade, in which all the advantages are in favor of the most unprincipled. There are possibly many subjects of grave importance that Congress can occupy itself with during the present session ; but if, on its part, there is any disposition to give attention to subjects of really practical advantage to the trade of the country, there is none to which its best ability could be more profitably directed than to the repeal or the amendment of the Bankrupt Law." The question has been asked, how much of the capital which is annually lost by mercantile failures reappears again, in various forms, so as to prevent a permanent depletion of the material wealth of the country? No doubt a considerable part of the aggregate does thus reappear, and unsuccessful enterprises pass into new hands at low valuations, and become remunerative long after their projectors have been ruined. But this ulterior process of recuperation is slow and uncertain ; while the loss inflicted upon the lawful creditors of insolvents is immediate and positive. Hence it has been proposed to take some measures either by insurance against bad debts, or in some other more effectual way, to guard the commercial community against the losses which have so much increased of late from insolvencies and failures. The recklessness with which credit has been offered by rival firms, creates some of the most grave and difficult problems in connection with this part of practical economics.

THE SWEDISH BANKS.

It is not generally known that the banking system of Sweden is not only one of the earliest in its origin in Europe, but is also, in some respects, one of the most carefully organized. Some of the best features of our American system of banking are borrowed from Sweden. Among others we may mention the periodical statements which are officially published in this country, and which have long been characteristics of the Swedish banking system. If we except Italy, where for two or three years past the system of monthly bank statements has been carried out, there is not in Europe any country whose bank statistics are more carefully compiled or more general than Sweden. The *London Bankers' Magazine* for November gives a very interesting report of the statements for 30th June, 1876, compared with those for the same period of 1872. It appears that there is a considerable increase in the deposits and current accounts as well as in

the capital and reserve funds of the Swedish banks. In the circulation there is also a considerable increase. The notes of the Enskilda banks of Sweden circulate freely throughout the whole of the country. Indeed in Sweden, as in this country, the notes of banks situated in remote parts of the country, freely circulate with the same readiness as those issued in the chief towns. One of the reasons for this general credit given to the provincial note circulation arises from the guarantees for the redemption of the notes, which closely resemble those provided in our National Banking Law. These guarantees are of two kinds; first, no notes are issued without the deposit of securities; and secondly, every note is payable in gold coin, at the option of the holder, and every bank issuing notes is bound under heavy penalties to provide for the redemption of its notes in coin whenever they are legally presented. The Banking Law of Sweden was passed in 1864, and it enacted that the notes should be payable when presented at the head office of the bank, either "with coin of the realm, or with notes of the Bank of Sweden." By an amendment enacted in 1874, an important change was made in the Redemption Law. The power of paying a bank note with any other paper money, even the notes of the Bank of Sweden, was taken away, and it was declared that bank notes, when presented for payment at the head office of the issuing bank, should be "paid unconditionally with lawful gold coin current in the realm." By this important law, inflation of bank paper is effectually stopped. No note is payable in anything but coin, and subject to the conditions above stated, banking is almost entirely free in Sweden. Stability in the banking system has been the great object which the Swedish Government has desired, and the growth of the deposits during the last four years give evidence of their success. Subjoined is an abstract of some of the chief items in the comparative tables of the Swedish banks, which have been compiled in part by Mr. R. H. Inglis Palgrave :

	1872.		1876.
Circulating notes.....	§ 14,924,870	...	§ 17,002,435
Deposits, current accounts...	5,288,010	...	6,662,130
Depositors do. No.	17,808	...	11,111
Deposits demand.....	19,400,455	...	40,126,775
Depositors do. No.....	33,442	...	96,232
Shareholders No.....	.....	...	8,738
Shares.....	.....	...	143,251
Capital.....	12,589,165	...	14,783,640
Cash credits.....	14,607,235	...	21,473,200

BANK TAXES AND THE NEW YORK ASSESSORS.

The report of the Department of Taxes and Assessments of the City of New York for the year 1876 has just been published. In consequence of the agitation on the taxation of banks, a considerable portion of the document is devoted to that subject. It will be remembered that during the past year the Assessors claimed the right to assess bank shares on a valuation greater than par. In this city for several years the par value of bank shares was regarded as the value for tax purposes. As many of the banks had a large surplus, their shares were worth more than par in the market, and the Assessors claimed that these shares ought to be valued on the tax-roll at their fair market price, making due deductions for the real estate owned by the banks which is assessed by itself. Two results of a very notable character followed this new interpretation of the law. In the first place, the sum of twelve millions was added to the aggregate assessment of personal property. Thus the bank shares in the city of New York by the assessment in 1874 amounted to \$74,897,570; in 1875 to \$73,390,989; and 1876 to \$85,145,116. These sums were exclusive of the real estate belonging to the banks, which is assessed in common with other real estate. Its amount in 1876 was \$10,395,256, being somewhat less than in the previous year. The chief fact of importance is, that the net increase of the assessments upon bank shares in 1876 over those of 1875 amounted to \$11,754,127.

The second result of this change in the mode of assessment, was that bank capital began immediately to decrease. During the year just closed, the clearing-house banks in this city have reduced their capital \$2,800,000, and the further reductions which are now in progress amount to \$4,750,000, making a total reduction of capital of \$7,550,000. Moreover the surplus of banks has been reduced during the year 1876 \$5,096,000. Adding the diminution of the surplus to that of the capital, we have a total reduction of \$12,646,000 effected during the last year, with further changes impending of an equally serious character.

Such then are two of the results which have been developed by this new effort to increase the fiscal burdens of bank capital in this city. During the first year nearly twelve millions was added to the gross assessments of the banks, and a little more than twelve millions of capital was driven away from that important department of our financial machinery. To those who are aware of the important part

played in the banking system by its capital and surplus, the facts we have just mentioned will appear significant if not alarming. It has always been a leading characteristic of our National banks that their aggregate capital was very large in comparison with their liabilities. Much of stability which the past history of our banking system has disclosed, may be ascribed to the ample capital which has always been fostered as a guarantee to the public who deal with the bank, as well as to the owners of bank shares. If by any ill-directed tax methods, we cause the capital and surplus of the banks to be seriously diminished, it is evident that to the same extent we destroy the old guarantees of the solvency and stability of the banking system.

At a recent meeting of the Clearing-House Tax Committee, these facts were presented in a very lucid manner by the chairman, and it was resolved to prosecute with vigor the efforts which have been initiated to obtain relief both from the Legislature at Albany and also from Congress. With regard to the State Legislature, the petitions ask that bank shares be assessed as other personal property, and be liable to the same exemptions and privileges and to no other. This demand is so obviously just and equitable, that there ought to be no difficulty in the passage of the simple bill which has been prepared for that purpose. Similar efforts will thus be stimulated in other States where they are needed. Of Congress it is proposed to ask that the war taxes on capital and deposits be at once repealed. Such taxes were never imposed in this country before their introduction as a part of the fiscal mechanism of our war finance, and as nearly all such doubtful taxes have been repealed, it is perfectly equitable and proper that these war taxes should also be removed, especially as their effect is found to be mischievous in various ways besides the depletion of bank capital.

It is often said, and with much justice, that the banks ought to bear their fair proportion of the fiscal burdens of the country, and some persons may be inclined to think that because these institutions deal in money, they must be very rich and abundantly able to bear the pressure of heavy taxes. But very little reflection is needful to show the fallacy of this reasoning. It is agreed on all sides that our banks ought to bear their fair share of taxation; and it will be conceded that if they are compelled to pay more, an injustice will be done first to the banks and secondly to the public, from whom these over-taxed institutions will try to recoup themselves. Now it is certain that in the long run, excessive tax burdens laid on the banks will be shifted directly or indirectly to the shoulders of the public. But in the process of changing these burdens, much mischief and inconvenience may be caused both to individuals and to the general interests of business, before the equilibrium has been reached, and

the shifting process completed. When therefore it is said that the banks are rich and can afford to pay heavy taxes, what is really meant is that as the banks have the money in hand, the Tax Collector should take his revenue where he can the most easily find it, whatever mischief may follow. Besides this, every one who has had dealings with a bank, is aware that the profits of such institutions are very minute compared with the relative percentage gained in other departments of business. Hence the principle has been established in adjusting the fiscal systems of all civilized countries, to exempt the banks as far as possible from specific taxation, for the two-fold reason that capital ought to be as free as possible in its movements between the lender and the borrower, and that it is the interest of the community that the expenses of the banking business should not be increased by any excessive taxation. In the United States prior to the war, this principle was duly recognized, and the true interest of the country will be to reinstate this principle in its proper place in our fiscal system hereafter. The Assessors virtually acknowledge the mischievous character of the tax on bank shares as it had been assessed and collected during the past year. They say:

“The net increase of the assessments upon banks and their shareholders in 1876 over those of 1875 was, therefore, \$11,754,127. The Commissioners having discharged their duty in such a manner as to meet the approval of the highest courts in the State, and the immediate result being an addition to the tax-roll of \$11,754,127, it would seem that the action and its results should be an occasion of felicitation to the general tax-payers. But there is another side to the picture. So soon as it is ascertained beyond question that the method of assessment is legal, the property assessed begins to move away from the imposition of the tax, and in another year the assessment upon the shareholders of banks will probably be less than in 1875. This result will be reached by the distribution, in some cases, of the surplus, reducing it to the minimum required by law, and in others by a reduction of capital. The depression in business, and the resulting decline in prices of most commodities, requires a smaller amount of capital for the same volume of trade, and is a factor not to be ignored; but its presence does not diminish the force of the statements made herein. The addition of nearly \$12,000,000 of assessable property to the tax-rolls was for the moment a boon to the owners of real estate, for to some extent it diminished their burden of taxation. But when the capital assessed is withdrawn the advantage is lost, and still the general tax-payer seems to have been a gainer, at least to the extent of the temporary benefit he derived from the enlarged basis of taxation. This would be true if the capital were withdrawn from taxation only,

but unfortunately, it is withdrawn from actual use in the forms in which civilization and commercial habit and usage have made it most available. New York is a commercial city. All its prosperity, all its greatness, all its renown are due to capital. Manhattan Island would be worth but little more than it was in 1626, when Peter Minuit paid \$24 to the Indian proprietors for it, if capital, in its varied forms, had not been applied to it. The continuance of its prosperity and greatness depends, and always must depend, upon the freest use of capital within its gates. Personal property, in certain forms, will bear a moderate degree of taxation; but when severely taxed it escapes—it can't be held for taxation—just as some material objects may be held by a gentle pressure, but as soon as the pressure becomes severe, they elude the grasp and the hand is left empty. The reduction of the capital of banks besides diminishing the commercial and financial power of the city, and lowering its standing in comparison with other financial centres of the world, operates directly, to the injury of real estate."

It has been affirmed that the State Assessors who thus clearly set forth in their report the evils produced by excessive taxation of bank shares, are responsible for these evils, inasmuch as it was they who introduced the new system of valuation. To this charge, however, their reply is, that the Supreme Court of this State has decided that the view which they take of the law is correct; and that this decision has been affirmed by the Court of Appeals. In a short time this decision will be reviewed by the Supreme Court of the United States, and we shall then know whether or not the State Assessors are in the wrong. Meanwhile, their action is certainly sustained by the highest court in the State of New York. Upon this fact we might find an argument to show the paramount necessity of a change in the law, such as is referred to above. The courts simply decide what the law is, and if the law be as it is here represented, the sooner a change is made in it so as to remove the mischiefs which attend its present operation, the better will it be for the financial interests of the country.

There is another reason which of late circumstances have been urging with much force, for relieving the banks of part of their tax burdens. The pressure of these burdens is driving capital away from the business of banking in this city; and this process evidently weakens the banking strength of the city. We cannot repel banking capital without injuring business of every other kind also. Hence it is the tendency of all such taxes as these to aid those mischievous forces which are injuring the business of this financial centre and weakening the financial strength which we ought to foster and promote. There is no need to lay undue stress upon this argument; but it is plainly worthy of earnest considera-

tion. Still a more important reason for repealing the tax burdens on the banks is that in doing so we shall augment the strength of our financial system, and prevent evils which threaten to undermine that system, and to multiply the obstacles in the way of specie payments and of the early revival of business.

THE FINANCES OF RUSSIA.

There has never been a time when the financial condition of the Russian empire has attracted in the financial world so much attention as during the last year. Two simple reasons sufficiently account for this enhanced public interest. First, there is in all the bourses of Europe a very heavy amount of Russian Government debt held for investment, and the transaction in Russian securities have been on the average large and increasing. Hence, a considerable number of capitalists in most of the great financial centers of Europe have been directly interested in watching the course of events and in analyzing all the movements pacific or hostile of the Russian policy, so as to estimate their probable effect on the credit of the Russian Government and market price of its bonds. Secondly, the Eastern Question has been supposed to turn chiefly on the question whether Russia possessed natural strength enough to go to war. But for several untoward events, which have weakened the internal finances of Russia, it is highly probable that no exterior influences could have restrained her from commencing hostilities against Turkey. Weakened, however, as Russia has been by financial panics by the failures of crops and by some mistakes of financial policy, Russia has been peculiarly open to influences hostile to her credit on 'Change, and it has been currently believed that she could not obtain any money for war purposes outside of her own dominions. How much financial aid she is capable of deriving from her own people is not very well known. A popular loan was raised some months ago, but what is the amount which it yielded to the Russian Treasury has never, we believe, been officially made known. Issues of paper money constitute a very dangerous reliance in a country like Russia, which has for several generations been suffering from the effects of irredeemable and depreciated paper money. In the present dearth of information as to the later movements of Russian Government finance, a very welcome contribution to this subject has appeared in the *London Economist*, of December 9, 1875, which shows the growth of the public debt of Russia from 1817 to 1875. From this statement we find that the funded debt of Russia rose

from 93 millions of roubles in 1817 to 181 millions in 1827, to 266 millions in 1837, to 325 millions in 1847, to 518 millions in 1857, to 903 millions in 1867, and to 936 millions in 1875. Thus, during the period under review, the funded debt of Russia has increased tenfold. The floating debt has also undergone an enormous expansion. In 1817 it amounted to 352 millions of roubles, in 1827, to 375 millions; in 1837, to 575 millions; in 1847, to 808 millions; in 1857, to 1543 millions; in 1867, to 2199 millions; and in 1875, to 3235 millions.

The imperial decree announcing the New Russian Internal Loan, above referred to, declares that "in order to cover the extraordinary expenses imposed upon the treasury in consequence of political events," it has been resolved to make "a new issue by public subscription of bank bills, bearing interest at the rate of five per cent, for a nominal capital of 100 millions of roubles." These bills are payable to bearer and resemble our old seven-thirty notes or our coupon bonds. The securities are of the value of 100,500, 1,000 and 5,000 roubles respectively. Attached to each security are coupons for the half yearly interest payable like our old five-twenty in May and November, every year. The whole issue is to be redeemed in thirty-seven years by annual drawing, and the price of issue is ninety-two. Subscribers must make a deposit on application, the amount being ten per cent. either in cash or interest-bearing securities. On allotment a further payment of fifteen per cent. must be made; and those subscribers who on application deposited securities, must when the allotment is made, take up their securities and replace them by money. The remaining seventy-five per cent. of the subscription has to be paid in five instalments; the first, of fifteen per cent., falls due 10th December, 1876; the next, fifteen per cent., 10th January, 1877; the third, fifteen per cent., 10th February, 1877; the fourth, fifteen per cent., 10th March, 1877; and the final payment of seven per cent. on the 11th April, 1877. On this negotiation the London *Economist* of November 25, 1876, makes the following remark:

"All these instalments are payable in the note currency of the country, and that being so, it is evident that in its first stage the transaction assumes more of the nature of an alteration in the form, than an increase in the amount of the national indebtedness. The Government will receive its own notes in payment of the bills it is now issuing, and were these notes withdrawn from circulation, the final result of the loan would be that Government bills to the amount of 100 millions of roubles had been substituted for ninety-two millions of roubles in Government notes. The Government, however, has no intention of reducing the amount of its note issues, and, indeed, it would be impossible to withdraw at

once so large an amount of currency without producing great financial stringency. There will, therefore, be a fresh issue of notes; and the real outcome of the transaction is, that the Government, by means of this loan, will acquire the right to issue another 100 millions of roubles in notes, in the room of those returned to it, and these will be employed to meet its extraordinary expenses. Possessing, as it does, the right of unlimited note issue, the Russian Government need not necessarily have gone through this process of a loan in order to supply itself with the means of meeting its debts. But if it had merely set the printing press to work, and added another 100 millions of roubles to the paper money of the country, the effect would have been still further to depreciate that currency, and to turn the exchanges still more decidedly against Russia. By issuing bills which, like our own Exchequer bills, do not enter into circulation at all, or at most only to a very limited extent, the evils arising from a further inflation of the note currency are avoided, and exemption from these is cheaply purchased at the cost of the interest and bonus on the bills. Whether in such a country as Russia, where there is no large accumulation of savings, an operation like this, which involves the transfer of money from the public to the Government, can be often repeated, is very doubtful, and even now it is considered expedient to stimulate subscriptions to the loan by patriotic appeals not always consistent with facts, of which the following, from an official journal, may be taken as a specimen: 'If,' says the *Official Messenger*, 'the pacific reforms of the present reign have led to a growth in the public expenses, these have, by the beneficial action they have exercised upon the economic development of the country, permitted the Treasury for many years to satisfy all its wants, without having recourse to borrowing, and without burdening the country with an augmentation of the public debt. Now the Government asks only the means to cover the extraordinary expenses called for by measures which are intended to guarantee a lasting peace for the future; and, in issuing this loan, the Emperor is fully convinced that he has the sympathies of all classes of the nation. The Minister of Finance hopes that these sympathies will be manifested by the participation of all in the loan.'

These favorable anticipations, however, are of doubtful realization. At Moscow, and elsewhere, the perturbations in the money market have been so severe that, according to the *Berlin Borsen Zeitung* of the latest dates, M. Lamanski, Director of the Imperial Bank of St. Petersburg, has paid a visit to that city to confer with the leading bankers and financial men on the measures to be adopted to meet the exigencies consequent upon the numerous suspensions which have been reported.

THE REFORM OF USURY LAWS.

An eccentric Frenchman in the eighteenth century left in his will a sum of money to be perpetually expended in prizes for essays, to prove the lawfulness, according to Scripture and to the law of Nature, of charging interest for the use of money. By what mischance it has happened, we do not know, that this well-meant bequest was not devoted to the object for which it was designed. But the governments and people of the civilized world have advanced rapidly in accurate knowledge on this subject, and if we look throughout all the commercial countries of Europe, we shall scarcely find one in which usury penalties survive in such a form as to check or injure the necessary operations of hiring capital and paying interest for its use. In this country, strange as it might seem to an ignorant observer, the usury laws of mediæval times have found a refuge after their expulsion from almost every civilized nation abroad. As in former years there are several petitions now in Albany, asking the Legislature of this State to repeal the Usury Laws. Many of our readers may have been led to the belief, from the recent decisions of the Supreme Court of the United States, that the usury penalties are merely nominal throughout the whole of the United States. This, however, is not correct. The Supreme Court has indeed decided in the case, which was pushed so rapidly through the courts by Mr. E. G. Spaulding, of Buffalo, in order to settle this important question of law upon a solid and satisfactory basis, that National banks are not governed by the State laws of usury but by the Federal Statute contained in the National Currency Law under which they were organized. This Statute has been reënacted in the Revised Statutes, Section 5197, which now constitutes the only Usury Law to which the National banks are amenable. This Section reads as follows :

"SEC. 5197. Any association may take, receive, reserve and charge on any loan or discount made, or upon any note, bill of exchange or other evidences of debt, interest at the rate allowed by the laws of the State, Territory or district where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this Title. When no rate is fixed by the laws of the State, or Territory, or district, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt, has to run. And the purchase, discount, or sale of a *bona fide* bill of exchange, payable at another place than the place of such purchase, discount or sale, at not more than the current rate of exchange for sight-drafts, in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

In this Statute, as interpreted by the Supreme Court, the usury penalties incurred by National banks are limited simply to the loss of the amount of interest charged on the usurious loan. We have thus the anomaly in certain States that usury by the National banks incurs this light penalty, but by all the rest of the community it incurs penalties much more severe. In the State of New York, for example, the penalty of usury is imprisonment for six months, a fine of five hundred dollars, the loss of the money loaned, and the cancelling of the contract which that money represented. But as there are a large number of State banks and private banks doing business in the State of New York, efforts have been made with success to obtain a remission of the severer features of the Usury Law. On the 9th April, 1870, the following Statute was passed for this purpose :

“1. Every banking association organized and doing business under and by virtue of the act entitled ‘an act to authorize the business of banking,’ passed April 18th, 1838, and the various acts supplementary thereto and amendatory thereof, is hereby authorized to take, receive, reserve, and charge on every loan or discount made, or upon any note, bill of exchange or other evidences of debt, interest at the rate of seven per cent. per annum ; and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. The knowingly taking, receiving, reserving or charging a rate of interest greater than aforesaid, shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon ; and in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives, may recover back twice the amount of the interest thus paid, from the association taking or receiving the same ; provided that such action is commenced within two years from the time the said excess of interest is taken. But the purchased discount or sale of a *bona-fide* bill of exchange, note, or other evidence of debt payable at another place than the place of such purchase, discount or sale, at not more than the current rate of exchange for said drafts, or a reasonable charge for collecting the same in addition to the interest, shall not be considered as taking or receiving a greater rate of interest than seven per cent. per annum.

2. It is hereby declared that the true intent and meaning of this act is to place the banking associations organized and doing business as aforesaid, on an equality in the particulars in this act referred to, with the National banks organized under the act of Congress, entitled ‘an act to provide a National currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof,’ approved June 3, 1864. And all acts and parts of acts inconsistent with the provisions hereof, are hereby repealed.”

Combining these two laws, we find that the usury penalties of this State are virtually repealed with regard to the National banks and the State banks, while they remain in full force as against all other lenders of money. Thus our trust companies, our private bankers, our rich capitalists, and our poorer frugal citizens, who have money saved up which they wish to lend at what it is worth in the market, are prevented from charging more than seven per cent. by a law which denounces severe penalties against them, but has no force at all against the National and State banks. Such a partial and mischievous law as this cannot of course be per-

mitted to remain upon the Statute book, and the petition above referred to asks for its repeal during the present session. We can scarcely doubt that the object of the usury reformers will be accomplished in this State without delay. It is hoped that in other States where mischievous usury penalties are enforced, a similar effort will be made, and will be successful, for the unification of the Usury Laws throughout the country. It would be better for the interests of commerce and trade if all penalties attaching to usury could be repealed, and if the movements of capital could be rendered perfectly free between the borrowers and the capitalists that lend to them. This policy of setting capital free from the burdens and shackles which for ages have checked its movements, has been adopted in most of the commercial countries of the world, and so far the adoption of free trade in money has been productive of no apparent harm, but on the contrary; it has put an end to many abuses, and has accomplished much good. We cannot doubt that in this country similar results will follow the reform of Usury Laws. Strangely enough, some persons even in our day, after so much proof to the contrary, have imagined that if the usury penalties were taken off, the effect would be to induce the money-lenders to charge exorbitant rates of interest. All over the world the universal experience of commercial countries disproves this anticipation, and shows that Usury Laws do not protect the borrower from excessive charges for money, or guard him against the oppression of the money-lender. What these laws do is rather to surround the practice of usury with a secrecy which is favorable to a class of money-lenders, who make no scruple of defying the law, and who fleece their victims without mercy. Finally, the experience of modern usury reform has shown that the only way to protect borrowers from oppression, is to leave both them and the lenders perfectly free under the law to pay and to charge such rates for the loan of money as it is honestly worth in the market.

Mr. Cowdin on the 24th January, introduced a bill into the legislature at Albany, to make the State law on money conform to that of the National Government. As has been often demonstrated a perfect usury law would leave each borrower and lender at liberty to fix the rate to be paid for the loan of capital. To this high standard our National usury law approaches very nearly, but it does not quite reach it. It forbids loans at rates higher than the legal maximum, and declares that the lender shall otherwise lose the amount of interest agreed upon, and no more. This law is greatly superior to the present usury law of the State of New York, which, with its monstrous medieval penalties, Mr. Cowdin's bill proposes to repeal.

BI-METALLIC MONEY.

BY EMILE DE LAVELEYE.

[*Re-published from the Revue de Belgique.*]

TRANSLATED BY GEORGE WALKER.

[NOTE BY THE TRANSLATOR.]

The author of the following paper, Professor Emile de Laveleye, of Liege, Belgium, has for many years occupied a prominent place among the economists of Europe. He has been a frequent contributor to the *Revue des Deux Mondes*, and to the English *Fortnightly*, and is as well known in France and England, as in his own country. He is at the present moment a conspicuous adherent of the new historical school of political economists—the “Katheder Socialisten” of Germany. At the Adam Smith dinner, he defended that position and shared the honors of the occasion with M. Leon Say, the French Finance Minister. An article in the *Revue des Deux Mondes* for July 15, 1875, presents with great force the views of the new school. After the English crisis of 1866, Professor de Laveleye wrote two excellent articles—also in the *Revue des Deux Mondes*—on the “Money Market, and its crises during the last fifty years.” About a year ago he published in the *Revue de Belgique*, of which he is one of the editors, a very remarkable article on “Protestantism and Catholicism in their relations to the liberty and prosperity of nations.” This article has “gone the rounds of the world,” having been translated into nine languages, the French edition alone numbering 30,000 copies.

The article now translated, first appeared in the *Revue de Belgique*, and has since been widely circulated in pamphlet form, and translated into German. As a clear and vigorous presentation of the argument in favor of international bi-metalism, it ranks with the best productions of M. Henri Cernuschi, on that subject. Little remains to be said beyond what these two distinguished financial economists have written about it. They are in full accord in respect to the object to be attained, namely, the general adoption of silver as legal-tender money, in common with gold, on the basis of fifteen and a half to one, and in the mode of attaining it—by an International Congress. They differ, however, on the question of the importance of increasing the volume of metallic money, M. de Laveleye maintaining that an increased amount of such money is a positive benefit, as shown by the enlarged activity of all industries under the stimulus of the gold of California and Australia. M. Cernuschi, on the other hand, holds rigidly to the doctrine that it makes no difference whether the volume of money be large or small, as it inflexibly determines the prices of commodities and labor. Perhaps the boldest feature of M. de Laveleye's paper, is his defence of the debtor as opposed to the creditor class, and his assertion that if, as he admits, an increase of money lightens debts, society is interested that they should be so lightened, and that the resulting good far more than makes up for the partial injustice to the creditor. Coming from a writer who, in his financial papers, has expressed the soundest doctrines respecting banking, paper money, the abuses of credit, and the speculations which lead to crises, the views of M. de Laveleye are received with some surprise, and not without questioning. M. Cernuschi, whose respect for law, for perfect justice, and for mathematical precision, admits no place for sentiment in the treatment of monetary problems, dissents from this part of his distinguished friend's paper. It is likely to be more favorably received in this country, not only by the paper money party, but by those who see no wrong in such alleviations to the burden of debt and of taxation, as result from the development of the resource and powers of nature, and the turning to account of those hidden treasures which the Creator has stored up for the benefit of mankind.

"*L'or et l'argent*" par M. WOLOWSKI. "*Money*," by STANLEY JEVONS, M. A., F. R. S. "*Or et Argent*," par HENRI CERNUSCHI. "*La Monnaie Bimétallique*," par le même. "*La Question Monétaire*," examen du système et des effets du double étalon suivant les idées de M. EMILE DE LAVELEYE, et réfutation des doctrines monétaires de M. MALOU, *Ministre des Finances*; par M. FRERE-ORBAN.

The monetary question interests everybody. We all have daily dealings with money; we are all debtors or creditors for money; we all buy what we need with money. We have all, therefore, an interest in knowing what causes the value of money to rise or fall, and consequently the rise or fall of prices; for the condition of each one of us will be affected by it, from that of Mr. Rothschild, who handles millions, down to that of the workman who receives his daily wages.

The decline in the value of silver, and the limitations put upon the coinage of that metal in the countries of the so called Latin Union, have drawn public attention forcibly to this economic problem.

On the 23d of April, 1876, the Belgian Minister of Finance introduced into the Representative Chamber, a bill authorizing the government to limit the coinage of five franc pieces. The explanations which accompany this bill, present some very interesting facts, supplementing the monetary documents published by M. Malou, in 1873. Both in Belgium and in France, certain writers are insisting anew, and with increased earnestness, on the adoption of gold as the only money which shall be clothed with absolute power of payment. M. Michel Chevalier, has lately expressed that opinion in the *Revue des Deux Mondes*, (No. of April 1, 1876,*) M. Frere-Orban, has advocated the same cause with his usual eloquence, in a volume recently published; and M. P. Leroy-Beaulieu sustains it in his excellent journal, the *Economiste Français*, invoking, in support of his opinions, every favorable circumstance as soon as it presents itself.

On the other hand, M. Wolowski in his valuable work *L'or et l'argent*; the Baron de Reinach in the *Journal des Debats*; M. Cernuschi in the *Siecle*, and in several short publications remarkable for their precision of language and clearness of reasoning, courageously defend bi-metallic money. In England, Mr. Jevons states the question impartially, but with too much brevity, in a chapter of his recent book on Money, entitled "*The Battle of the Standards*." Being myself convinced that the universal adoption of gold, as the only legal money, would be a great economical mistake, from which the business of the whole world would suffer disastrous consequences, I think it my duty to endeavor to point out the serious inconveniences which would result from such a measure.

* See also a second article on this subject by M. Chevalier, in the number for August 1, 1876, entitled "*La Nouvelle Dépréciation de l'argent, et le Double Etalon*."

(Tr.)

A monetary standard is that money which has an unlimited power of liquidation ; that is to say, by means of which, all payments, however large the amount, can be effected. Certain countries like England, have confined that privilege exclusively to money of gold, others to money of silver, as was the case with Holland and Germany, until a very recent period. The system adopted by these nations is that of the single standard. Other countries have accorded the privilege, at the same time, to money both of gold and silver, establishing between the two metals a fixed relation. This is the system of the double standard, which is in force in the countries belonging to the monetary (Latin) Union, established in 1866, namely, France, Belgium, Italy, Switzerland, and Greece. In the countries of the Union the relation of value between gold and silver, is fixed by law at one to fifteen and a half. It results from this that one can pay for what he buys, or discharge a debt which he owes, by giving at his option, a kilogram of gold, or fifteen and a half kilograms of silver, in standard money, containing 900 thousandths of fine metal, and 100 thousandths of alloy. Coins of one franc, two francs, and fifty centimes, are no longer standard money, inasmuch as they contain only 835 thousandths of fine metal ; the crown (*écu*) of five francs, alone maintains that privilege. Five coins of one franc contain, therefore, sixty-five thousandths of silver less than a single coin of five francs, and have a proportionately smaller value.

What is demanded by partisans of the single standard, in the countries of the monetary Union, is to deprive the five franc piece of its legal tender quality, and to reduce it to the condition of token money. It would then be legal tender only to the amount of fifty francs in a single payment. The arguments by which they justify this demand are the following :

First.—The fall in value of the metal silver. This fall is now from eight to ten per cent. ; which means that a hundred francs in silver bullion are worth only ninety francs in gold bullion. The report which accompanied the bill for restricting the coinage of silver in France, which was recently presented to the French Chambers, by the Minister of Finance, recites accurately the causes of that decline. "The causes of the depreciation of silver," says M. Leon Say, "are numerous, and the influences of each of them is differently felt. They may, however, be reduced to three ; the first of these is the demonetization of silver in Germany, and the forced exportation of that metal, which has resulted from it. The silver exported has had to be sold to obtain the gold with which to make the new German coins, which are to take the place of the silver thalers and florin pieces of the old system.

"The second cause is the increased production of silver mines in the United States.

"The third is the considerable decline which has taken place in recent years, in the export of silver bullion and silver coins to British India. That decline is due to the failure of Indian harvests, to the famines which have followed that failure, and to changes which have taken place in the kinds, quantities, and value of the products exchanged between Europe and India. It is also due to the increased expenditures of the Indian Government in England, for the payment of pensions to retired public servants, and of interest on English capital invested in India. These payments are effected by the export of merchandise from India to England, and the adjustment of balances, which used to be made in silver, is now effected by set-offs."

M. Leon Say is of the opinion that the first of these three causes will have a limited effect, while the other two will be more lasting, although the duration of them cannot be calculated with any accuracy. M. Michel Chevalier and the gold party, are alarmed at the increase in the production of silver in the *Far West* of the United States. Fifteen years ago the production of that region was insignificant; it has now risen to 175 millions of francs a year, and the estimates reach as high as 300 or 400 millions, in the early future.

If, it is said, the countries of the monetary Union had not restricted the coinage of silver money, by an international compact which has been annually renewed since 1866, dealers in bullion would have taken advantage of the increasing depreciation, to displace the gold coinage with heavy and inconvenient five franc pieces, and in so doing they would have made a profit of ten per cent. We should, in that event, have had nothing left but a cumbersome and depreciated money, which was losing value every day, in proportion as the production of silver kept on increasing.

Second.—The fact that a country using depreciated silver money, would lose relatively to countries having gold money, the latter having proportionately increased in value. The country using silver would have to pay for its purchases in foreign countries, with gold, at a premium, and would lose that premium. On the contrary, the country which uses gold would gain the premium, by paying for its purchases in silver-using countries, in gold, the metal which commands it. Thus France would pay more dearly for English products, and England would obtain French products at a lower figure.

Third.—That the system of the double standard is the exact opposite of what a good measure of value ought to be. As stated by Locke, "to take as measures of value, things which do not bear a fixed and invariable relation to each other, would be like choosing for a measure of length, an object which was liable to be lengthened and shortened." It is

necessary, therefore, as they claim, that there shall be in each country only one metal, which shall serve the triple purpose of money of account, liquidator of obligations, and measure of values. They assert that it is the height of absurdity, and contrary to all economical principles, to attempt to maintain between gold and silver the constant relation of one to fifteen and a half. That relation is purely arbitrary. Why not as well fix it at one to seventeen, or eighteen, or at one to ten or twelve? The value of the two metals is determined by the law of supply and demand, that is to say, by their production, on the one hand, and by the use which is made of them on the other. The production and use of gold and silver do not vary at the same moment, nor under the influence of the same causes. Their relation to each other must constantly change; it is not, therefore, within the province of law to fix it once for all. It is as impossible as to fix the price of wheat by public edict, as was vainly attempted by the law of the "*maximum*."

Fourth.—The double standard is, really, only an *alternative* standard. No country can keep in circulation more than one of the two metals at a time, either gold or silver, and the metal most valuable at the time is the one which always disappears, the most depreciated, the one which remains. The reason is simple; speculators buy up the depreciated metal, cause it to be coined, exchange it for the metal which, as compared with the other, is at a premium, and gain the difference. Twenty years ago they sold silver, which they replaced with gold; to-day they would sell gold and replace it with silver, if they had the power to get it coined. The operation is a very simple one. A gold napoleon is worth in the home market no more than four five franc pieces; but abroad these four five franc pieces are worth two and one half francs, or one franc and a half less than the napoleon. To gain this difference, less the expenses of the operation, it is only necessary to exchange the five franc pieces for gold napoleons at home, to sell the napoleons in London, to buy silver bullion in that market with the proceeds, and to send it to the mints of Paris or Brussels to be coined into five franc pieces.

Wherever the dearer metal has been taken away, only the depreciated metal remains, and the monetary capital of the country will have lost the entire difference between the market values of the two metals.

From these premises they argue that the monetary capital of a country is exposed to a two-fold cause of depreciation, when it is composed of two metals, and only to a single cause when it is composed of one metal only—gold or silver. Thus the *placers* of California and Australia, by producing half a milliard (500,000) francs of gold every year, caused the value of that metal to decline. Since gold has become

almost exclusively the money of the countries of the double standard, their monetary capital has diminished just in proportion as gold itself has declined. At the present day the production of the *Far West* of America, threatens silver with a corresponding fall. If silver were to continue to be freely coined, it would, after a short time, constitute the entire monetary capital of countries using the double standard, and that capital would be diminished in value in the same proportion as silver has fallen. Thus it happens that when the gold mines become more productive, the double standard loses a part of its value, and in precisely the same way it loses it when the silver mines become more productive. The single standard, on the contrary, is subject to one influence only, namely, that which is caused by the production of the metal of which it is composed. The value of the monetary capital of England, which is composed of gold, fell after 1850, under the influence of the Californian and Australian supplies, but it is unaffected to-day by the increase of American silver. The monetary capital of Germany was not affected by the abundance of gold after 1850; but it would have been to-day, by the increased abundance of silver, if they had not demonetized that metal.

The foregoing is, I believe, a complete enumeration of the objections which have been raised against the double standard. I will examine them briefly.

In my judgment, it is with monetary systems as with mankind, and with human affairs: none of them are perfect. Each has its advantages and its disadvantages; but after all these have been carefully considered, I believe that the advantages of the double standard far outweigh its disadvantages, and that for this reason it ought to be preferred. And moreover, if all countries were to adopt the double standard, its disadvantages would almost wholly disappear, as has been asserted and demonstrated by M. Cernuschi, and by the Dutch Monetary Commission of 1873.

Among the objections urged against the double standard, there is one which is not very serious. It is that formulated by Locke, and which consists in saying that a standard cannot be composed of two metals, each of which is subject to variations. As MM. Wolowski and Cernuschi have observed, the use of the word "standard" is deceptive. According to the dictionary of the French Academy, "a standard is a model of measurement, kept by the magistrate, and to which the instruments of measurement used by merchants must be made to conform." The metre is the standard of lineal measurement; the kilogram the standard of weight. The franc, the florin, the thaler, serve very well as common measures of value, but they differ completely from such standards as the metre or the kilogram. The franc is an article of merchandise which is constantly changing its value;

the metre always maintains its exact dimensions. The franc is given in exchange for articles, the price of which it serves to establish; the metre, after it has served to measure a fabric, is not itself the subject of delivery. The metre maintains always the same length, while it is impossible to preserve a stable measure of values. The word *monetary standard* is, therefore, not accurate. It is for this reason that M. Wolowski refuses to employ it, and that M. Cernuschi proposes, with obvious propriety, to call the system of the double standard the system of *bi-metallic money*. It is the term which I shall make use of to designate the monetary system prevailing in France, and in the Union of which that country is the centre.

The best common measure of value must be that which varies the least. If I demonstrate that it is one composed of two metals, I shall have answered the objection of Locke.

But, says M. Michel Chevalier, the law is absurd when it attempts to establish a fixed relation between two kinds of merchandize, gold and silver, both of which vary in value, and of which the relation to each other ought to vary also.

It is indeed true that the relation of the two metals is a variable one, and the authors of the law of Germinal An. XI* were not ignorant of that fact. Nor does the bi-metallic system make any pretense of fixing the relation for all time. What it does is to accord the power of liquidation at the same time to both gold and silver, instead of restricting it to one metal only. The law simply says, that every obligation to pay a certain sum gives the debtor a right to discharge it, either in gold money or in silver money, based on the relation between them of 1 to 15½; that is to say, he can deliver at his option a kilogram of gold or 15½ kilograms of silver. The system may be a bad one, but it is not absurd. It is an alternative obligation, such as all legislation has recognized as being legitimate. We may add, that the fact of according to two metals the privilege of liquidation at a fixed ratio, has the effect, as we shall presently see, of maintaining that relation in fact, not to the degree to render it unchangeable, but considerably to reduce its fluctuations. The charge of absurdity, therefore, when applied to bi-metallic money, is by no means well founded; and economists who regard the substance of things and not the names, like M. Leroy-Beaulieu, do not resort to it.

Let us next consider a more serious objection; namely, whether bi-metallic money is subject to a greater depreciation than money of one metal, and to what degree that greater depreciation, if it is real, is an evil. We must consider the second point first, for therein lies the essence of the question.

* The law of Germinal, An. XI (March, 1803), is that which established the present monetary standard of France. Its interpretation has been the subject of ceaseless disputes between the partizans of the single and the double standard. (Tr.)

It is because certain economists consider the abundance of money and its consequent depreciation as a serious evil, that they demand so urgently the demonetization of silver, and that certain countries, like Germany and Holland,* have been persuaded to adopt that measure. I believe, on the contrary, that the abundance of money, and even a decline in its value, is a benefit rather than an evil, and at all events, that it is preferable to its opposites, namely a scarcity of money and enhancement of its value.

M. Michel Chevalier, who in the first part of his article in the *Revue des Deux Mondes* for April 1, 1876, seems so alarmed at the fall of silver (almost as much as he was at the fall of gold after 1850) admits, in another passage of the same article, that such a fall would be rather an advantage. "If," he says, "silver falls in value so that, other things remaining the same, it requires five grammes more to pay for the day's work of a laborer, the producer of wheat, every producer, in short, will be able to obtain more easily a given amount of that metal. Utensils of silver, or of silver plate, will be within the reach of a greater number of people. Such a decline would be advantageous to a great majority of people, and to all new comers into the world."

The advantage here indicated by M. Chevalier, does not seem to us likely to be realised. So far as the sale of products or of labor is concerned, there is no advantage to anybody in a change in the value of money. Leaving out of account the exceptional movements which belong to a period of transition, as the prices of all things rise together, the relative situation remains the same. The workman receives five grammes more of silver a day, but all that he buys with the price of his day's wages will cost five grammes more in the aggregate, so that in the end he gains nothing.

In itself considered, the abundance of money does not, therefore, offer the advantage which M. Michel Chevalier sees in it. It obliges us to use more money to effect the same quantity of exchanges. So far as buyers and sellers are concerned, neither gains anything, because the rise in prices is general. There is even a loss sustained by the holders of money; that is to say, by the nation at large, as M. Chevalier also perceives. I will endeavor to explain this point clearly, in order that I may not be accused of reviving the errors of the Mercantile System, when I attach importance to the abundance of money. Every country requires at a given time, in order to effect its exchanges easily, a certain quantity of money. As Mr. Jevons and Mr. Cliffe Leslie have shewn, that quantity depends on the number of inhabitants,

* Holland has not yet demonetized silver. An experimental and temporary measure looking towards demonetization was adopted in 1875, but its permanent policy seems not yet to have been determined upon. (See testimony of Mr. Bagehot, in House of Commons Report on Depreciation of Silver, 2. 1414 to 1421.)

(Tr.)

the volume of products and services which they exchange, the rapidity of the monetary circulation, and the perfection of the instruments of credit used to supplement money. It is desirable that a country should be fully provided with the necessary quantity of money, even at the risk of some excess. With a smaller quantity than this, the exchanges will, it is true, be accomplished in the end, but often at the expense of a crisis, and with reduced prices. Even if the abundance of money should reach the point of exceeding the demand for it, and should involve a decline in the value of the precious metals, it would have no effect on the relations of mankind, considered only as buyers and sellers; but it would have a very marked effect on their relative situations as creditors and debtors. This is a point of very great importance, and one which is seldom spoken of. I will endeavor to establish it as clearly as possible.

A fall in the value of money operates to the disadvantage of the creditor, and to the advantage of the debtor; a rise in the value of money has the opposite effect.

A fall in the value of money is shown by a rise of prices. In short, every monetary unit, every franc, being worth less, it requires more of them to obtain the same object. When the price of commodities and services increases, the debtor profits by that increase; for, to obtain the sum which he owes, he is obliged to deliver fewer commodities. The creditor, on the contrary, suffers, for with the money which he receives he cannot buy as many commodities as before.

Thus, I owe you twenty francs; if the hectolitre of wheat is worth twenty francs, I pay my debt with a hectolitre; and if a day's work earns me two francs, I pay it with the labor of ten days. But if all prices are doubled, owing to the abundance of money, and the hectolitre of wheat rises to forty francs, and the day's wages to four francs, then I can pay my debt with half a hectolitre, or with the labor of five days. Suppose, on the other hand, that prices fall one-half, the opposite effect will take place; to pay my debt I shall have to deliver two hectolitres of wheat, or the labor of twenty days. These things have only a slight influence on sales for ready money, and on contracts at short date. If I sell dear, I buy as dear in proportion, and the balance is restored. But it is quite otherwise in respect of contracts at long dates, such as the debts of States and cities, mortgage debts, and the obligations of industrial companies to their creditors; here the debtor profits by the rise of prices, and suffers by their fall, without any compensation. Let us suppose that the public debt of France requires an annual appropriation of 800 millions of francs. If a day's labor receives two francs, France will pay the amount by means of values equivalent to 400 millions of day's work. If the wages of a day rise to four francs, it will take but 200

millions of days, while it would require 800 millions of days if wages should fall to one franc. Take the case of a small proprietor, whose estate is subject to a mortgage of 1,000 francs, on which he has to pay fifty francs of annual interest. If a litre of wine is worth fifty centimes, (half a franc,) he can pay his interest by selling a hectolitre; if it falls to twenty-five centimes, he will have to give two hectolitres. A coal mine is burdened with debt, on which the interest and sinking fund require 100,000 francs annually; if a ton of coal is worth ten francs, it will take ten thousand tons to pay it; if it sells for twenty francs, it will require but five thousand.

All countries burdened with a heavy debt, which they mean to pay, like France, Italy, Austria, Russia, England, and the United States; all mortgage debtors, all railway companies with their milliards, (thousands of millions of francs,) of bonds, are interested in having bi-metallic money, because the simultaneous employment of the two metals secures an abundance of money, and acts in the long run, in the direction of a rise of prices; while the single standard system causes a scarcity of money, and acts in the direction of a fall of prices. It would be a great aggravation of the burden of debtors if they were required to pay exclusively in gold, inasmuch as that metal would, of necessity, be made scarcer and dearer by the exclusion of silver.

The slow, regular, anticipated, and strictly legal decline in the value of money has, therefore, the effect of proportionally reducing old debts. It is a sort of natural liquidation brought about by circumstances. We observe that in ancient times the great law-givers began every social reform by a reduction of debts. We do not, at the present day, admit that this can properly be done by authority of law; but if nature comes to our relief, with the wealth of mines which she places at our disposal, ought we not to rejoice at it? M. Dupont-White has said with equal wit and wisdom, that Christopher Columbus brought back with him from America, a receipt for old debts. The gold of California and Australia, which M. Michel Chevalier wished, twenty years ago, to banish, has had a similar effect. A debt of a million francs is far less burdensome to-day than it was prior to 1850.

M. P. Leroy-Beaulieu, admits that the exclusion of silver would favor the bondholder at the expense of the tax-payer, but he says, "what does it matter to the country since what some lose others gain, and all belong to the same nation?" To this, I answer, that certain countries, such as Austria, Italy, and Russia, have a large part of their public debt placed abroad, and it is for their advantage to be able to pay it with as small an amount of products as possible. Besides, when we are obliged to choose (not by violating contracts, but

by adhering closely to them) between bondholders and taxpayers, between creditors and debtors, I incline towards the latter, and for this reason, that in doubtful cases all legislation has uniformly declared in favor of debtors.*

In the second place, as John Stuart Mill has well observed, the public debt (*rente*) represents capital accumulated, and destined for permanent investment, whilst the money contributed by the tax payer, the debtor, by commerce, industry, and labor, is so much taken out of capital actively productive.† If, in consequence of the depreciation in the value of money, the burden of the landed proprietor, loaded down with mortgages, or of companies under bonded obligations, is lightened, so much the better for the work of production; if it is made heavier, so much the worse, for it is the producer who suffers. The adoption of gold as the exclusive money is, therefore, an anti-democratic and an anti-economic measure, since it favors the bondholder at the expense of labor, idle capital at the expense of active capital.

I think I have proved that the abundance of money is favorable to debtors, to laborers, to artisans, and to governments, because it reduces the burden of long dated debts.

In the second place—and this is a most important point—it favors production by causing a decline in the rate of interest.

This point is at the same time very important and very little understood. Most economists maintain that the rate of interest is regulated by the abundance of capital, commodities, products, and not by the abundance of money. Thus M. Michel Chevalier proposes to substitute for the term, *money market*, borrowed from the English, the more accurate expression, *capital market*. John Stuart Mill was the first to propose this expression in his *Principles of Political Economy*, (Book III, chapter 23, § 3.)

I, attempted sometime ago, to demonstrate‡ that the abundance of money has two successive effects; first it lowers the rate of interest, and it is only at a later period, when the channels of the circulation are surcharged, that it produces the secondary effect of raising prices.

That the abundance or scarcity of money acts on the rate of interest, is not a doubtful question with financial journals, or the writers of money articles. At the present moment, the rare of discount in London is two per cent., because the bank till is full. Two years ago the rate there was nine per

* There is another reason which should favor the debtor, rather than the creditor, when their interests conflict, and a decision must be made between them; it is, that the debtor class is in all countries the progressive class, the class which employs labor, moves the wheels of industry and advances civilization. (Tr.)

† It is perhaps necessary to note in this connection that the "*rente*" of which M. de Laveleye is speaking, differs somewhat from the public bonded debts of the United States, in that the principal of it is never payable, and it is rather in the nature of a permanent annuity than a debt payable at a fixed time. (Tr.)

‡ See previous works of M. de Laveleye, "Question de l'or," (1860,) and "La Marché Monétaire depuis cinquante ans," (1865.) (Tr.)

cent., because Germany had drawn too much gold from the Bank of England by means of bills remitted to her by France, in payment of the indemnity.

The money market is so sensitive to movements of the precious metals, that the arrival of a ship bringing a few million francs worth of gold from Australia, has often sufficed to lower the rate of discount one per cent. The fact is evident and undeniable, but there are certain economists who, nevertheless, obstinately deny it.* An investigation into the nature of credit brought Mr. Mill at least to recognize it, in the popular edition of his *Principles of Political Economy* (1868.) "Just as" (he says—page 392,) "the addition of every new quantity of gold or silver which reaches the loan market, has the effect of reducing the rate of interest, so every considerable withdrawal and export of those metals invariably raises it." The Monetary Commission of Holland, of 1873, the members of which were very competent to discuss this question, describes with accuracy the effect of the abundance of money. We find in their report the following passage: "It is well-known that the scarcity or abundance of the metal which is the basis of the monetary system, rendering the circulating medium scarce or abundant, has a great influence on the credit market. To produce a general alteration of prices, that scarcity or abundance must continue for a considerable time. Its first effects are felt in the credit market, and if it is of short duration, they are chiefly confined to that market. The scarcity of the money in circulation produces a tightening of credit, and causes the rate of discount to rise." In my book, "La Marche Monetaire," (The Money Market,) I have shown that all great commercial crises have been precipitated by a rapid disappearance of the circulation, bringing in its train contraction of credit, and mercantile disasters. A simple illustration will suffice to throw light on this contested point. A capitalist brings into a district of country, where the rate of interest is high, a considerable sum of money, which he wishes to lend. Loans being made in money, he offers to lend money, and coming into competition with the lenders of the locality, his offers cause the rate of interest to decline. As interest falls, more enterprises are undertaken, and operations which were before impossible, become productive, and are freely entered upon. For these new undertakings more labor is required, and the workmen being more sought after obtain higher wages. Passing thus through the hands of employers and workmen, the money at last enters into the general circulation, and having become more abundant raises prices. The district in question, will not become richer because it has more money, and because prices have risen, but it will be made richer by the fact that the additional money put in circulation, and lent at lower prices, has

* See "la Question Monetaire," by M. Frere-Orban.

given increased activity to production. It is precisely this effect which has been produced by the 500,000,000 francs of gold which California and Australia added to the circulation of the world, after 1850. Its first effect was to cause the immense increase in production and the exchanges, which took place about that time. It was not until a later period, and by insensible degrees, that it brought about that rise of prices which Mr. Jevons, and M. Soetbeer, have estimated at twenty to twenty-five per cent.

It is true, that M. Michel Chevalier, in common with all opponents of the abundance of money, maintains that the exchanges are effected as well with a little money, as with a great deal. This is one of those "*a priori*" assertions which certain economists affect, but which are falsified by facts. Theoretically, it is true that we can effect the same quantity of exchanges with much less money, because as prices are proportionally lowered, each monetary unit effects just as many more exchanges as it is become more valuable. Take from France three milliards of francs out of six, and prices would fall one-half, so that the circulation would remain effectively the same, because one franc would then buy as much of commodities as two francs had bought before. But observe the dark side of the picture. The equilibrium would only have been established after a series of crises which would have proved ruinous to commerce and industry. In short, when money is carried out of a country, it is taken from the stock of the banks. The banks raise the rate of discount to protect themselves from the drain; exchanges and production diminish, and prices fall. The fall of prices, which is absolutely necessary in order that the reduced circulating medium shall suffice, is not attained without a succession of contractions and disasters, nor without a prolonged rise in the rate of interest.

We are witnessing at this moment the effect produced by the two systems, that of abundance and that of scarcity of money. Germany has reduced the amount of her circulating medium, first, by limiting the circulation of bank notes; secondly, by replacing silver with gold, which she can only retain at home, by keeping the rate of discount at a high figure. France has doubled her bank note circulation, side by side with a very abundant metallic circulation, without, however, depreciating the paper.* In France, business is carried on on a large scale and without embarrassment. In Germany, the prevailing stringency is so great as to produce a state of prolonged and continued crisis.†

*The American reader must not forget, however, that the reason why the paper money of France has not depreciated during the suspension of specie payments, is because it represented an equivalent amount of precious metal all the time remaining in the country. At the present time the specie held by the Bank of France is about seventy-five per cent. of its circulation. See Victor Bonnet's article on the Circulation of the Bank of France, a translation of which by the present translator, entitled "The Example of France," was published by D. Appleton & Co., New York, 1874. (Tr.)

†M. le Baron de Reinach, has demonstrated in the *Journal des Debats*, (October 6,

Those who desire to demonetize silver and make money scarce, are evidently the enemies of industry, of commerce, and of labor.

If we had listened to M. Michel Chevalier, twenty years ago, gold would have been sent into banishment and would never have rendered to the commercial world the immense service which it has actually performed. The discovery of the *placers* would have been useless. We should have had only silver, a metal at that time scarce and insufficient for a constantly growing business. Before 1850, the annual production of gold was about 250 millions of francs; after 1850, it rose to 700 millions, showing an increased production of nearly 500 millions; yet at the present day because America is producing, at the most, 100 millions francs of silver, it is necessary, forsooth, to throw out of employment half of the metallic instrument of our exchanges.* Could any more imprudent measure be conceived, at a time when many circumstances are conspiring to increase the use of metallic money? In the first place, the commerce of civilized nations is increasing in an unexampled measure. During the last twenty years foreign commerce, of which alone statistics can be obtained, has increased in England 97 per cent.; in France, 164 per cent.; in Belgium, 277 per cent.; in Russia, 267 per cent.; in Austria, 215 per cent., and in Italy 591 per cent. The *Economiste Français*, from which I borrow these figures, on the authority of M. F. Neumann, estimates the foreign commerce of the whole world at seventy-two milliards of francs, (\$ 14,400,000,000) in 1872, and at only thirty milliards (\$ 6,000,000,000) in 1852, showing an increase of 140 per cent. Commerce in Europe has, therefore, trebled, and in the entire globe more than doubled, and there is nothing to indicate that this amount is abating. No doubt these enormous transactions are carried on chiefly by bills of exchange, but money, nevertheless, participates in them to a certain degree. International trade will, therefore, demand more money.

As capital becomes cosmopolitan, it seeks foreign invest-

1875.) with great vigor and perspicuity, how the abundance of the circulating medium has contributed to the economical progress of Italy. [See in the *Nation*, for March 23, 1876, a review of the report of Signor Minghetti, which was the subject of Baron de Reinach's article. (Tr.) Mr. William D. Kelly, a member of the American Congress, for Pennsylvania, has, with real eloquence, developed the same thesis as applied to the United States. See "An Address to the citizens of Philadelphia," (1876,) and "Speeches of 19th February, and 16th March, 1876."

*According to the statistical tables published by M. Malou, (Belgian Minister of Finance,) in 1873, the stock of gold and silver in the Western civilized countries, was composed in 1867, of twenty-five milliards, (\$ 5,000,000,000) of gold, and of eighteen milliards, (\$ 3,600,000,000) of silver. These figures, like all those which are given respecting the stock of the precious metals, seem to me very large. Sufficient account is not taken of what is withdrawn by industrial employment, by wear and tear, by loss and burial of coins.

[In this connection, the experience of the German Government, in demonetizing silver, is very note-worthy. The statistics of coinage and of exports and imports, indicated a very much larger stock of silver as existing in Germany than is now thought to exist. Mr. Pietsch, a German banker of London, testified before the House of Commons committee, that, "in Berlin they always say that much more than one-half has disappeared; they estimate it at from three-fifths to two-thirds." This is a most important revelation respecting the fate of metallic currencies and goes to show that all existing stocks of the precious metals not ostensibly in sight, are largely overestimated.] (Tr.)

ments more and more, and these investments often require money for the payment of local wages. As Mr. Cliffe Leslie has shown, by facts gathered from all parts of the world, and especially in countries which have remained isolated, until a recent period, but which are gradually participating in the general movements of commerce, transactions are being more and more effected by the use of money in lieu of barter: "*geld wirthschaft*" is replacing "*naturel wirthschaft*."*

In several countries the time is approaching when a metallic circulation will be resumed, as in France, Italy, the United States, and possibly Austria. They will, in that event, require many milliards of francs in specie.

It is at such a time as this, when such necessities exist, that there is so prevalent a desire in many quarters to demonetize silver, and to reduce the nations of the globe to dispute with each other, by spasmodically advancing the rate of interest, the possession of a single metal—gold—the production of which is every year diminishing!

Observe what confusion has been introduced into the business affairs of the whole world, by the unfortunate attempt of Germany to reduce herself to the exclusive use of gold money. The condition of Germany was exceptionally favorable to such an experiment, because she had at her disposal, the five milliards of francs paid her by France; nevertheless, the operation is far from being completed. In order to procure a milliard of gold, (\$200,000,000) she has disturbed and embarrassed the English money market for three years past. In order to sell 120 millions of marks,† she has caused the value of silver to decline ten per cent., reduced the countries of the Latin Union to the necessity of limiting the coinage of that metal, and rendered remittances from India to England, well nigh impossible. She has yet to sell, in the opinion of Messrs. Sonnemann and Nasse, about 115 millions of thalers, (\$80,500,000) that is to say, about four times as much as she has already sold.

In December, 1875, the German Empire had coined 1,250,445,520 marks of gold, (\$312,611,380.) But the government does not dare to put them in circulation, because the gold coins will flow back to England and France, from which the metal was forcibly withdrawn, through the instrumentality of the war indemnity, and in violation of commercial laws. Germany has generally an adverse foreign exchange, because her imports exceed her exports.‡ The difference, therefore, she owes in money. When the country had a worn currency, it was not exported any more than

* This fact was very forcibly presented in the case of India, by Mr. Lees, in his little volume entitled, "The Drain of Silver to the East, and the Currency of India," published in London, in 1864, and is further substantiated by the testimony of recent writers, of Indian experience, in the *Economist*. (Tr.)

† A mark is equal to about twenty-five cents of American money. (Tr.)

‡ The excess of imports into Germany, has been as follows :

depreciated paper money would have been ; but when it comes to have coins of full weight, they will readily pass into foreign circulation. Already, it is said, a third part of 400 millions of the new marks, have left Germany never to return.* She will not be able to keep the residue except by locking it up in the banks and the public treasury, and by keeping the rate of interest very high. Her domestic trade and industry ruined, the circulating medium rendered scarce, confusion bred in the money markets of the world, such are the sad consequences which have happened to Germany ! But in spite of this disastrous showing, other countries are invited to follow her example.

Of the 539,276,416 marks (\$134,819,104) of gold which had been coined in the different countries of the Germanic Confederation, and which were legally withdrawn from circulation, there were presented for exchange, only 98,652,021 marks (\$24,663,050.) The government is at a loss, say the official documents, to account for the balance of 440,624,395 marks (\$110,156,099.) The mystery is easily explained ; they have gone to be re-coined elsewhere. Only the abraded coins which were too light to yield a profit on exportation, have remained in the country.*

According to a communication which has been kindly made to me by the Governor of the Bank of France, Germany has, up to this time, paid her balances to France by sending back French gold. If the exchanges continue to be unfavorable to her, she must soon send German gold.

68,000,000 thalers	\$47,600,000	in 1870
185,000,000 "	148,000,000	" 1871
313,000,000 "	219,100,000	" 1872
500,000,000 "	350,000,000	" 1873
484,800,000 "	338,800,000	" 1874
Total	1,550,800,000	\$ 1,103,500,000

* See an interesting article on the Exchanges in Europe, in the *Economiste Français*, of the 29th of April, 1876. It is there shown that there is a profit of one per cent. in sending gold instead of merchandise, from Berlin to Paris, to pay for French products imported into Germany. At Brussels, we have already converted into gold leopolds, about 37,152,000 francs worth (\$5,430,400) of German marks, fresh from the mint. It is the cask of the Danaïdes. The gold bought at London goes immediately to foreign countries.

The *Economiste*, although an enthusiastic partizan of gold the standard, describes the operation to which Germany is committed, in these terms : "The German government cannot regard favorably this exportation of its coin. It is only by great sacrifices that it has procured the gold which was necessary for the accomplishment of its monetary reform, for the bills on London which it was obliged to give to cover purchases of gold in the London market, are very dear at Berlin, and the gold remitted thither from London, was made still dearer by the added cost of transportation. Hardly had this gold been coined into marks, than it took the road to Paris. This is not the first time that experience has demonstrated the difficulties which must be encountered in the introduction of gold as the only standard." Nevertheless, in other connections, the *Economist* will applaud Germany for thus burdening her commerce in order to accomplish that desperate labor of Penelope—the fabricating at great cost a gold coinage which it is power less to retain.

† This is the experience of all countries using metallic money ; the light coins remain in the country, the heavy coins are exported or go into the melting pot. Mr. Jevons brought out this fact with great distinctness in a paper which he read before the London Statistical Society in 1868, and which was based on a "census" which he had taken of a large number of sovereigns and half sovereigns gathered in various parts of Great Britain. (Tr.)

[To be concluded in March Number.]

THE NATIONAL SINKING FUND.

BY GEO. M. WESTON.

As the accounts are kept at the Treasury, the sinking fund for the year, ending June 30, 1876, was \$32,293,692. There were paid out of it during that year, the following sums :

In purchasing bonds.....	\$ 18,444,050
“ redeeming fractional currency.....	7,062,142
“ “ greenbacks.....	5,999,296
	\$ 31,505,488

The application of the fund to the redemption of fractional currency, was authorized by a law passed during the last session of Congress. That law provided that the sinking fund should draw interest upon the sum so invested, at the rate of five per centum.

The use of the fund in redeeming greenbacks has been complained of, and may not be in compliance with the strict letter of the laws. But what has been done, seems to be substantially conformable to them, and avoids circuity of proceedings. The Secretary of the Treasury is authorized to sell bonds to meet the monthly redemption of greenbacks under the resumption law of 1875. He is authorized to apply the sinking fund to the purchase of bonds. He may sell bonds to-day to redeem greenbacks, and buy the bonds back to-morrow, with the money belonging to the sinking fund. He may reach the same result, by applying the sinking fund directly to the redemption of the greenbacks, and that is what he has done, by a somewhat liberal construction of his powers. There is no substantial departure from the course pointed out by law.

The sinking fund for the current fiscal year, is stated at \$33,705,806, in the last annual report of the Secretary of the Treasury. It is the same as it was last year, with the addition of interest on last year's accumulation of the fund, and there is some latitude for various constructions in respect to it. Should interest be computed on the \$32,293,692, which ought to have been invested last year for the sinking fund, or only on the \$31,505,488, which actually was so invested? And what rate of interest, if any, should be reckoned on the \$5,999,296 invested in redeeming greenbacks, there being no law to govern it? These questions, however, are more nice than important, and the Secretary's computation may be taken as correct.

Of the sinking fund for the present fiscal year, a sum not

exceeding eighteen millions of dollars will be required for the redemption of the fractional paper currency. At the end of the last fiscal year, the total outstanding was thirty-three millions, of which fifteen are computed to be lost.

How much the redemption of greenbacks may absorb is uncertain, but unless there is an increase of the disposition to organize new banks and enlarge the circulation of old ones, it will not absorb the remainder of the sinking fund and something will be left for the purchase of bonds.

The surplus of the national revenue above expenditure has been as follows during the past three years :

Year ending June 30.

1874	\$ 5,762,447
1875	14,399,514
1876	29,022,241

These figures show that the sinking fund during the past three years has been supplied only partially from surplus revenues, and has been kept good by drafts upon the cash balance in the Treasury, which has been continually diminishing. The suddenness and violence of the panic of 1873, may excuse the falling off of the surplus for the year ending June 30, 1874, but time enough had elapsed to restore the financial balance in the two following years, either by increasing taxes, or reducing expenditures. Either mode was naturally disagreeable to the men in Congress in the direction of financial affairs, and as expectations are too apt to coincide with wishes, their view of the situation was obstinately rose-colored. They underrated the intensity and duration of the revulsion in business, and overrated the elasticity of the revenues. It is, in fact, now seen and admitted on all hands, that the deficiency of revenue to meet the requirements of the sinking fund will be greater this year than it was last. The Secretary of the Treasury estimated it in his report, submitted to Congress Dec. 5, 1876, at "*not less than \$7,042,110.*" This implies an apprehension that it might be more, and he would now, probably, since the deficit of three and a half millions shown in December, express that apprehension more strongly. To meet the demands of the sinking fund, we must have for the year a surplus of nearly thirty-four millions, and in the first six months the surplus only a little exceeds six millions. The Indian wars which are raging may swallow up an immense sum, and the revival of business may be yet longer postponed.

If the proper surplus has not been restored, further steps in that direction must be taken. Congress must listen no longer to the fair-weather prophets in a matter so vital. If they err, they must take care to err hereafter on the safe side. With hundreds of millions of the public debt payable at will on three months' notice, and carrying an interest of six per cent., which it is both improvident and discreditable

for this country to pay, no harm will result from a surplus in excess of the sinking fund. The income tax, at least, ought to be immediately re-imposed. The sinking fund has been supplied for three years, by drawing down the treasury balance; but that operation must come to an end at last. To maintain the sinking fund permanently, there must be an average surplus equal to it. No sacrifice can be too great where National credit is at stake.

This fund is becoming a large factor in the liberation of the country from the indebtedness which oppresses it. It is now about thirty-four millions, and increasing at the rate of about two millions annually, and will soon increase at the rate of three millions annually. Its maintenance, at an annually increasing amount, does not involve any increasing burden, because the contribution to it grows only as the interest on the National Debt diminishes. Indeed, the annual burden diminishes instead of increases, because the rate of interest on the debt falls off at the same time with the aggregate amount of the debt, and there are thus two savings, one in the magnitude of the sum on which interest is paid, and the other in the per centage of interest paid.

At its highest points, the annual interest on our debt was as follows :

1867.....	\$ 143,781,591
1868.....	140,424,045

It is now ninety-five millions, and after the four and a half per cent. loan for 300 millions is taken, will be reduced to about ninety millions. The further refundings which can soon be made, if the national credit is maintained by good faith in respect to the sinking fund, will reduce it below eighty millions. Our interest account falls off faster than the required contribution to the sinking fund increases, and the national burdens are thus constantly becoming less.

The annual cost of a National Debt does not increase or decrease in an arithmetical proportion to its magnitude, but, within certain limits, more nearly in a geometrical proportion to it. Thus, in our case, a debt of one thousand millions of dollars, would involve an annual cost of probably one-fourth the cost of a debt of two thousand millions. We know that when our bonded debt was twenty-one hundred millions, the rate of interest upon nearly the whole of it was six per cent. At one thousand millions, there is good reason to suppose that it would not exceed three per cent. Two things govern the result. The first and most obvious fact is, with nations as with individuals, that credit is better the less is owed. The second fact, not quite so obvious, but equally true, is, that there is a certain amount of the securities of either, if esteemed to be good, which will be in request at low rates of interest, when a larger amount, even when not large enough to create

any appreciable distrust, would not be in demand except at considerably higher rates. There is a certain amount, it is difficult to say, without an actual experiment, exactly what amount, of securities of the United States, which the market would absorb at the rate of one per cent. per annum. Within some limit, they would be, from their instant and certain convertibility, the same thing as cash in hand, and as certain institutions, as insurance companies, and savings banks, and individuals in money affairs, must always have some amount of cash in hand, they will have it in what yields even so little as one per cent. per annum, if that, taking all circumstances into the account, is the best they can do.

There is another larger amount, at which the securities of the United States, with the interest fixed at three per cent., would float at par. As we know that the English national securities with that rate of interest, are nearly at par, although their amount is thirty-five hundred millions, it certainly does not seem extravagant to suppose that one thousand millions of United States securities at the same rate of interest, would be kept at par by the demands of our markets of a similar character. The general rate of interest in Great Britain, is lower than with us, but it is not so low as the rate yielded by consols. They are kept up by special circumstances. Funds held by courts and public trusts, are invested in them. Those of private trusts are largely so invested, because that mode of investment is sure of judicial approval, while other modes, if turning out unprofitable, might involve censure as well as loss. As the substantial equivalent of ready cash, because promptly converted into it, they are a considerable part of the reserves of banks, and of all institutions and persons requiring reserves. The demand for such a security is less in America, but is still great, and always growing greater.

The humors of men, are an element in calculations of this kind. Lenders of money are of all temperaments and habits of thought. There is always a portion of them who will prefer a sound security of the government of their own country to anything else, without much regard to the rate of interest. If the market is full of what they want, they can supply themselves, at profitable rates. But if it is otherwise, they will supply themselves at the best rates they can get.

The exact happy mean for our National Debt, to accommodate the interests and desires of investors, is to have it not so large as to be unsafe, and not so small as to enable it to be carried at a low rate of interest. What is desirable from the national point of view, is quite another matter. What the taxpayers will prefer, is first to reduce the magnitude of the debt, so that the rate of interest can be made light, and next, to pay off the debt altogether. The event will show

who are the most influential in shaping legislation, those who pay taxes, or those who receive and enjoy the proceeds of them.

When General Grant was inaugurated as President, in 1869, the revenue system in force furnished a surplus of one hundred millions per annum for the reduction of the principal of the National Debt, although the interest upon it swallowed up then a good deal more than it does now. In his annual message of December, 1869, he advised against any lessening of taxes, until the debt could be refunded on more favorable terms, but, unfortunately, soon changed his mind. Within less than six months, he authorized his commissioner of the Internal Revenue, General Pleasanton, to say to the financial committee of Congress, that he (the President) desired the income tax to be abrogated, and through other channels he caused it to be known that he was of the opinion that the surplus should be reduced to fifty millions, although the debt was not refunded. It has resulted as might have been expected, that until near the end of his administration, very little has been done in the way of refunding, and we have already paid more than one hundred millions in enhanced rates of interest, which might have been saved, if the haste to remit taxes had been less hot and unreflecting.

While this remission was going on, the politicians in Congress, in order to quiet the alarms of the country, were giving assurances that it was still intended to pay off the public debt. The Senate voted, only one Senator opposing, that there should be a steady application of one hundred and fifty millions in coin to the interest and principal. When that vote was carried, thirty of the one hundred and fifty millions would have been left for the principal. To-day, fifty-five millions would be left, and as the interest diminishes, more and more would be left for the principal. The sinking fund, as it is stated at the Treasury Department, yields less for debt reduction, than this pledge of the Senate would yield, if carried into practical effect. But probably, we must be content with the sinking fund as we find it.

It may be politically practicable, however, to supplement it by the proceeds of certain taxes, and such a proceeding seems eminently desirable. Taxes on tea and coffee yield revenue abundantly. They disturb no industry, are easily collected, and experience shows that within certain limits, they do not enhance prices to consumers. But so far it has not been possible to induce Congress to re-impose them. The well conceived phrase, "*a free breakfast table*," terrifies the demagogues, and it is quite evident that the friends of protection are influenced by the consideration, that a revenue from tea and coffee would afford an opportunity for taking off certain duties of a protective character. The demagogues

and protectionists combined cannot be outvoted, but the latter might be detached from the combination, by imposing tea and coffee taxes, to be specifically appropriated to buying in the public debt, not as a substitute for the present sinking fund, but as an addition to it. A special appropriation of taxes is familiar in the practice of governments, and such an appropriation to the public debt, is within the exact letter of the constitution of this country. The protectionists would have nothing to fear from a tea and coffee revenue, if it was diverted from the general uses of the Treasury, and the demagogues might apprehend that to raise such a revenue for such a purpose would be popular. But at any rate, the demagogues could be voted down, if deprived of their protectionist allies.

These and other taxes, specially set apart to pay the debt, would receive other support, which would not be given to the same taxes without such a special setting apart. The reductions of taxes within recent years have been supported by many persons, who would have been willing to maintain them at the fullest standard, if they could have had reliable assurances that their proceeds would have been applied to the public debt. But their view was, that large revenues served to engender extravagance, and that only a trifling proportion of them would reach the debt. There have been too many facts to justify that view. Taxes, specially appropriated to the debt, steer clear of that difficulty.

INCORPORATED BANKS NOT ENTITLED TO PURCHASE NOTES.

SUPREME COURT OF MINNESOTA.—OCTOBER TERM, 1876.

Farmers and Mechanics' Bank v. Baldwin, impleaded, etc.

A bank was authorized by statute "to carry on the business of banking by discounting notes, bills and other evidences of debt." *Held*, that this only conferred authority to loan money on such evidence of debt, with the right to take lawful interest in advance, and that the bank had no power to *purchase* such paper.

Action upon a promissory note. Sufficient facts appear in the opinion.

CORNELL, J. It is conceded that plaintiff's only title to the note in question rests upon its absolute purchase, as a chose in action, from one Patterson, the then owner, for a specific sum agreed upon, and paid at the time of the purchase.

Patterson did not indorse the note, nor expressly assume any obligation in connection with the transfer; inasmuch as the ownership of the note by plaintiff is first in issue by the pleadings, the question necessarily arises, whether the plaintiff had the corporate power to make the purchase in the manner it did, and whether by such alleged purchase it acquired any title, which it could enforce against either the maker or Baldwin, the indorser.

The doctrine that a corporation can only exercise such powers as are expressly granted, or as are incidental to its existence or necessary to enable it to execute some one or more of its express powers, is too firmly established

both upon principle and authority, to admit of any doubt or discussion. This rule by which courts must be governed in all inquiries into the existence of any corporate power is aptly and justly declared to be axiomatic in the opinion of the Court in *First National Bank v. Ocean National Bank*, 60 N. Y. 288; 4 Wheat, 636; 2 Kent, 299; *School District v. Thompson*, 5 Minn. 286.

So when an express power is granted, and the specific mode or manner of its exercise is prescribed, it can only be exercised in that particular way. 13 Pet. 587; 2 Kent, 290, 299. Plaintiff derives its corporate existence and powers from chapter 33 of the General Laws of 1866, as it existed prior to the amendment in 1876; and if it had the power in question at all it must be found, in some of the provisions of that chapter, which relates to banks and banking. Section 2 provides that "any person or association of persons may establish offices of discount, deposit and circulation, and become incorporated upon the terms and conditions and subject to the liabilities prescribed in that chapter." Section 11 prescribes the manner in which such corporations shall be formed, and declares that upon such formation, as a body politic and corporate, by its assumed name, "it shall by such name have power to contract and be contracted with, sue and be sued, and shall have all other powers, privileges and immunities incident to corporations and applicable to the ends of such establishments, subject to the restrictions and conditions of said chapter." Section 13, which specifically defines the powers of such corporation, is as follows: "Such person or association has the power to carry on the business of banking by discounting bills, notes and other evidences of debt, by receiving deposits, by buying and selling gold and silver bullion, foreign coin, and foreign and inland bills of exchange, by loaning money on real and personal securities, and by exercising such incidental powers as may be necessary to carry on such business." Section 33 provides that such bank or banking association "may demand and receive for loans on real and personal security, or for notes, bills, or other evidences of debt discounted, such rate of interest as may be agreed upon by the parties, not exceeding twelve per cent. per annum, subject, however, to such General Laws regulating and fixing the rate of interest as may hereafter be passed by the Legislature, and it shall be lawful to receive the interest in advance according to the ordinary usage of banking institutions, and in general to do all things and have all the privileges incident to banking associations or corporations." Section 43 prescribes a penalty for any violation of the provisions of the chapter. These sections contain all the provisions of law having any bearing upon the question under consideration; in construing them regard must be had to the general nature and purpose of banking institutions, and it must be assumed that the language and terms employed in framing the statute were so used in this, their ordinary and appropriate sense, nothing appearing in the enactment itself to show a different meaning.

Bouvier defines a bank to be "an institution authorized to receive deposits of money, to lend money, and to issue promissory notes." These are its principal attributes. *First Nat. Bank v. Ocean Nat. Bank*, 60 N. Y. 288. Banks are of three kinds, known as banks of discount, deposit and circulation, though usually in every American system of banking, all these functions are united in the same institution, as in the case under the present law. § 10, chap. 33, General Laws. Their chief purpose and design are to furnish safe places of deposit for money, to facilitate its payment and exchanges between different persons and places, thereby serving as clearing-houses, where located, and to accommodate the business public with loans or discounts to such an extent, and on such terms as are compatible with their continued safety and solvency, and the legitimate wants and demands of trade and commerce. McCullough's Com. Dic., vol. 1, p. 63; Am. Cyc., vol. 2, title Banks. In view of these public purposes, in all legislation authorizing their creation, it has been usual to designate the character of the securities which they shall be permitted to take upon their loans or discounts, to limit the rate of interest, and to prescribe such other wholesome regulations as experience has suggested to be necessary to subvert the purposes of their creation, and to protect alike the banks and the public from the evils of general insolvency, sure to follow the general absorption and employment of the banking capital of a country, in

purely speculative enterprises for purposes of private gain alone. Under the act in question the business of banking is authorized to be carried on "by discounting bills, notes and other evidences of debt, and by loaning money on real and personal security" (§ 13), and the rate of interest allowed to be charged for such discounts and loans is limited to twelve per cent., taken in advance. § 33. The obvious intent of this legislation was to secure to the public business, loans and accommodations at what was then regarded reasonable, and not exorbitant rates of interest; and also to protect the shareholders of banks, and the banks themselves against the risk of loss from inadequate securities, such as would likely be taken under the tempting influence of high rates of interest, regulated only by the necessities of borrowers and the cupidity of bank directors. If, however, as is claimed on the part of appellant, associations organized under this enactment possess the unlimited power of dealing in promissory notes and other evidences of debt as property and chases in action, the same as individuals, then, obviously, this restriction upon the rate of interest is a practical nullity, as the bank has the power of evading it at any time, by simply buying the paper instead of loaning money upon it; no judicial construction leading to such a result is allowable, unless required by some clear and unmistakable provision of the statute.

It is not contended, and cannot be, that the power to purchase and traffic in promissory notes as a species of personal property belongs to any bank as a necessary incident to its existence, or to the exercise of any of its powers as a bank of circulation and deposit alone.

It is not conferred, in express terms, by any provision of the statute; it must exist, therefore, if at all, as an incident, necessary to enable it to transact its business as a bank of discount. A bank of discount alone is defined to be "one that furnishes loans upon drafts, promissory notes, bonds, or other securities." Am. Cyc., vol. 2, title Banks. "The discounting of notes," says Spencer, J., in *People v. Utica Ins. Co.*, 15 Johns. 391, "is one mode of lending money." In the *Firemen's Ins. Co. v. Ely*, 2 Cow. 699, Sutherland, J., adopts the same definition; and Gardner, J., in delivering the opinion of court, in *Talmage v. Pell*, 3 Seld. 343, declares that "to discount bonds in banking is only a mode of loaning money." In *Fleckner v. The Bank of the United States*, 8 Wheat. 338, Story, J., uses the following language: "Nothing can be clearer than that by the language of the commercial world, and the settled practice of the banks, a discount by a bank means '*ex vi termini*,' a deduction or drawback made upon its advances or loans of money on negotiable paper or other evidences of debt payable at a future day, which are transferred to the bank. We suppose the Legislature used the language in this, its appropriate sense." The correct proposition, as we understand it, is concisely stated in the syllabus to the case of *The Niagara County Bank v. Baker*, 15 Ohio St. 69, as follows: "To discount paper, as understood in the business of banking, is only a mode of loaning money, with the right to take the interest allowed by law in advance."

Discounting a note and buying it are not identical in meaning, the latter expression being used to denote the transaction "when the seller does not indorse the note and is not accountable for it." 1 Bouv. 481, citing Pothier De l'Usure, 128. And it is admitted that such was the character of the transaction in this case. In view of this understanding of the functions of a bank of discount, the legal signification attached to the word "discount," and the distinction between it and the word "purchase;" when applied to the business of banking, it is obvious that the power "to carry on the business of banking by discounting notes, bills and other evidences of debt," is only an authority to loan money thereon, with the right to deduct the legal rate of interest in advance; this right can be fully enjoyed without the possession of the unrestricted power of buying and dealing in such securities, as chases in action and personal property. Though, as is urged by appellant, the bank acquires a title to discounted paper, and hence may, in a certain sense, be said to have purchased it, yet it is a purchase by discount, which is permitted, and does not involve the exercise of a power of purchase in any other way than by discount.

It follows from these premises that the powers claimed cannot be regarded as necessarily incidental to that branch of the banking business, which pertains to a bank of discount alone; except as a bank of circulation, the specific powers conferred upon institutions organized under the provisions of this chapter, are all enumerated and defined by section 13; among them is an express grant to deal in certain articles of personal property, to wit: "Buying and selling gold and silver bullion, foreign coin, and foreign and inland bills of exchange." Promissory notes, however, are not included. Clearly, as is suggested by Justice Gardner in *Talmage v. Pell*, the maxim "*Expressio unius*," etc., is applicable here. If an express grant of power was deemed necessary to enable a bank created under this statute to deal in "gold and silver bullion, coin and bills of exchange," and to invest its funds therein, it is difficult to see why it was not also given as to promissory notes, if it was intended that the bank might ever exercise such power in respect to them.

In the itemized statement of assets and liabilities, which each bank is required to make quarterly by section 34 of the statute, it made the duty of the bank to report, among other things, the aggregate amount of its loans and discounts, and also, separately, its "promissory notes." No inference can be drawn from this, that the notes herein referred to are any other than those lawfully acquired by the bank through the exercise of its conceded powers, in making loans on personal securities and in discounting commercial paper; in both these ways promissory notes may be lawfully obtained and held, and if knowledge of the amount of such kind of paper was deemed important for any purpose, the provision in question was not only pertinent, but absolutely necessary; for it is apparent that a mere statement of the total amount of its loans and discounts would not disclose the desired information. The obvious purpose of the section was not to define the powers of these institutions, or the manner in which they might be exercised, but to procure a true and correct statement of their condition, at stated periods, for the use and benefit of the public, and hence no power can be implied from any of its provisions unless the implication is rendered necessary and unavoidable, both from the language and the context. All the provisions of this chapter of our laws, having any bearing upon the question under consideration, are essentially the same as those contained in the New York Statutes upon the same subject, from which ours seem to have been copied. Section 13 of our statute, in particular, which relates to the powers of these associations, is identical in substance and nearly in language, with a similar section in the New York Statutes. In the case of *Talmage v. Pell*, *supra*, the question arose whether a bank organized under that statute had any legal capacity to purchase the negotiable bonds of the State of Ohio, for the purposes of gain or profit; after full and exhaustive argument the Court of Appeals decided, in an opinion covering the whole ground, that it had no such powers.

In the case of *The Niagara County Bank v. Baker et al.*, decided by the Supreme Court of the State of Ohio, 15 Ohio St. 69, the same statute came under review upon a state of facts presenting the precise point involved in this case, and it was held that a power to carry on the business of banking by discounting promissory notes was not a power to purchase such notes, but to loan money thereon. Recognizing the principle of these decisions as correct, it must be regarded as decisive of the present case.

Having no corporate capacity to make the contract of purchase, the plaintiff never acquired any title to the note in suit, and the attempted act of purchase was strictly "*ultra vires*," and conferred no rites whatever. *Wiley v. First Nat. Bank of Brattleboro*, 47 Vt. 546; *Matthews v. Skinner et al.*, Am. Law Reg., Aug. No., 1876, p. 488; *Kansas Valley Nat. Bank of Topeka v. Rowell*, 2 Dill 371; *Hoffman v. Hancock Mut. Life Ins. Co.*, 2 Otto, 161.

Upon this ground the order denying a new trial is affirmed.

Gillilan, C. J., dissented.

REVIEW OF THE STOCK AND GOLD MARKETS IN 1876.

During the past year investment securities have been more, and speculative stocks less, active than in 1875. The year has witnessed the closing out of the five per cent funding loan, and such an advance in the price of government securities, as to enable the Secretary of the Treasury to continue the funding operations by commencing the sale of the four and a half per cent. bonds, while small lots of five per cents. have sold at a handsome premium.

Gold fluctuated more in the past year than in 1875, the extreme variation in 1876 being from 106 $\frac{1}{8}$ to 115, or over eight cents paper on each gold dollar, against 111 $\frac{3}{4}$ to 117 $\frac{3}{8}$, or five and seven-eighths, in 1875. The price touched in December was the lowest price since November 6, 1873. This is not due in any considerable degree, as some suppose, to the prospect of resumption. The large importation of gold, supposed to be in settlement of trade balances, appears to be the immediate cause of the decline in the premium. The enormous hoards of the precious metals, chiefly gold, lying idle at the various European money centres, (amounting on or near September 20, 1876, to £177,552,529, or \$863,800,000,) also tend to keep the rates of interest lower abroad, and thus to make our gold market easier.

Among the important events affecting the stock market are the break up of the coal combination and the railroad war. The former is likely to prove an immense benefit to the industries of the country, but it has been very disastrous to the coal producing and carrying companies, whose stocks have declined enormously. The railroad war has tended to depress the stocks of the trunk lines, some of which have suffered severely.

The liquidations and foreclosures which have been going on for several years past have continued, and several stocks have been wiped out during the year. These are among the necessary incidents in the transition from an inflated scale of values to a sound basis.

We present below a summary by months of the principal movements during the year:

January.—The year opened hopefully. Money being easy, investment securities and speculative stocks were strong, nearly all showing a material advance during the month. The chief influences affecting the market favorably, were those usually producing the January rise, the anticipation of increased railroad earnings, and the prospect of the repeal or modification of the granger laws. Pacific Mail was depressed by the prospect of a rival steamship line being started, under the auspices of the Panama Railroad Company. The high prices of United States bonds, stimulated an unusually large importation of them, estimated to exceed in the first three weeks of the month, the amount brought back in any equally short period in our financial history. These large importations of bonds did not lead to any immediate shipments of coin, and gold remained steady at 112 $\frac{3}{8}$ to 113 $\frac{1}{4}$. The sales of some of the most active stocks were as follows: Lake Shore, 1,069,600 shares; Pacific Mail, 548,600; Western Union, 477,900; St. Paul, 264,400; Ohio and Mississippi, 315,800; Northwest, 200,900; Erie, 144,700.

February.—There was a large demand for United States bonds and other investment securities, at advancing prices. The Syndicate, having on the 15th, settled for the last of the five per cents, the 5-20's were weakened somewhat by the prospect of being called in the progress of the funding operation, especially after the passage by the Senate of the bill to increase the four and a half per cents to \$500,000,000, and extend their time to thirty years. Gold varied between 112 $\frac{3}{4}$ and 114 $\frac{1}{8}$, advancing toward the close of the month, under the influence of coin shipments. The speculative stocks showed increased

activity, and prices were generally well maintained. Western Union was depressed by the outbreak of a war with rival lines, and Pacific Mail, by the establishment of an opposition line of steamers. The granger stocks were benefited by the passage, by the Wisconsin legislature, of the "Vance Bill," modifying the Potter law favorably to the railroads. The sales of some of the most active stocks, were as follows: Western Union, 955,300 shares; Lake Shore, 853,800; Pacific Mail, 379,750; St. Paul, 264,000; Ohio and Mississippi, 240,800; Northwest, 235,400; Erie, 181,100.

March.—There was less demand for United States bonds, and other investment securities, some of which drooped slightly. Gold was strong in the early part of the month, coin shipments continuing. It oscillated between 113 $\frac{3}{4}$ and 115, touching the latter figure—the highest for the year—on the 3d and also on the 14th, following the failure of the bank of the State of New York. In the speculative stocks, there was a reaction from the buoyancy of the previous months. Pacific Mail and Western Union, continued to recede, the weakness of the latter being increased from the passing of the usual quarterly dividend. Erie advanced on the report of the successful negotiation for laying a third rail, from Waverly west to Buffalo. The sales of some of the leading stocks, were as follows: Lake Shore, 1,277,300 shares; Western Union, 957,400; Erie, 873,100; Pacific Mail, 739,000; St. Paul, 210,400.

April.—The market for investment securities was dull until toward the close of the month when the demand for United States bonds largely increased, strengthening prices. The sale of \$5,883,000 five per cents payable—principal and interest, in coin, on the 24th, called out bids to the amount of \$68,330,000, or over eleven times the amount offered, which was taken at 103.78 $\frac{1}{8}$ in gold. The coin shipments not being large, the tendency of gold was downward, prices oscillating from 112 $\frac{1}{2}$ to 113 $\frac{3}{8}$, and closing at 112 $\frac{3}{4}$. The railroad fight just begun, caused a heavy fall in Lake Shore, Michigan Central, and Erie, while Western Union suffered from the telegraph war and the bear raid upon it. The diminished demand for coal, in consequence of the mild winter, also began to tell on the coal stocks. The sales of some of the most active stocks, were as follows: Lake Shore, 1,059,795, shares; Western Union, 760,195; Pacific Mail, 527,604; Erie, 421,155; Michigan Central, 166,729; St. Paul, 137,000.

May.—There was a fair demand for United States bonds and other investment securities, and prices remained firm. Gold remained steady at 112 $\frac{1}{4}$ to 113 $\frac{1}{4}$, with moderate shipments of coin. The speculative stocks were depressed by the dangerous illness of Commodore Vanderbilt, and the continuance of the railroad and telegraph wars. Western Union touched the lowest price since the panic of 1873, but advanced toward the close of the month, owing to the expectation of a dividend in July. The anthracite coal stocks fell heavily, from a belief that the coal combination could not much longer withstand the powerful influences tending to break it up. There was a lively contest for the control of Pacific Mail, resulting in the triumph of the Panama Railroad, and both stocks closed at higher prices, the former at 27 $\frac{3}{4}$, the latter at 140. The sales of some of the leading stocks were as follows: Lake Shore, 1,211,885 shares; Western Union, 806,522; Pacific Mail, 359,070; Erie, 221,770; Michigan Central, 257,933; St. Paul, preferred, 106,560.

June.—There was an active demand for United States and railroad bonds, with advancing prices. Gold was depressed to 111 $\frac{1}{8}$ by the coin disbursements of the government towards the close of the month, after being up to 113. Western Union was strengthened by the declaration of a one and a half per cent. dividend, and St. Paul and Northwestern, by reports of increased earnings. New Jersey Central fell heavily, on account of passing its July dividend. The speculative transactions showed a marked diminution. The sales of some of the most active stocks, were as follows: Lake Shore, 838,343 shares; Western Union, 513,654; Pacific Mail, 241,810; St. Paul, preferred, 160,054; St. Paul, 117,383; Michigan Central, 101,485.

July.—The rates of interest were exceedingly low, and this, with the disbursement of the July interest and dividends, stimulated the demand for the bonds of the United States, and of dividend paying roads. The prices, deduct-

ing the interest just paid on most of the issues, were well maintained, though the debates on the silver question tended to check the demand. Gold opened at 112½, the highest price of the month, but notwithstanding considerable coin exports, fell to 111½, and closed at 111½. The transactions in speculative stocks were less in volume than in any other month in the year. The railroad war was continued more sharply than ever, and began to tell heavily on the stocks of some of the trunk lines. The coal stocks continued to decline heavily, the impending break up of the combination being more plainly foreshadowed. The sales of some of the leading stocks, were as follows: Lake Shore, 607,541 shares; Western Union, 243,624; Ohio and Mississippi, 121,276; Michigan Central, 172,520; St. Paul, preferred, 147,610; Del., Lack. & West., (par \$50) 138,904.

August.—The Secretary of the Treasury sold \$2,160,000 five per cent. gold bonds for 105.05, the bids amounting to \$21,440,000, and completed negotiations with the Syndicate for the sale of \$40,000,000 of the four and a half per cents. firm, with the option of taking the remaining \$260,000,000 until March 4, 1877. The 5-20's of 1865, were depressed by the prospect of being called for payment, and some of the other issues of United States bonds declined in sympathy with gold, which, after opening at 111½ and going as high as 112½, fell to 109¾, and closed at 110. In the speculative stocks, attention was chiefly directed to the coal stocks, which had, until recently, been among the stable investment securities. The break up of the coal combination, on the 22d, was followed by excitement almost amounting to panic, in those stocks which fell heavily. Erie also declined to 8¾—then the lowest price on record—on reports of a new arrangement for re-organizing the company. The trunk lines continued to suffer from the railroad war. The sales of Delaware, Lackawana and Western, amounted to 679,472 shares; Lake Shore, 452,009; Western Union, 322,113; Michigan Central, 283,967; New Jersey Central, 239,674; St. Paul, preferred, 218,873.

September.—Government bonds were lower, the earlier issues of 5-20's especially, on account of the Syndicate operations. Railroad bonds were also depressed. Gold opened at 110½, and after fluctuating between 109¾ and 110¾, closed at 110. The movement of gold from London to this country commenced about the 20th, when the coin and bullion of the Bank of England, was reported at the unprecedented sum of £35,017,529 or \$170,412,000. Speculation showed increased activity. New Jersey Central was depressed to 20½, the lowest price of the year, by unfavorable rumors. Delaware, Lackawana and Western, by passing the usual quarterly dividend, and New York Central, by the critical condition of Commodore Vanderbilt. Other stocks sympathized in the decline. Western Union was stronger on the declaration of a one and a half per cent. quarterly dividend. In the number of shares sold, Delaware, Lackawana and Western took the lead, scoring 1,036,140; Lake Shore, 829,955; New Jersey Central, 524,246; Michigan Central, 285,509; Western Union, 260,750; St. Paul, preferred, 144,502.

October.—The Syndicate took \$10,000,000 more of the four and a half per cent. bonds, but the general market for United States bonds was dull. They were weakened by the lower prices of gold, and by the war news from Europe. The general tendency of gold was downward. It opened at 110½, declined to 108½, under the influence of imports from abroad, advanced on the 18th, to 113¼, on receipt of warlike news from Europe, but fell back almost immediately, and closed at 109½. Stocks showed more activity than in any month except March, and at first advanced, on reports of the prospective termination of the railroad war, but subsequently declined on the failure of the negotiations for this purpose. The market was also influenced by the warlike aspect of European affairs. In the amount of sales, Lake Shore once more resumed the lead with 1,340,803 shares; Delaware, Lackawana and Western, scored 946,692; Western Union, 485,504; New Jersey Central, 326,386; Michigan Central, 262,334; St. Paul, preferred, 222,859; Pacific Mail, 168,555; and St. Paul, 116,174.

November.—Every kind of business suffered from the excitement incident to the Presidential election, and the succeeding uncertainty as to the result. The

funding operations were interrupted, and little business was done in United States bonds, though their prices were not depressed to any great extent. In gold, the downward movement continued, under the influence of fresh arrivals, although political causes tended to produce a rise. It opened at 109 $\frac{7}{8}$, fluctuated between 108 $\frac{1}{8}$ and 110 $\frac{1}{8}$, and closed at 108 $\frac{3}{8}$. The business in stocks was moderate. The market was depressed by the appointment of a receiver for the Ohio and Mississippi, announced on the 18th. Wabash stocks and bonds were stronger on an amicable adjustment between the bond and stock holders, for the reorganization of the company, before the foreclosure became final. The stocks of the trunk lines were, at times, stronger, on rumors of an advance in rates, and the coal stocks weaker on account of lower prices realized at auction sales of coal. The sales of Lake Shore were 1,059,727 shares; Western Union, 312,117; Delaware, Lackawana and Western, 301,741; Michigan Central, 277,605; St. Paul, preferred, 174,868; Ohio and Mississippi, 121,605.

December.—In the early part of the month, United States bonds were depressed by the decline in gold, but were stronger towards the close of the month, on an increased demand from banks and investors. The foreign demand continued small. Under the influence of fresh arrivals from abroad, gold, after opening at 108 $\frac{1}{2}$, and advancing to 109, declined to 107 on the 9th, and 106 $\frac{1}{2}$ on the 30th, the lowest price from November 6, 1873, to that time. The railroad war was brought to a close on the 16th, by the triumph of Commodore Vanderbilt, in securing uniform rates on all through freights for export. The stocks of the trunk lines advanced sharply, but the advance was not maintained. The holidays interfered with speculation during the last part of the month. Lake Shore was depressed by declaring a dividend of only one and a quarter per cent., when one of two per cent. was expected, and fell still further on the report of the Ashtabula disaster. The sales of Lake Shore footed up 1,006,777 shares; Michigan Central, 257,637; Delaware, Lackawana and Western, 205,405; Western Union, 174,174; St. Paul, preferred, 121,185; Erie, 97,515.

The total sales of stocks for the 304 business days in the year, amounted to 39,926,036, an average per day of 131,335 shares against 53,813,979 shares, an average of 176,439 for each business day in 1875, the sales being principally in the first half of each year. In particular leading stocks, the dealings were as follows:

	Lake Shore.	West. Union.	Pacific Mail.	U. Pacific.	Erie.	D., L. & W.	Mich. Cent.
1875	. 11,041,709	. 10,338,824	. 9,754,888	. 4,706,018	. 4,990,322	. 157,199	. 218,900
1876	. 11,677,131	. 6,209,674	. 3,342,564	. 166,641	. 2,368,989	. 3,505,922	. 2,277,978

We subjoin the opening, highest, lowest, and closing quotations of gold, United States bonds, and some of the principal stocks:

	Opening.	Highest.	Lowest.	Closing.
Gold	113	115 March 3 & 14	106 $\frac{1}{8}$ Dec. 30	107 $\frac{3}{8}$
U. S. 4 $\frac{1}{2}$ % '91 Reg.	—	111 $\frac{1}{2}$ Oct. 28	108 Dec. 7	108 $\frac{1}{8}$
U. S. 5's '81 fund. coup.	116 $\frac{7}{8}$	119 Feb. 21	110 $\frac{3}{8}$ Dec. 9	112 $\frac{1}{8}$
“ 6's '81 coup.	120 $\frac{7}{8}$	124 $\frac{1}{8}$ June 16	118 $\frac{1}{2}$ Dec. 11	117 $\frac{3}{8}$
“ 5-20.6's '65 coup.	119 $\frac{1}{4}$	118 $\frac{1}{4}$ March 13	108 $\frac{1}{2}$ Dec. 8	109 $\frac{3}{8}$
“ “ “ '68 coup.	120	124 $\frac{1}{4}$ June 22	116 $\frac{1}{4}$ Oct. 16 & Dec. 5	118
“ “ 10-40 coup.	118	121 $\frac{1}{4}$ Feb. 28	111 $\frac{1}{4}$ Dec. 11	113 $\frac{3}{8}$
“ cur. 6's (Pac. R. R.)	122 $\frac{1}{2}$	128 Feb. 23	120 $\frac{1}{2}$ Dec. 4	122 $\frac{1}{4}$
Western Union	74 $\frac{1}{2}$	80 $\frac{1}{2}$ Jan. 31	63 $\frac{1}{2}$ May 1	70 $\frac{1}{4}$
Atlantic & Pacific Tel.	18 $\frac{1}{4}$	22 Feb. 24	14 $\frac{1}{2}$ May 25	15
Chicago & North West.	39 $\frac{1}{4}$	45 $\frac{1}{4}$ Feb. 16	31 $\frac{1}{2}$ Sept. 27	35 $\frac{3}{8}$
Chic., Mil. & St. Paul.	35 $\frac{1}{2}$	46 $\frac{1}{2}$ Feb. 16	18 $\frac{1}{2}$ Nov. 16	20 $\frac{1}{4}$
“ “ “ Pr.	67	84 $\frac{3}{8}$ March 13	49 $\frac{3}{8}$ Nov. 16	52 $\frac{1}{2}$
Chic., R. I. & Pacific.	105	111 $\frac{7}{8}$ Feb. 16	98 $\frac{1}{4}$ Oct. 2	101 $\frac{1}{4}$
Del., Lack. & West.	120 $\frac{1}{8}$	120 $\frac{7}{8}$ Jan. 3	64 $\frac{1}{2}$ Oct. 2	73 $\frac{1}{2}$
Del. & Hudson Canal.	124	125 Jan. 13	61 $\frac{1}{2}$ Oct. 2	70 $\frac{1}{2}$
New Jersey Central.	103 $\frac{1}{2}$	109 $\frac{7}{8}$ Feb. 9	20 $\frac{3}{4}$ Sept. 15	37
Erie	15 $\frac{1}{4}$	23 $\frac{1}{8}$ March 13	7 $\frac{1}{4}$ Dec. 11	9 $\frac{1}{2}$
New York Central.	105	117 $\frac{1}{2}$ Feb. 15	96 Sept. 26	100 $\frac{1}{4}$
Lake Shore.	61 $\frac{1}{4}$	68 $\frac{3}{8}$ Jan. 17	48 $\frac{1}{4}$ Sept. 5	55 $\frac{1}{2}$
Michigan Central.	59 $\frac{1}{8}$	65 $\frac{1}{2}$ March 15	34 $\frac{3}{8}$ Sept. 5	44 $\frac{1}{2}$
Ohio & Mississippi.	17 $\frac{1}{2}$	24 $\frac{1}{8}$ Feb. 1	5 Nov. 20	6
Illinois Central.	98 $\frac{1}{2}$	103 $\frac{1}{4}$ March 13	66 $\frac{1}{2}$ Dec. 28	61 $\frac{3}{4}$
Toledo, Wab. & West.	3 $\frac{1}{4}$	8 Nov. 2	3 $\frac{1}{4}$ June 12	7 $\frac{1}{2}$
Union Pacific.	74	74 $\frac{1}{2}$ Jan. 17	57 $\frac{1}{2}$ May 25	60
Panama	127	140 May 24	122 Nov. 21	125
Pacific Mail.	39 $\frac{1}{4}$	39 $\frac{1}{4}$ Jan. 17	16 $\frac{1}{4}$ April 10	24

FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE—1876.

(For preceding Six Months see BANKER'S MAGAZINE for August, 1876.)

STOCKS.	JULY.		AUGUST.		SEPTEMBER.		OCTOBER.		NOVEMBER.		DECEMBER.	
	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.
U. S. Six per cts. of 1881, Coupon Bonds...	119 3/4	120 3/4	118	120 3/4	117 1/2	118 3/4	116 3/4	119 3/4	117	118 1/2	115 1/2	117 3/4
“ Five-Twenty of 1865, “ “ “	115 3/4	116 3/4	112 1/2	116 3/4	112 3/4	113 1/2	111 3/4	114	109 3/4	110 3/4	108 1/2	109 3/4
“ “ “ 1865, New “ “ “	117 3/4	118 3/4	116	117 3/4	113 3/4	113 3/4	111 3/4	113 3/4	112 1/2	113 1/4	111 3/4	113 3/4
“ “ “ 1867.....	119 3/4	120 1/2	116 3/4	119 3/4	116 3/4	117	114 3/4	116 3/4	115 1/2	116 3/4	114 1/2	116 3/4
“ “ “ 1868.....	121	121 3/4	121	121 3/4	118 3/4	118 1/2	116 3/4	118	116 3/4	117 3/4	116 1/2	118
“ “ “ “ “ “ “	118 3/4	119	118 3/4	119 3/4	115 3/4	116	113 1/2	115 1/2	114 3/4	115 1/2	114 1/2	113 3/4
“ “ “ “ “ “ “	117 3/4	118 3/4	115 3/4	117 3/4	114 3/4	115 3/4	113 1/2	115 1/2	111 3/4	113 1/4	110 3/4	112 3/4
“ “ “ “ “ “ “	125 1/2	126 3/4	125 1/2	126 1/2	126 3/4	127	123	125 3/4	123 3/4	124 1/2	120 3/4	122 3/4
Canton Company, Baltimore.....	...	...	32	34	25	25	28	30	30	31	...	...
Delaware and Hudson Canal Company.....	100	108 3/4	75 1/2	101	62 3/4	86	61 1/4	82 1/2	67 1/4	74	69	71 1/2
Consolidated Coal Company of Maryland....	39 3/4	41	38 1/2	40 1/4	30	39 3/4	30	33	34	34	36	36
Quicksilver Mining Company.....	13 1/2	13 1/2	12	13	13	13	13	14	10 1/2	15 3/4	13	14
“ “ “ “ “ “ “	...	...	17	19	18 3/4	19	19	19	17	23	18	21 1/4
Mariposa Land and Mining Company.....	8	8 1/2	6	8	3	5	4 1/4	7	4	5	4	9
“ “ “ “ “ “ “	8	8	8 3/4	8 3/4	3	7	5 1/2	7	5	5	4	8 3/4
Western Union Telegraph Company.....	69 1/2	72 1/2	68 3/4	72 1/2	68 3/4	73 1/4	70	74 3/4	70 3/4	73 3/4	70 3/4	73 3/4
Pacific Mail Steamship Company.....	22 3/4	27	21 3/4	24 3/4	19 3/4	24 1/2	22	25 3/4	23 1/2	25 3/4	23 1/2	25 3/4
Adams Express Company.....	110 3/4	111	110	114	107	109 1/2	105	110 3/4	105	109	100	106
Wells, Fargo & Co. Express Company....	84	89 1/2	83 3/4	86 1/4	79	85 1/2	83	86 3/4	85	87	87 3/4	90
American Express Company.....	58	60	59 3/4	62	58	60 3/4	58 1/2	62 1/2	60	61 3/4	55	61
United States Express Company.....	72	76 1/4	62	67 1/4	59 3/4	64 1/4	59 3/4	62 1/2	56 3/4	61	49 1/2	56 1/4
N. Y. Central and Hudson River R. R....	105 1/4	109	104 3/4	107 1/2	96	106 3/4	97 3/4	105 3/4	100 3/4	103 3/4	100 3/4	107 1/4
Erie Railway.....	13 3/4	14 3/4	8 3/4	14 3/4	9	10 3/4	9 1/2	12 1/4	9 3/4	11 1/4	7 3/4	10 1/4
“ “ “ “ “ “ “	21	21	20	23	...	...	20	20	16	16	16	17 1/2
Harlem Railroad.....	137 1/2	140	137	138 3/4	131	137 1/2	133	138	136	138	136	141

N. Y., New Haven and Hartford R. R....	153 3/4	154 1/4	151 1/4	154	148	152 1/2	148 3/4	151 1/2	156	150	155 1/2
Michigan Central Railroad Company.....	41 3/4	52 3/4	38 1/2	44	34 3/4	42 3/4	41 3/4	52	49 1/2	42 3/4	48 1/2
Lake Shore and Michigan Southern R. R....	52 3/4	59 3/4	52 3/4	54 3/4	48 3/4	54 3/4	53 1/4	63	60 1/2	55	60 3/4
Panama Railroad Company.....	...	...	130	130	126	128	128	128	127	126	128
Union Pacific Railroad Company.....	59	64	58	64 1/2	60 3/4	65	61	63 1/2	62	57 3/4	60 1/2
Illinois Central Railroad Company.....	92	98	86	91 3/4	80 1/2	89 7/8	85 1/2	87	82 1/2	60 3/4	71 1/2
Cleveland and Pittsburgh Railroad Co.....	93 1/4	96 3/4	92	95 1/2	86 1/2	92	85 1/2	91	90 3/4	88 3/4	90 1/2
Col., Cin. and Ind. Railroad.....	40	45	37	42	32	37	35 1/4	44	35	36	41
Chicago, Rock Island and Pacific R. R....	107 3/4	109 3/4	101 3/4	108	100	106 1/2	98 1/2	102 3/4	102	98 3/4	102 1/2
Pittsburgh, Ft. Wayne and Chicago R. R....	101 3/4	103 1/4	101	103 1/4	100	102 1/4	99 7/8	102 1/2	101	100 3/4	102 1/4
Chicago, Burlington and Quincy Railroad...	114 3/4	117 3/4	114 1/2	120 3/4	112 1/2	116	113 3/4	115 1/2	111 3/4	112 1/2	116 1/2
and Alton Railroad Company.....	100	102 3/4	97 3/4	102 3/4	96	99	96 1/2	101 1/2	100	98 3/4	99 3/4
" " Preferred.....	108	108 1/2	107	108	103 1/2	108 1/2	109 1/4	109 1/4	108 1/2	108	110
and Northwestern Railroad Co.....	38 3/4	43 3/4	36	39 3/4	31 3/4	37 1/2	34 3/4	42 3/4	38 1/2	34 1/2	38
" " " Pref....	62 3/4	67 1/2	58 3/4	64 3/4	57 1/4	63 3/4	59	64 3/4	61 1/2	55 3/4	60 3/4
Milwaukee and St. Paul R. R....	35 3/4	42	29	37 3/4	28	33 3/4	24 3/4	31	25 3/4	18 3/4	21 1/4
" " " Pref....	67 1/4	72 1/2	64	71 3/4	58	67 3/4	54 3/4	61 3/4	56 3/4	50 3/4	54 3/4
Toledo, Wabash and Western R. R. Co....	2	3	1 1/2	2 1/2	2 1/4	4 1/2	4 1/2	7 1/2	8	3 3/4	7 3/4
" " " " Pref....	4 3/4	4 3/4	...	...	5	5	7 3/4	10 1/2	8 3/4	3 3/4	7 1/4
St Louis and Iron Mountain R. R....	16 3/4	19	16	18 1/2	15 1/2	18	12 3/4	17 3/4	13	11	15
Pacific Railroad Company of Missouri.....	6 1/2	8	3 1/2	7	1 1/2	4	3 1/4	4 1/2	5	3 1/2	4
St. Louis, Kansas City and N. R. R....	5 3/4	7	6	6 1/2	5	6	5 3/4	5 3/4	5 3/4	5	5 3/4
" " " " Pref....	29 1/2	31	29 1/2	31	28	29 1/4	27 3/4	29 1/4	28	26	27 3/4
Atlantic and Pacific Railroad, Preferred....	2	2 3/4	1 1/2	2 1/2	1	2 1/4	1 1/2	2	2 1/2	...	...
Del., Lackawanna and West. R. R. Co....	94	105 3/4	77	96 3/4	66 3/4	84 3/4	64 3/4	81 3/4	75	69 3/4	73 1/4
Atlon and Terre Haute Railroad.....	...	...	...	...	...	...	5 1/2	8 1/2	8 1/2	...	...
" " " " " Pref....	101 3/4	102	13	13	84	97	15	16	16	...	...
Morris and Essex Railroad Company.....	61 3/4	74 1/4	37 3/4	64	21	41 3/4	26 3/4	40 1/2	137 1/4	90 1/2	94
New Jersey Central Railroad Company....	...	...	...	...	...	...	...	...	...	...	...
Rome, Watertown and Ogdensburg R. R....	...	...	...	...	...	...	...	...	...	...	...
Rensselaer and Saratoga Railroad Co.....	10 3/4	17 3/4	10	13 3/4	10 1/4	13 1/2	10	12	11	5 1/2	6 3/4
Ohio and Mississippi Railroad Company....	19	30 1/2	19 1/2	24	20	27 1/2	18 1/2	20 1/2	15	9 1/2	11 1/2
" " " " " Pref....	10 3/4	14 3/4	10 1/2	12 1/2	10 1/2	13 1/4	13	16 3/4	15	12 1/2	14
Hannibal and St. Joseph Railroad.....	19 1/2	25	18 3/4	21	19 1/2	23	23	31	27 1/2	25 1/2	27
" " " " " Pref....	3 3/4	4 1/4	3 3/4	3 3/4	3 1/2	3 7/8	3 3/4	4 1/4	4	2 1/2	3 3/4
Col., Chicago and Ind. Central Railroad...	...	...	...	...	...	...	...	...	...	...	...

COMPARATIVE PRICES OF STAPLE ARTICLES IN NEW YORK—TWELVE YEARS.

JANUARY 1, 1866-1877.

(From the *New York Journal of Commerce.*)

	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.	1874.	1875.	1876	1877.
ASHES—												
Pots, 100 lbs.....	\$8.25		\$8.37	\$7.87	\$7.50	\$7.00	\$8.62½	\$8.50	\$7.00	\$6.50	\$5.00	\$4.75
Pearls, 100 lbs.....	11.00						11.00			8.75	7.00	6.50
BREADSTUFFS—												
Wheat flour, State, bbl.....	8.00	10.25	9.50	6.80	6.35	6.25	6.40	6.25	6.00	4.50	4.35	5.50
Wheat flour, Western, bbl.....	8.00	11.25	9.55	6.60	4.35	6.25	6.40	6.25	6.00	4.50	4.35	5.50
Rye flour, bbl.....	5.75	7.00	6.75	7.00	5.00	4.75	4.60	4.70	5.75	4.75	5.00	3.60
Cornmeal, Brandywine, bbl.....	4.60	5.25	6.50	5.50	5.00	4.75	4.20	3.80	4.60	4.75	5.00	3.60
Wheat—No. 1 spring, bush.....	1.87½	1.25	2.45	1.70	1.30	1.42	1.50	1.67	1.65	1.25	1.30	1.47
Rye—Western, bush.....	98	1.23	1.80	1.50	1.02	1.00	0.91	0.98	1.00	0.95	1.00	1.83
Oats—State, bush.....	62	69	87	78	65	60	58	52	60	71	50	45
Oats—Western, bush.....	62	64	84	76	62	61	54	49	60	70	40	40
Corn—Western mixed, bush.....	95	1.12	1.41	1.10	1.10	80	78	66	84	97	71	59
Corn—New Southern, bush.....	98	1.15	1.40	1.05	1.02	80	77	75		90	68	60
COTTON—												
Middling upland, lb.....	52	35	16	26	25½	15½	20	20½	16½	14½	13½	12½
Middling Orleans, lb.....	53	36	16½	26½	25¾	15¾	20½	21	16¾	14¾	13.7-16	12.11-16
FISH—												
Dry Cod, quintal.....	8.00	6.50	5.50	6.80	7.50	6.75	5.25	5.75	5.50	6.00	6.00	6.12½
No. 1 Bay Mackerel, bbl.....	17.25	18.50	16.00	24.50	27.50	27.00	13.00	18.00	16.00	11.50	9.00	20.00
FRUITS—												
Raisins, layers, box.....	4.50	3.85	3.80	3.50	4.20	2.65	3.30	2.05	2.45	2.85	2.80	1.80
Currants, lb.....	15½	12½	12½	10½	12	8	8	6½	6½	6½	7½	6½
HAY—Shipping, 100 lb.....	80	1.28	1.20	90	85	1.20	1.35	1.15	1.00	70	80	65
HEMP—Manilla, lb.....	12	10½	10½	11½	14½	12½	13½	10½*	9½*	8*	7½*	8½*
HOPS, lb.....	60	60	60	20	25	12	60	55	40	48	15	28
IRON—												
Scotch pig, ton.....	51.50	47.00	36.00	40.50	33.00	34.00	34.00	48.00	42.00	38.00	32.00	27.50
American pig, ton.....	51.00	49.00	39.00	40.00	36.00	31.00	36.00	50.00	35.00	24.00	23.00	20.50
LATHS, thousand.....	5.00	3.25	3.00	2.90	2.55	2.90	3.50	2.60	1.90	1.70	1.60	2.00
LEAD—												
Foreign, lb.....	6½	6½	6½	6.37½	6.25	6.25	5.95	6.65*	6.75*	6.90*	7.00*	6.62½*
LEATHER—												
Hemlock sole, light, lb.....	36	31	25½	29	30	27	26	28	28	27	25	26
Oak sole, light, lb.....	31	37	38	40	42	38	37	39	.....	33	31	32

COMPARATIVE PRICES IN NEW YORK—TWELVE YEARS—Continued.

	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.	1874.	1875.	1876.	1877.
LIME—												
Common Rockland, bbl.....	1 70	1 70	1 50	1 60	1 50	1 30	1 35	1 50	1 10	1 35	1 10	80
LIQUORS—												
Domestic whiskey, gall.....	2 27	....	....	98	98	94½	93	99	97½	99	1 14½	1 13
MOLASSES—												
New Orleans, gall.....	1 20	80	85	75	78	75	54	68	77	65	59	55
NAVAL STORES—												
Spirits turpentine, gall.....	1 01	66	51	47 00	43½	48	67	60	41	35	37½	48
Common rosin, bbl.....	6 50	5 00	3 00	2 45	2 10	2 30	4 90	3 60	2 50	2 10	1 65	2 50
OILS—												
Crude whale, gall.....	1 57	1 20	70	1 00	85	65	80	70	60	65	65	70
Crude sperm, gall.....	2 47	2 63	2 15	1 75	1 60	1 33	1 60	1 55	1 52½	1 65	1 65	1 40
Linseed, gall.....	1 44	1 30	1 03	98	90	88	74	90	87	78	68	65
PETROLEUM—												
Crude, gall.....	40	18	16½	18	15½	13	13½	11½	5¾	5½	7½	15
Refined in bond, gall.....	62	30	24	31½	30½	23¾	24	27½	13½	12	13	28
PROVISIONS—												
Pork, mess, bbl.....	20 12	19 12	21 00	28 00	20 75	10 75	14 50	13 25	16 50	20 50	20 75	17 50
Pork, prime, bbl.....	23 00	17 00	18 00	22 00	24 50	17 00	12 25	11 25	13 00	19 00	19 50	16 50
Beef, plain Western, bbl.....	18 00	16 00	16 00	14 00	14 00	12 00	10 00	12 00	11 00	10 00	10 00	10 50
Beef, prime mess, tce.....	....	....	32 00	28 00	27 00	27 00	21 00	21 00	22 00	21 00	23 00	20 00
Beef hams, ex., bbl.....	33 00	35 00	32 75	32 00	33 00	30 00	23 00	30 00	25 00	22 00	22 00	20 25
Hams, pickled, lb.....	13 16	12½	8½	15½	15	11	9¼	9¼	10	11	12½	10½
Shoulders, pickled, lb.....	13	10	8½	11	12	8½	5	5½	7	7½	8½	6½
Lard, Western, lb.....	19½	13	12¾	17½	17½	12¾	7½	7½	8 13-16	13½	12½	11½
Butter, Western, lb.....	35	32	45	40	40	20	15	16	20	20	26	28
Butter, prime State, lb.....	40	43	....	48	42	40	32	32	36	27	31	30
Cheese, fine factory, lb.....	18½	17	15	19½	17½	16½	13½	14½	14½	15½	13½	14½
Rice, good, 100 lbs.....	8½	9†	8½	9	7¼	7	8½	8½	8½	7½	7	6
SALT—												
Liverpool ground, sack.....	2 50	2 00	2 00	2 10	1 70	1 50	1 45	1 50	1 25	1 25	1 10	1 10
Liverpool Ashton's, sack.....	4 50	3 75	3 90	3 85	2 50	3 20	2 95	3 25	3 00	2 86	2 50	2 50
Seeds, clover, lb.....	13	13	12½	13	13	11½	11½	9½	9½	10½	13½	15½
Sugar, Cuba raw, lb.....	11½	10	11½	11½	10½	11½	11	9½	7½	8	8	9½
Sugar, refined hards, lb.....	15	15	16½	15½	14½	14½	12½	12½	10½	10½	10½	11½
Tallow, lb.....	13½	13½	10½	10½	10	9	9½	8½	7½	8½	10	8½
Wool, Ohio fleece, lb.....	70	60	48	57	61	48	70	70	55	56	49	48

* Gold. † Currency.

THE DAILY PREMIUM ON GOLD AT NEW YORK, IN THE YEAR 1876.

Those quotations in full-face type indicate the lowest and highest rates of each month.

	Jan., 1876.	Feb., 1876.	Mar., 1876.	April, 1876.	May, 1876.	June, 1876.	July, 1876.	Aug., 1876.	Sept., 1876.	Oct., 1876.	Nov., 1876.	Dec., 1876.
1	Holiday.	13	14 1/8 14 1/4	13 5/8 18 7/8	12 5/8 12 7/8	12 5/8 12 3/4	12 1/4 12 3/8	11 3/4 11 7/8	9 7/8 10 1/8	Sunday.	9 3/4 10	8 1/2 9
2	Sunday.	13	14 3/8 14 3/8	Sunday.	12 3/4 13	12 3/8 12 3/8	Sunday.	11 1/2 12	9 3/8 9 3/8	10 10 1/2	9 3/4 9 3/4	8 1/2 8 1/2
3	12 1/2 13 1/2	13 1/4	14 5/8 15	13	12 3/4 12 7/8	12 1/2 12 3/4	Holiday.	11 1/2 12	Sunday.	10 10	9 3/4 9 3/4	8 1/2 8 1/2
4	12 1/2 12 3/4	12 7/8 13	14 1/2 14 3/4	12 7/8 13 1/2	12 3/4 12 7/8	Sunday.	Holiday.	11 1/2 12 1/2	9 3/4 9 3/4	9 3/4 9	9 3/4 9 3/4	8 1/2 8 1/2
5	12 1/2 12 3/4	12 7/8 12 7/8	Sunday.	12 7/8 13 1/2	12 3/4 12 7/8	12 3/8 12 3/4	12 1/2 12 3/8	Sunday.	9 3/4 10	9 3/4 9	9 3/4 9 3/4	8 1/2 8 1/2
6	12 3/8 12 3/4	Sunday.	14 3/8 14 7/8	12 3/4 13	12 3/4 12 3/4	12 3/8 12 3/4	11 1/2 12 1/2	11 1/2 12 1/2	9 3/4 9 3/4	9 3/4 9 3/4	* Holiday.	7 1/2 7 1/2
7	12 3/8 13	12 3/4 12 7/8	14 1/2 14 5/8	12 7/8 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	12 1/2 12	11 1/2 12 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
8	13 18 1/4	12 7/8 13	14 3/8 14 7/8	13 13 1/4	12 3/8 12 3/4	12 3/8 12 3/4	12 1/2 12	11 1/2 12 1/2	9 3/4 10	Sunday.	9 3/4 9 3/4	7 1/2 7 1/2
9	Sunday.	12 3/4 12 7/8	14 3/8 14 7/8	Sunday.	12 3/8 12 3/4	12 3/8 12 3/4	Sunday.	11 1/2 12 1/2	9 3/4 10 3/8	8 7/8 9	9 3/4 9 3/4	7 1/2 7 1/2
10	13 13 1/2	12 3/4 12 7/8	14 3/8 14 7/8	13 13 1/4	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	10 10 3/8	8 7/8 9 1/2	9 3/4 9 3/4	7 1/2 7 1/2
11	12 3/4 13 1/2	12 7/8 13	14 3/8 14 7/8	12 7/8 13	12 3/4 12 3/4	Sunday.	11 3/4 11 3/4	11 3/4 11 3/4	10 10 3/8	8 7/8 9 1/2	9 3/4 9 3/4	7 1/2 7 1/2
12	12 3/4 12 3/4	13 13 1/2	14 3/8 14 7/8	13 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	9 3/4 10	8 7/8 9 1/2	9 3/4 9 3/4	7 1/2 7 1/2
13	12 1/2 12 3/4	Sunday	14 3/8 14 7/8	13 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	Sunday.	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
14	12 1/2 13	13 1/2 13 1/2	14 3/8 14 7/8	Good Friday	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
15	12 7/8 13 1/2	13 1/2 13 1/2	14 3/8 14 7/8	13 1/2 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
16	12 7/8 13 1/2	13 1/2 13 1/2	14 3/8 14 7/8	13 1/2 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
17	13 13 1/2	13 1/2 13 1/2	14 3/8 14 7/8	13 1/2 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	11 3/4 11 3/4	Sunday.	9 3/4 9 3/4	9 3/4 9 3/4	7 1/2 7 1/2
18	12 3/4 13 1/2	13 1/2 13 1/2	14 3/8 14 7/8	13 1/2 13 1/2	12 3/4 12 3/4	Sunday.	11 3/4 11 3/4	10 10 1/2	9 3/4 10	10 10 1/2 10 1/2	9 3/4 9 3/4	7 1/2 7 1/2
19	12 3/4 12 3/4	13 13 1/2	Sunday.	13 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	10 10 1/2 10 1/2	9 3/4 9 3/4	7 1/2 7 1/2
20	12 3/4 12 3/4	13 13 1/2	14 3/8 14 7/8	13 13 1/2	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	Sunday.	9 3/4 10	10 10 1/2 10 1/2	9 3/4 9 3/4	7 1/2 7 1/2
21	12 3/4 12 3/4	13 13 1/2	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	10 10 1/2 10 1/2	9 3/4 9 3/4	7 1/2 7 1/2
22	13 13	13 1/2 14	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	10 10 1/2 10 1/2	9 3/4 9 3/4	7 1/2 7 1/2
23	Sunday	Holiday.	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	Sunday.	9 3/4 9 3/4	7 1/2 7 1/2
24	13 13 1/2	14 3/8 14 7/8	14 3/8 14 7/8	Sunday.	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
25	12 7/8 12 7/8	13 13 1/2	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
26	12 7/8 12 7/8	13 13 1/2	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
27	12 7/8 13	13 13 1/2	14 3/8 14 7/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
28	13 13 1/2	13 7/8 14 1/8	13 7/8 14 1/8	12 3/4 12 7/8	Sunday.	12 12 1/2	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
29	13 13 1/2	14 14 1/8	13 7/8 14 1/8	12 3/4 12 7/8	12 3/4 12 3/4	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
30	Sunday.	.....	13 1/2 14	Sunday.	12 3/4 13	12 3/8 12 3/4	11 3/4 11 3/4	10 10 1/2	9 3/4 10	9 3/4 9 3/4	9 3/4 9 3/4	Holiday.
31	13 13 1/2	.....	13 1/2 13 7/8	.....	12 3/8 12 3/8	.....	11 3/4 12 1/4	9 3/4 10	.....	9 3/4 10 3/8	.....	Holiday.

* Holiday in State of New York.

THE TAXATION OF BANKS.

PROTESTS TO CONGRESS AND THE LEGISLATURE AGAINST THE TAX.

A special meeting of the Chamber of Commerce of New York was held on January 11, to consider the subject of the excessive and discriminating taxation imposed on the banking interest both by the State and Federal Governments. The meeting was largely attended, many prominent citizens being present. The President of the Chamber (Mr. Samuel D. Babcock) called the assemblage to order, and having read the call for the meeting, said it would be seen that the Signers were not men who were directly interested in the management of banks, but merchants whose business interests were endangered by the onerous burdens now borne by the banking institutions.

Mr. Gustav Schwab then addressed the meeting, and after some appropriate introductory remarks, offered the following resolutions :

Resolved, That this Chamber cordially indorses and adopts the petitions prepared for presentation to Congress and to the Legislature of this State, on the subject of excessive taxation on banking capital, and that a Committee of ten members be appointed to take charge of procuring signatures to the petitions, and of their presentation at Washington and Albany.

Resolved, That the Secretary of the Chamber is hereby authorized and instructed to communicate with the various Chambers of Commerce and Boards of Trade in other cities, requesting them to cooperate in this movement by immediately sending to Congress petitions similar to the one adopted by this Chamber.

Mr. George T. Hope, President of the Continental Fire Insurance Company, seconded the resolutions, and emphasized them in a brief address. The Secretary then read the two petitions which are being circulated for signatures :

PETITION TO CONGRESS.

To the Honorable the Senate and House of Representatives of the United States in Congress assembled :

The petition of the undersigned respectfully sheweth : That war-taxes, both heavy and unequal in their burden, are imposed on the National banks, State banks, savings banks and private bankers of this country, which taxes have been for several years productive of great commercial injury ; that in no other country are such taxes incurred by the business of banking, and, the exigency having passed away, the war-taxes can be taken off without any sacrifice to the Treasury at all commensurate with the benefits which will result to the agricultural, financial, commercial and industrial pursuits of the country ; that the continuance of this onerous and discriminating taxation on banking capital is rapidly withdrawing it from that business, leaving the commerce and industries of the country illy prepared to meet a long hoped-for returning tide of prosperity ; that a persistence in this unequal and special tax can lead to but one result, and that is to prolong the present period of depression and inactivity ; that the present time is the proper one for Congress to interfere for the relief of these interests ; that the taxes now levied by the general Government on the deposits and capital of all banks should be immediately repealed, and the subject of bank taxation be remitted to the several States and Territories, as before the war. And your petitioners will ever pray, etc.

The petition to the Legislature of the State was of similar import, setting forth in addition the injury to local interests from the present method of taxation.

The resolutions submitted by Mr. Schwab were then put to a vote and unanimously adopted.

The President appointed the Committee to urge upon Congress and the Legislature the repealing of the taxes as set forth in the petitions.

BANKING AND FINANCIAL ITEMS.

THE BANKER'S ALMANAC AND REGISTER for 1877 is now issued. It contains corrected lists of all National and State Banks, Private Bankers and Savings Banks in the United States and Territories; also Trust Companies and Safe Deposit Companies; Alphabetical lists of Cashiers and Assistant Cashiers; lists of National Banks in liquidation or in hands of receivers—The Banks and Bankers of Canada, Great Britain, Europe, and other foreign countries. Quotations of Stocks, Bonds and Gold—Prices of Staple Commodities for twelve years.—Statistics of Capital, Deposits and Taxation of Banks and Bankers; of Failures in the U. S.; of the production of Gold and Silver; Official Values of Foreign Coins in money of the U. S. A Record of Financial Events in 1876; and Biographical Sketches of R. A. C. Martin, and J. L. Heywood, with a portrait of each. Price \$ 3.00. With Marginal Index of States, \$ 3.50.

CALLS FOR FIVE-TWENTY BONDS.—In January, the Secretary of the Treasury issued two calls for the redemption of five-twenty bonds.

Each call is for \$ 10,000,000, bonds of 1865, May and November, of which \$ 7,000,000 are coupon and \$ 3,000,000 registered bonds. The principal and accrued interest will be paid at the Treasury, on and after the 10th and the 24th of April, respectively, on which day the interest on the bonds will cease. The following are the numbers, all being inclusive :

THIRTY-SEVENTH CALL.—January 10, 1877.

Matures April 10, 1877. Amount \$ 10,000,000.

COUPON.	...	REGISTERED.	
		\$ 50—No.	201 to No. 300
\$ 100—No. 17,901 to No. 21,350	...	\$ 100—No.	3,451 to No. 4,500
\$ 500—No. 22,101 to No. 26,700	...	\$ 500—No.	2,751 to No. 3,250
\$ 1,000—No. 53,301 to No. 62,400	...	\$ 1,000—No.	10,001 to No. 12,000
		\$ 5,000—No.	4,151 to No. 4,750
Total, \$ 7,000,000.	...	\$ 10,000—No.	5,151 to No. 8,200
			Total, \$ 3,000,000.

THIRTY-EIGHTH CALL.—January 24th, 1877.

Matures April 24th, 1877. Amount \$ 10,000,000.

COUPON.	...	REGISTERED.	
		\$ 50—No.	301 to No. 400
\$ 100—No. 21,351 to No. 25,506	...	\$ 100—No.	4,501 to No. 5,300
\$ 500—No. 26,701 to No. 31,500	...	\$ 500—No.	3,251 to No. 3,600
\$ 1,000—No. 62,401 to No. 70,550	...	\$ 1,000—No.	12,001 to No. 13,350
		\$ 5,000—No.	4,751 to No. 5,100
Total, \$ 7,000,000.	...	\$ 10,000—No.	8,201 to No. 9,300
			Total, \$ 3,000,000.

THE COMPTROLLER OF THE CURRENCY has called for reports from the National banks on December 22, and January 20,—the former being also the date upon which the banks of this State were called upon to report to the Bank Superintendent.

CONGRESS.—Representative Willis, of New York, has introduced two important bills in relation to the taxing of National and State banks and other moneyed institutions, which contain the following provisions :

“That from and after the approval of this act, all existing laws imposing taxes upon capital and deposit of State and National banking institutions, corporations, companies, associations, or persons engaged in the business of banking, shall be repealed; and so much of section 5,214 and section 3,408 of the Revised Statutes of the United States, as relates thereto, shall be also hereby repealed.”

“That the purposes and intention of section 5,219, of the Revised Statutes of the United States, are hereby declared to be that no taxes shall be imposed upon shares of National banks, by State Legislatures or authorities, at a greater rate of tax, nor larger valuation than the rate imposed, and valuation put upon other personal and real property in the hands of individual citizens of the respective States, and to be entitled to the same privileges and exemptions with respect to taxation as other personal property.”

NEW YORK.—The quarterly statements of the State banks of this city present the following aggregates :

LIABILITIES.		
	<i>Sep. 23, '76.</i>	<i>Dec. 23, '76.</i>
Capital.....	\$ 15,331,200	... \$ 14,985,200
Net profits.....	5,150,800	... 5,269,500
Circulation.....	31,500	... 32,200
Due banks.....	5,983,000	... 5,353,600
Due depositors.....	33,116,300	... 32,055,100
Unpaid dividends.....	103,400	... 89,700
Totals.....	\$ 59,716,200	... \$ 57,785,300
RESOURCES.		
Loans and discounts.....	\$ 38,445,200	... \$ 40,197,100
Other stocks and bonds and mortgages.....	4,160,600	... 4,029,500
Due from banks.....	3,450,300	... 3,436,000
Real estate.....	1,617,500	... 1,615,900
Furniture and fixtures.....	26,700	... 5,400
Cash items and bank notes.....	56,400	... 700
Specie.....	1,534,600	... 2,460,000
Legal tenders.....	10,409,600	... 6,025,300
Overdrafts.....	15,300	... 15,400
Totals.....	\$ 59,716,200	... \$ 57,785,300

NEW CLEARING HOUSE OF THE GOLD EXCHANGE.—On January 2d, the clearings of the Gold Exchange were transferred from the Gold Exchange Bank to the National Bank of the State of New York, which has established a separate Gold Exchange Clearing Department. Mr. R. L. Edwards, treasurer of the Exchange, and formerly President of the Gold Exchange Bank, has been appointed manager, and Mr. G. L. De Gay, formerly assistant cashier of the same bank, has been appointed assistant manager, while the clerks are almost all from the Gold Exchange Bank. There was, therefore, no interruption of business, and the transactions of the first day, amounting to nearly \$ 30,000,000, were settled without any delay. The Gold Exchange Bank will wind up its business, which had not been profitable. This, and the high taxes, had led the directors to reduce the capital from \$ 500,000 to \$ 250,000. The bank was organized in 1866, for the express purpose of acting as a clearing-house for the Gold Exchange. At first, it also transacted a general banking business, but during the memorable “Black-Friday” panic of September, 1869, the accounts of the bank became badly confused, and from this resulted some heavy losses to a number of members of the Exchange. It was then determined that the bank should confine itself strictly to the business of a clearing house, which it has done ever since.

FRAUDS AND FELONIES.—A swindler appeared at the Treasury Department, and at some of the Washington banks, early in January, who succeeded in one or two instances, by an adroit sleight of hand trick, in stealing notes almost out of the hands of the person with whom he pretended to be transacting business. His plan is to request change of a large note, for notes of a smaller denomination, and by attracting the attention of the person behind the counter, he manages to steal a note from the package in his hands, without detection.

A forged check on the Union Trust Company of New York, for \$64,500, purporting to be drawn by the New York Life Insurance Company, was paid in January. Several persons have been arrested on suspicion of complicity in the fraud.

THE OCEAN NATIONAL BANK.—The Comptroller of the Currency has made an assessment of forty per cent. upon the shareholders of the Ocean National Bank, upon their individual liability; twenty per cent. payable on February 26, and the remainder on or before April 26, next. The Receiver has also been directed to dispose of the assets of the bank, after advertising the same for sixty days, slips of such advertisement to be transmitted to the shareholders and creditors of the bank.

ARKANSAS.—A new bank called the Merchants and Planters' Bank, has been organized, under State charter, at Pine Bluff, and began business December 1st. The officers are: V. D. Wilkins, President; James A. Hudson, Vice-President; H. H. Hunn, Cashier. The business of Messrs. Smart, Hudson & Co., bankers, has been merged into that of the new bank.

CONNECTICUT.—The Report of the Connecticut Bank Commissioners presents the condition of the banks up to October 1, 1876, a period of nine months since their previous report. The whole number of savings banks in the State is eighty-six. No new ones have been added the past year. The Workingmen's Five Cent Savings Bank of Hartford, which never had more than about \$12,000 of deposits, has been discontinued, and is in the hands of a receiver. The total amount of deposits in the savings banks, October 1, was \$76,489,310.41, being an increase since January 1, 1876, of \$2,034,862.07. The total surplus is over two and a half millions, being an increase of \$186,524.33. The loans on real estate have increased, and those on personal security have decreased. The loans on State, town and city bonds have increased \$1,639,707.02, and on United States bonds \$1,093,232.49. The whole number of depositors is 203,514, a decrease of 4,516. The largest amount due one depositor is \$32,986.03. During the past year many large deposits have been made by capitalists, a practice which should not be tolerated, as it tends to unsafe investments, and subjects the banks to be called upon for large deposits when they can least afford to pay them. The Commissioners suggest that no interest be paid on any deposit above \$1,600, and that interest shall cease to be credited on deposits that have remained without draft for twenty-one years. They suggest also that more caution should be observed in granting savings bank charters, that the banks be required to keep a surplus of three per cent. on their deposits, and that two and one-eighth per cent. dividends semi-annually would be no more than prudent.

With regard to banks of discount and trust companies, the number remains the same as at the last report. The Commissioners say that some of the banks, as well as the trust companies, which have done simply a banking business, have not thought it prudent, or have found it difficult, to make their usual dividends, but the trust companies that have confined their business to the loaning of their funds on the mortgage of real estate, have thus far met with nearly their usual success.

MARYLAND.—On January 15th, Mr. George Wells, one of the most highly respected citizens of Annapolis, very unexpectedly resigned his position as President of the Farmers and Planters' Bank. At a meeting of the stockholders, held subsequently, it was disclosed that he is a defaulter to the amount of \$65,000. His resignation was accepted, and Mr. Alexander Randall was elected in his stead.

BOSTON.—The Mechanics' Savings Bank, Boston, established in 1874, has suspended. Owing to the stagnation of business, the low rate of interest, and the legislative requirement of a guaranty fund, the semi-annual dividend due on the first of January was passed, and the depositors began to withdraw their money. The amount due depositors on December 24th, was \$446,961, of which \$27,000, had been paid on January 12, when the bank stopped. Under these circumstances the trustees have ceased operations.

MISSOURI.—The stockholders of the Empire Bank, St. Louis, decided on January 18th, that the bank should go into liquidation. It is considered fully able to pay all debts, and a dividend to stockholders.

St. Louis.—Mr. Charles Enslin, who was, for the past thirteen years, cashier of the Bank of Commerce, died suddenly at his residence in St. Louis, on January 12th. He was highly esteemed as an efficient and clear-sighted bank officer, and commanded the utmost confidence of the directors of the bank, who passed resolutions in honor of his memory.

NEW YORK.—The report of the Banking Superintendent of this State, shows that the aggregate circulation of State banks, outstanding on the 30th of September, 1876, was \$735,988.50. The total amount September 30, 1875, was \$849,226.50; the reduction in the sum being \$113,238. The decrease during the year in secured circulation was \$50,745. The decrease in unsecured bills, which was issued by incorporated banks was, \$63,494. The secured circulation outstanding September 30, 1875, was \$167,783. The unsecured circulation at the same date was \$568,205.50.

NATIONAL BANKS IN NEW YORK.—The following curious statistics of the distribution of National bank stock, are compiled from tables in the report of the Comptroller of the Currency, pp. 144-149.

The whole number of shares of National bank stock issued to banks located in the State of New York, was 1,482,746, of which number 1,216,478 were held by residents of the State, and 266,268, by non-residents. The number of shareholders in the State was 26,339, the number of non-resident shareholders, 7,742. The number of shareholders owning 10 shares or less, 12,784; over 10 and not more than 20, 6,936; over 20 and not more than 30, 3,610; over 30 and not more than 40, 2,232; over 40 and not more than 50, 2,223; over 50 and not more than 100, 3,573; over 100 and not more than 500, 2,491; over 500, 205.

The number of shares of New York National bank stock held in the Eastern States, was 193,659; Middle States, 40,328; Southern States, 4,907; Western States, 11,947; Pacific States, 545.

The number of shares held in foreign countries, was 14,882, of which 3,025 were held in Great Britain; 2,214, in France; 150, in Germany; 1,488, in Spain; 3,992, in the Dominion of Canada; 266, in Mexico; 726, in the West Indies; 73, in Bermuda; 97, in South America; 20, in Prussia; 20, in Bavaria; 642, in Holland; 16, in Russia; 1,269, in Switzerland; 280, in Italy; 54, in Turkey; 19, in Corsica; 340, in Europe not specified; 20, in India; 40, in Egypt, and 30, in Africa, not specified. These shares are usually divided into amounts of \$100 each.

PENNSYLVANIA.—At a meeting of the Diamond Savings Bank, of Allegheny, held on January 4th, it was decided to pay off depositors and quit business. After February 1st, the bank will, therefore, receive no more collections.

PENNSYLVANIA.—Samuel B. Bigler, late President of the City Bank of Harrisburgh, Pa., which failed several months ago, and his two sons, one the ex-cashier, have been arrested on charges of conspiracy to defraud, of embezzlement and of obtaining money under false pretences. The liabilities were \$350,000, while the assets were not more than \$70,000. More than fourteen hundred persons, most of them of the poorer classes, had deposits in the institution, of which they will obtain probably ten or fifteen cents on the dollar. John A. Bigler, the cashier, fled in October, and was arrested in San Francisco, on January 3d.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

JANUARY, 1877.

(Monthly List, continued from January No., page 568.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
N. Y.	CITY.....	O. H. Schreiner.....	(15 Nassau Street.)
IND....	Anderson.....	Madison Co. Nat. Bank...	Winslow, Lanier & Co.
	\$50,000	John E. Corwin, <i>Pr.</i>	John H. Terhune, <i>Cas.</i>
IOWA...	Miles.....	Exchange Bank.....	First N. B., Chicago-
		J. W. Miles, <i>Pr.</i>	M. S. Allen, <i>Cas.</i>
"	... Newton.....	Bank of Newton.....	Chemical National Bank.
		William Vaughan, <i>Pr.</i>	Thomas Arthur, <i>Cas.</i>
"	... Shell Rock....	Shell Rock Bank.....	First Nat. Bank., Chicago.
		(Boomer Bros. & Phillips.)	
"	... Sumner.....	S. F. Cass.....	Union Nat. Bank, Chicago.
MICH..	Chelsea.....	R. Kempf & Bro.....	Merchants' National Bank.
"	... Detroit.....	O. F. Hall & Co.....	(<i>Brokers.</i>)
MINN..	Minneapolis...	Citizens' Bank.....	Nat. Shoe & Leather Bank.
		N. F. Griswold, <i>Pr.</i>	Geo. B. Shepherd, <i>Cas.</i>
Mo....	St. Louis.....	John V. Hogan (<i>Broker</i>)..	Trask & Stone.
"	... Wellsville.....	J. Stouder & Co.....	Donnell, Lawson & Co.
N. Y...	Franklinville...	First National Bank.....	Importers & Traders N. B.
	\$55,000	William F. Weed, <i>Pr.</i>	Jason D. Case, <i>Cas.</i>
"	... Clayton.....	Barker & Grant.....	Ninth National Bank.
OHIO...	Cincinnati.....	R. E. Dunlap.....	(<i>Broker</i> , 88 West Third Street.)
TEXAS.	San Antonio...	James T. Thornton.....	Donnell, Lawson & Co.
Wis....	Kewaunee.....	John Carel.....	German-American Bank.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized January 15, 1877.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2345	First National Bank, Franklinville, N. Y.	William F. Weed.....	\$ 55,000	
		Jason D. Case.		\$ 55,000
2346	Madison County Nat. Bank, Anderson, IND.	John E. Corwin.....	\$ 50,000	
		John H. Terhune.		\$ 50,000

"GOLD AND DEBT: AN AMERICAN HANDBOOK OF FINANCE." By *William Fawcett*. We place in our select list of Books for Bankers this highly useful volume, a review of which will appear in our next number. It contains within small compass a large amount of valuable statistical and other matter—including the National Bank and Currency Laws of the U. S.—Orders supplied from the office of the BANKER'S MAGAZINE.—Price \$ 1.75.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from January No., page 569.)

JANUARY, 1877.

<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY. Bull's Head Bank.....	A. Dowdney, <i>Pr.</i>	J. E. Kelley.
COL. ... First N. B., Colorado Springs.	H. A. McIntire, <i>Pr.</i> ...	G. H. Stewart.
“ ... German Bank of Denver.....	J. A. Cooper, <i>Cas.</i>	H. Suhr.
CONN. First Nat. Bk., New Canaan	Stephen Hoyt, <i>Pr.</i>	W. Comstock.
DEL. ... Branch B. of Smyrna, Milford	David J. Cummins, <i>Pr.</i>	A. Stockley.
GA..... Sav. B. & Tr. Co., Savannah	Milo Hatch, <i>Pr.</i>	E. Ketchum.
ILL. ... First Nat. Bank, Princeton.	H. C. Roberts, <i>Cas.</i> ...	F. Gould.
IOWA. ... First Nat. Bk., Burlington.	William P. Foster, <i>Act'g</i>	J. C. Osgood.
“ ... German Bank, Dubuque.....	Gerhard Becker, <i>Pr.</i> ...	J. H. Thedinga.
“ ... National Bank of Winterset.	Frederick Mott, <i>Cas.</i> ...	W. W. McKnight.
KY. ... Farmers' B. Ky., Frankfort.	A. J. James, <i>Pr.</i>	T. N. Lindsey.
“ ... Northern “ “ Lexington..	W. D. Boswell, <i>Cas.</i> ...	A. F. Hawkins.
ME..... Thomaston N. B., Thomaston	Augs. O. Robinson, <i>Cas.</i>	O. Robinson.*
MASS... Martha's Viney'rd Nation'l)	Joseph T. Pease, <i>Pr.</i> ...	D. Fisher.*
“ ... Bank, Edgartown.}	Cyrus H. Pease, <i>Cas.</i>	J. T. Pease.
“ ... Merchants' N. B., NewBedf'd	Jonathan Bourne, <i>Pr.</i>	C. R. Tucker.*
“ ... N. B. Commerce, N. Bedford.	James H. Tallman <i>Cas.</i>	B. F. Coombs.*
MICH. Union City N. B., Union City	William P. Hunt, <i>Pr.</i>	.....
MINN. First Nat. Bank, Lake City.	L. S. Van Vliet, <i>Cas.</i> ...	A. J. Fowler.
MO.... Empire Bank, St. Louis.....	Michael Goettler, <i>Pr.</i>	B. Heidacker.
“ ... “ “ “ “	Charles Miller, <i>Cas.</i> ...	C. Fischback.
“ ... Manufacturers' Sav. B., St. L.	Isaac Cook, Jr., <i>Pr.</i> ...	R. E. Harding.
NEV.... Carson City Savings Bank...	Richard Kirman, <i>V.P.</i>	W. P. McIntosh.
N. J.... First Nat. Bank, Woodbury.	Amos J. Peaslee, <i>Pr.</i>	C. P. Stokes.
N. Y... National Bank of Auburn...	Silas L. Bradley, <i>Pr.</i> ...	C. H. Merriman.
“ ... Manufacturers' N. B., Troy.	Henry E. Weed, <i>Pr.</i>	T. Symonds.
OHIO... Third Nat. B'k, Cincinnati..	G. P. Griffith, <i>V. P.</i>...	.....
“ ... “ “ “ “ ..	Ammi Baldwin, <i>Cas.</i> ...	G. P. Griffith.
“ ... “ “ “ “ ..	S. W. Ramp, <i>Ass't Cas.</i>	A. Baldwin.
“ ... First National Bank, Xenia.	A. H. Baughman, <i>Pr.</i>	A. Hivling.*
“ ... First Nat. B'k, Youngstown.	Robert McCurdy, <i>Pr.</i>	W. S. Parmele.
“ ... “ “ “ “ ..	William H. Baldwin, <i>C.</i>	R. McCurdy.
PENN. . Second N B., Philadelphia.	Benj. Rowland, Jr, <i>Pr.</i>	N. Hilles.
“ ... Guar. Tr. & Safe Dep. Co...	Thomas Cochran, <i>Pr.</i>	E. C. Knight.
“ ... First Nat. B'k, Honeybrook.	Samuel Lemmon, <i>Pr.</i>	E. D. White.
“ ... Metropolitan National }	Robert Liddell, <i>Pr.</i> ...	C. A. Dravo.
“ ... Bank, Pittsburg.}	Charles A. Dravo, <i>Cas.</i>	W. H. Smith.
“ ... People's Bank, Wilkes-Barre	A. A. Sterling, <i>Cas.</i>...	.....
TENN.. Third Nat. Bank, Nashville.	John Kirkman, <i>Pr.</i> ...	W. W. Berry.
TEXAS. First Nat. Bank, Denison...	W. S. Lowe, <i>Cas.</i>.....	.....
VA. ... Nat. Valley Bank, Staunton.	Thos. A. Bledsoe, <i>Cas.</i>	M. H. Effinger.
WIS. ... Sav. Bank of Fond du Lac...	Gaines A. Knapp, <i>Tr.</i>	E. Colman
“ ... Manufactur'rs' B., Milwaukee	Albert Conro, <i>Pr.</i>	I. A. Hasbrouck.
“ ... “ “ “ “ ..	I. A. Hasbrouck, <i>V.P.</i>	A. Conro.
PR. ED. ISL. Merchants' Bank of)		
“ P. E. I., Georgetown...}	H. C. McLeod, <i>Agent. not</i>	McLean.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(Monthly List, continued from January No., page 569.)

- NEW YORK CITY. Gold Exchange Bank ; winding up.
 " " Dickinson & Co. ; now Dickinson, Waller & Co.
 " " E. L. Frank ; now E. L. Frank & Co.
 " " Walter T. Hatch & Son ; now W. T. Hatch & Sons.
 " " J. D. Kinsley ; now Geisler & Kinsley.
 " " W. T. Meredith & Co. ; now W. T. Meredith.
 " " F. P. Olcott & Co. ; succeeded by F. Du P. Davis.
- ARK.... E. W. Parker & Co., *Little Rock* ; now Parker & Worther.
- CONN. Workingmen's Savings Bank, *Hartford* ; in hands of Receiver.
- ILL.... Farmers & Merchants' Bank, *Mattoon* ; assigned.
- IND.... Madison Co. B., *Anderson* ; now Madison Co. N. B., same officers.
 " ... McKeen & Minshall, *Terre Haute* ; now McKeen & Tuell.
- IOWA... Penick, Day & Copeland, *Chariton* ; now Penick & Copeland.
 " ... First National Bank, *Newton* ; suc. by Bank of Newton, same officers.
 " ... Mathews & Son, *Rockford* ; now Bank of Rockford.
- KY.... Nat. Southern Ky. Bank, *Bowling Green* ; suc. by Nazro & Underwood.
 " ... Caseyville Deposit Bank, *Caseyville* ; closing business.
- MASS... Bates & Albee, *Boston* ; suspended.
 " ... Mechanics' Savings Bank, *Boston* ; failed.
- MICH. Lafontaine, Loranger & Co., *Monroe* ; now Lafontaine & Loranger.
- MO.... Empire Bank, *St. Louis* ; decided to liquidate.
 " ... First Nat. Bank, *Lancaster* ; suc. by Schuyler County Bank, same officers
- N. Y.... Bank of Franklinville, *Franklinville* ; succeeded by First N. B., same officers
- N. C.... Merchants' Bank, *Fayetteville* ; merged in Fayetteville National Bank.
- PA.... Diamond Savings Bank, *Allegheny* ; paying deposits and closing.
 " ... Hallowell & Co., *Philadelphia* ; now Morris L. Hallowell.
- TEX... Chamberlain Brothers, *Belton* ; assigned.

THE PREMIUM ON GOLD AT NEW YORK.

DECEMBER, 1876—JANUARY, 1877.

1876.		1876.		1877.				
Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.			
January	12 $\frac{3}{4}$	13 $\frac{1}{8}$	Dec. 27	7	7 $\frac{1}{8}$	Jan. 11	5 $\frac{3}{8}$	6
February	12 $\frac{3}{4}$	14 $\frac{1}{8}$	28	7	7 $\frac{1}{8}$	12	6	6 $\frac{3}{8}$
March	13 $\frac{3}{4}$	15	29	7	7 $\frac{1}{8}$	13	6 $\frac{3}{8}$	6 $\frac{3}{8}$
April	12 $\frac{1}{2}$	13 $\frac{3}{8}$	30	6 $\frac{1}{8}$	7 $\frac{1}{8}$	15	6 $\frac{1}{2}$	6 $\frac{3}{4}$
May	12 $\frac{1}{4}$	13 $\frac{1}{4}$	Jan. 2	6 $\frac{7}{8}$	7 $\frac{1}{8}$	16	6 $\frac{3}{8}$	7
June	11 $\frac{7}{8}$	13	3	6 $\frac{7}{8}$	7 $\frac{1}{8}$	17	6 $\frac{3}{8}$	6 $\frac{3}{4}$
July	11 $\frac{3}{8}$	12 $\frac{3}{8}$	4	6 $\frac{7}{8}$	7	18	6 $\frac{1}{4}$	6 $\frac{1}{2}$
August	9 $\frac{3}{4}$	12 $\frac{3}{8}$	5	6 $\frac{1}{2}$	6 $\frac{3}{4}$	19	6 $\frac{3}{8}$	6 $\frac{1}{2}$
September ...	9 $\frac{1}{4}$	10 $\frac{3}{8}$	6	6 $\frac{1}{4}$	6 $\frac{1}{2}$	20	6 $\frac{1}{4}$	6 $\frac{3}{8}$
October	8 $\frac{7}{8}$	13 $\frac{1}{4}$	8	6 $\frac{1}{8}$	6 $\frac{3}{8}$	22	6 $\frac{3}{8}$	6 $\frac{1}{2}$
November....	8 $\frac{1}{8}$	10 $\frac{3}{8}$	9	5 $\frac{3}{4}$	6 $\frac{1}{4}$	23	6 $\frac{1}{4}$	6 $\frac{3}{8}$
December ...	7	9	10	5 $\frac{7}{8}$	6 $\frac{1}{4}$	24	6	6 $\frac{1}{2}$

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	Dec. 1, 1876.	Jan. 1, 1877.
Bonds at six per cent.	\$ 984,999.650 ...	\$ 944,900,800
Bonds at five per cent.	712,320,450 ...	712,320,450
Bonds at four and a-half per cent. ....	.....	33,600,000
	<u>\$ 1,697,320,100</u>	<u>\$ 1,690,821,250</u>

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000 ...	\$ 14,000,000
DEBT ON WHICH INTEREST HAS CEASED....	\$ 2,291,700 ...	\$ 11,834,360

DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.....	\$ 366,976.607 ...	366,120,546
Certificates of deposit	40,725,000 ...	31,000,000
Fractional currency.....	27,408,508 ...	26,348,206
Coin certificates.....	37,413.600 ...	47,280,000
	<u>\$ 472,523,716</u> ...	<u>\$ 470,748,752</u>

Total debt	\$ 2,186,135,516 ...	\$ 2,187,404,363
Interest	35,550,269 ...	42,518,157

TOTAL DEBT, principal and interest.....	\$ 2,221,685,785 ...	\$ 2,229,922,520
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CASH IN THE TREASURY.

Coin	\$ 79,881.471 ...	\$ 96,517.418
Currency.....	11,743,215 ...	9,483,860
Special deposit held for redemption of certificates of deposit, as provided by law....	40,725,000 ...	31,000,000
	<u>\$ 132,349,686</u> ...	<u>\$ 137,001,278</u>

Debt, less cash in the Treasury, Dec. 1, 1876	\$ 2,089,336,099 ...	.....
“ “ “ Jan. 2, 1877 .....	.....	\$ 2,092,921,241

Increase of debt during the past month.....	\$ 457,662 ...	\$ 3,585,142
Decrease of debt since June 30, 1876.....	10,103,245 ...	6,518,103

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.....	\$ 64,623,512 ...	\$ 64,623,512
Interest accrued and not yet paid	1,615,587 ...	1,938,705
Interest paid by the United States.....	32,080,218 ...	32,080,218
Interest repaid by transportation of mails, &c.	6,990,335 ...	7,004,507
Balance of interest paid by the U. S....	<u>\$ 25,089,882</u> ...	<u>\$ 25,075,710</u>

IMPORTS AND EXPORTS

of the United States for the month ended November 30, 1876, and for the eleven months ended the same, compared with the corresponding periods of 1875. Prepared and published by the United States Bureau of Statistics.

IMPORTS—VALUES.

	—Month ended Nov. 30.—		—11 Months ended Nov. 30.—	
	1876.	1875.	1876.	1875.
	\$	\$	\$	\$
Total dutiable.....	20,041,356	23,943,044	281,203,709	339,082,336
Total free of duty.....	16,401,044	15,159,579	135,634,648	154,213,185
Total coin and bullion.....	6,904,222	2,206,280	22,595,111	21,457,340
Total merchandise.....	29,538,178	36,896,343	394,243,246	471,838,181
Total imports.....	36,442,400	39,102,623	416,838,357	493,295,521
Entered for consumption..	28,420,865	29,414,925	296,034,494	347,367,657
Entered for warehouse.....	7,553,802	9,137,926	113,268,930	137,693,362
Entered for immediate transportation to interior ports without appraisement.....	467,733	549,772	7,534,933	3,234,502
Brought in cars and other land vehicles.....	1,165,413	1,290,046	10,252,638	11,620,880
Brought in American vessels...	7,513,217	10,263,971	125,124,442	144,083,877
Brought in foreign vessels.....	27,763,770	27,548,606	281,461,277	337,599,626

DOMESTIC EXPORTS.

Shipped in cars and other land vehicles.....	525,457	415,178	3,405,761	5,374,029
Shipped in American vessels...	15,155,046	18,270,612	140,410,132	142,586,834
Shipped in foreign vessels.....	48,519,429	43,584,628	462,879,919	422,643,491
Grand total.....	64,199,932	62,270,418	606,695,812	570,604,354
Total value of merchandise (mixed values).....	62,315,081	59,730,388	560,858,361	502,896,827
Total value of coin and bullion	1,884,851	2,540,039	45,837,451	67,707,527
Gold value of merchandise.....	57,468,722	52,440,980	504,333,867	440,619,018

FOREIGN EXPORTS.

Total dutiable.....	1,387,991	1,088,406	9,197,167	9,208,068
Total free of duty.....	736,259	1,181,058	19,141,318	12,072,165
Total value of coin and bullion	513,091	920,363	7,124,162	8,945,687
Total value of merchandise....	1,611,159	1,349,101	13,214,323	12,334,546
Aggregate.....	2,124,250	2,269,464	20,338,485	21,280,233
From warehouse.....	1,355,903	977,512	8,898,043	8,595,187
Not from warehouse.....	769,347	1,291,952	11,439,542	12,685,026
Exported in cars and other land vehicles.....	225,710	181,143	1,769,008	2,267,460
Exported in American vessels.	1,105,087	369,518	6,564,404	9,849,567
Exported in foreign vessels.....	793,453	1,718,843	12,065,073	9,163,206

Remaining in warehouse November 30, 1876, \$31,012,141. Remaining in warehouse November 30, 1875, \$40,742,616.

NOTES ON THE MONEY MARKET.

NEW YORK, JANUARY 23, 1877.

Exchange on London at sixty days' sight, 4.83 a 4.83½, in gold.

The Treasury has issued two calls for bonds during the month, amounting together to twenty millions. There is said to be a lively anticipation of a European demand, when the political and financial horizon begins to clear up, which is a two-fold contingency that is now more likely soon to be realized, than it appeared last month. The general outlook of business is improving, and mercantile credit is in a similar condition. On the whole, in the monetary circles, more of the indications of ease and low rates prevail than of activity or of an advance.

The rates for loans are somewhat easier and the demand is light. The accumulation of idle capital is increasing as is shown by the subjoined statement of the New York Clearing House Banks :

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Circulation.</i>	<i>Deposits.</i>	<i>Excess of Reserve.</i>
1876.						
Dec. 23.....	\$ 252,684,000 .	\$ 27,659,800 .	\$ 35,546,900 .	\$ 15,137,800 .	\$ 206,170,700 .	\$ 11,664,025.
" 30.....	253,328,600 ..	33,049,700 ..	34,975,100 ..	15,268,700 ..	212,461,109 ..	14,909,525
1877.						
Jan. 6.....	254,800,100 ..	38,370,800 ..	35,283,200 ..	15,503,400 ..	220,783,600 ..	18,458,100.
" 13.....	254,170,400 ..	39,737,400 ..	37,042,900 ..	15,517,300 ..	223,808,300 ..	20,813,225
" 20.....	252,401,900 ..	40,974,900 ..	40,128,800 ..	15,491,900 ..	227,342,800 ..	24,268,000

The Clearing-House exhibit of the Boston banks for the past month is as below :

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
1876.					
Dec. 23.....	\$ 131,947,000	\$ 3,217,900	\$ 6,736,800	\$ 77,968,200	\$ 22,147,200.
" 30.....	131,171,300	4,286,400	6,955,400	78,933,800	22,503,100
1877.					
Jan. 6.....	132,425,400	5,343,200	5,800,500	79,851,800	22,263,500.
" 13.....	132,859,000	5,385,300	5,059,900	79,130,100	22,624,100.
" 20.....	131,721,100	5,667,300	4,736,400	77,328,900	22,435,900

The Philadelphia bank statements for the same time are as follows :

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
1876.					
Dec. 23.....	\$ 62,795,263	\$ 968,768	\$ 14,133,410	\$ 51,102,321	\$ 10,173,643.
" 30.....	62,377,907	1,269,116	14,379,842	52,224,997	10,208,910
1877.					
Jan. 6.....	62,187,025	1,580,964	14,231,455	51,832,734	10,182,868
" 13.....	62,084,608	2,050,173	14,061,208	51,497,206	10,203,456.
" 20.....	62,095,128	2,061,351	14,179,828	51,664,167	10,167,551

The movement of currency sets actively towards this City, and the legal tenders have risen in New York to forty millions, showing an increase of three millions during the past week. The following table exhibits the greenback movement in the New York City Banks during the last quarter of the year 1876, as compared with same period of the four previous years :

GREENBACK MOVEMENT IN THE NEW YORK CITY BANKS, SEPTEMBER TO DECEMBER, 1872-1876.

	1872.	1873.	1874.	1875.	1876.
Sept. 16-20.....	\$ 44,467,000 ..	\$ 34,307,900 ..	\$ 65,324,900 ..	\$ 67,938,000 ..	\$ 59,223,100
Oct. 21-26.....	52,842,100 ..	8,777,700 ..	58,830,800 ..	54,702,900 ..	48,740,200
Dec. 27-31.....	41,119,600 ..	44,664,000 ..	47,163,400 ..	39,924,900 ..	34,975,100

From these figures it will be seen that the tidal movements of the greenback reserves have not been quite so active as in former years, and the return flow is now going on so that of specie and greenbacks, the banks now hold \$ 24,268,000 in excess of the minimum reserve required by the law.

The stock market shows more activity, and the general tone of prices is better. Government bonds close strong, and there is a good demand from savings banks, trust companies, financial corporations, and from investors. In some quarters an active demand is looked for from abroad. The Syndicate are expected to propose to the treasury to make another call of bonds sometime next month. A Washington despatch says that the treasury authorities at Washington are satisfied, from the tone and temper of the advices from Europe as to the funding operations, and the prospects of the new four and a half per cent. bonds, that the financial credit of the Government will be fully maintained, and that the outlook is more promising for a successful continuance of the funding process than for some time past. A still more satisfactory inference might have been deduced if we had been funding our longer bonds at four per cent.

When Mr. Hatch (of the banking firm of Messrs. Fisk and Hatch) argued this question before a committee of Congress, a short time since, he presented various calculations founded on the market prices of several descriptions of bonds, and by each separate process of reasoning he reached the same conclusion that the credit of the United States is already a four per cent. credit. The varying premium on gold and the uncertainty as to how long the bonds will be permitted to run after they become redeemable, render perfect exactness unattainable in such computations; but in Mr. Hatch's argument before the Congressional Committee he applied the same reasoning, with the same result, to a class of bonds which are not affected by these elements of uncertainty. He showed that the United States currency sixes with eighteen years to run paid only four per cent. at their then current price of 125 49-100; those having nineteen years to run paid only four per cent. at their current price of 126 44-100, and those having twenty years to run paid only four per cent. at their price of 127 36-100.

With some modifications arising out of the later fluctuations in prices a similar argument might easily be made out now. Railroad bonds are quiet and firm. State bonds show an improved tone in consequence of the agitation as to the new board of arbitration constituted to readjust and consolidate on impartial and equitable terms the debts of the Southern States which are in default. Subjoined are our usual quotations :

QUOTATIONS :	Dec. 28.	Jan. 3.	Jan. 9.	Jan. 16.	Jan. 23.
Gold.....	107 ..	107 ..	105½ ..	106¾ ..	106¾
U. S. 5-20s, 1867 Coup.	113¾ ..	113¾ ..	113¾ ..	113¾ ..	113¾
U. S. new 10-40s Coup.	113¾ ..	113¾ ..	112¾ ..	113 ..	114
West. Union Tel. Co.	71¾ ..	72¾ ..	72¾ ..	76 ..	76¾
N. Y. C. & Hudson R.	100¾ ..	101 ..	102 ..	102¾ ..	104¾
Lake Shore.....	57½ ..	56¾ ..	54¾ ..	54¾ ..	57½
Chicago & Rock Island	102 ..	100¾ ..	101¾ ..	101¾ ..	102¾
New Jersey Central...	35¾ ..	36¾ ..	36 ..	34 ..	34
Del. Lack. & West....	71¾ ..	76¾ ..	75¾ ..	75¾ ..	74¾
Delaware & Hudson..	69¾ ..	73½ ..	73 ..	70½ ..	69
North Western.....	36¾ ..	36¾ ..	36¾ ..	36¾ ..	37¾
Pacific Mail.....	24 ..	24 ..	23¾ ..	24 ..	25½
Erie	9½ ..	10 ..	9¾ ..	9¾ ..	10¾
Call Loans.....	3½ @ 7 ..	5 @ 7 ..	5 @ 7 ..	5 @ 6 ..	4 @ 5
Discounts.....	5½ @ 8 ..	6 @ 8 ..	5½ @ 8 ..	5 @ 8 ..	4½ @ 6½
Bills on London.....	4.84-4.86 ..	4.84-4.86 ..	4.84-4.86 ..	4.83½-4.85½ ..	4.83½-4.85½
Treasury balances, cur.	\$ 40,945,205 ..	\$ 41,034,353 ..	\$ 40,897,645 ..	\$ 40,276,879 ..	\$ 41,338,531
Do. do. gold.	\$ 66,970,988 ..	\$ 64,800,771 ..	\$ 65,031,614 ..	\$ 66,457,891 ..	\$ 68,251,246

Railroad shares are firmer with an augmenting volume of business, and an apparent indication of more activity in the early future. The coal shares are more steady and are being quietly absorbed for investment at present prices by strong capitalists. Gold has fallen below a hundred and six for the first time since the month of June, 1862. The lowest price that has previously been struck during the last fifteen years was on October 16th, 1873 when the price fell to 107 3-4. From which point it gradually rose to 117¾ on October 5th, 1875. Since that date it has gradually, and with spasmodic fluctuations, sunk to 106 or a fraction lower. Should war break out between Russia and Turkey, it is thought by some persons that the other great European powers will of necessity be dragged into the struggle and that the prospects of our securities in Europe will be so much impaired as to cause a large amount of bonds to be thrown upon the European markets, and to return to this country. In that event an export of gold from this port is one of the results which might be looked for. How far this expectation is founded upon solid grounds we cannot at present affirm with any approach to certainty. Quite a number of capitalists, and financial institutions have, however, been purchasing gold on the strength of this expectation. At the present price gold certainly looks cheap especially in view of the uncertainty as to the Eastern complications.

The movements of our foreign trade are growing more favorable. In November the gold value of merchandise exports reached the amount of \$ 57,278,754, a sum which was never exceeded in the history of our foreign commerce, except in December, 1873, and in January, 1874. The value of merchandise imports was during November only \$ 30,470,466, and the foreign exports were \$ 1,556,976. The net result of this trade was a balance in favor of this country of \$ 28,365,264, for a single month. We have, however, been accustomed of late to a heavy excess of exports. For the eleven months ending November 30th, there was an export of domestic merchandise to the value of \$ 504,195,777, in gold. The foreign exports were \$ 13,160,140, while the imports of merchandise were only \$ 395,301,484. The favorable balance was, therefore, \$ 122,054,433 in gold. Estimated in the same way, the adverse balance in the first eleven months of 1875 was \$ 18,874,617. The sum of the two amounts, upward of 140 millions, represents the improvement in the balance of trade

that has taken place in one year. These facts though they have in some quarters been much misunderstood and misrepresented are important, and the further movements of our commerce will be watched with interest.

The money market is so easy that it is less agitated than usual by the revival in this state of the agitation against the usury penalties. We have often showed that the present condition of the usury laws in the various States of the Union is such that their unification, in conformity to the usury provisions of the National Currency Act, was certain to take place within a brief period. This year, in Albany, the bill will probably pass which is elsewhere discussed, for the remodeling of the usury laws of this State, so as to make them conform to the federal law. A petition has been presented asking the Legislature to remove the mischievous anomalies from the statute book, which the usury laws of this State now present. At Albany, three years ago, a bill, at the instance of the friends of usury reform, passed both houses of the Legislature, and was only prevented from becoming a law by an error of judgment on the part of its supporters, when, for political purposes, its re-consideration was put to the vote. A repetition of that mistake will not, it is hoped, defeat so important a reform this year. We subjoin our usual statistics as to the currency and bank movements:

<i>Week ending 1876.</i>	<i>Notes in circulation.</i>	<i>Bonds for circulation.</i>	<i>Bonds for U. S. deposits.</i>	<i>Greenbacks.</i>	<i>Coin in Treasury.</i>	<i>Coin Certificates.</i>
July 18....	331,839,109 ..	340,249,850 ..	18,723,000 ..	*369,772,284 ..	61,848,009 ..	3,588,600
Aug. 26....	326,562,064 ..	338,823,850 ..	18,723,000 ..	.....	62,580,612 ..	25,120,000
Sept. 16....	324,832,877 ..	337,318,650 ..	18,743,000 ..	*369,334,604 ..	63,204,594 ..	31,678,100
Oct. 22....	324,970,132 ..	337,289,800 ..	19,155,000 ..	*368,494,740 ..	71,273,106 ..	32,210,100
Nov. 18....	320,612,289 ..	337,849,800 ..	19,103,000 ..	*367,535,716 ..	79,771,725 ..	36,224,300
Dec. 19....	319,894,894 ..	337,602,800 ..	18,967,000 ..	356,569,800 ..	.....	.....
Jan. 20....	319,108,061 ..	338,545,200 ..	19,062,800 ..	.....	.....	.....

* Outstanding greenbacks.

In connection with the recent movements for adjusting the Southern State debts, it is reported that a joint committee of the North Carolina Legislature, has unanimously reported against a proposition of bondholders of the State, representing \$21,407,383, to fund the State debt at the rate of fifty per centum of the principal and accrued interest. The bondholders assert that the taxpayers of the State can bear a taxation of seventy-five cents. on the hundred dollars instead of sixty cents, the present rate, but the Committee do not accept this view. It is to be regretted that the proposition in question has been made until the Board of Adjustment has been organized, so that the whole of the fact could be submitted to that tribunal, for mature and deliberate consideration.

DEATHS.

AT XENIA, Ohio, on Tuesday, December 26th, 1876, aged seventy-two years, ABRAHAM HIVLING, President of the First National Bank of Xenia.

AT ST. LOUIS, Mo., on Friday, January 12th, aged fifty years, CHARLES ENSLIN, Cashier of the Bank of Commerce.

THE
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No. 9

HISTORY OF NEW YORK BANKING.

One of the most timely and useful contributions to the banking annals of the United States appears in the early part of the Report of the Comptroller of the Currency, lately presented to Congress. Mr. Knox has given a sketch of the earlier as well as the more recent progress of banking in the several States, and his account is not only full and elaborate, but it is derived to a great extent from original sources, from Government documents and from scarce volumes which are now difficult to procure. A few months ago we gave in the *BANKER'S MAGAZINE* several articles on the History of Banking in Massachusetts and we propose to prepare hereafter similar papers on the banking progress of other States. We now proceed to give some account of the New York Banking System, drawing copiously from the abundant materials compiled by the Comptroller of the Currency,

Under the common law, banking was free in the State of New York. But the common law right was so liable to abuse, that it received at a very early period restrictions which were the more readily acquiesced in, because of the limited liability privileges with which these restrictions were rendered acceptable to the incorporators and stockholders of the banks. The first incorporated bank was chartered by the New York Legislature March 21, 1791. It was called the Bank of New York, and when it received its charter it had been for seven years conducting its business as a private

banking partnership, under articles of Association drawn by Alexander Hamilton, who was a member of its first Board of Directors. The Bank of New York was the third bank organized in the United States. Its capital was \$900,000, in shares of five hundred dollars each. The State subsequently subscribed for one hundred shares, making the capital \$950,000, and the bank commenced business on May 2, 1791. In 1832 the capital was increased to one million dollars by a State subscription of fifty thousand dollars, fifteen thousand of which was for the use of common schools, twenty thousand for Union College, and fifteen thousand for Hamilton College. On May 1, 1852, it was reorganized as a free bank under the general laws of the State, with a capital of \$2,000,000. On January 6, 1865, it became a National bank, the capital having previously been increased to \$3,000,000. During its seventy-four years of existence as a State bank it paid 162 dividends, varying in amount from three to five per cent. semi-annually, averaging a little more than eight per cent. per annum, and amounting in all to over six times its capital. Since it became a National bank dividends have been declared at the rate of ten per cent. per annum. The gross losses during the history of the bank amount to about \$750,000, having never exceeded one-quarter to one-half of one per cent. of capital during any single year, except during the intervals from 1837 to 1842, and from 1873 to 1875. The bank was a favorite of the Federal party at the time of its organization.

Between the dates of incorporation of the Bank of New York and of the declaration of war with Great Britain, on June 11, 1812, nineteen banks were chartered by the Legislature, with an authorized capital of \$18,215,000. Among these banks were the Manhattan Company, Merchants', Mechanics', Union, Bank of America, and City Bank, all of New York City; the New York State and the Mechanics and Farmers', of Albany, and the Bank of Utica. Seven of these, including the Bank of New York, have become National banks, while three of them are at present the leading banks organized under State laws, and all have maintained a high credit from the date of their organization to the present time. Twenty-four additional banks were chartered between 1812 and the date of the passage of the Safety-fund Act in 1829, the amount of chartered capital at the latter date being \$25,105,000, of which amount \$13,770,000 was authorized for banks in New York City.

In 1799 the Bank of New York was under the control of federalists, and both branches of the Legislature were in the hands of that party. As it was not probable that any bank to be controlled by opposition would be authorized a bill was prepared, largely through the influence of Aaron Burr, authorizing a company, with a capital amounting to \$2,000,000,

to supply the city of New York with water, and providing that the surplus capital might be employed in the purchase of public or other stocks, "or in any other money transaction or operation not inconsistent with the laws and Constitution of the United States or of the State of New York." The real purpose of the Act was concealed, the majority of the Legislature not perceiving that the charter contained a grant for banking purposes, and the Act, which incorporated the Manhattan Company, was passed under this misapprehension. In 1792 the Bank of Albany was chartered, capital \$240,000. "In 1793 the Bank of Columbia, located at Hudson, where it was proposed to open a foreign trade and establish a whale-fishery business, by a company from Rhode Island, was chartered, with a capital of \$160,000."*

In the year 1803 application was made to the Legislature for the charter of the New York State Bank, at Albany. The applicants for the charter alleged that the Bank of Albany was owned by federalists, and was so managed as to be oppressive to business men who were republicans.† They also petitioned the Legislature that the charter for the bank should grant to them, exclusively, the Salt Springs in the State for say sixty years, on the condition that the price of salt at the salt-works should not exceed five shillings per bushel, and that they should pay annually to the State \$3,000 for the first ten years, \$3,500 for the second ten years, and \$4,000 annually thereafter. The bill was reported, including a clause granting the exclusive right to the Salt Springs; but this clause was subsequently stricken out, and the charter granted with an authorized capital of \$460,000.

The Merchants' Bank of New York applied for a charter at the same session at which the charter of the State Bank was granted. Through the influence of the Clintons and Livingstons the charter for the State Bank at Albany was granted. "The ground taken in its favor was that the only three banks in the State of New York—the Bank of Columbia at Hudson, the Bank of Albany, and the Farmers' Bank near Troy—were all in the hands of the federalists. The republican character of this new bank and the passage of its charter were both secured by admitting all the Clintonian members of the Legislature to subscribe for a certain number of shares. The prevailing party in the Legislature refused a charter to the Merchants' Bank, already in operation under articles of copartnership, and also to a moneyed corporation applied for by the friends of Burr."‡ The Merchants' Bank of New York, disappointed in obtaining a charter in 1803, had continued business under its articles of association. A fresh application for a charter had been made

* *Hammond's Political History of New York*, vol. 1, p. 324.

† *Ibid.*, p. 328.

‡ *Hildreth's History of the United States*, vol. 5, p. 477.

in 1804; but instead of granting one, the Legislature of that year passed an Act prohibiting banking by unincorporated companies, under severe penalties, declaring notes or other securities for the payment of moneys to such companies absolutely void, and giving the Merchants' Bank one year in which to wind up its affairs. "Similar acts for the restraint of private banking had recently been passed in Massachusetts, copied from the old Act of Parliament of 1741, the first enforcement of which in New England had almost produced a rebellion. The stockholders of the Merchants' Bank, not discouraged, again made their appearance at Albany. The leading democrats, from their concern in the Manhattan and other banks, were not only deeply interested in keeping up a monopoly, but they also considered it quite intolerable that an association of federalists should presume to ask a democratic Legislature for a bank charter. After very hot debates and a violent altercation, in which two senators, both having the title of judge, came to actual fisticuffs within the senatorial precincts, the bill of incorporation passed the Senate by a majority of three votes."*

We now enter upon the second period in the history of our banking system in New York. The old common-law right of banking was still enjoyed by private individuals, and the statute of 1804 deprived of this privilege the chartered banks only.

No further serious contests over bank charters occurred until 1812, when application was made for the incorporation of the Bank of America with a capital of six millions. The applicants offered a bonus of \$600,000 to the State, of \$400,000 to the common school fund, \$100,000 to the literary-fund, and \$100,000 to be paid into the treasury at the end of twenty years, provided that no other bank should in that time be chartered. One million of dollars was to be loaned to the State, to be used in constructing canals, and one million to farmers. The enacting clause of the bill for chartering the bank passed the Assembly by a vote of 52 to 46. Disclosures were made of attempts by the applicants to bribe members of both houses, but the bill passed the assembly by a vote of 58 to 39. When it became evident that the bill would pass the Senate, Governor Tompkins, who was subsequently twice elected Vice-President of the United States, sent a message to the two houses proroguing the legislature until May following, under authority of a clause in the Constitution of 1777. One cause assigned by the governor for this action was that sufficient proof had been furnished him to show that the bank applicants had used, or attempted to use, corrupt means to secure the charter.†

The charter was granted, but the capital was subsequently

* *Hildreth's History of the United States*, vol. 5, pp. 548-50.

† *Hammon's Political History of New York*, vol. 1, p. 309; Buffalo, 1850.

reduced to \$2,000,000, and the subsidy to the State diminished to \$100,000. Books for subscription to the stock were opened in ten different States, and stock in the United States Bank, whose charter had just expired, was received in subscription to the stock of this bank, and also of the City Bank, which was organized during the same year. The City Bank was to pay \$120,000 to the State for school purposes, which amount was subsequently reduced to \$60,000.

A clause was inserted in the Constitution of 1821 which required the assent of two-thirds of both branches of the Legislature in order to incorporate a moneyed institution. The only effect of the restrictive clause was to increase the evil by rendering necessary a more extended system of corruption.*

The third period commenced with the organization of the safety-fund banks, which were founded to stop the abuses and to prevent the dangers that were so productive of scandals and disasters. The safety-fund system of banks was recommended by Mr. Van Buren in his message as governor in 1829, and the act establishing it passed the Legislature and became a law on April 2 of that year. Forty banks were then in operation, and their charters were about to expire. It is said to have been suggested by a system which originated with the Hong merchants in China, by which each member contributed to uphold and cherish the weak members of the Hong.† The act authorized the issue of circulating-notes not exceeding twice the amount of capital paid in, and limited the loans to twice and one-half the amount of the capital. The feature of most importance in the act was the establishment of a common fund, by a provision requiring every banking corporation thereafter organized, or whose charter should be renewed or extended, to pay annually to the treasurer of the State a sum equal to one-half of one per cent. of its capital stock paid in; the payments to be continued until every such corporation had paid into the treasury three per cent. upon its capital stock. The fund thus created was made applicable to the payment of the circulation and other debts of any insolvent bank contributing to the same. If the fund became at any time diminished by payments from it, each bank was required to renew its annual contribution until the deficiency was restored.

Contributions to the fund were first made in 1831. In 1841-'42 eleven of the safety-fund banks failed, with an aggregate capital of \$3,150,000. The sum which had been paid into the fund by these banks was but \$86,274; while the amount required for the redemption of their circulation was \$1,548,588, and for the payment of claims of their other

† *Ibid.*, p. 328.

* Letter of Abijah Mann, page 37, in *Banks and Banking in the State of New York* by A. C. Flagg, late Comptroller. 1868.

creditors \$1,010,375, making a total of \$2,558,933. According to the report of the State Comptroller, made in 1849, the whole amount contributed to the fund down to September 30, 1848, was but \$1,876,063; and even if full payments, as required by law, had been made by all the banks organized under the system, the fund would still have been insufficient to pay the deficiency occasioned by the insolvency of these eleven banks. This deficiency was subsequently provided for by the issue of a six-per-cent. stock by the State, to be re-imbursed largely by new contributions from the banks. During the year 1842 the act was so amended that the safety-fund became a security only for the notes in circulation, and not for the other debts of the banks. The safety-fund act did not provide for the organization of new banks; such banks were still required to obtain special charters, as before the passage of the act.

Another feature of the system was the appointment of three bank commissioners to supervise and inspect the several banks, and report annually to the legislature the result of their investigations. It was supposed that in a commission consisting of three persons each would be a check upon the others. To effect this purpose, the Governor and Senate were to appoint one commissioner, the banks in the southern portion of the State another, and the remaining banks a third.

The stock of the safety-fund banks was distributed by agents selected from the neighborhood of the institutions, and was in many instances divided among the political friends or favorites of the agents. The bank commissioners in their report for 1837 say of this: "The distribution of bank stocks created at the last session has in very few, if any, instances been productive of anything like general satisfaction. In most instances its fruits have been violent contention and bitter personal animosities, corrupting to the public mind and destructive of the peace and harmony of society." The commissioners, in despair at the situation and the general complaints, proposed that the stock should thereafter be sold at auction.

The law authorizing the appointment of commissioners was changed in 1837 so as to give the selection of all three of them to the Governor and Senate. Hon. Millard Fillmore, Comptroller of the State of New York, in his report for 1849, says: "This, of course, brought them within the vortex of the great political whirlpool of the State, and the place was sought for and conferred upon partisan aspirants without due regard in all cases to their qualifications to discharge the delicate trust committed to them. This state of things, under the administration of both the great political parties of the State, continued until 1843 when the Legislature abolished the office and conferred the power of examining these banks upon this office whenever there was reason to

suspect that a bank had made an incorrect report, or was in an unsafe or unsound condition to do banking business."

The fourth period in the history of the New York Banking System begins with the passage of laws which restricted the privilege of banking within much narrower limits than had previously been known.

The restraining act of 1804, as has been seen, prohibited any person, under a penalty of one thousand dollars, from subscribing to or becoming a member of any association, for the purpose of receiving deposits, or of transacting any other business which incorporated banks may, or do, transact by virtue of their acts of incorporation. This restraining law is said to have been passed through the aid of influential men, who controlled and were interested in banking corporations then in existence, its purpose being to prevent private banking institutions from continuing business. This law prohibited *associations* of persons from doing a banking business; but individuals and incorporated institutions subsequently issued bills in denominations as low as six, twelve, twenty-five, fifty, and seventy-five cents. To prevent the further issue by irresponsible persons of currency, in the similitude of bank-notes, which had become a great evil at the close of the war of 1812, the restraining act of 1818 was passed, which provided that no person, association of persons, or body-corporate, except such bodies-corporate as were expressly authorized by law, should keep any office for the purpose of receiving deposits, or discounting notes or bills, or for issuing any evidence of debt to be loaned or put in circulation as money. This law remained upon the statute books for thirty-two years, and, after various unsuccessful attempts, was finally repealed in 1837, one year before the passage of the free-banking law.

The fifth period of the Banking System of New York, commenced with the establishment of the free-banking system, which was authorized on April 13, 1838. Under its provisions any number of persons was authorized to form banking associations upon the terms and conditions, and subject to the liabilities of the act. The law originally provided that such associations, on depositing stocks of the State of New York, or of the United States, or any State stock which should be, or be made, equal to a five-per-cent. stock, or bonds and mortgages on improved and productive real estate worth, exclusive of the buildings thereon, double the amount secured by the mortgage, and bearing interest at not less than six per cent. per annum, should receive from the Comptroller of the State, an equal amount of circulating notes. Previous to the year 1843 twenty-nine of these banks, with an aggregate circulation of \$1,233,374, had failed; and their securities, consisting of stocks, and bonds and mortgages, amounting to \$1,555,338, were sold for \$953,371, entailing a loss of \$601,966. The avails of the securities were sufficient to pay but seventy-four per cent. of the circulation alone. The losses to the bill-

holders occurred only in the case of those banks which had deposited State stocks other than those of New York. The law was thereupon so amended as to exclude all stocks except those issued by the State of New York, and to require these to be made equal to a five-per-cent. stock. An amendment in 1848 required that the stocks deposited should bear six per cent. interest instead of five, and that the bonds and mortgages should bear interest at seven per cent., and should be on productive property, and for an amount not exceeding two-fifths of the value of the land covered by them. Subsequently, on April 10, 1849, the law was again so amended as to require that at least one-half of the securities so deposited should consist of New York State stocks, and that not more than one-half should be in the stocks of the United States, the securities in all cases to be, or to be made, equal to a stock producing an interest of six per cent. per annum, and to be taken at a rate not above their par value, and at not more than their market value.

The banks were under the supervision of a commissioner appointed under the safety-fund act, until the year 1843, in which year they were required to report to the State Comptroller; but in 1851 the present office of Bank Superintendent was established.

In 1840, a law was passed requiring the banks of New York to redeem their notes at an agency of the bank, either in New York City, Albany, or Troy, at one-half of one per cent. discount. This discount was reduced in 1851 to one-fourth of one per cent. After the passage of this act two of the principal banks in the city of New York inaugurated a plan of redemption similar to the Suffolk system. The notes of such associations as kept a deposit with them were returned to the banks of issue, and the discount of one-fourth of one per cent. was divided between the redemption agent and the associations whose notes were redeemed. Those banks which did not provide the means for redemption were forced to close up their affairs.

Hon. Millard Fillmore, Comptroller of the State of New York, in his report for 1849, says :

The safety-fund banks derived much of their credit from the individuals incorporated. By granting a special charter in each case, the Legislature had it in its power, in some measure, to control this matter. The practice of granting exclusive privileges to particular individuals invited competition for these legislative favors. They were soon regarded as part of the *spoils* belonging to the victorious party, and were dealt out as rewards for partisan services. This practice became so shameless and corrupt that it could be endured no longer, and in 1838 the Legislature sought a remedy in the general banking law. This was the origin of the free-banking system. Since that time no safety-fund bank has been chartered and in 1846, the people set their seal of reprobation upon this practice of granting special charters for banking purposes, by providing in the new constitution that "the Legislature should have no power to pass any act granting any special charter for banking purposes, but that corporations or associations might be formed for such purposes under *general laws*."

The Constitution of 1846 also provided that, after the year

1850, stockholders of banks issuing circulating notes should be individually responsible to the amount of their shares for all debts and liabilities of every kind, and that in the case of the insolvency of any bank or banking association, the bill-holders should be entitled to preference in payment over all other creditors; and the Constitution, as amended in 1874, still contains substantially the same provisions.

The following table exhibits the number of banks in the State of New York, and in New York City, with their principal items of resources and liabilities in various years, from 1836 to 1876; the National banks being included for the year 1865, and subsequently.

		State and City of New York.					
	Banks.	Capital. Millions.	Loans. Millions.	Deposits. Millions.	Circulation. Millions.	Specie. Millions.	
1836	86	31.3	72.5	19.1	21.1	6.2	
1837	98	37.1	79.3	19.3	24.2	6.6	
1838	95	36.6	61	15.7	12.4	4.1	
1840	96	36.8	52.8	16.1	10.6	5.9	
1843	137	43.4	61.5	27.4	17.2	11.5	
1846	155	43	72	30.6	22.3	8	
1849	192	45.5	90.2	38.2	24.2	8.1	
1852	240	59.7	127.2	65	27.9	13.3	
1853	280	79	145.9	78.1	32.6	14.1	
1856	303	96.4	183.9	96.9	34	12.9	
1857	311	107.5	170.8	83.5	27.1	14.3	
1858	301	110.3	192.2	108.2	28.5	28.3	
1860	306	111.8	200.1	116.2	31.8	21.7	
1865	415	134.5	213.8	263.6	38.8	12.5	
1870	351	132.2	288.8	261.2	64	15.5	
1871	361	135.5	339.5	303.9	61.6	12.2	
1872	356	135.1	335	317.8	59	7.8	
1873	356	135.2	357.4	294.1	57.8	17.7	
1874	358	132.4	350.2	320.8	55	16.5	
1875	365	130.9	351	291.6	47.3	6	
1876	365	128.1	321.7	294	42.3	16.6	

		City of New York.				
	Banks.	Capital. Millions.	Loans. Millions.	Deposits. Millions.	Circulation. Millions.	Specie. Millions.
1836	22	18.4	43.2	14.8	7.6	4.7
1837	23	20.4	46.2	14.9	9.7	4.7
1838	22	20.2	34.1	12.5	3.6	2.9
1840	22	20.2	26.9	12.5	4	4.5
1843	24	24.1	37.5	22.1	5.8	10.5
1846	22	23.8	39.5	23.8	6.2	7.1
1849	26	25.4	53	28.9	6	7.2
1852	41	35.5	81.8	50.1	8.1	12.2
1853	56	46.9	86.8	56.1	8.3	13
1856	55	55.6	109	68.5	8.4	11.7
1857	52	65	106.5	59.5	7.4	13.1
1858	54	68	125	81.5	7.6	26.8
1860	55	69.9	121.9	81.3	9.3	20.3
1865	69	84.2	137.8	203.7	13	11.9
1870	78	87.2	203.7	202	33	15
1871	82	89	244	233.9	30.7	12
1872	78	88.3	232.6	248.5	28.1	7.6
1873	75	87.5	247.5	218.9	27.5	17.5
1874	75	85.1	246.4	245.9	25.3	16.2
1875	76	84.2	246.6	217.1	18.3	5.8
1876	75	81.7	222.6	223.5	14.9	16.1

For the greater part of the foregoing statistics we have closely followed Mr. Comptroller Knox, quoting his very words as far as possible. In another article we shall continue the history of the New York banks in somewhat greater detail.

BANK SURPLUS AS A GUARANTEE FUND.

In examining the condition of our banking system with a view to forecast its future movements in connection with the money market, it is instructive to watch the changes which from time to time develop themselves in popular opinion and especially in the current discussions of the financial community. For some years prior to the panic of 1873 the public mind was more frequently agitated about the reserves of cash held by the banks than as to almost any other point relating to the detail of our banking management. In the debates in Congress, in the Comptroller's reports, in the financial articles of the leading newspapers, and in nearly all the criticisms of American banking from foreign sources, the cash reserves claimed for a long period a prominent share of inquiry, complaint, and investigation. Of late however, this topic of financial criticism has commanded a decreasing share of attention. And if we find less said about the greenback reserves and the percentage of cash held against bank liabilities, we hear much more about some other points and especially the diminishing bank capital and bank surplus.

Nor is this change to be wondered at. The accumulation of idle capital is now so stimulated and so notorious that the reserves take care of themselves. In all the chief financial centers the banks have no small difficulty in employing to advantage their large volume of deposits. Of course therefore, it is a comparatively easy matter for them to hold a large proportion of greenback reserves. In the previous period to which we have referred the circumstances were very different. During the eight or ten years which culminated in the Jay Cooke panic, the magnitude of railroad and financial speculation was so vast, and the activity of trade and commerce was so well sustained, that the financial machinery created always a greater demand for loans than the money market could easily supply. Thus the banks were under a constant pressure, and every consideration of self interest and of desire to oblige their dealers, impelled them to extend their loans beyond all safe limits, and to pursue a policy of dangerous expansion. Under these circumstances, it was natural that the public anxieties should frequently direct themselves to this weak point in our banking system, and that the

reserves which are the infallible index of danger should be scrutinized whensoever they sank to a level near the danger point.

At the present moment a new set of dangers are coming into view and on them the public eye is very earnestly fixed. Hereafter, when still other changes are developed, fresh abuses will perhaps awaken apprehension and they will in their turn give place to still newer forms of danger. Meanwhile it is gratifying to know from our past financial history that the effects of the criticism on the reserves of the banks have frequently been conspicuous and wholesome. Similar beneficial consequences may be looked for from the judicious and intelligent criticism of our banks in other respects, and particularly in regard to those changes in the capital and in the surplus which are now causing so much anxiety and alarm throughout the country.

Among the best characteristics of the National banking system is the universal accumulation by the banks of a surplus, which is a guarantee fund in addition to the capital and is provided for by law, with the purpose of sustaining the solvency and strength of the banking system. The surplus of the National banks now amounts to 132 millions, which, with forty-six millions of undivided profits, gives an aggregate of 178 millions. In December, 1875, the aggregate amounted to 191 millions; in 1874, to 182 millions; in 1871, to 150 millions; and in 1868, to 114 millions; in 1867, to 102 millions; in 1866, to 86 millions; and in December, 1865, to 72 millions. Such has been the steady increase in the strength of the National banks in their surplus funds since the passage of the National Currency Law in 1863. The Comptroller of the Currency has compiled an interesting table (which we give on page 669) to show the amount of surplus which the State banks brought into the National system when they were converted into National banks, and the surplus now existing.

This table shows that the banks of Boston have increased their surplus from \$4,221,990 to \$12,699,663; those of Philadelphia from \$3,972,659 to \$7,439,695; those of New York City from \$14,022,098 to \$18,926,148. The banks of Massachusetts, outside of Boston, have increased their surplus from \$3,442,343 to \$13,175,122; the banks of Pennsylvania, outside of Philadelphia and Pittsburgh, have increased their surplus from \$1,354,935 to \$7,701,746; and the banks of New York, outside of Albany and New York City, have increased their surplus from \$2,942,247 to \$8,153,428. These and other facts set forth in the table illustrate the fact which has often been expounded in the pages of this magazine, that a considerable amount of surplus of the banks was accumulated prior to the war in some of our large cities. It also appears that there is great inequality in the

rate of accumulation in various parts of the country. Perhaps the most interesting fact in some points of view is the slow rate at which the surplus of the banks of New York City has increased. To illustrate the recent changes we cite the following statement of the decrease in the capital and surplus of the New York banks for the last fifteen months. It appears in a document prepared by the Clearing-House for the Tax Committee:

"Subjoined is a statement of the amount of capital and surplus of the New York City banks, compiled from their official statements made in September, 1875, and January, 1877:

	September, 1875.		January, 1877.
Capital.....	\$ 84,085,200	.....	\$ 77,635,200
Surplus.....	38,443,000	.....	29,148,000
	<hr/>		<hr/>
Total.....	\$ 122,528,200	.....	\$ 106,783,200

The total reduction in capital and surplus is \$15,745,000, with a probable further reduction of from six to eight millions more, unless relieved from the present unequal and excessive taxation. In 1876, the tax commissioners increased the assessed value of bank shares in the city of New York \$11,754,127 over the previous year, and their action resulted in the retirement of capital and division of surplus as above stated. The total assessed valuation of real and personal property, *including bank shares*, was increased only \$10,110,646, showing a *reduction* in the valuation of all real and personal property, exclusive of bank shares, of \$1,643,481. The investments of every kind of the banks during the same period were reduced \$30,018,600. As to the prices of bank shares, it is safe to say that their market value has been reduced, on an average, from twelve and a half to twenty per cent. Taking the reduced value of bank shares for taxation this year, in consequence of the increased assessment in 1876, at the minimum rate above, say twelve and a half per cent. on \$77,635,200, equals \$9,704,400, and add to it the reduction on capital and surplus, \$15,745,000, making a total of \$25,449,400.

This shows a loss on the assessed value of bank shares in one year, of more than twenty-five millions."

The following statement, shows by States and principal cities the amounts of profits of State banks when converted to National banks and brought over up to this time, and also the amount of surplus fund of the National banks as shown by their reports of October 2d, 1876:

<i>States and Territories.</i>	<i>Profits brought over by State B'ks when converted to National Banks.</i>	<i>No. of Banks.</i>	<i>Surplus fund of Nat'l Banks, as shown by their Reports, Oct. 2, 1876.</i>	<i>No. of Banks.</i>
Maine.....	\$ 509,703	29	2,392,384	71
New Hampshire.....	249,242	20	991,698	45
Vermont.....	110,795	10	2,003,752	46
Massachusetts.....	3,442,343	118	13,175,122	182
Boston.....	4,221,990	42	12,699,663	54
Rhode Island.....	841,654	40	4,336,490	62
Connecticut.....	2,549,995	63	7,461,119	82
New York City.....	14,022,098	33	18,926,148	47
New York.....	2,942,247	94	8,153,428	227
Albany.....	537,609	5	1,470,000	7
New Jersey.....	1,365,598	26	3,894,089	69
Philadelphia.....	3,972,659	21	7,439,695	31
Pennsylvania.....	1,354,935	44	7,701,746	183
Pittsburgh.....	963,887	8	3,037,955	23
Delaware.....	231,049	4	448,615	13
Maryland.....	311,367	12	653,850	17
Baltimore.....	980,977	8	2,401,387	14
District of Columbia.....	20,000	1	44,000	1
Washington.....	9,243	1	280,500	4
Virginia.....	.....	.....	781,200	19
West Virginia.....	7,873	1	441,791	15
North Carolina.....	314	1	257,281	15
South Carolina.....	97,535	1	462,175	12
Georgia.....	.....	.....	460,901	12
Florida.....	.....	.....	669	1
Alabama.....	.....	.....	168,160	10
Louisiana, New Orleans...	16,886	2	539,402	7
Texas.....	.....	.....	297,448	10
Arkansas.....	.....	.....	29,000	2
Kentucky.....	24,579	5	1,178,295	40
Louisville.....	106,150	3	330,928	8
Tennessee.....	688	1	563,907	25
St. Louis.....	529,138	2	899,020	7
Missouri.....	4,236	2	510,692	25
Cincinnati.....	.....	.....	990,000	6
Ohio.....	50,346	3	4,538,938	158
Cleveland.....	1,675	1	708,212	6
Indiana.....	100,000	1	4,808,325	99
Illinois.....	2,498	2	3,786,048	132
Chicago.....	.....	.....	5,157,500	14
Michigan.....	20,039	1	2,079,649	76
Detroit.....	.....	.....	925,000	3
Wisconsin.....	25,000	1	753,819	37
Milwaukee.....	10,717	1	258,000	3
Iowa.....	112,850	3	1,569,358	78
Minnesota.....	600	1	894,683	33
Kansas.....	.....	.....	254,542	17
Nebraska.....	.....	.....	171,600	9
Oregon.....	.....	.....	50,000	1
Colorado.....	2,519	1	273,500	10
Utah.....	.....	.....	35,000	1
Idaho.....	.....	.....	20,333	1
Montana.....	.....	.....	77,250	5
Wyoming.....	.....	.....	20,595	2
New Mexico.....	.....	.....	40,065	2
Dakota.....	.....	.....	10,000	1
California.....	.....	.....	85,022	7
San Francisco.....	.....	.....	262,333	9
Totals.....	\$ 39,756,434	612	\$ 132,202,282	2,089

REPEAL OF TAXES ON BANK DEPOSITS.

One of the most important movements for the repeal of Bank taxation has just been organized by the American Bankers' Association. It has a peculiar interest for the banking community, not only on account of the energy and success with which it has been directed, but also because of the wide influence which it is already exerting throughout the country for the union of the scattered elements of our banking system into one harmonious organization. This is evident from the fact, that the deputation which appeared before the Committee on Ways and Means at Washington on the 7th February, was one of the most numerous and respectable which has for many years appeared before the Committee. It comprised representatives not only of the banks and clearing houses of the United States, but also of the Chambers of Commerce and Boards of Trade of New York and most of our large cities. The object of the Committee was stated by Mr. Patterson, President of the Western Bank of Philadelphia. He said the deputation comprised representatives of the commercial and manufacturing interests, of the Boards of Trade, of the Chambers of Commerce, and of the National and other banks, from the Atlantic Ocean to the Pacific. The banks had paid taxes enormous in amount with an alacrity which had attracted the attention and respect of the country and of the world. They felt now that they were laboring under oppressive legislation, and they had come to ask relief from it. They represented no particular locality and no particular interest. But the localities and interests which they represented were co-extensive with the whole country.

Mr. J. D. Hayes, of Detroit, Michigan, discussed in an elaborate address various questions touching bank taxation. Among the points he raised, were those which the Committee had previously expressed a desire that the Deputation should clearly explain. These questions were, first, that the bank taxes are war taxes, and should have been repealed when the exigency had passed for which they were created; secondly, that bank taxes are working mischief; thirdly, that the Treasury can spare the amount of revenue which will be surrendered by bank tax repeal; fourthly, that were this not the case, the nation would gain in its productive power and commercial strength more than the Treasury would lose by the surrender of the bank taxes. Mr. Hayes concluded by saying that the repeal of the taxes on bank deposits and bank capital would be an act of justice to the banks and

the business community, and would receive the approval of every intelligent citizen who has given any attention to the present system of unequal bank taxation.

The next speaker was a prominent member of the New York Chamber of Commerce, Mr. George Schwab, of the firm of Oerlichs & Co. He said the business men of New York wanted to impress upon the Committee that the question of Bank Tax Relief was by no means confined to banks and savings institutions. It was vital to every department of commerce, industry and trade. In the United States the business men had to rely for banking facilities on incorporated banks; whereas in older countries, where capital was less scarce and better organized, it was principally private bankers who supplied those facilities. It was, therefore, a remarkable fact, that although business interests in this country had thus relied for a hundred years chiefly upon incorporated banks, these banks were taxed far more than in any other country in the world. It was still more singular, that in a young country like our own, where capital was so much wanted, and was in such limited supply, we should add to the difficulties of obtaining it by burdening with a tax every movement it makes between the lender and the borrower. A tax of five per cent. on capital which was less than the average taxation to-day on the banks in the city of New York, was unknown in any other part of the world, and would be anywhere else considered an unbearable burden. Its pressure had become so great, that twelve and a half millions of bank capital was now withdrawing itself from the banking business, and five millions of the surplus of its banks had been taken out and distributed as dividends, thus making a reduction of banking capital in the city of New York to the amount of seventeen and a half millions, which was equal to twenty-one per cent. of the capital. This reduction might not just at this moment be severely felt, because business was so limited and the demand for banking facilities was small; but when the time of activity returned, the rising tide of industry and commerce would find a serious deficiency in the banking fabric which was now suffering so severe a depletion of its capital. Mr. Schwab concluded by saying that the bank taxes were not only doing harm by weakening the banking mechanism of the country, in its most sensitive and most vital part, but these taxes were grossly unjust, because while our American banks, which were doing business on American capital, paid their taxes in full, there were many Canadian and other foreign banks with agencies in New York selling exchange, buying and selling gold, and holding very large deposits, which escaped United States taxation altogether. He concluded that these bank taxes did great injustice by their partiality as well as in other ways.

Mr. Norris of the First National Bank of Baltimore,

explained to the Committee the operation of the tax on circulation. He demonstrated from the reduction of National bank circulation, which is continually going on, that there was no profit in its issue. After a few further observations in confirmation, Mr. George S. Coe, President of the American Exchange National Bank, said that the Government derived a tax of $6\frac{1}{2}$ millions from bank deposits, and he proposed to show that in their nature such deposits ought not to be taxed at all. Many persons supposed that bank deposits are deposits of money. But this is evidently a mistake, for our banks have more than two thousand millions of deposits, but we have not in the United States more than 700 or 800 millions in money, counting the gold and silver coinages, with the greenbacks, the National bank notes, and the fractional currency. What then do bank deposits really consist of? They are often made up of drafts or other instruments of credit growing out of the movement of any kind of commodities moving towards a market.

This question involves not only the question before us, but also the great question of currency. What is a deposit? It may consist of a draft drawn against the movement of any kind of property whatever, whether the product of manufacturing, agricultural or any other skill. For instance, 100 bales of cotton are sent from New Orleans to New York, shipped inland. This cotton is not money. There is not a dollar of actual money connected with it. It has a value equivalent to so much money. The party in New Orleans who ships it, chooses to send it to Cincinnati and draws a draft against it upon that place, and deposits that draft in bank in New Orleans. That becomes a deposit. Is it money? Is it not cotton and nothing else? The owner in Cincinnati moves it to Pittsburgh, and he puts the draft which he draws upon that place against it into a bank in Cincinnati, and there also it is a deposit. The owner in Pittsburgh again moves it to New York, and there again a draft is drawn and is deposited in bank. That is the third time that the value of that 100 bales of cotton becomes the subject of a deposit, and yet not a single dollar of money is deposited. Now, what is that? Is not the tax upon those deposits the tax upon that cotton? Is it not a tax of one-half per cent. on the industrial interests of the country, as represented in that particular article? Clearly, it is. Money has nothing to do with it, whatever, except as representing the value of the cotton. The whole commerce of the country is so changed and interchanged by deposits. One illustration is as good as a thousand. The cotton is a commodity of commerce, valued at so much when it starts. It is only valued for the sake of accounting; and yet every movement of it is made from time to time the subject of a separate deposit, and upon that, the banks are called to pay a tax. This, I

say, is a tax upon commerce, just as clearly so as if you were to impose a tax of one-quarter per cent. per pound on the cotton itself. So you may follow that illustration out through every item of commerce that passes through the country, changed and interchanged. All this movement of commerce, if it be very rapid, is taxed more; if it move very slowly, it is taxed less; and the deposits are, therefore, more or less, as the case may be. Therefore, this question before us is a vital question, not to the banks but to the whole country, and to its entire commerce and trade.

In the next place, how are these deposits made? They may be made by deposit with a private gentleman. Any one gentleman sitting here may say to the man who moves the 100 bales of cotton, "I will give a check upon my bank for your cotton." That is a deposit. It is a deposit with him as an individual; and what difference does it make whether he be called a bank or a banker, or a private person? He performs simply the duty of facilitating the transmission of the cotton to market. Consequently if you tax such transactions, if at all, you should not select certain classes of depositaries to tax—not bankers or merchants, but you should tax all who perform that same service. In that sense, there isn't a gentleman here who is not a depositary, just as much as a bank or banker is.

I say, furthermore, that the more active the commercial industry of the nation is, the more active are the deposits. In other words, the more produce there is to be moved, the more money value is represented, and, that is all that there is about it. The argument is unanswerable. Taxes upon deposits are direct taxes upon industry, collected through banks and bankers. If that be so, then the question is, whether it is politic at this time to tax industry? Does not the country require all the aids and all the facilities that it can secure, and to have all impediments to industry removed, if possible? The institution over which I have the honor to preside pays \$800 every day of its existence for taxes, before it pays a single dollar for expenses, or does anything; and our next door neighbor pays \$1,600 every day for taxes. How is it possible to get this back? For the last three years the rate of interest charged by the New York banks has averaged less than 5 per cent.; and any commercial operation now which it is safe for banks to go into must be done at 4 per cent., if done at all. How then can banks in New York pay 3 per cent. to the State, half of one per cent. to the Government, and these peculiar taxes on their functions besides? One of two things must happen. These institutions must be extinguished, or the tax removed. Which is best? Is it public policy that these institutions shall be extinguished? Are we not approaching a period when, above all other times in the history of the country, organized capital is necessary

for recuperation? We are passing through a period now when we must have, in organized form, all our possible resources, or we shall utterly fail in the movement of a return to specie payments.

These institutions, I say, must be extinguished (because it is impossible for them to proceed and occupy the position they do), or this tax must be removed. Now, to prove this: During the last year from the city of New York alone, there has gone out from taxation, from bank business, capital and surplus (which is the same thing), $13\frac{1}{2}$ millions. It has been divided, and given back to the parties who put it in. Another large institution stands ready, waiting for the result of this proposed removal of taxation, to say whether it shall send back five millions more. I allude to the Bank of Commerce, the largest banking institution in the United States. Then there are other institutions of a smaller class (amounting to some two millions more), ready to do the same. That is $13\frac{1}{2}$ millions of banking capital already withdrawn, and eight millions in contemplation of withdrawal. And the value of the remaining banking capital in the city of New York has depreciated $12\frac{1}{2}$ per cent. That, on a capital of 77 millions, represents a loss of about nine millions more; which makes a total of over 30 millions of bank capital and value lost, because it could not stand the taxation. And this will go on until there is nothing left.

Now, what is the function that the banks perform? At the present time when currency is not wanted, they gather it up in reservoirs, waiting for the time when it is wanted. That is a service indispensable to be performed, and which individuals cannot perform. The banks gather together the excessive currency, and they are ready, whenever the Government says so, to return it to the Government in exchange either for the funded debt, or for coin, as the Government may permit. And it is very hard that the banks should perform this valuable service—being the custodians of this idle, unused, unnecessary money—and then have to pay the government half of one per cent. on it.

Mr. E. A. Rollins, of Philadelphia, showed that the taxes paid during the fiscal year, 1876, by the National and State banks amounted to \$1,621,615 on capital, \$6,504,660 on deposits, \$3,102,061 on circulation. These aggregates he set forth in the following concise table:

BANK TAXES PAID DURING FISCAL YEAR, 1876.

	Number.	On Circulation.	Deposits.	Capital.
By National Banks.....	2,087	\$3,091,795.76	\$3,505,129.64	\$632,396.16
By State Banks and Private Banks and Bankers.	3,829	10,265.52	2,572,164.97	989,219.61
By Savings Banks hav- ing no Capital Stock.	691	.....	427,365.78	.....
Total.....	6,607	\$3,102,061.28	\$6,504,660.39	\$1,621,615.77

Mr. Rollins proceeded to show that the number of persons interested in National banks either as stockholders or depositors, amounts to nearly one and one-half millions of persons, all of whom were more or less prejudiced by the taxes in question. After an exhaustive argument, refuting the popular errors as to the profits of banking, and the losses incident to the business, Mr. Rollins showed that as other enterprises and occupations had long been relieved from war taxes—relieved even when they were prosperous—Congress ought not to insist that the banks should carry their burdens further. He gave the subjoined interesting sketch of the rise and progress of the bank taxes :

“In the spring and summer of 1862 Congress found it necessary to impose internal taxation. Through wise and judicious committees, which spent much time in determining proper objects of taxation, it framed the first internal revenue bill, which became a law on the 1st day of July of that year. This law was very comprehensive and far-reaching. It asked contributions from almost everything. It taxed manufactures and income, auction sales, and the slaughtering of cattle, the carriage in one's stable, and the silver plate on his table. It subjected to stamp duty the marriage certificate of one's parents, the inheritance he received from them, the insurance policy on his life, the mortgage on his house, the protest on his note, the writ under which he asked for justice, and the certificate of his physicians as to the cause of his death, but it imposed no tax upon the capital, circulation, or deposits of banks. Circulation and deposits were not taxed until the Act of March 3, 1863, and capital was first brought to charge by the Act of June 30, 1864. At that time the rate upon deposits was increased, and since then the rates upon all three have remained as they now are ; not a dollar came to the Commissioner of Internal Revenue as a tax on circulation or deposits until October, 1863, when at least \$75,000,000 had been paid from other sources, and the pressure of the war for money was still greater than it had been before.

“In the winter of 1865, the war being over, Congress began to consider the reduction of internal taxes generally. At this time they had reached the enormous amount of \$310,000,000 per annum. This at first it accomplished by enlarging the free list of manufactured articles, as representations and appeals were made to them, until the enumeration of exemptions filled half a dozen pages of the law. Then, and at subsequent sessions, relief was granted to insurance companies, railroads, telegraph companies, occupations, professions, &c., until, at last, taxes to the amount of two hundred million dollars were swept away. Parties in interest came in crowds from session to session, and the rooms of the Ways and Means and Finance Committees, were crowded with those who sought and secured relief. The banks, however, had no

organization, and as they failed to make request therefor, the law in their behalf remained unchanged. It is safe to assume that had their necessities been made known their taxes would have been abated, if not abolished. It is monstrous that this nation imposes the same taxes on banks now, as in the time of war."

Passing to the sinking fund, he said that as we had paid a considerable surplus into that fund for previous years, it is far better that the indulgence of the law should be craved again for a while than that many banks should be driven into liquidation and all bear unjust burdens. We had already paid 223 millions more than the law called for, and this should shield us from further mischievous demands.

Mr. James Buell, President of the Importers and Traders' Bank, argued that the repeal of the tax on deposits and capital was a compromise measure, granting no more than a portion of the relief which the prostrate and paralyzed business of this country has a right to ask in regard to bank taxation. He favored the bill before the committee, not because he thought it granted all the relief required, but because it was believed to be acceptable to the committee and to Congress, and because it granted a part at least of the needed relief. He said the operation of the bank taxes on the commercial activities of the nation was like the operation of the tourniquet upon a hospital patient. This little instrument, as is well known, consists of a band capable of being tightened by a screw, and by its means the circulation is arrested at will. This, said he, is just the process which is now strangling our financial system. The tourniquet was applied to it some years ago, and the screw has been tightened year after year, until the circulation of capital in this country has been so alarmingly disturbed and disarranged, that if Congress does not interfere, and take out the screw, the banking machinery of the nation will be injured. He entreated Congress to consider that no interests in the country are so easily influenced as the commercial interests, or so sensitive to unequal taxation, and that upon no interests in the country have the discriminating war taxes been allowed to remain so long.

Mr. Buell proceeded to show that the banks are the sources from which the wages of the working classes are drawn, and that if fiscal injustice weakens the banks, the wages-paying power of the employers of labor will be seriously disturbed and curtailed. His illustration of this point was both practical and suggestive. He said :

"Many persons have supposed that the banks are institutions in which working men have little or no concern. Never was a greater sophism advocated or tolerated by intelligent men. Where, we may ask, do our toiling artisans obtain their weekly wages? Not from their employer alone; for, in

most cases, he invests his whole capital in machinery, in buildings, and in raw material. The cases are very frequent, indeed, where the working capital with which the employer pays his operatives must be had from his bank or not at all. This is a fact familiar to every one who is practically acquainted with the banking business.

“The application of an employer to his bank for money to pay his men is always regarded as peculiarly necessary to be responded to, because so many dependent and helpless persons will be affected by a refusal. If the bank cannot accommodate other valuable customers, it invariably gives the preference, other things being equal, to the prudent employer; for he has to pay his wages promptly, or his men must go home on the Saturday night to starving families. But how can a bank give such accommodation except it has the ability to lend? If each of twenty manufacturers want from their bank on the average about \$2,000 next Saturday to pay their operatives, and if the bank has \$40,000 to lend, all may be supplied, and the wages of this regiment of artisans will be promptly forthcoming. Those thousands of families will get their Sunday's dinner, and the wants of the week will be supplied. But suppose that the bank has been crippled by a withdrawal of one-fourth of its capital, its lending power having been driven away by excessive taxation, so that, instead of having \$40,000 it only has \$30,000, what will be the result? One-fourth of the whole sum required for the wages of this little battalion of work-people will not be forthcoming. Either one man in four will have to go without his wages, or else each man will receive but three-fourths of what is due to him. Perhaps the weaker men among the employers will be unable to continue their business, and their employes may be made to join the grand army of tramps.

“It is one of the alarming features of the present taxation on our banks that it is driving so much capital out of the business, and that it is contracting the loans which these institutions have been accustomed to make for the payment of the hundreds of millions of dollars required every week as wages throughout the United States. During the last twelve months, in the city of New York alone, there has been a contraction of bank capital to the amount of more than twelve millions of dollars. This contraction is ascribed almost wholly to the pressure of taxation; and we beg the Committee to inquire, what will be the result of such a rapid diminution of capital? It shows not only that there are twelve millions less of capital in the possession of the banks, but it shows a contraction of banking facilities and of banking activity, and of banking credits, of more than five times twelve millions. This is but a single instance of the baneful effects of the *tourniquet*; the screw of that powerful instrument of contraction is pressing to its utmost tension,

and if Congress do not interpose, the evils which are now so apparent will soon become almost irremediable; another panic may be precipitated upon us at an early day.

"We earnestly entreat the Committee to examine the evidence we have presented that bank taxes are mischievous; that they weaken and impair the efficiency of institutions by whose means employers are enabled to pay promptly the wages of the millions of toiling artisans in every great city as well as in every small town and village throughout the United States. Never has there been a period in the history of this country when banking capital was so rapidly withdrawn from the business of banking as during the last eighteen months. Never have we had such a multitude of accumulating proofs that bank taxes are mischievous, that they produce a contraction of credit, that they shake the confidence of the capitalists and of the banking community, and that they have already produced a contraction of the lending power of the banks equal to many times the amount of the capital which has been actually withdrawn. There is also this further cause for apprehension and alarm, that the evils we have briefly indicated are nearly all on the increase."

In conclusion, Mr. Buell said that as the States cannot and will not relieve the banks from State taxes, no relief except from Congress can be had from the present double taxation. He compared the two-fold and three-fold taxation of bank deposits to the Alcala, whose desolating influence in Spain is well known to the readers of the history of that country.

Two conclusions are suggested by the report just issued by the Council of the American Bankers' Association, from which we have taken the foregoing narrative. First, the nation has arrived at a critical period in the history of fiscal legislation on the banking business. It is impossible for us, without great risks and dangers, to allow our bank taxation to remain in its present condition. Of this fact the Committee of Ways and Means appear to be aware. They are anxious on the one side to protect the revenue over which they are appointed to watch; and on the other side, they are desirous to do right in regard to the industrial banking and commercial interests of the country.

The four practical questions which the Chairman of the Committee proposed to the Deputation, really exhaust the whole subject, in a legislative point of view. If the bank taxes are war taxes, then they are temporary in their nature, and should be rescinded and repealed without delay. Indeed they ought to have been swept from the statute-book long ago. Hence the Committee were justified in throwing upon the banks the burden of proof in regard to this point. The banks, on their part, have clearly demonstrated that the taxes in question are really war imposts, originating in the

exigencies of the war, and destined to end as soon as possible after the war was over. In like manner the mischiefs which are produced by the bank taxes, as referred to in the second of Mr. Wood's questions, are equally important, and are completely proved. Thirdly, the question of revenue and of the ability of the Treasury to spare the eight millions of taxation which are proposed to be given up, is also of cardinal importance.

Finally, the advantages which will be secured by the repeal are so great, that were there no other reason urged against the taxes on the banking business, this single reason ought to suffice for their immediate repeal.

When, however, we have given their full weight to these reasons, we find that they all lead us to the conclusion referred to above, namely, that our banking system and our fiscal legislation regarding it, have arrived at such a critical point as to justify anxious circumspection, if not alarm. We are approaching a dangerous period in the history of our currency. In less than two years we have to make the transition to specie payments. This movement can scarcely fail to bring an enormous pressure upon our banking system, and it is the part of wisdom for us to strengthen that system at every point. If any fiscal burdens are weakening the banking machinery, those burdens must at all costs be removed. The banks are to our financial barque, what the helm is to a ship on the ocean. When a storm is expected it is madness to neglect the weak parts of the steering apparatus; equally dangerous is it for us, with the monetary storms which threaten us in the early future, to put in jeopardy our financial system by an exhausting and oppressive taxation of the banks.

The second deduction from the facts before us is, that the more intelligent classes of our people all over the United States are waking up to the importance of the crisis, and to the necessity of giving relief to the banks from their worst fiscal burdens. Never before in this country have the chambers of commerce, the boards of trade, and the commercial and industrial community generally, been so much agitated by any one fiscal grievance, not directly affecting themselves, as they now are in regard to the bank tax repeal. In this country, legislation cannot lag far behind the popular will, and as public opinion has so pointedly and so generally expressed itself on the question before us, the banks have a right to expect favorable and early action on the part of Congress, for the relief from the burdens which bank taxation inflicts on commerce and trade.

THE LEGAL ASPECTS OF SPECIE PAYMENTS.

BY THE SOLICITOR OF THE TREASURY.

[The following letter on specie payments was written on the 23d of January by the Hon. George F. Talbot, Solicitor of the United States Treasury, to the Attorney-General, who was requested by the President to investigate the legal aspects of resumption, with a view to ascertain what legislation is needful as a preliminary to resumption:]

IS ANY FURTHER LEGISLATION NEEDFUL BEFORE RESUMPTION?

In my conference with you yesterday, you requested me to examine the statutes, and give you an expression of my opinion, whether or not they authorized the Secretary of the Treasury, without further legislation, to resume specie payments upon the outstanding Treasury notes. It is a very grave question, and it would be great presumption in me to consider that the views I express with utmost diffidence should have much weight in controlling your superior judgment. I have the honor, however, to transmit them to you, to receive your careful consideration and revision.

It becomes necessary first to consider precisely what resumption of specie payments is. A bank is said to have resumed specie payment when it gives coin in exchange for its own notes presented for payment at its counter. But such payment is not a cancellation of the redeemed note, which the bank may and does immediately pay out again, in the form of a loan or discount, to one of its customers. A bank is properly said to be a specie-paying bank, when, not paying its notes in coin, but continually reissuing them, it holds itself ready to pay coin to every bill-holder demanding it. And so, a bank may be a specie-paying bank, although the coin it actually pays out may not equal the coin it receives in payments and deposits.

Resumption by the United States Treasury, or by the Secretary, is precisely the same process as resumption by a bank, and there is no reason to believe it will not be governed by the same laws. The demand Treasury notes of the United States, called "legal tender" and "greenbacks," have been in circulation as money since 1862. They have formed, and still form, about one-half of the currency of the people of the United States. As a currency they have been eminently popular and satisfactory, and, in spite of the fact that during their whole existence they have been dishonored by the Government, they have proved the most convenient, the most uniform, and the most successful paper currency the American people have ever used. While they are likely to be in request as a medium of circulation, and to subserve the pur-

pose of a national currency still better, after they are exchangeable at the Treasury for gold, than now, it is not to be supposed that they will be presented in any considerable numbers for redemption, or that their re-issue and circulation as money can be prevented without positive and stringent legislation. So that the real question submitted to my consideration is, not whether the Secretary of the Treasury, under the existing law, can redeem, retire, cancel, and take out of circulation the United States Treasury notes, but, whether he can pay coin at the Treasury for all that shall be presented for payment, re-issuing them in the ordinary disbursements of the Government, which practice, established and adhered to, would be, to all intents and purposes, the much desired and dreaded resumption of specie payments by the United States.

With this explanation I proceed to examine the powers and duties of the Secretary of the Treasury under the laws of Congress.

There is no statute of the United States requiring or directing the suspension of specie payments, so that resumption may be undertaken at once, without the infraction of any positive law.

The Treasury notes now in circulation were first authorized by the act of February 25, 1862. (12 Stat.-at-large 345.) By that act, "The Secretary of the Treasury is hereby authorized to issue on the credit of the United States \$ 150,000,000 of United States notes, not bearing interest, payable to bearer, at the Treasury of the United States, which notes may be re-issued from time to time, as the exigencies of the public interest shall require." Section 3, of the same act, provides that "all the provisions of the act entitled an act to authorize the issue of Treasury notes, approved the 23rd day of December, 1857, so far as they can be applied to this act, and not inconsistent therewith, are hereby revived and re-enacted. Recurring to the act referred to we find these provisions: "Such Treasury notes shall be paid and redeemed by the United States, at the Treasury thereof, after the expiration of one year from the dates of said notes." "The payment or redemption of said notes herein provided for shall be made to the lawful holders thereof, respectively, on presentment at the Treasury, and shall include the principal of each note and the interest which shall be due thereon, and for such payment and redemption, at the time or times herein specified, the faith of the United States is hereby solemnly pledged." "The Secretary of the Treasury is authorized and directed to cause to be paid, the principal and interest of such Treasury notes as may be issued under this act, at the time and times when according to its provisions the same should be paid. And so much of any unappropriated money in the Treasury as may be necessary for the purpose, is hereby

appropriated to the payment of principal and interest of said notes."

By the act of February 25th, 1862, all these provisions "so far as they can be applied to this act, and not inconsistent therewith, are revived and re-enacted." To pay, redeem, cancel, and retire the Treasury notes of 1862, would be inconsistent with the provision in the act of 1862, that such notes might be re-issued. But to pay and redeem would not be inconsistent with the act of 1862, inasmuch, as the notes paid and redeemed in the hands of one holder, might thereafter be re-issued to another holder. It is fairly inferable therefore, from the two acts, that payment and redemption of the Treasury notes by the Secretary, provided he does not afterwards cancel and retire them, is not only permitted, but directed by the act of February 25th, 1862, and the appropriation to make the payment out of any unappropriated money in the Treasury is revived and re-enacted in the said act of February, 1862.

A further issue of Treasury notes was issued under the act of July 11th, 1862, (12 Stat.-at-large, 532.) These notes were made payable at the Treasury of the United States, and the act contained this express proviso: "Provided however, that any notes issued under this act may be paid in coin instead of being received in exchange for certificates of deposit, as above specified, at the direction of the Secretary of the Treasury." So that this act contained an express permission to the Secretary to pay the notes in coin. Section 6 re-enacts all the provisions of the act of February 25th, 1862, before recited, including the power to re-issue the Treasury notes, and including the revising and re-enacting of the before-named clauses of the act of December 23d, 1857.

The act of March 3d, 1863, authorized the issue of \$150,000,000 of Treasury notes without interest, payable to bearer, and authorized them, when returned to the Treasury, to be re-issued from time to time, as the exigencies of the public service might require. The same act revives and re-enacts the provisions of the act of December 23d, 1857, which are hereinbefore recited.

Under these three acts therefore, the Secretary of the Treasury, appears to have been authorized, if not directed, to pay the Treasury notes when presented at the Treasury, in coin, on demand, with the right to re-issue them if the exigency of the public service required it,

Let us see if this authority has ever been taken away. The act of April 12, 1866 (Stat. 14, sec. 31), authorized the disposing of bonds of the United States, and the use of the proceeds thereof, for retiring Treasury notes or other obligations issued under any act of Congress, "provided that of United States notes, not more than \$10,000,000 may be retired and cancelled within six months from the passage of this act, and

thereafter not more than \$4,000,000, in any one month. This was a provision for retiring and canceling, and withdrawing from circulation Treasury notes, a process entirely different from paying, redeeming, re-issuing, and so keeping them in circulation. Under its operation the circulation of that kind of currency was considerably contracted, but it was not found advantageous, and on February 3d, 1868, Congress absolutely suspended its provisions, and took from the Treasury the power under it, "to make any reduction of the currency by retiring or canceling United States notes." But they did not take from the Secretary the power he already possessed to pay and redeem Treasury notes, and re-issue the same, or hold them in the Treasury, subject to be paid out in the disbursements of the Government.

The only other legislation of Congress to be considered as bearing upon the question under consideration, is the act of January 14, 1875. This act requires the Secretary of the Treasury to redeem the legal-tender United States notes to the extent of eighty per cent. of the circulating notes thereafter issued to National banks, until the former class of notes is reduced to \$300,000,000. This provision plainly requires not only a redemption, but a withdrawal, of United States Treasury notes, until their aggregate is reduced to \$300,000,000, provided the vacuum has been filled by an equivalent number, plus twenty per centum, of National bank notes; but it interferes in no way with the existing authority of the Secretary to redeem and re-issue such of the United States notes actually authorized as may be presented. Another provision of the same act requires the Secretary to redeem in coin the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States, in the city of New York, in sums of not less than fifty dollars, on and after January 1st 1879. There is no implication in this language that he may not pay, redeem, and re-issue Treasury notes whenever presented at the Treasury. And the express authority, given him by the earlier acts to do so, could not be taken away by mere implication. I conclude that the Secretary of the Treasury has sufficient authority under existing laws to pay coin for Treasury notes presented at the Treasury, provided he shall not cancel and retire them from circulation. In other words that he has the right to resume specie payments at his discretion.—Very respectfully,

GEORGE F. TALBOT,

Solicitor of the Treasury.

HON. ALPHONSO TAFT,
Attorney General.

In a letter to the Secretary of the Treasury written subsequently to the above, the Solicitor gives his views upon the feasibility as well as the importance of immediate resump-

tion. Having already said that no further legislation is necessary, the Solicitor would have Congress adopt a suggestion made last year. This is that it re-enact the provision in the two first acts authorizing the issue of United States Treasury notes, "that any holder of said United States notes, depositing any sum not less than one hundred dollars, or some multiple of one hundred dollars, with the Treasurer of the United States, or either of the Assistant Treasurers, shall receive in exchange therefor, duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, bearing interest at the rate of \$3.65 per centum per annum, payable semi-annually, and redeemable at the Treasury of the United States, after five years, payable in twenty years from the date thereof," provided that said bonds shall be at all times, at the option of the holder thereof, exchangeable for Treasury notes, at par, for the principal thereon, the accrued interest being paid in coin. A provision of this kind would permit a contraction of the currency to the extent that it was in excess of what would be needed in exchanges—a contraction regulating itself, according to the activity of business, and not subject to control by the Secretary of the Treasury, by Congress, or the National banks.

PUBLIC WORKS IN INDIA.

A vigorous controversy has been going on for some time as to the productiveness of the public works constructed by the British Government in India. From some recent reports which have been published it is possible to obtain more complete evidence than has been accessible heretofore. For Bombay and Madras the reports have not yet appeared. Consequently we must at present leave them out of the account. For the other three districts the financial statements are reported as follows :

<i>CAPITAL EXPENDITURE.</i>	<i>Bengal.</i>	<i>Northwest Provinces.</i>	<i>Punjab.</i>	<i>Total.</i>
Works in operation.....	£ 2,344,809	£ 3,858,516	£ 1,977,765	£ 8,181,090
Works under construction.	1,306,823	677,174	999,729	2,983,726
Total.....	3,651,632	4,535,690	2,977,594	11,164,816
<i>REVENUE.</i>				
From Rates.....	21,759	271,740	175,942	469,441
Estimated increase in land revenue due to the works	nil.	85,887	78,519	164,406
Total revenue.....	21,759	357,627	254,461	633,847
Deduct working expenses	36,139	130,860	118,171	285,170
Net revenue.....	— 14,380	226,767	136,290	348,677

It appears in this statement that the total expenditure has been eleven millions sterling; of which eight millions have been spent on works in operation, and three millions on works as yet incomplete. The revenue from these works amounted to \$633,847 of which £469,441 were from the taxes imposed on those who were assessed for the use of water, and £164,406 for the estimated increase in the land revenue due to the works. Of the £633,847 gross revenue £285,170 were consumed by operating expenses, so that the net revenue was £348,677. But the interest charges on the capital expended called for £457,070 a year so that there is a deficit of £108,393. But, as was said, more than one-fourth of the capital has been expended for works which are under construction and are as yet unproductive. Confining our estimate to the productive works, the interest charges must be set down at £354,782, and the revenue direct and indirect to £348,677. On these estimates it would appear that the works in question are very nearly self-supporting as the deficiency is reduced to a little over \$30,000 a year. When the reports of Madras and Bombay become accessible to the public, we shall be able to learn whether these favorable and somewhat unexpected results are repeated in those districts. The probability is that the returns will be even more favorable than those we have now been considering.

In the October number of *Fraser's Magazine*, an able writer constructs a very ingenious argument to show that in India, as well as in other parts of the world, productive agencies have been multiplied beyond all reason; and although there is hope everywhere else that in due time, and before a very long interval has elapsed, a revival of prosperity may be looked for, still he is obstinately determined to see no such hope for India. All he can see in the future is "continued dullness, disturbed exchanges, an embarrassed Government, and a possible financial crisis, which neither India itself, nor other Asiatic countries with which we trade, may for many a long day be able to overcome." To sustain this grave charge, which at first sight seems monstrous and incredible, this writer tries to show that the money which has been spent by England in improving her Indian Empire, has been for the most part thrown away. One is surprised to see in the London *Economist*, and in some other English journals of late, a disposition to assume and take for granted this waste of capital. But the writer in *Fraser* offers the only instance we have met with in which an attempt has been made to demonstrate it by argument. He begins by giving an account of what has been done. He says:

"In no country, except perhaps the United States, has the modern doctrine that railways, telegraphs, and all scientific improvements were the only roads to speedy wealth, had

more unrestrained free play than in India. Ever since the time of Lord Dalhousie the motto of the English rulers of the country has been 'material progress at any cost;' the development of the Empire by means of railways, canals, irrigation works, model farms, telegraphs, and roads. High pressure has thus been put on wherever we directly ruled, and the residents at the dependant native courts have in many cases carried the stimulus of this new spirit into the councils of the petty rulers whose hands they were deputed to guide. As a result of this, in less than twenty-five years India has been covered with a network of railways, which now reaches upwards of 6,300 miles, and a closer network of telegraph wires extending to some 35,000 miles. The enormous sum of £ 17,000,000 has been sunk in irrigation works on the Indus, the Sutlej, and on the Upper Ganges, in Orissa, and at the mouths of the Godaveri and Krishna rivers, besides lesser works in the Bombay Presidency and in the Deccan, and we are not sure whether that sum includes the indemnifications paid to bankrupt private companies. At the same time attention has been given to the improvement of the agriculture of the country, and to the introduction of new inventions, or new plants for cultivation, on all of which considerable sums have been spent by the Government. The intention of most of these works has undoubtedly been on the whole good. Military considerations probably had a good deal to do with the rapid railway building that went on after the Indian Mutiny was suppressed, and the directions taken by such lines at the Scinde, Punjaub, and Delhi, or the Indus Valley; and much of the telegraph communication established was purely for Government purposes. But, with these deductions, the main object of the Government was, no doubt sincerely enough, the good of the people. It was hoped that a great outburst of wealth would follow the introduction of the iron roads, and that India would soon stand forward as the richest country in Asia, one well able to bear all the burdens laid upon her by her forced material revolution. She was to be 'developed' precisely as England has been.

"It must, I fear, be admitted that these expectations have been only very moderately fulfilled. A great deal of the work on which so much money has been spent has proved so far completely delusive in profitable results. No distinct profit has accrued to either population or Government from most of the irrigation works begun in undeniable good faith as helps to the people, but indiscreetly expanded by officials who did not know sufficiently what they were about. There are also in connection with them singular instances of transactions very like jobbery. A company, for instance, called the East India Irrigation Company, tried to construct the Orissa works, and to make them pay, but failed, and

the Government bought them up at a cost of over a million sterling, and it is calculated that about £ 2,600,000 will be required altogether to complete the canals which, when made, will not pay their maintenance expenses. The Orissa people do not care for irrigation, and will not pay for it.* The history of the Madras Irrigation and Canal Company is another instance too notorious to need detailing, and we merely call to mind the fact that the Government has to pay interest on some £ 1,600,000 of capital guaranteed to it, and that the works constructed by it are maintained at a dead loss. In other places, such as the Upper Ganges and the Sutlej Valley, matters have not been so bad. The water is more appreciated, and the people seem better able to pay for it, so that some of the works yield a small net percentage on the capital outlay. As a whole, however, the irrigation works of the Indian Government are not prosperous, and do not yield on the best view more than half the interest on their capital. They and the railways together thus entail heavy burdens on the taxation of the country. The result from one point of view of all the progress fever of the past quarter of a century has in fact been that the gross debt of the Empire, including short loans and the railway obligations guaranteed by the Imperial Exchequer, has risen from £ 162,000,000 in 1865 to upwards of £ 224,000,000 at the end of the last financial year. State railways alone absorbed £ 3,000,000 in the financial year ended March, 1875, and the money needs to be borrowed, so that lately between this outlay and the heavier financial charges the debt of India has been increasing at an unusually rapid pace. The total debt, exclusive of the then small guaranteed railway capital, was only £ 59,500,000 in 1858, when the Crown succeeded to the inheritance of the defunct East India Company, and ten years before it was only £ 49,000,000, big enough for the wealth of our dominions. The present amount of the debt we have given, and the charge for the interest on the funded and unfunded debt, and on railway guarantees, is now over £ 10,500,000, including the charges on the East India Company's stock. Ten years ago the total charge was a little over £ 6,000,000, in 1858 it was only £ 2,500,000, and at the beginning of Lord Dalhousie's administration in 1848 it was £ 2,300,000. Of this enormously increased burden the railways and canals nominally meet about £ 3,900,000, and the rest has to come out of the augmented taxes of the Empire."

These arguments are very adroitly put. It is perfectly clear that there has been a great expenditure. The works which have been constructed have involved an immense outlay, but the country is commensurate with that outlay, and its population is more than commensurate. Whether the

* *Moral and Material Progress of India*, 1874, pp. 68, 69.

money has been well spent or not it has reared a vast mechanism of productive power which is at present only in its incipient stages of growth. As shown above, it is vigorously at work, and is producing returns, which though not so great as the same outlay would have produced in England or the United States, are very promising for the future, and exceed the expectations indulged by many persons when the works were undertaken. The writer before us goes on to say, that further outlay on these incomplete government works in India must be stopped. If this chimerical proposition could be accepted, there is no doubt that many promising branches of railroad and many useful improvements of other kinds would be comparatively useless. But even then the great body of the productive works created by the Government in India would continue to increase in value, though their growth would not be so rapid as if the pruning process had been more judiciously regulated. The only other argument worth attention in the article before us is as to the revenue. It says, the revenue of the government in India has not increased as much as it ought to have done, and the people are so poor that they are unable to bear a heavy taxation. He adds that the increase in the Indian revenue has been gained rather by an extension of territory than by compelling the people to pay a larger sum *per capita* as taxation. If it be true that the taxes now raised in India press less heavily upon the individual citizen than ten or fifteen years ago, when the aggregate revenue was less, what does this show, except that the Indian tax payer has enjoyed the same relief as the British tax payer at home? Is it not notorious that although the revenue of Great Britain has averaged of late years a greater sum than ever before, the individual tax payer has a less share to contribute, so that the pressure of taxation has been growing less. If this principle has been illustrated in India as the writer in *Fraser's Magazine* affirms, very few persons will treat his discovery as of much consequence, or will deduce from it the sinister predictions which seem to give him so melancholy a pleasure. Perhaps it may be possible to prove that the great public works of India are worthless, and that the capital sunk in them has been wasted. But candor compels us to say that neither this writer, nor the multitude of others who sympathize with him, have succeeded in demonstrating the fact or even in rendering it probable.

THE NATIONAL DEBT MAY BE EASILY PAID.—
COMPARISON WITH THE REVOLUTIONARY DEBT.

BY GEORGE M. WESTON.

If we knew with accuracy the ratio of the present National debt to the wealth and revenue capacity of the country, and also knew with accuracy, what the ratio was of the Revolutionary debt to the wealth and revenue capacity of the country during the first twenty years under the present constitution (1790 to 1810), we could deduce from the comparison instructive lessons. The comparison would show what is possible to be done in respect to the liquidation of our existing debt. It would also show what ought to be done, so far as we are disposed to imitate the examples and to follow the "*safe precedents*" of the founders of the Government.

Exact accuracy in this comparison is not practicable, but such approximations to accuracy may be made, as to throw valuable light upon the possibilities and duties of the case.

During the first decade under the present constitution (1790 to 1800) our ancestors paid the interest on the Revolutionary debt. During the second decade, they paid half the principal of it. If the second war of 1812-15, with Great Britain, had not occurred, it is apparent that they would have paid the remaining half of the principal by about the middle of the third decade.

The census makers give the true value of the property in the United States, as follows :

<i>Years.</i>	<i>Millions of Dollars.</i>
1850.....	7,135
1860.....	16,159
1870.....	30,068

Before 1850 nothing like a valuation was prescribed in the various laws for taking the census. To, and including 1830, there were mere enumerations of persons, with varying classifications.

The census of 1840 gave some meagre accounts of employments and industries.

Some suspicion of inflation may attach to the valuation of 1870, the currency having been then considerably depreciated, but, as a whole, the prices of real estate, which constitutes the great item of property, were not raised by this depreciation. It is doubtful if they were at all raised by it. They were enhanced, as a general rule, only in the cities, and there was another cause for that—in the growth of the urban populations.

As will be seen, the wealth reported by the census makers, considerably more than duplicated between 1850 and 1860, but fell somewhat short of a duplication between 1860 and 1870.

In the whole twenty years the increase was something more than four-fold.

If we apply the rule of quadrupling once in twenty years, to the sixty years running back from 1850 to 1790, it would give us only one hundred and eleven millions as the wealth of the country in 1790. In fact, the ratio of gain in wealth, was much slower before 1850, than afterwards. Railroads, machinery, and inventions of all kinds, have so multiplied in recent times as to double wealth in ten years, but we cannot calculate backwards to 1790 in that way. So much it is easy to apprehend, but it is not easy to determine satisfactorily by what rule we should be governed in such a calculation.

Mr. Tucker, author of *Progress of the United States*, published in 1843, arrives at the conclusion that the decennial increase of wealth had been fifty-three per cent., while that of population had been only thirty three and one-third per cent. If that is the true rule for calculating backwards from 1850 the wealth of the country was 852 millions in 1790, and 1,303 millions in 1800.

The houses and lands were valued by National authority, under the direct tax acts of 1798 and 1813, in ten States, and show an increase from \$ 359,235,067, to \$ 802,870,999. This is 123 per cent. in fifteen years, or equal to a decimal increase of 68 per cent. The decennial increase of population in the same States was 30 per cent. These ten States were New Hampshire, Massachusetts, Rhode Island, Connecticut, Vermont, New York, Delaware, Maryland, North Carolina, and Tennessee. The other States assumed the direct tax of 1813, so that as to them these comparisons cannot be made.

This increase of the value of the realty in ten States is one of the elements in Mr. Tucker's calculations. The other elements which he introduces, and which reduce the calculated decennial increase of wealth from sixty-eight to fifty-three per cent., are comparisons of the valuations of the realty at various dates, in New York and Virginia; of the consumption of three articles in common use, tea, coffee, and wine; and of exports, imports, manufactures, and specie in circulation. All authorities agree that wealth has always increased in this country more rapidly than numbers.

The total National valuation of houses and lands, in 1798, was as follows :

	<i>Number.</i>		<i>Value in dollars.</i>
Acres of land.....	163,746,688	.....	479,293,263
Houses.....	276,695	.....	140,683,984
			<u>619,977,247</u>

Houses and the lots (not exceeding two acres) on which they were built, of less than \$100 in value, were excluded altogether from the assessment.

In 1798 the wealth of the country, outside of houses and lands, was inconsiderable, and if they were correctly valued, such an estimate of the total wealth in 1790, and 1800, namely, 852 millions and 1,303 millions, as would result from applying the rule of Mr. Tucker, is too high. But if we adopt this rule, and take for the years 1795, and 1865, the mean of the valuations and populations at the immediately preceding and succeeding census periods, the following figures represent the numbers and wealth of the country at the dates named :

<i>Years.</i>	<i>Population.</i>	<i>Valuation in millions.</i>
1795.....	4,619,543	1,077
1865.....	35,000,896	23,114

Our present debt reached its maximum in 1865 (August 31). The Revolutionary debt, as its different portions were successively funded, reached its maximum in 1795, adopting for that year, the figures of January 1, 1796. The debt of 1795 was eighty-four millions; that of 1865 was 2,846 millions. This would show in 1865, a valuation twenty-two times as great, and a debt thirty-four times as great, as in 1795.

But valuation is only one measure of the capacity to yield revenue, as taxes fall on labor, incomes, and consumption, as well as on property. At the present day, as compared with the rude and impoverished period which followed the revolution, wages and the income of capital are higher, and the consumption is relatively greater, of the articles upon which duties of importation and excise may be levied.

The actual net revenue of the government, excluding loans and premiums on loans, compares in three decades as follows :

<i>Decades ending</i>	<i>Income. Dollars.</i>
1800.....	56,800,000
1810.....	132,000,000
1875.....	3,767,643,652

The last decade is from June 30, 1865, to June 30, 1875.

These figures, as comparisons of the revenue capacity of the periods named, are probably too favorable to the two first decades named. Taxation was high and searching for two or three years after the late civil war, but great reductions began then to be made. The tea and coffee duties, the income tax, and nearly all the stamp duties have been taken off, and the reductions in other taxes have been great. The aggregate revenue was thus cut down from 520 millions in 1865 to 234 millions in 1875. On the contrary, all historical accounts prove that from 1790, to 1810, the successive administrations, struggling with difficulties of all kinds, and intent upon the early payment of the Revolutionary debt, imposed

every burden which they believed the country could bear, and intended to improve all sources of revenue to the utmost. In the first decade, they resorted to direct taxes (in 1798), and to taxes on whiskey, which brought on a rebellion, assuming the proportions of a war; General Washington calling 15,000 troops into the field. There was no relaxation of the struggle to pay the interest and reduce the principal of the debt. Improving revenues did not lead to propositions to take off taxes, but the spectacle of a diminishing debt seemed rather to encourage the country to endure taxation. It is therefore fair to conclude that the revenues actually obtained from 1790 to 1810, were up to the limit of the capacity of the nation.

President Washington, in his speeches to Congress, had constantly urged the great duty of paying off the obligations of the country. In his Farewell Address to the people, upon retiring from public life, he manifested how deeply he had this at heart, in the following words, which cannot be too often repeated:

“Avoid likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions, in time of peace, to discharge the debts which unavoidable wars may have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear. Bear in mind, that towards the payment of debts, there must be revenue; that to have revenue, there must be taxes; and no taxes can be devised, which are not more or less inconvenient and unpleasant.”

This address was made to willing hearers. They increased the revenues from fifty-seven millions in the first decade under the constitution to 132 millions in the second decade, and of the 132 millions they applied only fifty-six millions to the support of the Government, leaving seventy-six millions for the service of the public debt, the principal of which (including the new debt for the purchase of Louisiana,) was thus reduced one-half in ten years. These “*vigorous exertions, in time of peace, to discharge the debts which unavoidable wars*” had “*occasioned,*” we certainly imitated in the first four or five years after the surrender of Appomattox, but we have failed to emulate the steadiness of purpose which characterized our ancestors. They augmented revenue, as growing wealth and population made it possible to do so. We, on the contrary, have diminished revenue. No nation can be said to be making “*vigorous exertions in time of peace*” to pay off debts, when it relieves from taxes, and very little for the benefit of consumers, such articles as tea and coffee.

If we compare the first and second decades under the Constitution, not with the first decade after the close of the Civil War, but with the second decade, upon which we have just entered, it becomes apparent, with what ease, as com-

pared with the difficulties with which our ancestors struggled, our present debt can be grappled with, and how unjustifiable the proposition is to issue bonds irredeemable for half a century. Our debt April 1, 1876, deducting certificates of deposits, the deposits being on hand, was 2,132 millions. With the same ratio of increase as between 1860 and 1870 the mean population for the decade ending in 1885 will be 48,197,964, and the mean valuation will be 56,000 millions. As to our revenue, it may be said that within reasonable limits, it will be just what we choose to make it. It will be fifty-two hundred millions, if we bring it up to the standard of the year 1866; it will be thirty-seven hundred and sixty-seven millions, if we fix upon the mean revenue of the decade ending in 1875. With any approximation to the economies and reform promised by both the great political parties, very little of the debt would remain in 1885, with the smaller revenue of 3,767 millions.

But let us suppose that we get no reform, and no economies, but spend as much in this decade as in the last, and with no more revenue, when the receipts, exclusive of loans, were 3,767 millions, and the outgoes, exclusive of the service of the debt were 2,030 millions. That left for the debt, 1,747 millions. Such a balance as that would pay off principal far more rapidly in this decade, because the interest account is so much reduced. In the two years when it was highest, it stood as follows :

1867.....	\$ 143,781,591
1868.....	140,424,045

In the whole decade it was \$ 1,235,101,451,

In the first year of this decade, the interest account was ninety-five millions. The mean for the decade, with any tolerable management, will not exceed seventy millions. The refundings alone, in which the Secretary of the Treasury is engaged, will reduce it to eighty millions, and the reduction of the principal will diminish the average annual interest for the ten years to seventy millions.

On this calculation, the income of the decade, 3,767 millions, will be applied as follows :

	<i>Millions.</i>
Expenses of Government.....	2,030
Interest on debt.....	700
Principal of debt.....	1,037

This calculation calls for no more "*reform*" or "*economies*," than we have had for the past ten years, and for no more revenue than we have had in the past ten years, although our wealth during this decade will be nearly double what it was during the last. Such "*exertions in time of peace*" will not be deemed overstrained, to pay off debts, incurred, to be sure, in an "*unavoidable war*," but very largely from the reckless and extravagant manner in which it was carried on. And considering that this generation profited by the extravagance

and recklessness of the war, not to make such "exertions" will be most "ungenerously throwing upon posterity the burden which we ourselves ought to bear."

The pensions paid during the last decade were 268 millions. They will be less during this decade, unless they are supplemented by new grants to claim agents, under the name of equalized bounties. And it should be added, that in the ordinary expenditure of 2,030 millions of the last decade is included the payment of several items which appear in the debt of 2,846 millions of August 31, 1865.

In the article on the Funding System, furnished for the *Encyclopedia Britannica*, David Ricardo says :

"To pay off the whole, or a great portion of our debt, is, in our estimation, a most desirable object. If the debt were paid by a tax on property, once for all, it would effect its object. Its operation might be completed in two or three years during peace. Thus, by one great effort, we should get rid of one of the most terrible scourges which was ever invented to afflict a nation."

To the suggestion, that money could not be obtained to pay taxes so heavy, Mr. Ricardo replies that it would be readily furnished by those to whom the government would be paying the debt.

"Withdraw," he says, "this great borrower from the market, and private borrowers would be readily accommodated."

The statement that enlightened opinion in England is in favor of the permanent continuance of the English debt, is not confirmed by the fact that this trenchant article of Ricardo has been continued in successive editions of the *Encyclopedia Britanica*. In a note in the eighth edition, the editors say :

"The article on the Funding System, by the late David Ricardo, Esq., has always been reputed so excellent, that it has been deemed advisable to retain it entire, and the supplement to it by his son, will bring down the information on the subject to the present time."

What would be practicable in respect to the British debt, which is all held at home, would not be practicable in respect to our debt, so considerable a portion of which is held abroad. We have neither the disposable gold and silver, nor merchandise, wherewith to discharge what we owe in Europe, within two or three years. But we can easily pay everybody, at home and abroad, within ten years. If we fail to do it, it will not be from the lack of means, but because we do not choose to do it.

It is unfortunate that the existing Act of 1870, under which the debt is being refunded, permits a portion of it to be negotiated on a term of thirty years. That was contrary to all the National precedents. The debt for the purchase of Louisiana was all reimbursable wftin fifteen

years. The loans of the war of 1812-15, with Albert Gallatin at the head of the Treasury, were limited to twelve years. Down to the Civil War, no loan was made beyond twenty years. During the Civil War, Mr. Chase was even more stringent and inflexible in reserving the right of the Government to pay within short terms. Nearly all the borrowings under his administration could be re-imbursed within five years, at the option of the Government, and beyond the limit of ten years he absolutely refused to go in any case. Those who now say that he could have borrowed at better rates, on longer terms, reason carelessly from the state of things at present existing. It is undoubtedly true, to-day, that a long bond can be marketed at a less rate of interest than a short one. But that was not true in any appreciable degree, while the Civil War was raging, and the proof of that was the near approximation in prices of six per cent. bonds redeemable in five years, and of six per cent. bonds not redeemable until 1881. The dominating question at that time, was not the length, but the safety, of the bond, depending as that did on the issue of the struggle for the Union. Mr. Chase made mistakes, but not in this matter.

A loan on thirty years from 1871, implies a continuance of some portion of the debt to 1907, for which there can be no justification, and the proposed interest of four per cent., is as excessive as the proposed term of it. England floats a debt of thirty-five hundred millions of dollars, at a price for its stocks which yields to investors an income of only three and one-fifth per cent. Home customers for our stocks are less wealthy, and have less power of absorbing securities, but we could certainly float one thousand millions at as easy a rate. Long before 1907 our debt, with any tolerable management, will be brought far within one thousand millions. All interests demand that it should be, except the single one, unfortunately too powerful, which profits by the high rate of income which its existing amount necessitates.

GREAT DISCOVERY OF COINS IN ROME.—The London Times states that a numismatic discovery almost unparalleled in extent has been made near Verona. Two large amphoræ have been found containing no less than two quintals, or about six hundred English pounds weight, of coins of the Emperor Gallineus and his successors within the hundred years following his reign. The number of coins is estimated at between 50,000 and 55,000. Of those of the Emperor Probus there are more than 4,000.

The majority are of bronze, but there are some of silver and others of bronze silvered (*suberate*). They are all in the finest state of preservation, and, with the exception of those of Gallineus, which are a little worn, they are so fresh from the mint as to make it evident they were never put into circulation. The discovery has been considered of sufficient importance for the Minister of Public Instruction to dispatch Signor Pigorini specially to Verona to report upon it. All the finest examples are to be placed in the museum of Verona, and the remainder either exchanged in sets with other museums or sold, as may be decided upon.

INTEREST-BEARING LEGAL TENDERS IN THEIR RELATIONS TO RESUMPTION.

BY DUDLEY P. BAILEY, JR.

On the necessity of funding a portion of our paper money as a condition of successful resumption, our principal financial authorities are substantially agreed. There is, however, room for doubt whether funding in an ordinary four or four and a half per cent. bond is the wisest course. Conversion into interest-bearing legal-tender notes offers some advantages which deserve consideration. The Government might annually, for the next two years, withdraw and cancel from fifty to seventy-five millions in United States notes, of denominations of ten dollars and upwards, and issue in their place Treasury notes of similar denominations, running three years and bearing interest at the rate of four and a half or five per cent., payable with the principal in coin, or having principal and interest, or either, exchangeable at the option of the Government, in sums of \$50, or any multiple thereof, for four and a half per cent. bonds, like those authorized by the funding acts. These Treasury notes should be a legal tender to the same extent as United States notes, for their face value, excluding interest, until the resumption of specie payments, after which they should cease to enjoy this quality, but might be made exchangeable, at the option of the holder, in sums of \$50, or any multiple thereof, for the bonds already mentioned, the details to be so arranged as to avoid inconvenience in dealing with fractional periods or amounts. The banks should be allowed to hold only a limited quantity of them as a part of their reserves, this to be gradually diminished as the resumption of specie payments approaches.

The effect of such an issue of Treasury notes may be readily foreseen. At first they would be largely used as currency, but as the interest accumulated the holders would grow more reluctant to part with them for their face value. Before touching money that was growing every day more valuable, they would give up all their non-interest-bearing notes. The circulation of the former would grow slower and slower until they were absorbed among the hoards of the country, and were permanently withdrawn from circulation for investment. Not being beyond reach however, they could be called forth in case of emergency, thus giving the currency an elastic reserve power, which would be most useful in the progress of contraction. By this means, \$100,000,000 or more of the government demand notes might, in the course

of the two years remaining before the resumption of specie payments, be funded with the smallest possible disturbance to the money market, thus limiting by so much the risks attendant on so great an undertaking.

This is no novel or untried scheme. It was several years ago advocated, among others, by the late Amasa Walker, one of the ablest writers on currency in New England. The operation of interest-bearing legal tenders upon the currency, was fully tested among the numerous expedients resorted to during the war. The first act, authorizing their issue, bears date of March 3, 1863, and authorized not over \$400,000,000 in Treasury notes, payable in not over three years from their date, and bearing not over six per cent. interest, "payable at periods expressed on the face of such notes." They were to be issued in denominations of not less than ten dollars, and might be made a legal tender to the same extent as United States notes, for their face value, excluding interest. The act of June 30, 1864, authorized the Secretary of the Treasury to issue \$200,000,000 more of such notes, bearing not over seven and three-tenths per cent. interest, "payable in lawful money, at maturity, or at the discretion of the Secretary, semi-annually." The act of January 28, 1865, authorized a further issue in lieu of bonds authorized by the act of June 30, 1864, remaining unsold.

The success of the Five-Twenty Loan carried the government nearly through the year 1863, and no interest-bearing legal tenders were issued, until near the close of the year. They were first issued in the shape of coupon notes, running two years, and bearing interest at the rate of five per cent. Of these, \$50,000,000 were reported outstanding, January 1, 1864. Their volume reached \$95,502,031, March 1st, and \$115,581,414, April 1st. There were also issued a few Treasury notes, running two years, and bearing interest at five per cent., payable at maturity. Of these, \$29,801,536 were reported outstanding April 1, 1864. The amount of all the two-year Treasury notes outstanding on the retirement of Secretary Chase, on the 30th of June, 1864, was \$108,951,450. There were besides, one year five per cent. legal tenders, of which \$26,520,000 were outstanding April 1, and \$44,520,000, June 30, 1864. The whole amount of one and two-year notes issued was \$211,000,000. Compound-interest notes had at the last date mentioned, been issued to the amount of \$17,250,000, of which \$15,000,000 were then outstanding, giving a total of \$168,471,450 interest-bearing legal tenders at that date.

Such was the incongruous multiplicity of these obligations, which Secretary Fessenden found in circulation on entering the Treasury department, and it reflects great credit upon the sagacity of his financial administration, that he not only reduced them to greater simplicity, but gave them that form in which they were least likely to cause monetary derange-

ment. In his annual report for 1864, he thus explains the operation of these notes, and his policy in regard to them: "To a considerable extent these notes have been, and will continue to be used as currency. Those with coupons have been found particularly objectionable, as, though withdrawn to a certain extent while the interest is maturing, they are liable to be periodically rushed upon the market. In consideration of this feature, a large amount, viz: about ninety millions of the original issue of one hundred and fifty millions of these coupon notes, have been withdrawn and destroyed, and their place occupied by notes payable in three years, bearing interest at six per centum, compounded semi-annually. This is believed to be the best form of interest-bearing legal tender notes, as being more likely to be withdrawn and held until maturity as an investment."

The anticipations of the Secretary, in this respect, were fully realized. The pressing necessities of the Government were met, \$217,024,160 of compound-interest notes were issued without much additional inflation of the currency, and they were subsequently withdrawn without producing any serious stringency. The volume of the interest bearing-legal tenders, and the proportion which they constituted of the whole legal-tender, fractional, and bank-note currency, is shown below:

Date.	One and two-year Notes.	Comp.-Interest-Notes.	Total Government currency.	Bank Notes.	Total currency.
	\$	\$	\$	\$	\$
June 30, '64	153,471,450	15,000,000	623,325,997	152,022,271	775,348,268
Oct. 31, "	120,519,110	102,329,680	676,735,230	175,000,000	851,735,230
M'ch 31, '65	69,522,359	156,477,650	683,414,672	220,496,488	903,911,160
Sept. 30, "	32,954,030	217,012,141	704,614,695	250,189,478	954,804,173
Dec. 31, "	8,536,900	180,012,141	640,780,851	258,688,685	899,469,536
June 30, '66	3,454,230	159,012,140	590,428,614	287,794,841	878,223,455
" " '67	1,123,630	122,394,480	523,817,662	296,253,665	820,071,327
" " '68	555,492	28,161,810	467,485,976	298,072,035	765,558,011
" " '69	347,772	2,871,410	443,577,558	295,312,160	738,889,718

The volume of the currency and interest-bearing legal tenders, as well as prices, reached a maximum in August or September, 1865, from which period, to June 30, 1869, when the interest-bearing legal tenders were nearly all withdrawn, the aggregate contraction of the currency amounted to 216 millions, which proceeded as follows:

	Contraction of Int.-bearing Notes.	Contraction of total currency.
Sept. 31 to Dec. 31, 1865, (3 mos.).....	\$ 61,417,130	\$ 53,334,637
Jan. 1 to June 30, 1866, (6 mos.).....	26,082,671	21,246,081
July 1, 1866, to June 30, 1867, (1 year.)	38,948,260	58,152,128
July 1, 1867, to June 30, 1868, (1 year.)	94,800,808	54,513,316
July 1, 1868, to June 30, 1869, (1 year.)	25,498,120	26,668,293
Total, 45 months.....	\$ 246,746,989	\$ 215,914,455
Average per month.....	5,483,000	4,798,000

* Including \$50,000,000 of three per cent. certificates payable on demand, for the most part used as a substitute for currency.

† Including \$52,120,000 three per cent. certificates.

The aggregate contraction was considerably less than the reduction in the amount of Government currency outstanding, the contraction in the latter, which amounted to 261 millions, being to some extent offset by a bank note expansion. The net contraction was, however, considerably larger than many have supposed possible, without producing serious monetary disturbance. Yet aside from a temporary stringency, caused by the greenback contraction under Secretary McCulloch, the change proceeded so quietly as scarcely to attract notice. The interest-bearing notes were not missed, from the fact that for a year or two before their withdrawal they were not in circulation at all, but had been withdrawn for investment. As early as October 1, 1865, the Comptroller of the Currency estimated that not over \$10,000,000 of the compound-interest notes remained in actual circulation, and that of the remainder, \$74,261,847 were held by the banks, and \$121,314,195 by insurance and trust companies, and savings banks, mostly as investments. The circulation at that date was estimated by the Comptroller at only \$460,844,229, while on the 1st of July, 1869, it had increased to \$552,000,000.

The proposed change, briefly stated, is, to substitute, to a limited extent, for our active greenback circulation, a currency which tends to become progressively inactive and is destined to be ultimately funded. The great bulk of the interest-bearing legal tenders issued under this scheme in 1877, and a considerable proportion of those issued in 1878, would cease to circulate by the 1st of January, 1879, thus effecting the needed contraction of the currency with the least possible derangement to business. Some degree of pressure is inevitable in the transition to the specie standard, but any serious stringency is the less to be feared under our present free banking law, since the banks have it in their power to issue more currency if needed. In view of the probability that the Treasury will be but poorly supplied with coin on the 1st of January, 1879, the urgent necessity of reducing the demands that can be made upon it, in the manner suggested, or in some other way, is sufficiently apparent.

THRIFT IN SCOTLAND.—The reports of the annual meetings of the National Security Savings-Banks in Scotland show a distinct advance on the previously hoarded wealth. The habit of thrift in the industrial ranks has risen even superior to the dull trade, for we find that, in all the cases we have seen, the deposit receipts are greater in value and number for 1876 than those of the previous years. It is a most extraordinary fact, turn it round as you like, that the accumulated capital of these depositors in Scotland is nearly five and a half millions sterling, and that the growth would seem to be steady, at the rate of a quarter of a million per annum.—*Public Opinion.*

BI-METALLIC MONEY. II.

BY EMILE DE LAVELEYE.

[Continued from February No., page 624.]

TRANSLATED BY GEORGE WALKER.

If it be a fact that bi-metallic money is subject to greater depreciation in the long run, than money composed of one metal only, I have shown that this disadvantage (from the standpoint of stability in the common measure of value,) is compensated by two signal advantages, namely :

First, an abundance of money diminishes the relative burden of old debts ; and secondly, it favors the growth of production and trade. On the other hand, bi-metallic money is less subject to sudden variations within short periods, and this is a point of much importance to industry and commerce, inasmuch as the larger number of contracts are at short dates.

The greater stability of bi-metallic money is an economic truth of the greatest importance. To M. Wolowski, I think, belongs the honor of having discovered it. M. Chevalier, and the economists of his school, have always denied it. Mr. Jevons, the eminent Manchester professor, explains the compensating action resulting from the simultaneous use of both the precious metals, in a chapter specially devoted to the subject, in his new work on Money. He thus speaks of it : "English writers seem to have completely misunderstood the question, asserting that the system of the double standard exposes us to the extreme fluctuations of both metals. A little reflection must show that MM. Wolowski and Courcelle-Seneuil are quite correct in arguing that a *compensatory*, or, as I should prefer to call it, *equilibratory, action*, goes on under the French currency law, and tends to maintain both gold and silver more steady in value than they would otherwise be. If silver becomes more valuable than in the ratio of one to fifteen and a half, compared with gold, there arises at once a tendency to import gold into any country possessing the double standard, so that it may be coined there, and exchanged for a legally equivalent weight of silver coin to be exported again. This is not matter of theory only, the process having gone on in France until the principal currency, which was mainly composed of silver in 1849, was, in 1860, almost wholly of gold. France absorbed the cheapened metal in vast quantities, and remitted the dearer metal, which must have had the effect of preventing gold from falling and silver from rising so much in value as they would otherwise have done. It is obvious, that if

gold rose in value compared with silver, the action would be reversed; gold would be absorbed and silver liberated. At any moment the standard of value is doubtless one metal or the other, and not both; yet the fact that there is an alternative, tends to make each vary much less than it would otherwise do. It cannot prevent both metals falling or rising in value compared with other commodities, but it can throw variations of supply and demand over a larger area, instead of leaving each metal to be affected only by its own accidents.

“Imagine two reservoirs of water, each subject to independent variations of supply and demand. In the absence of any connecting pipe, the level of the water in each reservoir will be subject to its own fluctuations only. But if we open a connection, the water in both will assume a certain mean level, and the effects of any excessive supply or demand will be distributed over the whole area of both reservoirs. The mass of the metals, gold and silver, circulating in Western Europe, in late years, is exactly represented by the water in those reservoirs, and the connecting pipe is the law of the 7th Germinal, An. XI, which enables one metal to take the place of the other as an unlimited legal tender.’

Mr. Jevons also shows by a lineal diagram, that with bi-metallic money, prices are more stable than with money composed of one metal only.

The same truth may be demonstrated in another way. We know that the precious metals have a very uniform value; inasmuch as the annual production is only a sixtieth part of the entire mass which exists in the world, an increase of production can have only a slight influence, and must be long continued in order to be felt. The larger the stock, the less will an increase of supply of gold or silver diminish the value of the whole mass. If you admit both gold and silver into the circulation, the monetary stock will be about fifty milliards of francs (\$10,000,000,000); if you exclude silver, it will not be more than twenty-seven or twenty-eight milliards (\$5,200,000,000 to \$5,300,000,000). Thus reduced, it will be more affected by an increase of supply. Let us suppose, that after 1850, following the advice of M. Michel Chevalier, gold had been demonetized, what an enormous fall in value that metal would have sustained! What a rapid advance in prices in countries having the gold standard, in the presence of a sudden increase of half a milliard (\$100,000,000) in the annual production! As the Dutch Monetary Commission of 1873, has well observed, the coining of gold in countries having the double standard has served as a parachute—has prevented the debasement of that metal, and the commercial disturbances which would have resulted from it. At the present day, Holland, which has a single standard, but one of silver

adopted in accordance with the ideas of M. Chevalier,* is returning to gold in order to escape the consequences of a depreciation of silver. This is a proof that the adoption of the single standard does not furnish protection against monetary disturbances, as has been claimed.

The German economists have generally recognized the compensatory action of bi-metallic money, even those who are partizans of the gold standard. "The employment of two sorts of legal-tender money," says Soëtbeer, "has had the most salutary influence upon the general interests of public economy, by furnishing an equilibrium to the sudden and enormous production of gold in California and Australia." Prince-Smith, in his book entitled, *Metallic Types and Money*, expresses a similar opinion: "The fluctuations in the rate charged for the use of the circulating medium diminishes in proportion to the quantity of these latter available. Gold and silver taken together are less subject to market fluctuations than either of them taken alone. The so-called double standard system has the advantage of superior consistence and stability."

The patriarchs of political economy in Germany, have written to M. Wolowski, in the same sense: "I should regard the general adoption of the metal gold as the only legal-tender money," said Roscher, "as a misfortune: with a mixed currency of both metals the fluctuation of prices will be less extreme than with one only. Something approaching this now exists in the general markets of the world, where certain nations represent the gold, and others the silver type." Rau, also, in 1868, wrote as follows: "I entirely approve of your views in resisting the proscription of silver, and of the picture which you have drawn of the unfortunate consequences which would result from such a measure. It is precisely such considerations which have determined me to oppose the adoption of the gold standard."

We may, therefore, I think, consider as demonstrated, the fact pointed out by M. Wolowski, and denied by M. Chevalier, that money of two metals is less subject to fluctuations in value, within short intervals, and consequently entails fewer changes of prices, than money composed of one metal only, for precisely the same reason that a compensated pendulum, made of steel and copper, is less subject to expansion than if it were made of a single metal.

Another very signal advantage resulting from the simultaneous employment of both the precious metals is, that it enables banks of issue the better to protect their reserve, and consequently to maintain a steadier rate of discount. The bank has, in effect, the right to redeem its notes in the metal which is least in demand for export. If gold is at a

* This is a mistake—Holland established the silver standard in 1847, before gold had been discovered in California, and upon considerations entirely independent of that fact. (Tr.)

premium, it will pay in silver; if silver is most in demand it will pay in gold. This point is established on the authority of M. Rouland, Governor of the Bank of France, and of Mr. H. Aggard, Cashier of the Bank of England, and it is further demonstrated by the fact that the rate of discount in Paris, has always been less subject to variations than in London. As gold is everywhere in demand, the Bank of England is often obliged to resort to very energetic measures by advancing its rate of discount, in order to protect its reserve.* The Bank of France accomplishes the same result, by disbursing the metal which is least in demand for export.†

But, says M. Michel Chevalier, if France uses silver, and England gold, the French will have to pay dearly for English products, for they will have to pay in gold, which is at a premium, whilst, on the other hand, the English will obtain French products at a cheaper rate, being able to pay for them in silver, which is at a discount. I do not think that this would take place, because in each country prices regulate themselves according to the value of its money. But, admitting M. Chevalier's hypothesis, it could not be French industry that would suffer, for the consequence would be that the French would cease making purchases in England, while the English stimulated by the facility of paying in silver, would considerably increase their orders in France. In short, the use of a circulating medium considerably depreciated does not prevent the extension of foreign commerce. Take the case of Italy, where, in consequence of the suspension of specie payments, paper money is at a discount of twenty per cent.; yet no other country has shown such a development of foreign commerce; within twenty years it has increased six hundred per cent.

"And the scandalous profits of the bullion merchant; do you say nothing of these?" they exclaim. I answer, those profits are precisely like those made by grain merchants or dealers in oil or coffee, when those commodities rise in value. The profit is made by the citizen, and the nation as a whole loses nothing. The dealer in the precious metals who realizes a profit in exporting them, brings back to his country an exact equivalent for the metal which he exported.‡ If gold is at a premium of ten per cent., for every Napoleon

* The London *Economist* of March 18, 1876, expresses the opinion that in resuming specie payments, the Bank of France will find itself embarrassed, by having in its vaults 1,300 millions of francs (\$260,000,000) in gold, and only 500 millions (\$100,000,000) of silver, and that it cannot pay out its gold without the danger of having that metal exported because it bears a premium. To this I answer, that the bank can easily guard against the danger by disbursing only silver, which will not be exported. Silver money favors the increased circulation of bank paper, because the metal being heavy, notes are preferred to it. Banks of emission therefore, have no interest in the adoption of the gold standard throughout the Latin Union; but the contrary.

† Here is a conclusive fact: In 1873, the German Government held about six millions of francs in notes of the National Bank of Belgium, received from France in payment of the indemnity. If they could have drawn gold for these notes, by sending them to Brussels, they could have drained the bank dry. As the bank offered only silver, Germany had recourse to London, and caused the bank rate there to rise to nine per cent.

‡ There is a very simple way of securing to the nation the profit resulting from the substitution of a depreciated metal for that which has risen in value; namely, by reserving to

exported there will be retained silver corresponding to four five-franc pieces, plus two francs.

But, say the objectors, if we allow the coinage of silver to go on, we shall presently have only pieces of five francs, an inconvenient money, in place of handsome gold pieces, which are light and easily carried. This, replies M. Cernuschi, is an unimportant argument. Unimportant, I agree, from a scientific point of view, but a serious one practically, inasmuch as the five-franc piece is too heavy for people to carry who are in comfortable circumstances, who create opinion, and who make the laws. M. Cernuschi, however, still insists and says, not without reason, that "for the artisan, for the peasant, the large coin is preferable; it inspires more respect, and produces more impression. For rich people bank notes of twenty francs are issued, which weigh still less than the Napoleons."*

It is certain that gold and silver together would not constitute a superabundant instrument of exchange in the world, since for some time past prices have not risen; and on the other hand, a scarcity of money has produced an advance in the rate of discount the moment that any unusual activity has taken place in business. If silver is universally proscribed the countries which have only paper money will be prevented from substituting metallic money for it. As was remarked by M. J. Errera, (in the "*Nord*" of April 21, 1876,) all the available gold augmented by the entire production of gold for many years to come, would not suffice to furnish America, Russia, Austria and Italy† with the metal which those countries would require in order to resume specie payments.

Let us now consider the legal aspects of the question under discussion. It may be safely asserted that the demone-government the right of coinage. This is just what is taking place at this moment in the countries of the Latin Union. Since 1873 the States belonging to the Union have limited the coinage of silver, allowing each country to coin an amount proportioned to its population. The contingents fixed by the Convention of the present year (1876,) are as follows: France 54,000,000 francs; Belgium 10,800,000; Switzerland 7,200,000; Greece 3,600,000—with extra allowance of 8,400,000. Total 410,000,000 (\$82,000,000.)

The Belgian Government, like that of Italy, has turned the limitation put upon the privilege of coining silver, to its own exclusive profit, and has gained by it this year a million of francs. In France, the Minister of Finance presented to the Senate, on the 22d of March last, a "projet de loi" similar to that by which Belgium is now governed. M. de Parieu, who, with M. Chevalier, is the principal advocate of the single gold standard, cited the example of Belgium as worthy of imitation by France. There are two conclusive reasons in favor of it: 1st, because since the government would have to bear the expense of demonetizing silver, it is just that it should have the profit of the coinage. 2d, The government alone is able to act in harmony with the demands of the circulation, while individuals are only guided by their selfish interests, which are often opposed to the general welfare.

* A leading Swiss banker, in a recent letter to the translator, confirms this statement. He says that, notwithstanding the partiality of the Federal Government of Switzerland for the single gold standard, the people cling to the silver five-franc piece, and regard gold as the money of the aristocratic classes. (Tr.)

† The report of Ministers Minghetti and Finali (referred to in note to p. ante) states that the metallic circulation of Italy before 1866, when specie payments were suspended, was about two hundred millions of dollars, a sum which has been replaced by an equal amount of "consortial notes," issued by the banks and guaranteed by the Government. The report of the House of Commons Committee, p. xlii., shows that most of the metallic stock of Italy has been exported since specie payments were suspended. Precise information is not to be obtained as to the amount of the precious metals existing in the countries now under the régime of paper money; but aside from France, it may be safely assumed that the existing stock will have to be largely replenished before resumption can take place. (Tr.)

tization of silver is a great injustice, since it modifies all contracts to the detriment of those whose interests are most worthy to be considered—namely, the debtors. They have at present the right of paying their debts either in gold or silver at their option, and to deprive them of that right, and oblige them to pay in gold only, at the very moment when by the act of demonetizing silver the value of gold has been considerably increased, would be a grave hardship. It would be sacrificing the tax-payers for the benefit of the bond-holders.

The remedy for all the embarrassments to which the monetary question is giving rise, is pointed out by M. Cernuschi; it is the adoption by all countries of the relation between gold and silver of 1 to 15½. Let each country retain its peculiar coinage—its marks, its dollars, its florins, its pounds—but let all allow unlimited payments in either gold or silver, in the proportion adopted by the French law of Germinal, An. XI. There would thus be, in all civilized countries, a universal bi-metallic money. The advantages which would result from it are numerous, as M. Cernuschi demonstrates. Such an international system would have for its effect—

1. To make the relative values of gold and silver much more stable.

2. To reduce to a minimum the variations in the power of commanding a supply of money—which arise from variations in price.*

3. To raise the market price of silver, the present decline in which is chiefly due to a refusal to admit it to coinage.

4. To escape the incalculable losses and convulsions in the money market, which would be caused throughout the world by the demonetization of silver.

5. To facilitate the adjustment of balances with India or China, where silver alone circulates, an adjustment which would offer great difficulties if Europe should have hereafter only a gold currency.

6. To render easier the resumption of specie payments in countries which are now under the régime of inconvertible paper money.

The Dutch Monetary Commission of 1873, composed of men exceptionally competent in financial matters, proposed the same solution of the problem as M. Cernuschi: "We desire," they said, "to see the double standard adopted everywhere in Europe, with the same proportional relation between gold and silver. This principle applied over so large a territory would exercise such authority on the actual values of com-

* A large portion of exports and imports of the precious metals are mere operations of *arbitrage*; that is, of draft or remittance of anything (bills or specie) which will yield a small profit. If gold and silver had everywhere the same relative price established by legislation, there would be no such thing as a *better market* for either, and consequently no exports or imports except such as were required to settle commercial balances. (Tr.)

mercial markets, that the prices of the precious metals would derive from it a steadiness unknown up to the present time." This is an admirable solution of the whole matter expressed in a few words. But, objects M. Chevalier, law is incapable of fixing arbitrarily the price of products. I reply that although by a naked decree it can effect nothing, yet it can exercise immense influence by stimulating demand.* If the production of silver increases its price falls, and there is an advantage in coining it; hence an increased demand which arrests the decline. And if the coinage were to take place all over Europe, on the same conditions, it would open an immense field of employment, which would absorb the surplus production, and render the decline in price very moderate and inappreciable.†

Suppose that Germany had not attempted to expel silver, thus forcing Holland to imitate the Latin Union, in limiting the coinage; the one hundred millions francs of excess which the United States are producing, would have penetrated into the circulation of Europe without producing the slightest disturbance.

Germany has the greatest interest in maintaining the simultaneous employment of the gold and silver which she still possesses; for she cannot retain her gold except at the price of heavy sacrifices, and by keeping the rate of discount always very high. It is even doubtful if she can retain it at all, and in that case, with a circulating medium too seriously depleted, the country would be delivered over to a permanent monetary crisis.

The United States must naturally desire to keep up the value of the silver which they produce at their mines, for with a heavy fall in that metal, many of those mines would cease to be profitable. If they wish to preserve that source of wealth, they ought to adopt the bi-metallic money. England and Holland have evidently an interest in pursuing the same course, by reason of their relations with their Asiatic colonies, which have the silver standard. As to France, and her monetary allies, it is evident that they could not come to a single standard of gold without encountering immeasurable difficulties of the same sort as those which Germany is now meeting, and if they were to reach it in the end it would involve the deplorable result of augmenting the charge of their public debts, by the enormous increase in value which

* When Belgium first established its nickel coinage, the metal was worth eleven francs a kilogram. It was worth twelve francs in 1870. When the German Government began to manufacture its token currency of nickel, the price rose to thirty-five francs: it is still thirty francs. The demand for coinage purposes has, therefore, enhanced the price three-fold.

† Mr. Bagehot, editor of the *Economist*, testified before the House of Commons Committee, that if it had not been for the change of policy among the states of the Latin Union, by which the coinage of silver was largely reduced, "all the silver which is now flooding the London market and lowering the price, could have been long since in the mints of those countries; it would have released gold from them, and the combined effect of the two operations would have been—that the comparative value of gold and silver would have been very little altered, probably not at all." (Tr.)

gold would factitiously have acquired, in becoming henceforth the only medium of payment.*

The silver mines of America would be stricken with barrenness, the value of the stock of silver existing in the world, estimated at twenty-five to thirty milliards of francs, (five to six thousand millions of dollars,) would be reduced by one-half.† In the States, the owners of mortgaged property, industrial companies which have issued bonds, all those in short who have debts at long dates, would be completely crushed; and a crying injustice would have been committed towards them; the instrument of exchange would have been rendered scarcer and, as a consequence, there would follow a contraction of credit, a rise in the rate of discount, and monetary crisis. The restraint and embarrassment from which Germany suffers in her unfortunate attempt to establish a gold standard, would extend to the whole world; the relations of Europe with the extreme East would be profoundly troubled, as has indeed already happened; and all these disturbances would have been fomented for the sake of establishing an abstract and disputed principle!

Economists who attach themselves to absolute theories, are very much like the political philosophers of the eighteenth century, from whom they are descended. They follow out at whatever cost, what seems to them a simple, logical, rational principle, without taking any account of nature, history or traditions. They assert that in the matter of money there needs to be but one metal, precisely as in legislation there needed to be but one Chamber. A nation has but one will, how absurd then to give it two organs to express that will, and it is no less absurd to have two metals with which to carry on their exchanges, when one metal only would suffice. History, on the contrary, shows us that civilized nations have always made use of both metals as money.‡

We are to-day witnessing a revolt against the natural and historical necessity which this fact reveals, and the banishment of silver is demanded. Without doubt it can be

* This reasoning might be equally well applied to the policy of nations whose existing debt is payable in gold only. Without changing the nature of the past obligation the burden of it in future would be made heavier or lighter by the absence or presence of silver in the currency. (Tr.)

† Sir Hector Hay, a bullion broker, testified before the House of Commons Committee, that if France were to demonetize silver, it might go to half a crown an ounce. [30d.] (Tr.)

‡ The total production of both metals in the last nine years has remained stationary, and in the last two years it has rather declined. Is this, then, the time to prohibit the use of one of these metals?

Year.		Gold.		Silver.		Total.
1867	millions of dollars.	116	....	54	....	170
1868	" "	120	....	50	....	170
1869	" "	121	....	45½	....	166½
1870	" "	116	....	51½	....	167½
1871	" "	116½	....	61	....	177½
1872	" "	101½	....	65	....	166½
1873	" "	103½	....	70	....	173½
1874	" "	90½	....	70½	....	161
1875	" "	97½	....	62	....	159½
	Average,	109.2	....	58.8	....	168

accomplished ; a single section of a law will do it. But it is impossible to foresee the disastrous consequences which would result from such a measure. The profound trouble into which the monetary reform attempted by Germany has plunged the circulation of the whole world, as well as its own, can give us but a faint picture of the miseries which would ensue if all other civilized nations were to follow her example.

THE SILVER QUESTION.

BY SAMUEL SMITH,

PRESIDENT OF THE CHAMBER OF COMMERCE OF LIVERPOOL, ENGLAND.

To the Editor of the BANKER'S MAGAZINE :

I address you herewith, the President of Liverpool Chamber of Commerce, Mr. Samuel Smith's "Three letters on the Silver Question." As this is a most important document, coming from such an influential quarter, I would esteem it a personal favor if you could conveniently on some future occasion republish it in your columns ; I am emboldened to proffer this request, as you have already given such a hospitable reception to my "Bi-Metallic Money," and I consider Mr. Smith's pamphlet as still more useful.

HENRI CERNUSCHI.

Washington, D. C., January 2d, 1877.

[THE AUTHOR'S PREFACE.]

The "Silver Question" is now attracting general attention, and deservedly so, for it is one of capital importance.

The discussions that have taken place are gradually enlightening the public mind, and the time is approaching when—in the author's judgment—an International Monetary Conference could be held with conspicuous advantage.

It is hoped that the views set forth in these Letters will commend themselves to unprejudiced thinkers, and tend towards that consummation.

I.

IS THE BI-METALLIC SYSTEM PRACTICABLE?

It is supposed that the metallic money in the world is pretty nearly equally divided between gold and silver. Up till lately it may be said roughly that half the business of the world was transacted in gold and half in silver, or paper founded upon them ; and as France for three quarters of a century coined either gold or silver to an unlimited extent, making them both full legal tender, at the ratio of 1 of gold to 15½ of silver, that ratio practically obtained all over the world. Nor was it disturbed when the discovery of the Californian and Australian mines suddenly increased the yield of gold from six to thirty millions sterling annually, without any change in the production of silver. France was, in fact, the regulator of the world, and her legal ratio was practically adopted by all other nations that used silver money. The first blow to this convenient arrange-

ment was struck by Germany resolving to demonetize silver and adopt gold as its sole standard, but even then there was but little depreciation so long as France continued to coin on the old ratio. It was only when she, fearing the enormous influx of German silver, in self-defence practically ceased to coin that metal, and carried along with her the Latin union of States, that the great depreciation set in.

The real cause of the fall in silver is neither the increased production nor the diminished demand for India, but the demonetization policy of Europe forced on by Germany. Had the monetary state of Europe remained the same as before the Franco-German war, and the mints been open to coin silver at the old ratio of $15\frac{1}{2}$ to 1, there would have been no deviation from that ratio to-day, and silver would have been quoted about 5s. per ounce. The increase in the production of silver of late years has been from—say ten millions sterling annually to sixteen millions, and that would have no more affected the relative value of the metals than did the increase in the production of gold in 1848-50 from six millions to thirty millions, which also had no effect in lowering the relative value of gold.

This brings us to the kernel of the whole question—*Can legislation fix a definite ratio between gold and silver, or can it not?* Our opponents say it cannot, any more than it can fix a definite ratio between corn and cotton. They say that the cost of production must determine the market price of the respective metals, and that all legislative interference is mischievous and futile. This would be perfectly true if the precious metals were not used as money. Could we conceive that we were in a state of barter, and that gold and silver were used simply for purposes of ornament, the law would of course be unable to assign them a fixed relative value. It is, moreover, very unlikely that either of them would bear nearly as high a value as they do now, seeing that the chief use of these metals is for money, and even their subordinate use for ornaments arises partly from the factitious distinction they have acquired on account of their higher use for money. An entirely new set of laws is introduced from the time that governments elevate either or both metals to the rank of money. First of all, a vastly increased use is given to the metal or metals so used, and along with this increased use a much higher value than would otherwise have prevailed.

All this, however, it may be said, is mere abstract reasoning. The precious metals have always been used for money, and no doubt were designed to be so used, and the only point to be discussed is whether legislation should leave their respective value to be settled by the laws of supply and demand, or try to establish a fixed ratio between them. *I hold that it is better for the world at large to retain them both as*

full legal-tender money at a fixed ratio, and that it is possible to do so by common consent.

The latter proposition I will try to prove first. Suppose that in England all debts could legally be discharged either by gold or silver at the rate of 1 of gold or $15\frac{1}{2}$ of silver, or by bank notes payable in either at the option of the bank; and suppose, further, that the mint would receive either gold or silver for coinage to an unlimited extent, giving legal-tender notes of equal value for one of gold or $15\frac{1}{2}$ of silver, I say that in England it would be impossible to have fluctuations in the relative value of gold and silver. Neither would there be a temptation to pay in the cheaper metal, for there would be neither cheap nor dear, any more than there is now between gold and bank notes. Money is of no use except to make payments, and if no person could settle debts by silver so as to gain any advantage as compared with settling them in gold, why should he prefer to pay in silver? Payment would in fact be made as now by bank notes, cheques, &c., and the only difference would be that the issuing banks would hold silver as well as gold, for each metal would be alike valuable to them. It is clear, however, that such a system, to work safely, would require the consent of adjacent nations. If silver in France and Germany was valued at 18 to 1, while in England it was $15\frac{1}{2}$ to 1, gold would leave England, where it exchanged for only $15\frac{1}{2}$ of silver, and flow to countries where it exchanged for 18 of silver. England would become a country of silver currency and France and Germany of gold. This is just the position in which France finds herself at present, and is, therefore, compelled to discontinue coining silver.

It is quite clear, in order to have a bi-metallic system permanently established, that a convention of leading nations is required to fix a common ratio in which they will all coin money and pay their debts. A more proper subject for an international agreement could not be conceived. All nations benefit by stability in monetary matters. None, except thieves and rogues, wish to borrow in one standard and pay in another. Were such an agreement entered into, and all the leading commercial nations undertook to coin the precious metals, and make them full legal tender, on the plan I have supposed for England, it would be as impossible for gold and silver to fluctuate in relative value all through those countries, and, indeed, through the world, as it would be in Great Britain on the hypothesis I assumed above. And the greater or less production of the respective metals would have nothing to do with it, just as the sudden jump in the gold production from £6,000,000 to £30,000,000 at 1848-50 did not depreciate gold compared with silver, because the bi-metallic system then ruled on the Continent; neither would a jump in the production of silver from £16,000,000

to £ 30,000,000 or £ 40,000,000, were such to happen, if the bi-metallic system were again adopted.

What the law cannot fix is *the purchasing power of the precious metals in relation to other commodities.*

Suppose, for argument's sake, that the joint production of gold and silver, which is now about forty millions annually, were to become 400 millions, we would find a rapid rise in money prices; in other words, a diminution in the real value or purchasing power of money; but what the law can do is to prevent fluctuations in value as between gold and silver by making them both legal tender at a definite ratio. If, however, the law makes gold only legal tender, silver, of course, would fluctuate like other rare metals, such as platinum. In the same way, if silver was made sole legal tender, gold would fluctuate like other rare metals. If, for instance, Chevalier's proposal to demonetize gold made some twenty years ago, had been generally adopted we should have seen far more violent fluctuations in the market price of gold measured by silver than we have lately seen in the market price of silver measured by gold. Now, as stability of value is one of the most necessary qualities of money, I hold that it is better to confine fluctuations to the mass of gold and silver combined than let each metal fluctuate separately. Gold alone has varied within this century from an annual production of £ 3,000,000 to £ 30,000,000, or tenfold; but gold and silver combined have only varied from about £ 10,000,000 to £ 40,000,000, or fourfold—hence the joint metal forms a more stable mass than gold alone. It is like a kite with a heavy tail to it, which prevents it from swaying to and fro; whereas gold alone is like a kite without a tail, which obeys every gust more readily.

II.

IS THE BI-METALLIC SYSTEM DESIRABLE?

In my former letter I dealt chiefly with the question whether or not it was possible for nations by common consent to establish a fixed ratio of value between gold and silver, and tried to show that it was perfectly practicable provided both metals were made full legal tender for the payment of debts at the ratio fixed by law, whether that be $15\frac{1}{2}$ of silver to 1 of gold or any other.

I now wish briefly to point out some of the advantages which would result from the adoption of the bi-metallic system as thus defined.

1. It would greatly facilitate transactions between countries using a gold and countries using a silver standard, by reducing their money, as it were, to a common denominator. For three-quarters of a century the silver rupee was practically worth the tenth part of a sovereign, the silver franc the twenty-fifth part, and all other leading silver coins some

other fixed proportion, and the reason of this stability was that France coined either gold or silver to an unlimited extent at the ratio of 1 to 15½. The whole world benefited by the regulating influence of her bi-metallic system; hence it happened that when the extraordinary gold discoveries of 1848-50 increased the yield of gold five-fold, there was no change in the relative value of the precious metals, and commerce went on all over the world undisturbed by the change.

The same happy result would flow from the re-adoption of the bi-metallic system; the annoyance, inconvenience, and loss to merchants trading between countries using a gold and a silver standard would be at an end. We should no longer see the rupee worth at one time the tenth of a sovereign, at another time the thirteenth part, and perhaps at some future time the twentieth part. We would preserve the incalculable advantage for mankind of speaking as it were one monetary language instead of a Babel of tongues. But this is the least advantage. Commerce can no doubt overleap the barriers of fluctuating exchanges, and our merchants, warned by the past, can protect themselves tolerably well in the future against fluctuations in silver as they have done against fluctuations in the inconvertible currencies of America, Russia and other countries—business will go on in spite of these difficulties, just as people would continue to cross the Atlantic if steamships were abolished, but with less comfort and more risk.

2. A much greater advantage would be the gain to the cause of honesty and fair play as between man and man. Let me explain what I mean. During the seventy years of this century when gold and silver remained practically at the ratio of 1 to 15½, an immense pile of national debts, railway bonds, private mortgages and other obligations (public and private) has been reared. The greater part of our national debt has been contracted in that period, with interest payable in gold. The United States debt has been piled up also with interest payable in gold; the debt of France with interest payable in either gold or silver; the debts of Russia, Austria and Italy with interest payable part in gold and part in silver; the rupee debt of India, with interest payable in silver, and so on with the minor States. These engagements represent thousands of millions sterling, and constitute the chief investment of the savings of a large portion of mankind, including the property of multitudes of widows and orphans. The same may be said of the borrowings of railway and other private corporations, whose interest is payable throughout these countries in one or other metal or in both.

The innumerable multitude of people who lent this money did so on the faith that the standard in which they were paid would not be tampered with by violent monetary

changes. They may have known little of monetary laws, but they knew from experience that gold and silver were alike valuable at the ratio of 1 to 15½, which had ruled during their lives and the lives of their fathers, and it was the implicit faith in this fixity of value which induced English capitalists to lend one hundred millions to the Indian Government, with interest to be paid in rupees at the rate of four or five per cent, and vast sums to other countries, also to be paid in silver. The same confidence made the French peasant empty his old stockings of silver five-franc pieces and gold Napoleons and lend them to his Government, and made the thrifty German invest much of his savings in Austrian silver-paying securities. On the other hand, Russia and other foreign countries, notably the South American Republics, borrowed much money in London, engaging to pay the interest in gold, though their own revenue was collected in silver, because they expected (as past experience had taught them) that they could procure the gold to pay the interest by exchanging for it 15½ times the weight of silver.

In short, a large net-work of borrowing and lending has been drawn over the entire civilized world, based upon the belief that either metal was alike valuable at the ratio which had so long prevailed.

Any one can see at a glance what an evil it would be to have gold and silver, as it were, divorced from each other, and following incalculable laws of relative value in future like the unknown motions of comets. At present all the nations and individuals who have contracted to pay silver are saving much of their legitimate outlay. The unfortunate recipients are mulcted out of their just dues. Those again who have engaged to pay gold will gradually find, by the operation of another law (which I have not yet referred to), that their obligations will get heavier and heavier, and that their creditors will reap an undue advantage.

It is as if all contracts for the sale of land had been made by a yard measure throughout the world, but in some countries the yard was divided into three feet and in others into thirty-six inches. For a long time these measurements coincided, but at last, by some freak of fortune, the inch came to be shortened by a quarter, and so it came to pass that people in one country who had bought land in another expressed in the common term "yard," found that they were getting twenty-five per cent. less than they had paid for. The analogy would be closer if we could suppose that a great portion of the earth's surface had been so transferred during a long period in which payment was deferred, and that when the buyers had paid their money and taken up the titles they suddenly found that by a trick of words they had been defrauded out of a quarter of what they had paid for and believed that they would get.

Of course this parallel is imperfect, for we know well that

no wilful monetary fraud has been practised by any country; but the effects of the revolution we are passing through are very similar to what we have described, and it must be apparent to any one who loves to see justice and fair play among mankind, that if this wrong can be obviated it is worth attempting, and ought to be attempted.

3. But, thirdly, another weighty consideration is this: the countries using silver money—that is, fully half the world—will find that the inconveniences are so great (provided no remedy is applied) that they will be driven ultimately one after another to demonetize silver and use gold exclusively as their standard. The result of that will be that silver, instead of being worth, as at present 4s. 6d. per ounce, say about $17\frac{1}{2}$ to 1 of gold, may drop to 2s. per ounce, or some other figure so low as practically to beggar all nations that have borrowed in silver and have to pay in gold, and virtually confiscate the property of all who have lent their money to nations or individuals for payment of interest in silver.

No doubt, if such a state of things were to happen, some countries would have to pass into liquidation, and make a composition with their creditors, and ultimately matters would settle down everywhere after excessive suffering and confusion into a universal system of gold payments; but the necessary consequence would be that the metallic basis on which the business of the world was done would be immensely reduced; it would be as if the mines were shut up for several years. Instead of, say, 1,400 millions of gold and silver to do the business of exchange, there would be 700 or 800 millions of gold, and a limited amount of silver as small change. Money values would fall greatly; national debts like our own would press much more heavily, and a period of suffering and contraction of business would ensue similar to what the United States has experienced on coming painfully back from inflated paper towards specie payments.

No doubt at last the process would be accomplished, and after a century or so the world could trade as well on gold alone as gold and silver combined. But why have the intermediate chaos if it can be avoided? My contention is that it can be avoided by an international monetary convention between the four leading commercial nations—perhaps between England and France alone, and in this convention all would be gainers and none losers, for in the long run all the best interests, either of men or nations, are served by keeping their obligations inviolate.

III.

“FREE TRADE” OBJECTIONS ANSWERED.

There cannot be a doubt that at first sight, and before the question is fully studied, the bi-metallic system, as advocated by M. Cernuschi, Mr. Williamson, and others, appears to be opposed to the principles of “free trade,”

and to ignore the laws of "supply and demand." This generation of Englishmen has been trained up to believe in free trade so implicitly that a presumption is raised against any scheme which involves legislative interposition.

It appears at the first blush that gold and silver being articles produced by human labor, must have their respective value determined by the same laws as cotton, or corn, or coal, or iron. It would be folly to ignore the strength of the prejudice we have to encounter from the commercial and economical training of the people of this country. It all the more devolves on us to show how far those "laws of supply and demand" bear upon the question at issue, and to point out clearly where they hold good and where they fail to be applicable. Now it is an undoubted fact that the price of all articles intended for consumption is determined by the relation of supply to demand at any particular time, and over longer periods by the cost of production. The price of cotton or sugar at the moment is determined by the state of the market, but ultimately and in the long run by the cost of producing them. Every one knows that if either of them fell for some years much below the cost of growing it, production would fall off and the price rise correspondingly. The connection between the two is so palpable that every one can perceive it. This law, however, acts with immensely greater force upon articles of trade than upon the precious metals, for the simple reason that most crops grown in the world are consumed within the same year, or at most the following one, and pretty nearly the same may be said of manufactured goods. The world's production of all consumable articles is but a few months ahead of the world's consumption, hence any falling off in production quickly brings on scarcity, and such high prices as to stimulate production again.

It is altogether different with the precious metals. Their durability is so great that probably a considerable proportion of all the gold and silver that has been extracted from the bowels of the earth since the days of Abraham is still in existence either as money or ornaments, and the addition made annually to this mass by the yield from the mines is so small that it hardly affects the bulk appreciably; hence it happens that long periods of small production, such as last century and the early part of this, scarcely increased the purchasing power—that is, the real value of the precious metals. Neither did the extraordinary discoveries of Australia and California, which increased the gold production five-fold, appreciably lower the purchasing power of money for several years, and even yet economists dispute whether it has been lowered so much as fifteen or twenty per cent. in consequence of the great production of gold for twenty-eight years past.

These remarks are made to show how little the "cost of production" has to do with the value of the precious metals

at any given time, and how the phrases that are derived from commercial experience are misleading when applied to monetary matters. It would almost seem as if it were the design of the Creator to supply the precious metals in such quantities that their value should be more fixed and stable than that of anything else, and, with the experience of 4000 years to guide us, we may fairly conclude that the future has no monetary cataclysm in store for us to upset well-devised schemes based upon the comparative stability in value of the precious metals.

All this, however, is merely preliminary to what I have to say as to the value of gold and silver in relation to one another. The crucial point of the whole question is, *can legislation fix a ratio between them, or does the cost of production fix it irrespective of all legislation?* Our opponents say that gold will fall in relation to silver when produced more cheaply, and that silver will fall in relation to gold when produced more cheaply—in spite of all laws of mankind to the contrary. I marvel that none of them attempt to explain why it was that in 1848-50, when the production of gold increased all at once five-fold, and its cost of production, perhaps, fell nearly as much, *it did not vary in value as compared with silver*: here was a crucial test of the soundness of their theories: the very thing happened which should, according to their view, have shattered all bi-metallic theories. There never was an instance before of a more remarkable change in the cost of production and the quantity produced of one metal compared with the other.

We all know what would have happened if the production of wool had suddenly increased five-fold, while that of cotton remained unchanged. Wool, instead of being worth more than double the price of cotton, would for some time have been cheaper, just as cotton during the American war, from extreme scarcity, became worth more than wool for a short time. Why did we not see gold, in place of exchanging for $15\frac{1}{2}$ times its weight of silver, as in 1800 to 1848, suddenly fall till it only fetched eight or ten times its weight of silver? The cost of producing silver and the quantity annually produced remained about the same during 1850-60 that it was during 1840-50; but gold was produced at the rate of thirty millions annually in place of six, and during the first flush of gold mining the cost of producing was vastly less than it had been for centuries before.

Is it not present to the recollection of most people what fortunes the first miners in Australia and California made? We would not be surprised if statistics could prove that in the first year or two of the gold discoveries the average takings of each miner were £1 per day, whereas, probably, the average earnings in all the gold and silver mines of the world up till 1848 was not more than 5s. per day—that is, the cost of producing gold, as measured by the wages of

labor, fell to one-fourth of what it was before, while that of silver remained unchanged. We could not imagine any set of circumstances more elaborately contrived to bring out into bold relief the so-called "cost of production" theory in relation to the precious metals.

All the arguments of our opponents would go to prove that silver must have mounted up quickly to 10s. per ounce in the London market; but, strange to say, nothing of the kind happened! The price of silver was not affected—it kept exchanging at the old ratio of $15\frac{1}{2}$ to 1 of gold, just as if the gold mines had never been discovered! How is this to be accounted for? We have not heard a word of explanation from our opponents. Surely the best test of any theory is its power of explaining phenomena. Did not astronomers find out the falseness of the Ptolemaic theory by its inability to explain some of the movements of the heavenly bodies? Would not the calculations of modern astronomers be discredited if eclipses did not tally with their predictions? In the same way the monetary theory which accounts for all fluctuations of gold and silver simply by the respective cost of producing each metal, utterly breaks down at the very point where, if true, it should be infallibly demonstrated. I repeat that the true and the only explanation is that the bi-metallic system of France then in full force and followed more or less on the Continent, whereby gold and silver could be coined to an unlimited extent and made full legal tender at the ratio of 1 to $15\frac{1}{2}$, prevented either metal in any part of the world fetching more or less than that ratio. It was nonsense to suppose that a gold miner in Australia would exchange his gold anywhere in the world for 10 or 12 times its weight of silver, when by coining it in France it exchanged for $15\frac{1}{2}$ of silver. The bi-metallic system of France was, in fact, the monetary safety-valve of the world. It prevented gold sinking indefinitely in relation to silver, and thus producing a far wider range of disturbance than the fall in silver has produced now.

I hold, therefore, that the proposition is established beyond controversy, *that legislation can fix a definite ratio between gold and silver—notwithstanding great fluctuations in the relative supply of either metal and great changes in their cost of production.* There can be no doubt that the leading commercial nations combined, probably even France and England alone, can do for silver now what France and some other European States did for gold in 1848-50. There can be no reasonable doubt that bi-metallism can deal in 1876 with a two-fold production of silver as well as it did with a five-fold production of gold in 1848-50. The proof seems to me indisputable, and our opponents must either grapple with it in place of dealing with vague generalities, or admit that they have not probed the subject to the bottom.

ON SENDING VALUABLE PACKAGES BY EXPRESS.

The undervaluation of packages of bonds or currency shipped by express, for the sake of reducing the charges for their transportation, is so clearly wrong that no argument against it would seem to be necessary. It seems incredible that any respectable banker should permit such dishonesty, yet that its occurrence is by no means rare is an undeniable fact.

There are some who attempt to justify themselves in this, by claiming the right to assume on their own part, such portion of the risk of loss as they may see fit; and that, therefore, there is nothing wrong when the value of the contents is understated on a package. Such reasoning is false throughout. The express company undertakes the *labor* of transportation, as well as its risks. It is understood that the payment for such labor is to be according to the value involved. To misstate that value intentionally, is nothing less than falsehood and fraud, and we therefore indorse fully the comments so sharply made in the article below, which we find in the "*Expressman's Monthly*" for January, addressed to its editors:

The article in your November number, entitled "Bankers and Express Companies," points to an evil practice which fair dealing, common honesty, and good morals alike condemn as pernicious and demoralizing.

It is known, and uniformly recognized, that the rule, practice and right of carriers of money, is to receive compensation for the service, by charging for the amount carried. The right and justice of this rule is conceded by all. Whether the package occupy much or little space, the charge made by the carrier is upon the amount. Notwithstanding this fact is brought home to the knowledge of the shipper, there are those who would commit a fraud upon the carrier by depriving him of his proper revenue for the service performed, and which is opposed to fair dealing.

Common honesty would oppose this, because in the attempt or effort to obtain service without giving proper compensation, through withholding the facts regarding the sum to be forwarded, the shipper is committing a fraud upon the carrier who has provided facilities for the service, to be paid for as rendered and in proportion to the amount transmitted.

The practice is opposed to good morals, in that it must be known to the employes of the shippers that deception is being used by their principals, and that the clerk, cashier, or teller, is made the means for a falsification of their books, in the process of effecting the fraud upon the carrier, thereby opening the minds of all persons cognizant of the facts, to the question of how they also may benefit themselves through deception.

It is opposed to true ethics of business in that in the hope of saving to themselves a few cents per thousand dollars, those who practice this deception, are taking to themselves most extraordinary risks, as it is known that in case of loss from any cause, the carrier is released from all responsibility for the amount in excess of that stated as being the sum delivered to him, and in the event of such loss officers of banks and other corporations should be held personally responsible and liable to stockholders therefor.

I am gratified, Messrs. Editors, that you have called attention to this important matter, and hope the subject will be brought to the attention of all concerned, to the end that the evil be discontinued.

SOUTH.

THE RESPONSIBILITY OF BANKS FOR COLLECTING AGENTS.

[FROM THE ALBANY LAW JOURNAL.]

The case of *Higgins v. Citizens' Bank*, recently decided in the City Court of Norfolk, Va., involves a question of considerable interest to those dealing with banks and bankers. The facts were these :

In June, 1875, Higgins, who was a depositor of the Citizens' Bank, desiring to obtain money from his father in England, applied to the bank to ascertain how it was to be done. He informed the cashier that his father banked in London, and was told that the bank had no agent in London, but that the course in such matters was to draw a draft on the person in London, which the bank would send to New York. A draft was drawn by Higgins for £ 600, payable to W. W. Chamberlain, cashier, on the Rev. R. Higgins, Wareside Vicarage, Ware, Herts, dated June 16, 1875. This draft was indorsed: "Pay to Duncan, Sherman & Co. or order, for account of Citizens' Bank, Norfolk, Va., Wm. W. Chamberlain, Cashier." It was indorsed by Duncan, Sherman & Co. to the order of the Union Bank of London, and was by them collected and placed to the credit of Duncan, Sherman & Co. Duncan, Sherman & Co. received notice of its payment on the 24th of July, and placed the amount to the credit of the Citizens' Bank on the 26th of July.

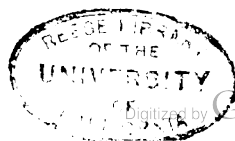
On the 26th of July, Duncan, Sherman & Co. mailed statement of proceeds of draft to Citizens' Bank, in these words: "We credit you for W. Higgins, £ 600, \$ 4.87, and \$ 1.12½ currency, \$ 3.287, received June 18th." The letter containing this statement was received by the Citizens' Bank on the 28th of July; Duncan, Sherman & Co. failed on the 27th of July.

Duncan, Sherman & Co. were not the regular correspondents of the Citizens' Bank in New York; but they were in the case of foreign bills, because they paid the highest price for foreign exchange. The custom at the Citizens' Bank was, when the drawer had credit with the bank, to indorse the draft, send to Duncan, Sherman & Co. and direct them to sell at once. In such case the bill being sold partly on the credit of the Citizens' Bank, a commission was charged for the collection, and the depositor was allowed to check on the proceeds at once. But in other cases, the bill was sent to Duncan, Sherman & Co., who forwarded it to their correspondents in England, who collected it, and when Duncan, Sherman & Co. were informed of its payment, they bought at the highest market price, and informed the Citizens' Bank of the fact. Then the Citizens' Bank either drew on Duncan, Sherman & Co. directly, or through their regular correspondent, the Bank of New York, as their convenience might dictate; in such case no commission was charged. In the case at bar the latter course was pursued, and no commission was intended to be charged, although Higgins says that he expected to pay.

The opinion was delivered by Burroughs, City Judge. After considering whether the entry upon the books of Duncan, Sherman & Co. was, by the course of dealing between the parties, to be considered payment, it says :

"The second proposition is, that the facts in the case raise an implied contract to *transmit and collect* the bill by the defendant: that Duncan, Sherman & Co. were the agents selected by the defendant to aid in the transmission and collection of the bill; that Duncan, Sherman & Co. were the agents of the defendant, and not the agents of Higgins; and that any loss occurring through the misconduct of their agents, or their failure to account for moneys received, is to fall upon their principal and not on Higgins.

"There was no express contract in this case; if there be a contract, it is one which the law implies from the facts of the case. It is entirely different from the case of *The Bank of Washington v. Triplett*, 1 Pet. 25, where the note was placed in the bank 'for the purpose of being transmitted.'



“Upon this question, whether the collecting bank is the agent of the transmitting bank, or the agent of the owner of the bill, there is an irreconcilable conflict of authority—the courts in England, in New York, and Ohio, holding that the collecting bank is the agent of the transmitting bank, while the courts of Massachusetts, Connecticut, Missouri, Illinois, and perhaps Maryland, hold that the collecting bank is the agent of the owner of the bill, and that the owner must suffer any loss occasioned by the misconduct or failure to account of the collecting bank. In Virginia, there has been no decision on the subject, so that I am free to choose that view which seems to me most consistent with the analogies of the law, and is supported by the best reasons.

“The second class of cases claim, that where a bill is deposited for collection, the depositor knows that the bank cannot give its immediate attention to the matter, that it must employ agents, and, therefore, that the agents employed are the agents of the depositor.

“The distinctions to be drawn in such cases, it is admitted, are often very nice, but it seems to me that where a customer leaves a bill with a bank for collection, and it is accepted by the bank, the undertaking of the bank is that of an independent contractor, it contracts to collect the bill, and, as in the case of the contractor to build the house, it selects its own agents to enable it to perform the contract. The agents selected are unknown to the depositor or owner of the bill; he has no control over them; they are controlled by their superior, the bank; they recognize no one else in the transaction; the legal title to the bill, which is negotiable and passes by delivery like a bank note, is in the bank transmitting it; the original owner of the bill is not considered at all by the subsequent parties, except as a means of identifying the particular bill in order to properly account for its proceeds.

“It is unreasonable to hold that the depositor should be held responsible for the acts of a person in whose selection he has no voice, whom he does not know in person or by name, and over whose actions he has no control. To call such a person the agent of the depositor seems to me to be a misnomer.

“I think Duncan, Sherman & Co. were, under the circumstances of the case, the agents of the defendant and not the agents of Higgins; that the payment to Duncan, Sherman & Co. by the Union Bank of London, was payment to the defendant; and that the defendant is of course liable to Higgins for the amount of the bill.

“The view which I have taken is sustained not only by the cases in the courts named above, but also by a very recent decision in the Circuit Court of the United States for the Southern District of New York, *Kent's Assignee v. The Dawson National Bank of Wilmington*, October, 1875. The Supreme Court of the United States in *Hoover, assignee, v. Wise et al.*, 13 A. L. J. 164, decided October term, 1875, takes the same view.

“It is proper to observe that no blame is imputed to the Citizens' Bank, they not only selected agents in good standing and repute, but having special regard to the interests of the depositor, they selected an agent who gave the highest price for foreign exchange. It is simply their misfortune; if the Union Bank of London had failed after collecting the bill, and before remitting to Duncan, Sherman & Co., the loss would have fallen on Duncan, Sherman & Co.; if the Citizens' Bank had failed, and the proceeds of the bill were mingled with the assets of Duncan, Sherman & Co., the loss would have fallen upon Higgins, the depositor. In each case the failure of the agent would have occasioned loss to his principal, the person who selected him, and who controlled his actions directly. It is the misfortune of the defendant that the loss was occasioned by the failure of its agent. No human foresight can prevent such losses, and the law furnished no remedy for them; all that it can do is by general rules to determine who is agent and who is principal; the party who selects and controls the agent is the principal; if such an agent, by his acts or failure, occasions loss, it must fall on his principal, and not on another.

“Judgment for plaintiff for \$ 3,279.03, with interest from July 28, 1875.”

INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

[NOTE.—It is always a pleasure to furnish in this manner to our subscribers, information upon subjects of general interest, within the usual range of banking experience. At the same time we cannot undertake to solve intricate legal questions, more especially as to points upon which no decisions are recorded in the standard authorities. But a small proportion of the inquiries received at this office have been published in the MAGAZINE. Want of space has sometimes excluded them; many have been repeatedly answered in print before; some have been such as any bank clerk, of a year's experience, ought to be able to answer; while many others, at the request of the inquirers, have been replied to by mail. To these last it is not always possible, in the pressure of editorial duties, to reply *promptly*, and, if our friends will bear this in mind, their questions shall receive such attention as courtesy should dictate and time may permit.]

I. NATIONAL BANKS AND MORTGAGE SECURITY.

A. borrowed of a National bank \$2,200. Said sum being in three notes, two of the notes, amounting to \$1,500, have matured, the remaining note of \$700, is not yet due. The National bank is fearful that A. will fail, and has asked him (A.) to secure them by a mortgage on his land. This, A. declines to do, unless the National bank will furnish him with \$1,800 more, making in all \$4,000. The National bank agrees to this in order to secure the \$2,200 previously loaned.

Now, is the above \$4,000 mortgage good to the National bank? And would not the spirit of the National bank act, which authorizes real estate security to secure debts previously contracted in good faith, also clothe with power to procure such security?

REPLY.—A mortgage taken by a National bank under the circumstances indicated above, would be good only so far as it is a security for the old debt. There are two decisions which settle that such a mortgage is invalid as to the new debt. That by Judge Dillon, of the U. S. Circuit Court, in the case of *Kansas Valley National Bank of Topeka, v. Schuyler*, (See BANKER'S MAGAZINE of March, 1875,) and the recent case in the Supreme Court of Pennsylvania, *Woods vs. People's National Bank of Pittsburgh*, (See number for January, 1877.) It is thus plain that the "spirit" of the National Bank Act cannot overrule its *letter*, so as to justify in the eyes of the law, the transaction mentioned by our correspondent. Common sense and business experience might suggest the acceptance of such a proposition, as the best thing that could be done; but the objection arises that, if once authorized, such a precedent would inevitably open the door to evasions and collusions, which must defeat the efficacy of this provision of the Act, as one of the safeguards of the National Banking System.

Suppose A. borrows of a National bank \$1,000, and puts down as collateral security the note of B., to him secured by mortgage on real estate. I wish to ask if this can in any manner be regarded as taking mortgage security? and second, is the bank strictly within the law?

REPLY.—Such collateral security would be valid to a National bank if received merely as a promissory note, without any regard to the mortgage. The latter would of course be useless to the bank, but we do not understand that its existence would vitiate the transaction.

II. ALTERATIONS IN STOLEN BONDS.

City of B. issued her \$1,000 bonds, numbered 1 to 50 inclusive. Numbers 15 and 16 were stolen from one of our citizens. The numbers have been altered to 151 and 161. These stolen bonds are now held by a savings or trust institution, in Boston, who purchased them of a broker in State street, and are innocent owners. Does the alteration of numbers in any way affect the liability of the city to pay said bonds and coupons?

REPLY.—The liability of the city is in no degree affected by the alteration mentioned. The bonds had been regularly issued, and the city has received for them their full value. No offset can be pleaded in the case. The effect of the alteration in numbers would seem to be only to lessen any difficulty of negotiation by the thief. If the loss of the bonds was duly advertised, and the original numbers stated, the innocence of a *bona fide* holder for value, may still be proved. If proven, we should consider the title of such a holder good as to both bonds and coupons.

III. MISSENT COLLECTION PAPER.

Bank A. encloses by mistake to bank B. a collection intended for bank C. Should bank B. forward the collection to bank C., or return it to bank A? What is the rule or custom?

REPLY.—There is no established rule as to the strict duty of the bank which receives by mail a collection evidently intended for another bank. Some make it a practice to return to the sender, but in most cases the bank receiving would forward the paper and the letter enclosing it, to the proper recipient. This is the dictate of common sense and common courtesy, and if the paper for collection be near its maturity, or payable at or after *sight*, it should be regarded as the duty of Bank B, to forward it to Bank C, advising Bank A of the act.

IV. THE PROTEST OF SIGHT DRAFTS.

A bank holding a demand or sight draft for collection, presents it for payment at the place of business of the party on whom it is drawn. Said party being out of town, should the bank holding the draft protest it on that day, without seeing said party, or should they hold it until the party is seen? Are the endorsers holden if it be not protested on the day it was presented at the place of business of said party, though he was absent?

REPLY.—It is the duty of the bank to present the draft at the place of business of the drawer, or at his residence if he have no place of business. If payment be not obtained, written notice of presentment and non-payment, should be sent on the same day to the owner of the paper. Should the draft be a foreign bill of exchange, protest by a notary is always essential, but for an inland bill, the certificate of a notary is not necessary in this State and many others. It is desirable, however, as proof positive of proper demand and notice, and for this reason, regular protest is the safe rule when there are drawers or endorsers to be held.

PRESIDENTIAL MESSAGE ON RESUMPTION.

To the Senate and House of Representatives :

By the act of Congress, approved January 14, 1875, "to provide for the resumption of specie payments," the 1st of January, 1879, is fixed as the date when such resumption is to begin. It may not be desirable to fix an earlier date when it shall actually become obligatory upon the Government to redeem its outstanding legal-tender notes, in coin, on presentation, but it is certainly most desirable, and will prove most beneficial to every pecuniary interest of the country to hasten the day when the paper circulation of the country and the gold coin shall have equal values. At a later day, if currency and coin should retain equal values, it might become advisable to authorize or direct resumption. I believe the time has come when by a simple act of the legislative branch of the Government this most desirable result can be attained. I am strengthened in this view by the course trade has taken in the last two years, and by the strength of the credit of the United States at home and abroad. For the fiscal year ending June 30, 1876, the exports of the United States exceeded the imports by \$120,213,102, but our exports include \$40,569,621 of specie and bullion, in excess of the imports of the same commodities. For the six months of the present fiscal year, from July 1, 1876, to January 1, 1877, the excess of exports over imports amounted to \$107,544,899, and the imports of specie and bullion exceeded the exports of the previous metals, by \$6,192,147, in the same time. The actual excess of exports over imports for the six months, exclusive of specie and bullion, amounted to \$113,737,040, showing for the time being the accumulation of specie and bullion in the country, amounting to more than six millions of dollars, in addition to the National product of these metals for the same period, a total increase of gold and silver for the six months, not far short of sixty millions of dollars. It is evident that unless this great increase of the precious metals can be utilized at home in such a way as to make it in some manner remunerative to holders, it must seek a foreign market as surely as would any other product of the soil or manufactory. Any legislation which will keep coin and bullion at home, will, in my judgment, soon bring about practical resumption, and will add the coin of the country to the circulating medium, thus securing a healthy "inflation" of a sound currency, to the great advantage of every legitimate business interest. The act to provide for the resumption of specie payments, authorized the Secretary of the Treasury to issue bonds of either of the descriptions named in the act of Congress, approved July 4, 1870, entitled, "An act to authorize the refunding of the National debt," for not less than par in gold. With the present value of the four and a half per cent. bonds in the markets of the world, they could be exchanged at par for gold, thus strengthening the Treasury to meet final resumption, and to keep the excess of coin over the demand pending its permanent use as a circulating medium at home. All that would further be required would be to reduce the volume of legal-tender notes in circulation. To accomplish this, I would suggest an act authorizing the Secretary of the Treasury to issue four per cent. bonds with forty years to run before maturity, to be exchanged for legal-tender notes whenever presented, in sums of \$50, or any multiple thereof, the whole amount of such bonds, however, not to exceed \$150,000,000. To increase the home demand for such bonds, I would recommend that they be available for deposit in the United States Treasury, for banking purposes, under the various provisions of the law relating to National Banks. I would suggest further, that National banks be required to retain a certain per cent. of the coin interest received by them from the bonds deposited with the Treasury to secure their circulation. I would also recommend the repeal of the third section of the joint resolution for the issue of silver coin, approved July 22, 1876, limiting the subsidiary coin and fractional currency to \$50,000,000.

I am satisfied that if Congress will enact some such law as will accomplish the end suggested, they will give a relief to the country, instant in its effect, and for which they will receive the gratitude of the whole people.

Executive Mansion, February 3, 1877.

U. S. GRANT.

BANKING AND FINANCIAL ITEMS.

THE SECOND EDITION of the BANKER'S ALMANAC AND REGISTER for 1877 will be issued in a few weeks. Notice of changes of bank officers or other information for its lists should be sent to this office at once. Orders for the *Cards* of banks and bankers will be received until March 15th.

THE NEW RESUMPTION BILL.—The following is the full text of the bill to aid in the resumption of specie payments reported to the U. S. Senate on February 21st, by Senator Sherman from the Committee on Finance, and placed on the calendar for consideration:

Be it enacted, &c., That the Secretary of the Treasury be and he is hereby authorized to issue, in a sum or sums not exceeding in the aggregate \$100,000,000, in redemption of an equal amount of United States notes under the authority of the acts of Feb. 25, 1862, July 11, 1862, and March 30, 1863, coupon or registered bonds of the same description and character as those authorized by the acts of July 14, 1870, and Jan. 20, 1871, redeemable in coin of the present standard value at the pleasure of the United States after thirty years from the date of their issue, and bearing interest payable quarterly in such coin at the rate of four per cent. per annum; such bonds shall be in addition to the loan authorized by the acts of July 14, 1870, and Jan. 20, 1871.

SECTION 2. That during any one year there shall not be issued of said bonds or redeemed of said notes more than \$25,000,000, nor more than \$4,000,000 during any one month, and when said Treasury notes shall have been so redeemed they shall not again be reissued, but shall be canceled and destroyed. No commission in any form shall be paid for the exchange of the bonds issued under the provisions of this act.

SECTION 3. That the Secretary of the Treasury be hereby authorized to issue in exchange for legal-tender notes of the United States silver coin to an amount which, including the amount heretofore authorized to be issued by the act of April 17, 1876, Chap. 63, and by the joint resolution of July 22, 1876, No. 17, shall not exceed \$80,000,000, and the legal-tender notes so received shall be canceled, and be held to be a part of the sinking fund provided by existing law, the interest to be computed thereon as in the case of bonds redeemed.

SECTION 4. That the necessary expenses of engraving, printing, preparing and issuing the bonds, and of redeeming and canceling United States notes as provided in this act, shall be paid out of any money in the treasury not otherwise appropriated; but the whole amount thereof shall not exceed one-quarter of one per centum of the amount of bonds issued.

CALLS FOR FIVE-TWENTY BONDS.—On February 12th the Treasury Department issued the 30th call for the redemption of 5,20 bonds of 1865, May and November. The call is for \$10,000,000, of which \$7,000,000 are coupon and \$3,000,000 registered bonds. The principal and interest will be paid at the Treasury on and after May 12th, and the interest will cease on that day. Following are descriptions of the bonds, all numbers inclusive:

Coupon Bonds—\$500, Nos. 31,501 to 35,800; \$1,000, Nos. 70,551 to 79,000.

Registered Bonds—\$50, Nos. 401 to 450; \$100, Nos. 5,301 to 5,950; \$500, Nos. 3,601 to 3,800; \$1,000, Nos. 13,351 to 14,300; \$5,000, Nos. 5,101 to 5,350; \$10,000, Nos. 9,301 to 9,750.

Mr. CHARLES SEDGWICK HUNT, financial editor of the *New York Tribune*, whose death occurred a few weeks since, was an earnest and diligent student of monetary science, and a writer of marked and growing ability. His untimely decease is the more to be regretted since it has prevented the completion of a work upon the preparation of which he had entered when attacked by illness.

Mr. Hunt had carefully selected and gathered a library of works upon finance and political economy which is one of the most complete and valuable in the United States. This library is now offered for sale by his widow, and presents a rare opportunity to any one seeking such a collection.

COLORADO.—The Colorado *Mining Review* places the bullion yield of the State for 1876, at \$6,625,000, and says:

"The year just ended may be claimed as a satisfactory one for our State. Last year, for the first time in the history of Colorado, the silver production exceeded that of the gold. This year, owing to the disturbance of the silver market, and the consequent interruption (temporary) of mining operations at Georgetown, Caribou, Mt. Lincoln, and Rosita, gold has once more regained the lead, and will probably hold it for another year at least, by reason of the unusual progress of mining in Gilpin county, and the remarkable persistence and worth of the more developed mines of the tellurium belt.

CONNECTICUT.—The examination by Bank Examiner Mygott into the affairs of the Farmers & Mechanics' National Bank of Hartford, led to the arrest, on February 10th, of the president, John C. Tracy, and the cashier, J. L. Chapman. The charge against the former is the falsifying accounts so as to cover up large deficiencies from overdrafts and poor loans made without the knowledge of the directors; and against the cashier for embezzlement of \$7,500. Both were brought before the Commissioner and gave bonds for their appearance before the United States Court. The total loss by the bank from the overdrafts and loans in question is thought to be about \$500,000. The bank has a surplus of \$300,000, and undivided profits of \$90,000. The loss will therefore wipe out the surplus, and somewhat impair the capital of \$1,105,000. The president and cashier have borne excellent characters. It does not appear that either Mr. Tracy or Mr. Chapman had personally profited by the loans. The deficiency has been very adroitly concealed from the Bank Examiner and the directors.

The bank is able to meet all its liabilities, and continues its business under the charge of Mr. Henry Keney the leading stockholder, who is a director and has been vice-president.

INDIANA.—The First National Bank of Franklin has been compelled to suspend by the defalcation of its cashier, Richard T. Taylor, which was discovered on February 6th. Taylor fled from the place leaving a letter addressed to the president of the bank in which he acknowledged his guilt, stating that speculation had led him into it. Taylor returned and was found, on the 9th, in an unconscious and semi-insane condition. The loss of the bank is supposed to be near \$100,000. Its capital and surplus were \$167,000.

MASSACHUSETTS.—The stockholders of the Eleventh Ward National Bank have voted to reduce the capital from \$300,000 to \$200,000, and to assess each share 25 per cent. in order to make good the funds of the bank. It is thought that the Comptroller will permit this, and that the bank will go on with no losses to the depositors. There will be a considerable change in the management. The condition of the bank is as follows: The bank holds notes for \$235,904, some of which were overdue, although none had been protested. There is \$42,000 in cash and real estate to be added and \$18,400 in Houston City (Texas) six-per-cent. bonds, par value, \$36,000, which had cost the bank \$18,000, and could be sold for about 60 cents on the dollar. Total assets, \$296,000, less \$90,000 allowance for doubtful paper, and \$46,500 amount of deposits, leaving \$159,500 as net assets; \$100,000 was deposited in Washington to secure \$90,000 circulation.—*Boston Commercial Bulletin*.

MISSOURI.—The Mercantile Bank of St. Louis has withdrawn from business and gone into liquidation, in consequence of the unprofitable state of business. The bank pays all liabilities on demand, and is expected to return to its stockholders seventy-five per cent. of their capital, \$400,000.

NEW YORK.—A bill was presented in the Senate, on February 1st, by Mr. Loomis, entitled "An act to restrain brokers and individual bankers from imposing upon the public, and to protect the public from unauthorized banking." It provides that it shall be unlawful for any person, partnership, or association doing business as brokers or private bankers within this State, not organized as a bank under the laws of the United States or under the State laws, to place over their place of business, or to inscribe upon any book, check, draft, certificate of deposit, or other paper, the name of any county, city, village, town, hill, valley, lake, or any other device by which the public may be led to infer that the banking business of such a person or partnership is being conducted by a person or persons duly authorized to act as bankers under the laws referred to above.

PENNSYLVANIA.—Several failures of banks have occurred during February. The Mountain City Bank of Pottsville, Pa. suspended payment on the morning of February 10th. The directors state the assets at \$190,000, not including guarantee bonds for \$40,000 of unpaid capital pledged for the payment of depositors. Among the assets are \$98,800 of bills discounted, selected as good out of a total of \$120,395. The liabilities are set down at \$164,400, only \$82,000 of which is due depositors, against \$205,000 six months ago. The directors express confidence in their ability to pay depositors in full. The principal officers are H. C. Russell, president; John Dawson, vice-president; C. H. Dengler, secretary and cashier.

The Miners' Trust and Safe Deposit Bank at Shamokin was closed on the morning of the 16th. The following notice was posted on the door, "Owing to our inability to realize money on notes held as bills discounted, we are compelled to close this bank and suspend business."

It was stated by the cashier, Mr. A. G. Marr, that the deposits amount to nearly \$100,000, and that the institution would pay dollar for dollar, as the assets more than cover everything.

The excitement at Shamokin, caused by the stoppage of the Miners' Trust & Safe Deposit Company, was intensified the next morning by the suspension of the Northumberland County National Bank.

This suspension is attributed to action taken by the Comptroller of the Currency to close it up, though it is asserted by the bank officers that it was brought on by a run caused by the suspension of the Miners' Trust & Safe Deposit Bank on the previous day. The capital was \$67,000, and deposits over \$200,000.

The *Philadelphia Ledger* gives some particulars concerning recent mail robberies, and the payment of a number of stolen checks, with forged indorsements. Among others were the following: On the same day, (December 30,) that the Union National Bank was caught, the officers of the Commercial National Bank sent for Mr. Charles B. Barrett, special agent of the Post Office Department, and informed him that they had paid a check for \$2,000, drawn by Neilson Brothers & Co., of this city, to the order of John Tully, of Boston, and purporting to be indorsed by him, and by an intermediate indorser, Robert Lewis, and also bearing the guaranteeing indorsement of the drawers, all of which were forgeries. When the check was presented, the teller questioned the person presenting it, and he stated that his name was Robert Lewis, the intermediate indorser. The teller submitted the check to another of the bank employes, and they both agreed as to the genuineness of the indorsements, and the teller asked the man how he wanted the money. The man replied, "In large notes," and it was paid in \$50 and \$100 notes. The man remained perfectly cool and collected during the scrutiny of the check, and after he received the money, he stood deliberately at the counter and counted it slowly before putting it in his wallet. The teller was able to give such a minute description of him, that it was at once recognized by Pinkerton's detectives as that of one of the most skillful and accomplished bank thieves known to the police of this country. He has not yet been arrested.

WASHINGTON CITY.—The Police Court has imposed a fine of \$105, on Mr. J. A. J. Creswell representing the Citizens' National Bank, on the ground of keeping an unlicensed bank. The bank has appealed, contending that a National bank is not subject to local license tax.

TAXATION OF NATIONAL BANKS.—In the case of the First National Bank of Cambridge against James H. Hutton, Treasurer of Guernsey County, Ohio, the U. S. Circuit Court decides that bank stock must be taxed at its actual and not at its par value; but in making up an estimate of value, the judges hold the premium on the bonds deposited by the bank with the U. S. Treasurer to secure circulation is not to be counted as assets, because not available to the bank.

USURY LAWS.—On January 24th, a petition was presented in the Assembly of New York, by the Hon. Elliot C. Cowdin, in favor of the repeal of all State laws on the subject of usury, substituting therefor a brief and clear statute prohibiting the taking of more than 7 per cent. interest, and providing for the recovery of the excess within two years. We subjoin the petition, which has been signed by 700 business men of New-York, representing bankers, manufacturers, and mercantile firms, with a capital of not less than \$500,000,000.

New York, August, 1876.

To the Honorable the Senate and the Assembly of the State of New York:

The undersigned respectfully petition your honorable bodies to enact a law repealing all laws on the subject of usury, and to substitute therefor the following provisions, to constitute Title III, Chapter IV, Part II of the Revised Statutes of the State of New York.

SECTION 1. The rate of interest upon the loan or forbearance of any money goods, or things in action, shall continue to be \$7 upon \$100 for one year, and after that rate for a greater or less sum, or for a longer or shorter time.

SEC. 2. No person or corporation shall, directly or indirectly, take or receive money, goods or things in action, or in any other way, any greater sum or greater value, for the loan or forbearance of any money, goods or things in action, than is above prescribed. Whenever any greater sum or value than is above prescribed shall be taken or received, the excess over said \$7 upon \$100 allowed as above provided may be recovered from the person or corporation so taking or receiving the same, provided that such action is commenced within two years from the time the excess in said transaction occurred.

SEC. 3. All other laws on the subject of usury or regulating the interest of money, except those laws which allow interest to be taken in advance, and allow exchange on drafts and checks, are hereby repealed.

In Pennsylvania the Senate has requested the Secretary of State to report to it as a preliminary to legislation on the subject of usury, what special privileges are now possessed, under charter, by savings banks and other institutions, the resolution reciting that said special privileges extend from 10 per cent. up to that of the extraordinary one of "*any rate of interest agreed upon between the parties.*"

In North Carolina a decision of the Supreme Court being that the forfeitures imposed by the Usury law of that State could not be enforced against National banks, the Legislature has enacted a new law forfeiting only the entire interest, or, in case it has been paid, authorizing the recovery back of twice the amount. The rate remains at 6 per cent., or 8 per cent. upon special contract therefor.

IRREVERENCE OF STOCK-BROKERS.—Justice Duffy having occasion, on February 7th, to summon a stock-broker to the Tombs Police Court, sent Officer George R. Braisted to serve the subpoena. The officer was allowed to pass into the Long Room, but the moment he had entered he was seized by eight or ten of the inmates and hazed unmercifully. He was knocked down, rolled in the dirt, and at length ejected from the room in a truly pitiable condition. The officer reported his reception by the stock-brokers, and the justice at once granted a warrant for the arrest of the offenders and sent the same officer to execute it. He could identify only one of his assailants, whose name was Edward Hornsbartel, and prudently served the warrant upon him by a messenger. At the Tombs Mr. Hornsbartel swore that he took no part in the assault upon the officer and was discharged.—*N. Y. Tribune*, Feb. 8.

FORGERY AND DEFALCATION.—On January 25th, Nathan L. Lenheim, cashier of the First National Bank of Montrose, Penn., called at the Importers and Traders' National Bank, of this city, and offered for discount a note of \$10,000. He was requested to call the next day. Although personally known to the cashier, Mr Perkins, the suspicions of the latter were aroused by some peculiarity in the signature, and upon inquiry, he discovered that the name of the maker was forged. Upon his return the next day, Lenheim was arrested.

This event was utterly unexpected and startled the people of Montrose, where the culprit, who was but twenty-five years of age, moved in the best society, and was highly esteemed. Investigation into the affairs of the bank was made at once, and revealed the heavy defalcation of \$90,000. This sum will, however, be largely reduced by the bond of the defaulting cashier, leaving a loss of probably \$25,000. Its affairs are believed to be otherwise in sound condition.

Other forgeries by Lenheim have been discovered, one being a note for \$8,500, held by one of the New York city banks.

NEW BANK BUILDING—SAFETY VAULTS.—The Union Dime Savings Bank, of this city, has moved into its new building—a beautiful marble structure facing the junction of Broadway and Sixth Avenue. The banking room is one of the finest in the country. It is finished in variegated marbles, even to the wainscoting, and the jambs of the windows and doors. In this room is an immense safe, weighing upwards of fifty tons, which is entered by massive double doors. Within this vault is a smaller safe which contains the securities of the bank.

This vault work is of Herring & Co's. manufacture. Their safes are constructed of Franklinite, in addition to steel and iron welded. The Franklinite, it is said, affords protection against drilling and cutting tools, for the reason that it is harder than tempered steel, and cannot be softened by heat. The hardest steel will yield to heat which may be applied to a safe by the compound blow-pipe. The new safes of the Mercantile and the Merchants' Exchange National Banks, of New York, are also constructed in this manner. Another one of our large city banks—the Metropolitan National, will have a most secure depository, when their new vault is completed. It is to be four inches thick, and will have two doors, the outer one three inches, and the inner one two and a half inches thick.

CANADA.—An informal meeting of the principal shareholders of the Merchant's Bank of Canada, called at the request of the directors, was held on February 19th, for the purpose of discussing reports circulated respecting the concern and efforts made to depreciate its stock. Several of the shareholders were invited by the board, and others attended voluntarily. The President and general manager, having answered several inquiries concerning the condition of the bank and given full explanations, a resolution expressing satisfaction with their statements, and recommending the shareholders not to permit the temporary depreciation of stock to lead them into sacrificing their interest in the bank, was moved and passed. The statement submitted showed that a total loss of \$710,000 might be expected. Of this sum \$400,000 resulted from business losses; \$100,000 was required for contingent losses, and \$210,000 represented Milwaukee Railroad bonds, which it was proposed to "wipe out." The rest and contingent fund at the last annual meeting was \$1,108,000; deducting the loss of \$710,000, there would, according to the statement submitted, be a surplus of nearly \$400,000 over and above the capital.

Sir Hugh Allan has resigned the presidency of the Merchants' Bank and the Hon. John Hamilton has been appointed to the position. Mr. Jackson Rae, general manager, has also resigned.

NOTA BENE.—The sentence which closes the article on page 684, in regard to 3-65 bonds, should appear as the words of the Solicitor of the Treasury, and not as an opinion of this Magazine.

THE REDEMPTION OF NATIONAL BANK NOTES.

A NEW SERIES OF REGULATIONS.

The United States Treasurer has issued regulations in lieu of all others governing the redemption of National bank notes which provide as follows:

"Every newly-organized National bank, with the exception of National gold banks, is required immediately on the receipt of its circulation from the Comptroller of the Currency to deposit in the Treasury of the United States a sum equal to five per centum thereof in lawful money of the United States. The notes of National banks other than gold banks may be forwarded to the Treasurer of the United States and Redemption Agent for redemption under the contract with Adams' Express Company in sums of \$1,000 or any multiple thereof by any company, firm, bank, or corporation situated within the territory covered by the contract.

"The law officers of the department having decided that National bank notes stolen when unsigned and put in circulation with forged signatures are not obligatory promissory notes of the bank under section 5,182 of the Revised Statutes, such notes are not redeemed by the agency.

"Immediately on receipt of the Treasurer's notification advising them of the redemption of their notes National banks are required to remit the whole amount due.

"The express charges on National bank notes received for redemption, or credit on United States currency returned for National bank notes redeemed, and on assorted National bank notes fit for circulation, forwarded to the banks of issue, are advanced by the agency, and afterward assessed upon the several National banks in proportion to the amount of their circulation redeemed. No new currency is ordered to be printed except on requisitions from the banks specifying the amounts and denominations desired. Banks usually order supplies in advance from which the Comptroller remits from time to time new notes of their issue, in return for their notes unfit for circulation destroyed.

"Under section 3 of the Redemption act the expenses incurred by the agency for 'the charges for transportation and the costs for assorting the redeemed notes of National banks,' are assessed upon the several banks in proportion to their circulation redeemed, and are charged to them in their five per centum accounts."

The following is the statement of the Controller of the Currency showing the issue and retirement of National bank notes and legal-tender notes under the Acts of June 20th, 1874, and January 14th, 1875, to February 1, 1877:

National bank notes outstanding when the Act of June 20th, 1874, was passed, \$349,874,182; issued from June 20, 1874, to January 14, 1875, \$4,734,500; redeemed and retired between the same dates, \$2,767,232; increase from June 20, 1874, to January 14, 1875, \$1,967,268; outstanding January 14, 1875, \$351,861,450; redeemed and retired from January 14, 1875, to date, \$46,836,301; surrendered between the same dates, \$7,361,456; total redeemed and surrendered, \$54,197,757; issued between the same dates, \$21,268,985; decrease from January 14, 1875, to February 1, 1877, \$32,928,772. National bank notes outstanding at date, \$318,932,678. Greenbacks on deposit in the Treasury June 20, 1874, to retire notes of insolvent and liquidating banks, \$3,813,675; greenbacks deposited from June 20, 1874, to date to retire national bank notes, \$63,948,604; total deposits, \$67,762,279; circulation redeemed by the Treasurer between the same dates without reissue, \$49,603,533; greenbacks on deposit at date, \$18,158,746; greenbacks retired under the Act of January 14, 1875, \$17,015,188; greenbacks outstanding February 1, 1877, \$324,984,812.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from February No., page 649.)

FEBRUARY, 1877.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	Bank for Savings.....	G. Cabot Ward, <i>Sec.</i> ...	O. D. Ward.
"	Greenwich Sav. Bank..	Edward N. Pigot, <i>Pr.</i>	W. R. Vermilye.*
"	Manhattan Sav. Inst....	E. J. Brown, <i>Pr.</i>.....	.....
"	North River Sav. Bank.	W. B. Stafford, <i>Pr.</i>	J. Hooper.
"	" " " "	Henry V. Parsell, <i>Sec.</i>	.....
ALA. . .	First National Bank, Montgomery }	A. B. Peck, <i>Pr.</i>	G. B. Holmes. Robt. Goldthwaite, <i>Cs</i> A. B. Peck.
CAL. ...	Dime Sav. B., San Francisco.	F. A. Rutherford, <i>Pr.</i>	R. T. Carroll.
" ...	Stockton Sav. & Loan Asso.	L. U. Shippee, <i>Pr.</i>	J. M. Kelsey.
COL. ...	City National Bank, Denver.	J. S. Brown, <i>Pr.</i>	H. Crow.
CONN..	Farmers & Mechanics' } Nat'l Bank, Hartford }	Henry Keney, <i>Act. Pr.</i>	J. C. Tracy, <i>Pr.</i> J. L. Chapman, <i>Cas.</i>
" ...	First Nat. Bank, Hartford..	E. H. Crosby, <i>Pr. pro tem.</i>	E. D. Tiffany.
" ...	Yale Nat. Bank, New Haven.	Charles L. English, <i>Pr.</i>	J. A. Bishop.
D. C. ...	Second Nat. B., Washington.	Matthew G. Emery, <i>Pr.</i>	J. C. McKelden.
GA.....	First Nat. Bank, Americus.	A. C. Bell, <i>Pr.</i>	R. T. Byrd.
ILL. ...	Hide & Leather B., Chicago.	Charles F. Grey, <i>Pr.</i>	W. V. Kay.
" ...	Alton National Bank, Alton	S. Wade, <i>Pr.</i>	E. Marsh.*
" ...	The Decatur National Bank.	G. W. Bright, <i>Act. Cas.</i>	.....
" ...	Exchange Bank, Dwight....	Jos. W. Watkins, <i>Cas.</i>	Not James W. W.
" ...	First National Bank, Lanark.	John Wolf, <i>Pr.</i>	O. P. Miles.
" ...	First N. Bank, Mommouth.	D. Rankin, <i>Pr.</i>	W. Laferty.
" ...	First Nat. Bank, Rochelle..	A. Bain, <i>Pr.</i>	R. Paddock.
" ...	National Bank of Vandalia.	S. Perkins, <i>Pr.</i>	N. M. McCurdy.
IND. ...	First National Bank, Attica.	Marshall Nixon, <i>Pr.</i> ...	P. S. Veeder.
" ...	First National B'k, Auburn.	J. H. Ford, <i>Pr.</i>	J. R. Lanning.
" ...	First N. B., Cambridge City.	Abiram Boyd, <i>Pr.</i>	H. H. Elwell.
" ...	First Nat. Bank, Lebanon..	Samuel S. Daily, <i>Pr.</i>	A. O. Miller.
" ...	First Nat. Bank, Liberty....	W. W. Sullivan, <i>Pr.</i> ...	J. Corrington.
" ...	First Nat. Bank, Sullivan...	Murray Briggs, <i>Pr.</i>	T. K. Sherman.
" ...	Terre Haute Savings Bank..	Lucius Ryce, <i>Pr.</i>.....	.....
IOWA..	First National Bank, Belle Plaine }	S. S. Sweet, <i>Pr.</i>	J. A. Durand. L. T. Sweet, <i>Cas.</i>
" ...	Brighton National Bank.....	Wm. H. Lloyd, <i>Cas.</i> ...	J. W. Prizer.
" ...	First Nat. B., Washington.	Norman Everson, <i>Pr.</i>	J. Keck.
KY. ...	City National Bank, Paducah }	S. B. Hughes, <i>Pr.</i>	R. S. Ratcliffe. Elbridge Palmer, <i>Cas.</i> S. B. Hughes.
" ...	Citizens' N. B., Winchester.	W. Miller, <i>Pr.</i>	J. R. Wornall.
ME. ...	Georges N. B., Thomaston	Samuel Watts, <i>Pr.</i>	E. O'Brien.
" ...	First Nat. Bank, Baltimore-	E. J. Penniman, <i>Cas.</i>	.....
MD. ...	Farmers' N. B'k, Annapolis	Alexander Randall, <i>Pr.</i>	G. Wells.
MASS...	First Nat. Bank, Attelboro	J. M. Bates, <i>Pr.</i>	W. Blackinton.
" ...	Cape Cod N. B., Harwich..	Joseph K. Baker, <i>Pr.</i>	P. S. Crowell.
" ...	Southbridge National Bank.	Jacob Edwards, <i>Pr.</i>	S. M. Lane.
" ...	Crocker N. B., Turners Falls.	R. N. Oakman, <i>Pr.</i>	W. T. Davis.
" ...	People's Sav. B'k, Worcester.	William Cross, <i>Pr.</i>	J. C. Mason.

* Deceased.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of.</i>
MICH..	Second N. B., East Saginaw.	G. W. Morley, <i>Pr</i>	R. G. Horr.
"	... First National Bank, Ionia.	R. P. Sherman, <i>Cas</i> ...	A. F. Carr.
"	... First National Bank, Leslie.	W. W. Peirson, <i>Cas</i> ...	C. C. Walker.
"	... First National Bank, Niles.	T. L. Stevens, <i>Pr</i>	R. W. London.
"	... First National Bank, Pontiac	{ Charles Dawson, <i>Pr</i> ... John D. Norton, <i>Cas</i> ..	W. W. Gray. C. Dawson.
MISS...	People's Savings Bank, Meridian	{ Thomas Christian, <i>Pr</i> ... W. W. George, Jr., <i>Cas</i> ..	L. K. Latham. R. Smith.
MO.	Bank of Commerce, St. Louis.	J. C. VanBlarcom, <i>Act g Cas</i> .	C. Enslin.*
N. H. ...	First N. Bank, Frankestown.	G. W. Cummings, <i>Cas</i> .	T. B. Bradford.
"	... Portsmouth Savings Bank...	J. H. Foster, <i>Tr. pro tem</i> .	J. F. Shores.
N. Y. ...	German Sav. B'k, Brooklyn.	William Dick, <i>Pr</i>	J. Raber.
"	... Canajoharie National Bank.	C. G. Barnes, <i>Pr</i>	J. C. Smith.
"	... National Bank of Cortland.	Chas. E. Selover, <i>Cas</i> .	B. B. Woodworth.
"	... First Nat. Bank, Greenport.	G. C. Adams, <i>Cas</i>.....	.....
"	... First National Bank, Hudson	{ Robt. B. Shepard, <i>Pr</i> ... William Seymour, <i>Cas</i> ..	J. W. Fairfield. R. B. Shepard.
"	... Kingston National Bank, Kingston	{ R. Bernard, <i>Pr</i> C. H. Van Gaasbeck, <i>Asst Cashier</i> .	C. H. Van Gaasbeck.
"	... Farmers' N. Bank, Malone.	William F. Creed, <i>Cas</i> .	B. S. W. Clark.
"	... Middletown National Bank.	Thomas King, <i>Pr</i>	J. B. Hulse.
"	... First N. B., Poughkeepsie.	Robert Slec, <i>Pr</i>	C. DuBoise.
"	... Rochester Savings Bank.....	Roswell Hart, <i>Sec & Tr</i> .	E. R. Hammatt.
OHIO ..	Chillicothe National Bank...	M. Lewis, <i>Pr</i>	N. Wilson.
"	... First Nat. Bank, Jackson...	Peter Pickrell, <i>Pr</i>	H. L. Chapman.
"	... Citizens' Bank, Sidney.....	W. E. Kilborn, <i>Cas</i> ...	L. Mathers.
"	... First National Bank, Xenia.	A. H. Baughman, <i>Pr</i> ...	A. Hivling.*
"	... The Union Bank, Zanesville.	F. J. L. Blandy, <i>Pr</i> ...	A. M. Huston.
PA.	First Nat. B., Conshohocken.	George Bullock, <i>Pr</i> ...	A. Wood, Jr.
"	... Union Nat. B., Lewisburg.	William Jones, <i>Pr</i>	P. Beaver.
"	... First Nat. Bank, Mifflinburg.	B. F. Young, <i>Cas</i>	J. W. Sands.
"	... First Nat Bank, Pittston..	William L. Watson, <i>Cs</i>.	.....
"	... Citizens' Nat. B'k, Towanda.	E. T. Fox, <i>Pr</i>	J. P. Kirby.
"	... Wy'ming N. B., Tunk'nn'ck.	D. D. Dewitt, <i>Cas</i>	S. Stark.
R. I. ...	Nat. Eagle B., Providence.	Chas. F. Sampson, <i>Cas</i> .	J. A. Angell.
"	... Coventry National Bank, Anthony	{ Asahel Matteson, <i>Pr</i> ... E. B. Williams, <i>Cas</i> ..	J. Potter 2d. A. Matteson.
TEXAS.	Nat. Bank of Jefferson.....	J. H. Parsons, <i>Cas</i>.....	.....
W. VA.	Second N. B., Parkersburg.	James D. Dils, <i>Pr</i>	J. J. Jackson.
ONT. ...	Bank of Montreal, Fergus...	Chas. R. Dunsford, <i>Agt</i> .	G. D. Fergusson.
N. B. ..	Bank of Montreal, Moncton.	J. Robertson, <i>Agt</i>	D. F. B. Glass.

* Deceased.

Wanted.—A position as **Cashier** or **Teller** is desired by a competent person having an experience of over fifteen years in the business, and references of the highest standing. Address, "CASHIER," 35 Niagara St., Buffalo, N. Y.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

FEBRUARY, 1877.

(Monthly List, continued from February No., page 648.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
COL. ...	Rosita	Raynolds Brothers.....	Kountze Brothers.
IND.	Indianapolis....	Lemon & King, (Brokers),	Indiana Nat. B'k, Indianapolis.
IOWA...	Newton.....	Bank of Newton.....	Chemical National Bank.
		William Vaughan, Pr.	Thomas Arthur, Cas.
KAN....	Sabetha	Sabetha State Bank.....	Bank of North America-
		Willis Brown, Pr.	Edwin Knowles, Cas.
MASS..	Lawrence	Pacific National Bank.....	Central National Bank, Boston.
	\$ 100,000	James H. Kidder, Pr.	W. H. Jaquith, Cas.
NEB. ...	Sutton.....	Grimes & Dinsmore..	Corbin Banking Company.
NEV....	Reno.....	Reno Savings Bank.....	J. & W. Seligman & Co.
	\$ 100,000	Myron C. Lake, Pr.	James H. Kinkead, Manager.
N. Y...	Walden...	Walden National Bank. ...	Tenth National Bank.
	\$ 25,000	John C. Scofield, Pr.	W. G. Rutherford, Cas.
Wis...	Bl'k Riv. Falls.	Jackson County Bank.....	Ninth National Bank.
	\$ 25,000	W. T. Price. Pr.	W. R. O'Hearn, Cas.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized to February 21, 1877.

No.	Name and Place.	President and Cashier.	Capital.	Authorized.	Paid.
2347	Pacific National Bank.....	James H. Kidder.....	\$ 100,000		
	Lawrence, MASS.	William H. Jaquith.		\$ 100,000	
2348	Walden National Bank.....	John C. Scofield.....	\$ 50,000		
	Walden, N. Y.	William G. Rutherford.		\$ 25,000	

THE PREMIUM ON GOLD AT NEW YORK.

JANUARY—FEBRUARY, 1877.

1876.	Lowest.	Highest.	1877.	Lowest.	Highest.	1877.	Lowest.	Highest.
January.....	12¾	13¼	Jan. 22	6¾	6½	Feb. 8	5¾	5¾
February.....	13¼	15¾	23	6¼	6¾	9	5¾	5¾
March.....	14½	17	24	6	6¼	10	5¾	6
April.....	14	15½	25	6	6½	12	5½	5¾
May.....	15	16¾	26	6½	6¾	13	5½	5¾
June.....	16¼	17¾	27	6½	6¼	14	5½	5¾
July.....	11¾	17¾	29	5½	6	15	5¾	5¾
August.....	12¾	14¾	30	5½	5½	16	5¾	5¾
September ...	13¾	17¼	31	5¾	5½	17	5¾	5¾
October.....	14½	17¾	Feb. 1	4¾	5¼	19	5½	5¾
November....	14¾	16¾	2	5	5¾	20	5½	5¾
December ...	12¾	15¼	3	5¼	5¾	21	4¾	5¾
			5	5½	5¼	22	Holiday.	
1877.			6	5¾	6¾	23	4¾	5¾
January.....	12¾	13¼	7	5½	5¾	24	4¾	5¾

CHANGES OF CAPITAL, ETC.

- COL ... Exchange Bank, *Denver*; capital paid \$ 178,000.
 ILL ... Alton National Bank, *Alton*; surplus \$ 70,000.
 IOWA ... Farmers' Loan & Trust Co., *Vinton*; paid capital now \$ 60,000.
 KAN ... Perpetual Savings Bank, *Atchison*; surplus increased to \$ 5,358.
 MINN. Citizens' Bank, *Minneapolis*; paid capital \$ 50,000.
 PENN... National Bank of the Republic, *Philadelphia*; surplus now \$ 70,000.
 " ... Miners & Mechanics' Loan and Banking Association, *Hyde Park*
 (*Scranton*); paid capital \$ 45,720.
 " ... Citizens' National Bank, *Towanda*; capital paid in full \$ 150,000.
 TEXAS. Merchants & Planters' Bank, *Sherman*; paid capital, 1877, \$ 150,000.
 WIS ... Merchants & Mechanics' Savings Bank, *Janesville*; capital paid \$ 100,000.
 " ... La Crosse National Bank, *La Crosse*; capital fully paid \$ 100,000.
 " ... Clark County Bank, *Neillsville*; paid capital \$ 30,000.
 " ... Bank of New London, *New London*; paid capital \$ 30,000.

DISSOLVED, DISCONTINUED OR CHANGED.

(*Monthly List, continued from February No., page 650.*)

- NEW YORK CITY. Baldwin & Kimball; failed.
 " " Lancaster, Saunders & Co.; now R. A. Lancaster & Co.
 " " McMicken & Burras; now Burras & Whitfield.
 COL ... Colorado Savings Bank, *Denver*; failed, assigned, canceled assignment and resumed, paying in full.
 " ... Bank of Rosita, *Rosita*; succeeded by Reynolds Brothers.
 CONN.. Elton Banking Co., *Waterbury*; closing. Paying depositors in full.
 ILL ... City Savings Bank, *Chicago*; closed February 19. Resumed February 23.
 " ... Phenix Savings, Loan & Trust Co., (*Corydon Weed*) *Bloomington*; suspended. Depositors paid in full.
 " ... Alkire & Co., *Greenview*; now Marbold, Alkire & Co.
 " ... Hayward & Schuyler, *Pana*; now H. N. Schuyler.
 " ... North, Wales & Co., *White Hall*; succeeded by People's Bank.
 IND.... First National Bank, *Franklin*; closed. Defalcation by cashier.
 IOWA... First National Bank, *Monroe*; suc. by Bank of Monroe. Same officers.
 " ... First National Bank, *Newton*; suc. by Bank of Newton. Same officers.
 KAN.... Barnett, Morrill & Co., *Hiauwatha*; now Morrill & Janes.
 " ... Exchange Bank, (*M. E. Mather*), *Sabetha*; closing.
 MASS.. Fogg Brothers & Co., *Boston*; J. S. Fogg continues under old style.
 " ... First National Bank of Amesbury, *Merrimac*; title changed by Act of Congress to First National Bank of Merrimac.
 MICH.. Austin & Co. and E. K. Roberts & Co., *Detroit*; now Roberts, Austin & Co.
 MO... Mercantile Bank, *St. Louis*; in liquidation. Paying all liabilities.
 " ... Thompson, Wyatt & Co., *Phelps City*; now Thompson Brothers.
 N. Y... Park Savings Bank, *Brooklyn*; closing. Paying depositors in full.
 " ... William Buck & Son, *Sag Harbor*; failed.
 " ... Exchange Bank, *Walden*; succeeded by Walden National Bank.
 PENN... Bank of Great Bend, (*L. S. Lenheim & Son*) *Great Bend*; suspended.
 " ... Mountain City Bank, *Pottsville*; suspended.
 " ... Miners' Trust & Safe Deposit Co., *Shamokin*; suspended.
 " ... Northumberland County National Bank, *Shamokin*; suspended.
 WIS... C. A. Mather, *Berlin*; now C. A. Mather & Co.
 " ... Bowman & Humbird, *Black River Falls*; discontinued.
 " ... Central Bank, *Stevens Point*; discontinued.

NOTES ON THE MONEY MARKET.

NEW YORK, FEBRUARY 23, 1877.

Exchange on London at sixty days' sight, 4.83 a 4.83½ in gold.

As was anticipated the rates for money have softened and the accumulation of capital and of currency is on the increase. Call loans range from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. and discounts from 5 to 8 per cent. The general tendency is towards increased ease. For several reasons, the demand for money is much below its former average. The prices at the stock exchange have been so much reduced that a much smaller aggregate of capital is now requisite than was formerly needful to carry the same volume of transactions. But a check has been given to speculation and thus the amount of business doing has been considerably diminished. From these and other circumstances, the demand for call loans has suffered a great reduction, and this is one of the circumstances which must be taken into the account in examining the prospects of the future in the money market.

In discounts there is also a falling off which is due to the dull and stagnant condition of several departments of business. One of the reasons assigned for this dullness is the uncertainty which has beclouded the political atmosphere. Whether the settlement of the difficulties which have caused so much agitation will be effective in producing a revival of commercial and industrial activity still remains to be seen.

With regard to the supply of capital in the loan market, there is an abundant accumulation of idle deposits in the banks, and the influx has a tendency rather to increase than to diminish. In a few weeks there will probably be set in operation a number of forces in various parts of the country which will attract the deposits to the subordinate centers of our financial system, and will thus relieve New York of a portion of the pressure which is now productive of some embarrassment. It is not generally known that the redemption bureau at Washington is doing good service in relieving the plethora of the money market. When this bureau was first established many persons supposed that its most important function would be to renew the bank notes when they became mutilated and worn out. It was pointed out in this Magazine that the mere renovation of the currency, important as it may be, constituted a minor and subordinate part of the functions which would be performed by the redemption machinery created under the new law. There is little doubt that, but for the agency of this bureau, the plethora of the money market would have been more mischievous and less under control. It is also probable that a considerably smaller volume of currency would have been given up by the National banks if they had not been urged to surrender their notes by the continual reflux produced under the agency of the present system of redemption. Here we have another instance of the difficulty of forecasting the future operation of new laws affecting the currency. These

laws touch so many hidden springs and cause such numerous unforeseen movements that the business community usually look with alarm upon all legislative tampering with the currency and with the banking machinery of the country. Some of the banks in this city are looking for better rates of interest, but at present it is doubtful when these expectations will be realized. Subjoined is the Clearing-House statement of the New York banks.

1877.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserves.
Jan. 27.....	\$ 253,156,100	.. \$ 40,187,000	.. \$ 42,251,200	.. \$ 15,475,900	.. \$ 230,625,600	.. \$ 24,781,800
Feb. 3.....	254,011,800	.. 38,305,100	.. 43,305,100	.. 15,563,500	.. 231,091,700	.. 23,837,275
" 10.....	256,817,100	.. 35,618,600	.. 43,788,700	.. 15,635,400	.. 232,035,100	.. 21,394,525
" 17.....	259,054,400	.. 32,035,600	.. 45,808,200	.. 15,554,700	.. 232,658,800	.. 19,709,100

The Clearing-House exhibit of the Boston banks for the past month is as below :

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 27.....	\$ 131,492,500	.... \$ 5,708,900	.... \$ 5,059,400	.... \$ 77,625,900	.... \$ 22,471,600
Feb. 3.....	131,574,200	.... 5,749,500	.... 4,869,700	.... 77,652,800	.... 22,312,000
" 10.....	132,198,600	.... 5,796,700	.... 4,423,500	.... 77,593,200	.... 22,337,100
" 17.....	130,661,500	.... 5,269,800	.... 4,416,700	.... 75,378,000	.... 22,467,500

The Philadelphia bank statements for the same time are as follows :

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 27.....	\$ 62,126,018	.... \$ 2,072,345	.... \$ 13,666,170	.... \$ 50,986,050	.... \$ 10,174,865
Feb. 3.....	62,023,407	.... 2,076,812	.... 13,563,972	.... 50,713,717	.... 10,161,844
" 10.....	61,700,115	.... 2,053,961	.... 13,711,096	.... 49,984,573	.... 10,232,920
" 17.....	61,351,117	.... 1,975,647	.... 13,421,086	.... 49,125,792	.... 10,239,220

Gold touched to-day 104¾, the lowest point since 1862. From an article in an earlier part of this issue it will be seen that at Washington the belief has been entertained that the low premium to which gold has arrived suggests to us the propriety of making an effort to resume specie payments, and that no further legislation is needful. The Solicitor of the Treasury in his elaborate array of legal arguments, shows that the powers conferred by existing laws upon the Secretary of the Treasury authorize him to pay the greenbacks in coin if he possesses the funds requisite for the purpose. The weak point in the Solicitor's argument is that none of the powers to which he refers were given to the Secretary for the express purpose to which the Solicitor thinks they are adequate. Moreover, he omits all mention of the important statute under which the demand notes were issued in 1861. He also fails to recognize the difficulty as to a direct appropriation by Congress which would probably be necessary before a single dollar of coin could be paid out of the Treasury in redemption of the greenbacks. There is one point however, on which the Solicitor is undoubtedly correct. This is in his letter to the Secretary of the Treasury, of which we give but a part. He says that a multitude of forces of various kinds have combined to put gold down, and that the present juncture offers many favorable conditions for the facilitating of our preparations for resumption in 1879.

Sterling exchange continues quiet and weak, the demand to-day being small at 4.83 for bankers' sixty days' sterling, and 4.84½ for three days' sight drafts. Bar silver is quoted at fifty-six pence but its fluctuations have ceased for the present to attract special notice.

In the stock market there has been much depression, Governments are steady, though they have receded in sympathy with gold. State stocks are quiet and dull. In railroad bonds there is little doing. Railroad shares have been feverish and pressed for sale. Subjoined are our usual quotations :

QUOTATIONS:	Jan. 23.	Jan. 30.	Feb. 6.	Feb. 13.	Feb. 20.
Gold.....	106¾ ..	105¾ ..	105¾ ..	105¾ ..	105¾
U. S. 5-20s, 1867 Coup.	113¾ ..	113¾ ..	113¾ ..	112¾ ..	112¾
U. S. new 10-40s Coup.	114 ..	114 ..	114¾ ..	114¾ ..	114¾
West. Union Tel. Co.	76¾ ..	76 ..	73¾ ..	70 ..	65¾
N. Y. C. & Hudson R.	104¾ ..	102¾ ..	101¾ ..	99¾ ..	98¾
Lake Shore.....	57½ ..	55½ ..	54¾ ..	51¾ ..	51¾
Chicago & Rock Island	102¾ ..	102 ..	101¾ ..	99¾ ..	99¾
New Jersey Central...	34 ..	25¾ ..	15¾ ..	14¾ ..	12¾
Del. Lack. & West....	74¾ ..	70 ..	69¾ ..	66¾ ..	65¾
Delaware & Hudson..	69 ..	61¾ ..	60 ..	47¾ ..	54
North Western.....	37¾ ..	35 ..	34¾ ..	32¾ ..	32¾
Pacific Mail.....	25¾ ..	24¾ ..	25¾ ..	25 ..	25¾
Erie	10¾ ..	9¾ ..	9¾ ..	8¾ ..	7¾
Call Loans.....	4 @ 5 ..	4 @ 5 ..	3¾ ..	2½ @ 3 ..	2½ @ 3
Discounts.....	4½ @ 6½ ..	4½ @ 5 ..	4½ @ 5 ..	4½ @ 5 ..	4½ @ 5
Bills on London.....	4.83¾-4.85¾ ..	4.84¾-4.86 ..	4.85-4.86½ ..	4.84¾-4.86 ..	4.84-4.85¾
Treasury balances, cur.	\$ 41,338,531 ..	\$ 43,479,690 ..	\$ 43,364,685 ..	\$ 43,921,619 ..	\$ 44,594,790
Do. do. gold.	\$ 68,251,246 ..	\$ 68,674,812 ..	\$ 68,814,010 ..	\$ 71,278,973 ..	\$ 72,381,549

The exports of produce from the Port of New York for the week ending February 17th were \$4,670,161, against \$4,661,000 for the corresponding week in 1875, and \$5,133,613 in 1874. The total exports of produce since Jan. 1, this year, were \$45,519,468, against \$37,591,232 for the corresponding period in 1875, and \$35,802,248 in 1874.

The dividends of New York City banks, declared in January and February, are as follows:

	Per Cent.		Per Cent.
Bowery National.....	6 ..	National Shoe & Leather.....	5
Central National.....	4 ..	Ninth National.....	3
Chatham National.....	5 ..	Phenix National.....	3
East River National.....	3 ..	St. Nicholas National.....	4
Fourth National.....	3½ ..	Tradesmen's National.....	5
Hanover National.....	3½ ..	Bank of America.....	4
Importers & Traders' National.....	7 ..	Bank of North America.....	3
Merchants' Exchange National.....	3½ ..	Corn Exchange.....	5
Merchants' National.....	4 ..	Grocers'.....	3
Metropolitan National.....	5 ..	Manhattan Company.....	4
National Bank of the Republic.....	3½ ..	Oriental.....	6
National Broadway Bank.....	8 ..	Pacific.....	3
National Butchers & Drovers.....	4 ..	People's.....	5
National Citizens'.....	3½ ..	West Side.....	4
National Park.....	3 ..		

An unwelcome state of affairs has befallen our neighbors of the Dominion of Canada. "Hard times" are staring them in the face. The budget speech of the Finance Minister, Mr. Cartwright, to the Parliament at Ottawa, has added to the distrust and anxiety which for some time have prevailed. A deficiency for the year 1876, of over \$1,900,000, was announced by the Minister, in a lame and impotent explanation. Reckless expenditure is the real source of trouble, and until this is remedied, there can be no end to the financial distress which threatens so many with ruin.

DEATHS.

At ALTON, ILLINOIS, on Monday, January 1st, aged seventy years, DR. EBENEZER MARSH, President of the Alton National Bank, and of its predecessor, the Alton Bank, since their first organization.

At HYDE PARK, VERMONT, on Sunday, February 4th, aged sixty-seven years, Judge LUCIUS H. NOYES, President of the Lamoille County Bank, from its organization.

THE
BANKER'S MAGAZINE,
AND
Statistical Register.

VOLUME XI, }
THIRD SERIES. }

APRIL, 1877.

No. 10.

THE GROWTH AND EFFECTS OF MONETARY EASE.

It is one of the most familiar principles of practical economics that an easy money market causes speculation and a tight money market checks it. A notable exception to this rule is now developing itself, not only in our own money market, but in the money markets abroad. It may be worth while to consider what are the chief causes which have produced so much of dullness and industrial stagnation in the presence of such abundant supplies of capital seeking employment at low rates of interest.

With many persons it is an easy matter to explain these phenomena by referring them to our paper money system. There is no doubt that in any country where irredeemable notes are made to take the place of coin, the monetary mechanism is disturbed, and several active causes of instability are set in operation; hence there is a frequent danger of financial convulsions and monetary panics. An ingenious writer has compared the financial system of a nation, under the malign influence of paper money, to a complicated machine of delicate structure and great activities, some important part of its foundation having been taken away and its place supplied by material less solid, less strong, and less to be trusted. It is well known that when coin is taken from beneath the vast fabric of the monetary mechanism and paper promises are put in its place, there is a change which pervades all its movements and gives to them more or less of irregularity and danger. But although this is true, it must be evident that after we have made due allowance for all

the peculiar dangers and mischiefs of paper money, we must look somewhere else for the important causes of the present stagnation in business, otherwise the languor and want of activity would be confined to the paper money countries, and the nations having a specie currency would be exempt. But the facts lend no support to this view. In England, in Germany, and in other countries, where a gold and silver coinage is in use, and where the financial system is built on the solid basis of specie payments, the disturbance and depression of business is just as severe as among other nations where the dangers of financial derangement are enhanced by paper money.

In view of these, and many other like circumstances, it has been very reasonably argued, that the wide-spread and general depression of commercial activity throughout the greater part of the civilized world, is due to certain general causes which merit greater attention than they have usually received from financial writers. The first of these causes of depression is no doubt connected with the excessive increase of floating capital and its concentration in a few immense reservoirs in the chief financial centres of Europe and of this country. In New York we find a vast amount of idle capital in the loan market, and a similar accumulation is found in Paris, in Vienna, in Berlin, and in some other European cities. This growing mass of floating capital is one of the new features of the modern money market, and it has been developed slowly and by well known causes during the last forty years. The great centre of all these money markets in Europe and throughout the world has more and more tended to settle itself in London, which has been often called the great Clearing House for commercial and financial operations throughout Christendom. It was natural, therefore, to expect that if there is a plethora of capital throughout the monetary system, the plethora would be especially visible in London, and it is notorious that such a result has been developed. The accumulation of unemployed capital has been enormous in London, and so great is its excess above the legitimate demand for loans that the average interest for several months past has ruled at lower rates than were ever recorded before in the history of Lombard Street. We shall presently call attention to the reaction which seems to be visible in some quarters. The main point to be noted at present, however, is the general accumulation of idle capital in all the chief money markets in the world, and its utter want of power to produce its usual effects of stimulating the activity of business, much less of giving rise to speculation and over-excitement.

The second fact which illustrates the depression of business and the causes to which it is due, is the lack of confidence. Of what use are these copious supplies of loanable

funds except the owners will lend them on such securities, and to such borrowers, as are offered in the market? So far, however, from there being this ready confidence and desire to lend, there is among the owners of capital a general desire to hold it under their immediate control, hence short loans have been preferred to those of longer date, and on many classes of securities capital refuses to lend itself under any circumstances whatever. A similar lack of confidence is also manifested among good borrowers. The spirit of enterprise is weakened among the class of persons who employ capital, and who keep up the demand for it in the money market, just as it is weakened among those who are the lenders.

Nor is this disturbance of confidence to be wondered at. If we examine the great bodies of securities into which capital is invited to invest itself, we shall find some notable changes in progress. The London *Economist*, the *Economiste Français*, and some of our American newspapers have formed various estimates of the losses which have fallen upon the capitalists who held certain classes of securities during the severe fall in value which has been so conspicuous at intervals during the last two or three years. If we could form a correct estimate to day of the aggregate value of the mass of securities which are most actively dealt in at the Stock Exchanges of Europe and of this country, we should find an enormous shrinkage since 1870. With this rapid shrinkage in view there is no wonder that capitalists are discouraged, and that they refuse to travel in dangerous paths which have inflicted upon them such heavy losses. Perhaps the time may soon arrive when they will see in these past losses an incentive to further ventures, but at present very few indications are visible of this change, still it is certain that before long a recovery will be inevitable. Men will ask themselves whither the capital which has been sunk has really gone, when it will return, and by what means it may be reproduced. At present, however, the general fact is apparent that while there has been an enormous increase of floating capital on one side of the money market, there has been on the other side an equally notable shrinkage in the volume of fixed capital.

We may deduce from these important facts one or two practical conclusions. In the first place it is essential to the financial health of every commercial nation that there should be due proportion between the volume of fixed and of floating capital. It has always been found that wherever a sudden disturbance has occurred in the equilibrium between fixed and floating capital, a panic of less or greater extent and magnitude has been the result. How far the knowledge of these facts may help us to forecast the future of the present money market we need not here attempt to show. It is

enough to point out the fact that there has been a great disturbance in the proportions of fixed and floating capital connected with the existing depression on commerce and industry in this country.

Moreover, the processes which are now going on in the money market, however mischievous in some of their aspects, are recuperative in their nature and are gradually bringing about the conditions favorable to a revival of business. It is a great mistake to view the diminished market price of good securities as a permanent loss of capital. The capital which has disappeared, if the securities are really sound, has only been rendered latent, and will, under favorable conditions, reappear and become available once more. Hence it is often said at the Stock Exchange that a fall in the market lays the foundation for a subsequent rise. It makes securities look cheap to men who have the capital wherewith to buy them, and it thus creates a market for stocks and bonds for which at higher prices there was no demand at all. On the whole then, the present easy money market, although it has not yet stimulated speculation is not unlikely to do so at some not very distant day.

MEMORIAL ON THE FISCAL BURDENS OF THE BANKS.

The American Bankers' Association, in the course of its vigorous attacks upon the bank taxation, prepared for the Forty-fourth Congress an elaborate memorial on the Federal taxes upon the banking business. This document states that a considerable number of petitions, bearing more than 20,000 signatures were presented to Congress this winter, asking for the repeal of Federal taxation upon the banks. A history is then given of the origin and progress of bank taxation in the United States. As is well known, these taxes are of two kinds. First, there is the taxation on the shares of the banks and on their real estate, by the Governments of the several States. These State taxes are as old as our Government itself, and the petitions in question do not demand any change whatever, either in the State taxes themselves or in the enabling act embodied in Section 5,219 of the Revised Statutes of the United States. The other part of our bank taxes is made up in various Federal imposts, all of which are comparatively recent in their origin, and they were first devised to meet the exigencies of our war finance.

With the close of the war the nation entered upon a new fiscal policy. Our internal revenue poured into the Treasury the enormous sum of three hundred and ten millions a year. A wide-spread clamor arose for a reduction of the fiscal burdens on industry and trade. The evils propagated by taxes

imposed upon labor and its immediate products became so notorious that the rooms of the Committee and the lobbies of the capitol were crowded with representatives of various departments of business which were suffering from pernicious and withering war taxes. Had the banks at this time applied for relief, they would doubtless have shared it with other interests, which were successful in obtaining a remission of fiscal burdens. Two hundred millions of war taxes were given up in 1865 and subsequent years; and as fiscal relief was so freely given to our manufacturers, our insurance companies, our railroads, and our telegraph companies, some at least of the Federal imposts upon our banks would certainly have been included in the long list of repealed and extinguished war taxes. But the banking business, as it was one of the last to receive its war taxation, so it has kept it the longest without much remonstrance or general solicitation for relief. Among the reasons which are set forth in the document before us for the repeal of the tax on bank deposits, it is insisted that these Federal imposts are war taxes, and should have been taken off at the earliest possible period after the war terminated. The banking business during the general excitement of our industries throughout the war period, and for some time afterwards, was like every other kind of business, extremely profitable, and the heavy taxes were on that account less mischievous and burdensome. But since the panic of 1873 every department of business has had to suffer heavy losses. The banking business is no exception to this rule. The Comptroller of the Currency tells us, in his last report, that in the twelve months just ended the losses charged up to the National banks amounted to twenty millions of dollars. The other banks throughout the country are estimated to have lost as much more; hence, the aggregate losses incurred by all the banks throughout the country amounted last year to forty millions of dollars, or more than seven per cent. upon the aggregate capital of our banking system. Besides this heavy drain upon the resources of our banks, there are other forces at work which are well known. The rates of interest in this country, and all over the world, have reached a lower average than has ever been known before. The accumulation of capital is enormous, while the demand for loans is relatively contracted. These and many other causes are operating upon our banking system to diminish its ability to bear fiscal burdens. As citizens and as statesmen Congress should take note of these circumstances, in order that a judicious policy may be adopted, and that no risk may be run of doing serious harm to public and private credit by permitting an interest so vitally important as the banking business to suffer from war taxation, if the evil can possibly be prevented.

Such is one of the arguments which has been urged in

favor of the repeal of bank taxation. A second argument is, that the Treasury can spare the revenue which will be given up by repeal. Mr. Rollins, formerly Commissioner of Internal Revenue, has compiled, by request, a statement of the aggregate taxation paid by our 6,607 banks of all kinds during the fiscal year, 1876. Mr. Rollins shows that the taxes on the deposits of the banks throughout the United States amounted to \$6,504,660. Hence, if the tax on deposits and capital were now to be repealed, the aggregate loss of revenue would be for the next fiscal year about eight millions. This sum, it is argued with much force, can be given up by the Treasury without detriment to any Governmental interest at all commensurate with the benefits that would be conferred on the country by the repeal. In the report of Mr. Secretary Morrill, we are told that there will be a surplus of more than twenty-six millions in the Treasury at the end of the present fiscal year; and it further appears that the sinking fund requirements can be suspended, as they have been more than provided for, the past payments on that account during the last twelve years having amounted to 225 millions more than was required by the law of February, 1862.

But even were the Treasury less fully supplied for every other disbursement except the sinking fund, and were there any immediate necessity for a large revenue, it has been argued that the bank taxes are so mischievous, that in the present state of our industrial and financial system it is a dangerous policy to rely on them for a revenue.

It has been stated, on high authority, that every million of bank capital withdrawn from the financial centres, and especially from the metropolitan centre of New York, contracts the banking facilities of the country to the extent of several millions, because its weakening influence is doubled and re-doubled as it passes from the centre to the extremities of the financial system. Thus, the mischiefs caused by bank taxation are stated to be of two kinds. They act as powerful contraction of banking facilities, lessening the ability of our banks to assist commerce and trade; and secondly, they drive capital away from the banking business, and thus increase the danger of panics by taking away the guarantees and weakening the safeguards against them. By driving away bank capital we remove, as it were, a part of the granite sub-structure of our banking machinery, on which revolves the whole fabric of our commerce and trade.

Without extending further the summary of the voluminous evidence, enough has been said to justify three deductions: First, it appears that new and grave evils are developing themselves, causing much alarm and disorganization in our banking system, and that these evils are ascribed to the mischievous pressure of bank taxation. Secondly, the evidence shows that so wide-spread and intense an agitation is per-

vading the banking and commercial communities, that some measure of relief should, if possible, be applied without delay, and during the coming session of Congress. Thirdly, it does not appear that in the present state of the revenue and of the public business a complicated measure of tax relief for the banks could possibly receive attention in Congress. As the best compromise the exigencies of the case admit it has been proposed to grant a portion of the relief asked for, and thus to apply a remedy to the most pressing evils of the financial situation. The memorial closes by recommending that the taxes and duties imposed upon bank deposits and capital shall be repealed.

USURY AND THE NATIONAL BANKS.

An important case has just been decided in the U. S. District Court for the Western District of Pennsylvania. The charge to the jury delivered by Mr. Justice Ketcham, as corrected by the Judge, appears in full on page 787 of this number of *THE BANKER'S MAGAZINE*. The suit was brought for the recovery of the penalty prescribed by the National Currency Act, where a National bank takes a greater rate of interest than is allowed by the law. The facts were very simple. The plaintiffs William Duncan & Brother, borrowed from the defendant, the First National bank of Mount Pleasant, Pennsylvania, various sums of money on notes at four months. The rate of interest deducted was nine per cent. The several notes were again and again renewed until the interest charged by the bank or paid by the borrower amounted to \$629.91. This was the amount of interest retained and paid upon the several notes; and the plaintiffs sought to recover double the amount from the defendant as provided in the statute. The jury found for the plaintiffs in double the amount of interest charged, and several other cases pending in the Pennsylvania courts will be governed by the ultimate decision of this case.

The points raised in the discussion before the court were numerous. The most important were two: First, what is the rate of interest which National banks may legally charge as their maximum rate in Pennsylvania. Secondly, if a note is renewed over and over again, and if through a series of years, interest is charged at every renewal, what is the sum of the aggregate interest upon which the borrower can recover under the statute if the original transaction is tainted with usury?

In regard to the first question it appeared that although the legal rate of interest in the state of Pennsylvania is six per cent. a year, yet there are some twenty banks having

the right to issue notes; and the charters of these institutions granted since 1869, authorize the banks to charge ten per cent. a year interest. This rate of ten per cent. has been charged without question from 1869 to 1876. Now as the twenty banks so chartered enjoy the special privilege of charging ten per cent. interest, the National banks throughout the state have inferred that they also had a right to charge ten per cent. as their maximum rate of interest, and that the State law fixing the rate at six per cent. did not govern the National banks in this respect. At first sight this may seem to be a strange and unwarranted inference. But in the opinion of eminent counsel it is supported by the decision of the Supreme Court of the United States in the important case of *Tiffany vs. Bank of Missouri*, 18 Wallace 413. Mr. Justice Strong who delivered the opinion of the Court in that case, declared the intention of the legislation of Congress was to confer upon the National banks privileges which should be at least equal to those enjoyed by the State banks. But as we have seen above the State banks many of them have the privilege of charging a maximum of ten per cent. without incurring the penalty of the usury laws. It follows, therefore, that the National banks must either be allowed to charge ten per cent., or that the State banks would enjoy a privilege denied to the National banks, so that the spirit and intent of the National bank legislation would be contravened and rendered of no effect.

This question in its present shape has never been before the U. S. Supreme Court. It is of obvious importance to the National banks that it should be settled with as little delay as possible. For several years the National banks of Pennsylvania have supposed themselves to be protected by the decision of the Supreme Court in the case above cited, "that the usury section of the National banking law is permissive and not restrictive." Hence they supposed that as long as a number of banks of issue in that State were allowed to charge ten per cent., the National banks could not be denied the same privilege. This view of the law is overturned by Judge Ketcham's decision. Whether this decision will be over-ruled by the Supreme Court of the United States remains to be seen. As the case is so important, we presume that the American Bankers' Association will take care that the earliest means practicable shall be adopted to have the law finally settled by the highest Court of Appeal.

The second question raised in this case is as to the amount of interest which in usury cases can be recovered by the borrower from the usurious lender of money. The law reads as follows:

"Sec. 5197. Any Association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill

of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State, Territory, or district where the bank is located, and no more, except that whereby the laws of any State a different rate is limited for banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this title. When no rate is fixed by the laws of the State, or Territory, or district, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. And the purchase, discount, or sale of a *boná fide* bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight-drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest.

"Sec. 5198. The taking, receiving, reserving, or charging a rate of interest greater than is allowed by the preceding section, when knowingly done shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back in an action in the nature of an action of debt, twice the amount of the interest thus paid from the association taking or receiving the same; provided such action is commenced within two years from the time the usurious transaction occurred."

It will be seen that National banks if they charge usurious rates may be sued for twice the amount of the interest which they have charged to the borrowers. In the case before us the plaintiffs borrowed \$500 January 30th, 1873. His four months note was not paid at maturity but was renewed again and again till the autumn of 1874. The debt had then been reduced by payments to the sum of \$150. His second note of July 9th, 1873, for \$400, was renewed till October, 1874. His third note of July 1873, for \$500, was renewed till November 1874. At each renewal nine per cent. interest was paid by the plaintiffs to the bank. From the beginning of the first loan to the end of the last renewal the aggregate interest charged and paid amounted to \$629.91. On the part of the bank it was argued that the original discount was never paid to the bank, so that there could be no recovery because no penalty could possibly be incurred except when the usurious interest was actually paid.

These views were denied by the Court. It was held that when the bank obtained judgment against its debtor, the plaintiffs in this action, the judgment for the purposes

of this suit was equivalent to the payment of the debt, although the bank had never been able to collect its money from the plaintiffs. Hence the Court held that the two years allowed in the statute for the commencement of the action began from the time the judgment was entered. Hence it follows that if a note was discounted in 1869 and renewed until 1875, and if in 1877 a judgment was entered against the maker of the notes, he could sue the bank for the penalty without paying any part of the principal, and the bank could not raise a counter claim or set off the principal debt because the action was a penal one. In other words, a fraudulent swindler who owes his bank thousands of dollars, and has no intention to pay any part of the debt, is enabled by this decision to sue his bank and recover against it the back interest for any number of years during which the bank may have been carrying the loan for him. All he has to do is to bring his action within two years from the time when judgment is obtained on his latest note or when payment has been made upon it. We reserve the discussion of this and of several other points suggested by the case under review; and we shall try to find room for the most important in our next number.

THE NEW YORK BANKING SYSTEM.

Some of the principal changes in the banking system of the city of New York, after the general banking law of 1838, were due to the formation of the Clearing-House, in 1853. The Clearing-House system is one of the most signal improvements of modern finance. By its agency the banks in a large city are virtually united for certain purposes, so as to become a single institution. Many persons speak of the Clearing-House Association as if it were something distinct from the banks which belong to it, or as if its functions were very multifarious. Thus we sometimes hear of the Clearing-House as having aided the Government during the war, as the Bank of France, and the Bank of England have aided their respective Governments. Now, it is true, that the banks of New York and other cities, did aid our Government in negotiating loans during the early months of the war. It is also true, that these banks were associated together in Clearing-Houses. What is not true is, that the proper work of these Clearing-Houses is something else besides the making of the daily exchanges, and paying the daily balances between the banks. Nothing but the exchanges and the resulting daily balances comes properly within the functions of the Clearing-House Associations, of which we have about twenty in this country,

all of them being founded upon the model of the New York Clearing-House.

When this institution was organized, fifty-seven banks, between which daily exchanges had to be made, were doing business in the city of New York. Each of these banks was obliged to have an account with every other bank. In practice, each of our city banks kept a special clearing ledger of fifty-six bank accounts; and also in their general ledger they had an account with "City Banks," which account showed the totals of the fifty-six accounts in the special city bank ledger. Thus each bank, which exchanged with all its associates, had to keep fifty-seven open active accounts. Hence the whole number of such accounts, if all the banks exchanged with every other bank, would have been 3,249; but in fact the number was not so great, inasmuch as there was not, in those days, so universal an exchange as at present.

We have more than once had occasion to describe in this Magazine, the details of the old method of performing the exchanges in our city banks. Each institution received from its dealers, on deposit, or in payment of notes and other obligations, checks, drafts and notes of every other city bank, and also of banks not in the city, if they redeemed at par through some city bank. At the close of each day's business, the funds thus received were assorted and arranged together. The sums for each bank were entered on a separate slip with the total amount of the debits to that bank. The next morning all the items were added which came by mail; and for the total amount, after such additions, an entry had to be made to the debit of each bank whose exchanges had been increased, so that the city bank ledger showed the complete total of the entire exchanges to be made upon any given day. The next progress was to send the exchanges from bank to bank. For two hours the tellers and messengers were employed in receiving and delivering them. Before any bank could know the result, it was necessary that the last of the exchanges should be in, and that at least fifty-six debit and credit entries should be made on the books of each bank, and on the pass books used in exchanging. In other words, about 6,500 entries were required every day for the sole purpose of making the exchanges. The expense of this process and the delay involved in carrying it on may easily be calculated.

But this was not all. As each bank became debtor, the creditor banks drew for their balances, and on Friday of each week, the custom was to make a final settlement. Every bank was of course a debtor each day of some banks, and a creditor of others. When the Friday settlement was made, each bank had to draw off, in a separate statement, the city bank balances as they stood after the exchanges were made.

By the law of 15th April, 1853, a weekly statement was required to be made to the public, by the banks of New York

City, every Tuesday morning, in a newspaper designated by the Superintendent of the Banking Department. This law required that the amount should be published by each bank, of its average loans and discounts for the week previous, with the average amount of its specie, deposits, and circulation. So much attention was by this statement attracted to the specie reserves of the banks, that the practice was more and more adopted of drawing on each other without waiting for the regular settling day. Mr. Lyman, in his sketch of the Clearing-House, says "that the course of operation was somewhat as follows :"

"A bank, wanting specie, drew on some other bank which owed it a balance ; this bank paid, probably, with a draft on some other bank which owed it. Then came a general drawing of drafts, extending to all the banks, and lasting through the banking hours. Next came a movement of specie from bank to bank, all over the city. Some paid, others took,—one or the other, all did ; and when the movement was over, they were just as near a settlement as when they began. All this expensive fuss was occasioned often by a small deficiency of coin in some particular quarter.

"Often, the result of such movement was a general want of confidence, followed by a contraction of loans, by needless panics, and fluctuating stock markets. A system attended with so much labor and uncertainty, so productive of errors, of competition, and disagreement, could not be long endured. The want of some better system for the mutual exchanges and settlements of the banks, was generally and strongly felt. The General Bank Act and the numerous banks to which it gave rise, the passage of stricter laws in regard to banking, and especially of that which required the rendering of a weekly statement, tended much to make more apparent the necessity of some change.

"But though bank officers talked the matter over, and though various schemes and remedies were suggested, in conversation, and through the papers, nothing effectual was done until 1853. On the 23d of August, in that year, in obedience to a call from the Mechanics' Bank, a meeting of bank officers was held to consider the subject. Sixteen Presidents, one Vice-President, and twenty-one Cashiers, were present, the representatives of thirty-eight banks. No such meeting had occurred for a long time. Among the officers of the older banks there were several who had not met for years, and quite a number of the gentlemen were wholly unacquainted. Notwithstanding this, the meeting proved remarkably harmonious. The necessity of some change in the prevailing system was fully recognized, and a committee was appointed to consider the subject and report a plan. A series of meetings followed, which resulted in forming an association of banks, and in the establishment, by that association, of the New

York Clearing-House. The Clearing-House commenced operations under the direction of a committee appointed by the associated banks. Their names follow: Francis W. Edmonds, Cashier of the Mechanics' Bank; James Punnett, Cashier of the Bank of America; Augustus E. Silliman, Cashier of the Merchants' Bank; John L. Everitt, Cashier of the Broadway Bank; Richard Berry, Cashier of the Tradesmen's Bank.

"By this committee, Mr. George D. Lyman, then a teller in the Bank of North America, was appointed Manager of the Clearing-House, to be assisted by two clerks; soon after, Mr. Jacob Stout was made Assistant Manager.

"The institution just organized, has been in successful operation from that time. At its commencement, there were fifty-two banks in the association, forty-eight of which are still associated. The five banks which declined joining, were small institutions. Two or three of them subsequently sought admission, which it was not thought advisable to grant.

"No bank can now do business unless it is admitted to the Clearing-House, or makes its exchanges through some bank belonging to the association. Such an arrangement is too inconvenient to be extensively adopted. As no new banks have been established since the Clearing-House began, its creation has evidently proved a wholesome check upon excessive banking.

"On the day when the Clearing-House began business, about twenty-seven hundred open active accounts on the ledgers of the associate banks, were balanced—the most of them for the first time, and all of them finally. The business which had rendered necessary this large number of accounts, was thenceforth accomplished more quickly, with less annoyance to bank officers, and with greater safety to all concerned.

"While there was an immense saving of time and labor, the incidental benefits resulting, far exceeded the expectations of those who projected the establishment. It has strengthened the entire banking system of the city; it tends to prevent sudden contractions and expansions; makes the business of banking more uniform, regular, and safe; while the banks themselves are really more independent. Each bank now regulates its affairs by the daily position of its balances with the Clearing-House; knowing that its debtor balances must be paid every day in full, and that its credit balances will be received in the same way. As the daily movements of each bank in the association can be known by inspecting the accounts of the Clearing-House, every bank knows how to govern its exchanges with its associates, and may conduct its own business with entire independence of other banks. Under the old mode, banks had no means of knowing each others' situation. The Clearing-House books show this, and are open to all the members. The value of such information must be evident to all. This association of the banks gives strength

to them all. No bank which does not manage its business on a safe basis, and according to the true principles of banking, will be received or retained by the association.

"It is quite clear that the associated banks have a great advantage over any which may try to do business independently of the Clearing-House. The daily settlement, in full, of balances, is sure to correct any tendency among the associates, to excessive banking. Such a state of things becomes immediately known to all, is followed by loss of credit and standing, and, if continued, by suspension or expulsion; and this is the same as utter ruin. Credit is essential in the conducting of banking business; and if a bank has not enough of this essential to make its exchanges, it can no longer do business, and must wind up.

"In the bank association of the New York Clearing-House, there is a common bond of union. All have an equal voice in its management. All share alike in its privileges and benefits. In an important sense, the interest of each is thus made the interest of all. Nor is it a slight advantage that it brings together, and makes acquainted, the officers of the several banks—and thus leads to harmony both of feeling and action. While each institution still seeks for itself the highest profit consistent with security, all are brought to feel that they have a common interest in maintaining the credit of the banking system.

"All must be aware that the prosperity of the city of New York, is largely dependent on the credit of its banks. Through the facilities which they afford or withhold, they give tone to its business, which they not only represent, but, to a great extent, sustain and control. How important that their management should be right and safe! How essential to the prosperity of a mercantile community, that the credit of its banks should continue unimpaired!"

Next to the establishment of the Clearing-House, the most important feature of our banking system is the publicity which has always been exacted to a greater extent than in any of the foreign banking systems. From a very early period, frequent reports were proposed to be published by the banks; but no legislative provision, we believe, was made for publicity, until the act of May 11th, 1835, which provided in section 5, that the bank commissioner should have the power, and should be required, to examine under oath, the officers of all banks subject to their supervision, as to any offence against the provisions of this act, and shall report to the legislature the names of any such corporations as "should adopt and pursue any course of business with the intention of receiving more than the legal rate of discount." This law was directed against usurious rates of interest, and the sole purpose of the reports here authorized, seems to have been to establish a check upon the rate of interest charged by the banks.

Eight years later, the law of April 18, 1843, first authorized the quarterly reports to the Comptroller, who was required "to publish said reports together in the State paper, accompanied with a summary of the items of capital, circulation and deposits, specie and cash items, public securities, and private securities; and a separate report of each bank was required to be published in a newspaper in the county in which each bank was situated, at the expense of the bank." Several subsequent statutes modified the regulations as to each quarterly report. At length, by the law of April 15th, 1853, the weekly reports with which we have since become so familiar, were first authorized. The law limited these weekly reports to the city of New York, and soon after they began to be published. Mr. J. S. Homans, the founder of this Magazine, and for twenty years its editor, began to publish in the *Courier and Enquirer*, of which at that time he was the financial editor, a weekly report, in the form of a table, comprising the chief aggregates of all the banks in the city, with the comparative increase or decrease in their several averages of specie, circulation, loans, discounts, and deposits. So much attention was attracted to this new feature of financial intelligence, that soon after the establishment of the Clearing-House, that institution began to publish its official tables of the weekly averages of the New York banks, which have been continued without interruption, to the present time. During the panic of 1873, there was some temporary cessation in the regularity of these weekly reports, but the *hiatus* has since been supplied, and now our financial records contain a complete weekly statement of the averages of our New York bank items, from 1853 to the present time. So complete a record of the banking movements has not been preserved in any other city in the world. In the twenty Clearing-Houses established in this country, the records preserved are very accurate and full. But in those of Paris and Continental Europe, we believe the records are less complete, and in the case of the London Clearing-House, the publication of the Clearing-House aggregates was omitted until 1868, and even now the details of each bank are suppressed, nothing being given to the public but the daily and weekly total of the exchanges and balances. The effects of publicity in regard to banking operations, have thus been more completely tested in this country than anywhere else.

The principle of publicity has been applied to the banking system of New York in two distinct ways. First, by opening through the Clearing-House, the books of every bank to the other banks associated with it in the Clearing-House; and secondly, by opening the books to the public, so far at least as to announce every week the aggregates of the deposits, loans, and reserves, by means of which the safety of the bank, its ability to meet its liabilities, and its tendencies to do

a safe or an unsafe business, may be approximately judged of by the community. Both the first and the second of these forms of publicity have been in use in this country, although the former method alone has as yet been adopted in Europe. There are perhaps a multitude of reasons why a greater amount of publicity is needful for the banking system in the United States, than for those of foreign countries. For example, publicity is more familiar to the habits and character of our people, and more congenial to our peculiar institutions. Account for it as we will, the fact is certain that no other branch of the Anglo-Saxon race has so much readiness to accept publicity in social, financial, and business affairs. Whether this be an advantage in our National character, or whether it contains in it the germs of some new faults social or political, we leave others to inquire. All we are concerned to point out at present is, that the American people do not shrink from, but rather court publicity in regard to various facts and movements, which in England and in Germany, are rather withheld from the popular attention than voluntarily submitted to it. A more important reason however, for the publicity in question, is to be found in the enormous losses inflicted upon the community in the early days of our banking system, and in the popular odium which was in consequence awakened towards the banks. This public hostility manifested itself in various ways, and amongst others, in the legislative requirements for publicity. Moreover, there is little doubt that an enlightened sense of expediency operated to induce our statesmen to endeavor to raise up safeguards against the abuses of bad banking, by means of the frequent publication of the bank accounts, and of the periodical examinations of the books and securities of the banks, by competent accountants, under the direction of the Bank Department, at Albany. From what has been said, we need not wonder that the arrangements made in this country for publicity in regard to bank statutes, are misunderstood abroad, and that the foreign critics of our banking system, very often misjudge and misapprehend them. Our experience of the numerous beneficent results of publicity, is now, however, too complete to lead us to doubt that on the whole the policy of submitting bank accounts and bank solvency to this important and searching test, has been one of the great safeguards of our banking stability in the State of New York during the last twenty years.

THE TRUE FUNCTIONS OF BANKING.

BY GEORGE WALKER.

The three functions exercised by the banks of the United States, and generally speaking, by the banking institutions of Europe, namely, receiving deposits, discounting paper, and issuing circulating notes, grow naturally out of each other, and ought, in a well-regulated bank, to be mutually dependent. I propose, in the present paper, to discuss the business of loans and discounts, and may, in a subsequent article, consider the subject of circulation and deposits. I propose to show how the exercise of these several functions leads to good or bad banking, according as they are legitimately or illegitimately followed.

First, however, it is necessary to say a few words respecting *capital*, since it is from the peculiar use made of capital in the production and distribution of wealth, that the necessity for banks arises.

Capital used in production, is either *fixed* or *floating*. Fixed capital is invested in lands, buildings, machinery, mines, canals, railways and their equipment, telegraphs, &c., all these being used in the creation and distribution of wealth. Floating capital is invested in the things produced, whether raw materials, or articles completed, or in process of completion. It also pays for the labor and other service (wages and salaries) necessary to production and to the distribution of products. The processes of production are very numerous and distinct. Each producer, when he has completed his part of these processes, desires to sell his product, realize his profit, and begin again with fresh materials. The quicker he can do this, and the oftener he can repeat it, the greater will be his profit; for, in a normal state of things, each repetition brings a profit. All the floating capital which he requires is enough to enable him to do this easily, and without friction. If each article were sold for cash, as soon as completed, and no store of raw materials had to be kept in excess of immediate wants, the minimum of floating capital would be attained; and if the fairly estimated profit were always realized, the wealth of the producer would be constantly increasing, and his business might either be enlarged, or a surplus safely withdrawn for outside uses. But immediate sale of products by the producer, and immediate payment for them by the buyer, are practically impossible. A long process of digestion must be gone through with before ultimate payment and the final payer (who is the consumer) are reached; and consequently the producer cannot

immediately sell, and the buyer cannot immediately pay. Markets may be dull, or overstocked, and buyers may be either slow to come forward, or come without ready money. Hence, the producer requires additional floating capital to carry his products till sold; and the buyer requires credit till he can get the means to pay for the property bought by its resale. But a sale on credit is to the producer, so far as the use of capital is concerned, precisely like carrying the property without sale. Till he gets back the value of his production, he must depend on other means to carry on his business. He must find the necessary capital elsewhere, or his production stops till payment by the buyer enables him to start again. But a healthy business cannot stop; it must go on constantly and evenly, if the highest economy is to be attained. Stoppage, means idle factories, rusting machinery, unemployed workmen. The friction and loss incident to stopping and starting, would eat up a large profit, and would destroy the even current of production upon which stability of prices largely depends. The producer cannot stop; he must, from some source, get the money to go on with, and fortunately his business furnishes the basis on which to get it. *He must borrow money on the faith of the property sold.* He cannot, it is true, pledge the property specifically, for he has sold it and parted with possession, and hence, I say, he must borrow on the *faith*, and not on the *pledge* of it. But though he cannot pledge the property itself, he pledges what represents it, namely, the written promise of the buyer to pay the price of it at a fixed future date. In mercantile language, he gets the buyer's note or bill discounted, and *here comes in the first legitimate function of the bank, a function, which underlies all its operations, and is the touchstone of the regularity of its business.*

To reduce it to a definition or formula, I should say, that the first and most important function of a bank is, by the use of the capital which it controls, to bridge over the periods of credit which necessarily intervene between production and consumption, in such a manner as to give back to each producer or middleman, as quickly as possible, the capital invested by him in such products, in order that he may use it over again in new production or new purchases. In this way the interruption of business, which would be a public as well as a private loss, is avoided. Thus defined, banking is not only one of the most useful, but it is also one of the most safe and healthy of business operations. Its safety lies in the fact that every loan of the character described, is based on property of intrinsic value; and it is *the property* which, in the last resort, pays all the loans predicated upon it, in its progress of transmission from the producer to the consumer. It gathers value as it goes, by the addition of all intervening profits incident to handling and resale, and on final sale

the consumer pays the first cost and all those profits added to it. This, of course, is upon the supposition that the transactions have been fairly profitable. In the case supposed, the property has been the real debtor throughout, and the real payer of the discounts. It has purchased the paper which was the subject of each discount in succession, and has finally been exchanged with the consumer for the cash which, in effect, pays them all. The several makers of the paper, though debtors in form, are only insurers or guarantors in fact. They pledge their respective property to the payment of the loans; but the primary and generally sufficient pledge is, the property for which the notes are given. The wealth of the makers is a necessary margin or guaranty, because the property sold may be destroyed, or the value may fall, or some one of its successive holders may, by misfortune or fraud, divert its proceeds from their legitimate application, namely, payment to the last seller. In a great majority of cases, however, no such contingency happens, and the guaranty is not resorted to. The intervening profits are an additional safeguard, inasmuch, as each party when he sells, ought to receive a larger note than he gave when he bought the goods.

From this analysis of the origin of bank discounts it will be seen, that the common maxim among bankers, that the safest loans are on mercantile paper, is not only justified by experience, but rests upon the simplest and clearest scientific principles.

In the reign of the first Napoleon, France had a very enlightened finance minister in M. Mollien. In advising the emperor as to the proper administration of the Bank of France, Mollien laid great stress upon the principles which I have just enunciated. "He undertook to show that no discount is regular, except that of genuine bills of exchange, given in settlement of a completed transaction, in which three parties* have coöperated, and by means of which the acceptor is put in possession of property of actual value, equal to the amount of his acceptance."

"The discount of genuine bills of exchange, which represent the *products of labor*, which the wants of consumers have called into being, and which their savings are adequate to purchase, ought to be *exclusively* preferred by banks; it is the real pivot of their organization."

"He reproached the Bank of France with paying too little attention to the discounts of genuine bills of exchange guaranteed by merchandise in store, which was in demand for

*The three parties are, the drawer, the payee, and the acceptor. When the buyer gives his note instead of a bill of exchange on a third party, (as is more frequently the practice in certain parts of this country,) the property is pledged indirectly, and only two parties engage in the transaction, while in the case of a bill drawn on the acceptor, who is also the consignee of the property, (as is the practice in the cotton, grain, and provision trades,) the pledge is specific, and the paper is paid out of the proceeds of sale.

consumption, and which the income of the consumers was adequate to pay for."

Keeping in mind the definition already given, and which I now repeat, that the true function of banking is to bridge over the periods of credit which necessarily intervene between production and consumption, by immediately advancing on the faith of the property, to each producer and middleman, his capital invested in the product, and his profit earned in producing or handling it, it is easy to analyze and to test all loans and discounts of a different sort which banks are in the habit of making. The loans which come the nearest in principle to those embraced in the definition, are such as are made upon the specific pledge of property, although not yet sold. These may be strictly legitimate, or highly speculative, according to circumstances. When property is on its way to a market, with the certainty or probability of early sale, according to a well established course of trade, it is strictly legitimate to loan upon it, if the loan is made with a proper margin. Of this character are all bills of exchange drawn against produce or merchandise, consigned for sale, either in the home or foreign market. If accompanied by a specific pledge of the property, they are called *documentary bills*, because the title is authenticated by bills of lading, and protected by policies of insurance, which accompany the paper. The merchandize is sold "for account of whom it may concern," that is to say, for account of the bill-holder first, and of the owner of the property afterwards. A very large part of the grain, produce, cotton and tobacco business of this country is transacted by means of documentary bills. They have often little else than the value of the property to depend upon, the drawers and acceptors being only middlemen, or factors of small responsibility. If the property is of a staple character, always saleable at a price, and the advances are sufficiently below its value, such bills make very desirable paper, for the reasons already given, that they do not depend on the solvency, or even the good faith of the parties, the property itself, authenticated by its title deeds, being the real security. Foreign bankers make their profit very largely in buying documentary bills at one rate, and selling their own plain bills at a higher rate; but it requires large capital and established credit to make a market for bankers' bills. In recent years the margin of profit has been very small, and the liability incurred in making it, is immense, as both the bills purchased and those sold have to bear the banker's signature. Foreign bills are not usually dealt in by American bankers, except in the Southern cities, where cotton and tobacco are often consigned directly to a foreign market. The same is probably true to some extent, in the grain handling cities of the West, and in California. It hardly pays to discount foreign bills and send them abroad for collection and remittances of pro-

ceeds. To deal profitably in them, a bank must draw exchange, as well as buy it, and the business of drawing is almost exclusively in the hands of private bankers, and of the representatives of European or Canadian banks. It has always been a surprise to me that some of the larger New York banks have never competed for this business. They possess in a high degree the most important qualifications necessary to a good drawer of exchange. They have an adequate, known capital, make and publish periodical reports, are examined by official experts, and are conservatively managed by officers and directors conspicuous for their wealth, experience, and probity. Some of them have existed for a long time, and have acquired that wide-spread reputation which is a first requisite in a drawer of foreign bills. Such a participation in foreign business on the part of the incorporated banks, would have this further advantage, that the banking of this country would be thus allied more closely with the banking and financial operations of the rest of the world. At present there is too great ignorance of, and too little regard paid to what is going on in the monetary world abroad. It is not considered a necessary part of an American banker's education to study foreign banking and finance, and, as a consequence, all the profit which the banking business should properly derive from foreign commerce, is turned over to private individuals, largely foreigners, or to the representatives of more sagacious and cosmopolitan foreign institutions. One obstacle to engaging in foreign banking, by the incorporated banks, is the great subdivision of capital, and the smallness of the amount controlled by any one institution. In the prevailing haste to reduce capital in order to escape taxation, this obstacle is growing greater rather than less.

Besides loans on specific property consigned for sale, banks often lend on property withheld from market for a better price. Such withholding is, of course, speculative, and the loans are more or less tainted with that quality. They are not always to be condemned, but they should be made with great caution, and not relied upon to meet the bank's immediate liabilities. Enough available means should always be held in cash, and in perfectly reliable short paper, certain to be paid at maturity, to cover circulation and deposits. Capital and surplus, when not absorbed in government bonds, (as is largely the case with that of the National banks,) may be lent on longer and less convertible security. Convertibility, however, is the first requisite in the collaterals to a loan.

The moment such collaterals are inadequate to protect the loan by a forced sale, the debt becomes unsafe. The objection to loans on property not sold or consigned for sale, is that they have no natural maturity, and however ample the collaterals, they are essentially accommodation loans, and have often to be inconveniently prolonged. The test of sound-

ness in a bank is the speed with which it could liquidate, and return its capital to stockholders.

If loans and discounts could be kept within the limits which I have thus far described, banking would be a very safe and easy business; but it is nearly impossible to avoid a class of transactions of a far more questionable character; and when banks fail, or lose heavily, it is almost always because questionable loans have become the rule instead of the exception, in their business. The quality of convertibility has been gradually lost sight of (usually in the greedy pursuit of high rates of interest), and, little by little, the assets have become tied up in a harder and harder knot. Commonest among objectionable loans are those on personal security, and accommodation paper without collaterals—such as is not the outgrowth of any business transaction, out of the completion and fruition of which, the means of payment will be derived. Loans made for the purchase or improvement of real estate, whether productive or speculative; loans to provide quick capital for corporations, or for individual business, are not only very objectionable, but unfortunately also very common. However strongly fortified by names, they are always reluctantly paid, and often the cause of anxiety and trouble. It is entirely outside of the province of legitimate banking to furnish money for such purposes. Investments should be the result of savings, and it is very unwise, either for an individual to anticipate his savings by loans at short maturity, or for a bank to help him to do so. So of quick capital; I have shown that all business requires it, and it should be greater or less according to the business. It is the margin which protects from disaster, and guarantees success. It is no part of a bank's business to lend that margin. By so doing, it takes on itself the risk which belongs to the customer, and which is the strongest incentive to prudence. Its duty to him, and its proper relation to his business, begin and end with turning his products into cash, as soon as they are sold—converting his credit sales into cash sales, and thus reducing the necessary amount of his floating capital or margin, without assuming to provide that margin.

A class of loans which has done more than any other to bring our banking institutions to grief within the last twenty years, is that on railroad bonds. There is no danger that this mischief will be repeated in the early future, but it is still pertinent, in spite of all that has been said and written about it, while the experience is fresh and painful, to point out the reason why such loans were disastrous, and to indicate the inherent quality which made them so. This leads me to say a few words about commercial, or perhaps I should rather say, financial crises, and the steps which lead to them. The soundest maxims and practices prevail in the

business world after a crisis and liquidation. Convalescence and repentance go hand in hand, the world over. When business is fairly resumed, in the good time now coming, we shall see every class of business men proceeding with the greatest caution. Miners and manufacturers will be careful not to overstock the market; merchants will sell on short credit, and scrutinize the means and character of their customers; banks will keep their money in the till, rather than make doubtful loans; investors will be content with a low rate of interest, so long as the security is undoubted; speculation and the speculator will be read out of all decent society; and the men who get up pools and corners will be avoided by all who need credit and are careful of their reputation. Contentment, economy, and good morals will prevail, and for a time, we shall constitute a model society. But by and by, we shall tire of too much virtue; the wheels of industry and exchange will move more rapidly; competition will be sharper; accumulating profits will encourage more luxurious living; luxury will multiply wants faster than the increase of means; higher profits will be demanded and greater risks will be assumed to realize them; speculation, which is oftener the offspring of artificial wants than of the love of gambling for its own sake, will take the place of slow and plodding industry. This will be the progress of things in one direction. A progress more potential, and not less dangerous, will, at the same time, go on in another. Capital accumulates more rapidly, in prosperous seasons, than the chances which offer for its employment. Surpluses accumulate, and with them the channels of investment widen. The first use of a surplus is to increase reproductive capital; but there is a limit to the use of such capital. To augment it too rapidly would lead to over production and over-trading, and these will inevitably occur before capital consents to seek remoter and slower resting places. But seek them ultimately, it must and ought, for otherwise civilization would cling to its old centers, and the extremities would never be opened up or enriched. This process involves the conversion of floating into fixed capital, or to use the more expressive European phrase, the *immobilization* of capital. Capital arising from the profits of business, and invested in lands, buildings, factories, railways, mines, and furnaces, is thus immobilized. The degree of immobilization is greater or less, according as the resulting revenue from the investment is more or less remote. If a quick return is yielded, and that return does not involve over-production, the proceeding is wise and healthy. If, on the other hand, the return is uncertain, or very remote, there is great danger that capital, instead of being immobilized merely, may be absolutely lost. It is rarely possible to compute, with accuracy, the cost of a great undertaking, or foretell the period of its fruition. The disposition to spread pres-

ent means over a great deal more ground than it can fairly fructify, is as universal as the disposition among farmers to cultivate too much land.

Now let us apply these principles to our past railway constructions. The two dangerous elements to which I have adverted, speculation seeking illegitimate profits, and surplus capital driven to seek remote investments, coöperated to make it what it was. Men without capital did most of the speculating, men with more capital than they knew how to employ profitably, furnished the means. But the means available proved to be sadly inadequate to the undertaken schemes. It became soon apparent, in almost all cases, that to save the *surplus* first invested, the *capital*, vital to business, must be encroached on. Thus, little by little, the working capital of the country—not its savings, but its life—was drawn into the fatal vortex. This working capital is like the grease which greases the wheels of the farmer's wagon. If not seasonably supplied, the heated axle utters its notes of alarm, and if this goes unheeded, the wheel is set fast and the vehicle is stopped. The wholesale construction of railways on credit, was a business of which the country had no experience, and this is the only excuse for the gross violation of sound business principles which it involved. The banks were no wiser than the people. They began to lend moderately, on the security of railway bonds, before railways had been discredited, and when they had a surplus of capital to lend; and they ended by lending immoderately on the same security, after its treacherous character had been disclosed, in the vain struggle to save their past loans, or to assist customers whom they were unwilling to see go to the wall. Very largely also in 1871-2, and '73, they lent to railways, on railway securities for the sake of illegitimate interest, by which I mean, not such rates as merely violate the usury laws, but such as no healthy business ever did or ever can pay. They were lending to a spendthrift heir on the doubtful security of a post-obit bond. There is no danger that this folly will be repeated in our time, but there are always snares set for the unwary, and the next decade will doubtless disclose its own peculiar temptations, and a period of prosperity will hardly escape the usual dismal ending. There is a class of loans which still remains to be considered, loans at call. These properly belong to the discussion of deposits, and in that connection, I shall endeavor to discuss them in a future paper.

BANKING IN CALIFORNIA.

BY GEORGE R. GIBSON.

On the 19th day of January, 1849, gold was discovered in California and the initial impulse thereby given to the westward drift of Empire. This was one month before the treaty of Guadalupe Hidalgo was signed and five and a half months before the American title to California was confirmed. No event within the last century has exerted a more powerful influence upon the money and labor markets of the world than the discovery of gold in California. It vastly augmented the world's stock of precious metals, increased wages, rents and prices, and generally infused new life and vigor into the channels of trade throughout Christendom. Gifted in addition with a marvelous combination of soil and climate, and valleys rich as the Garden of Hesperides, California has become one of the greatest producers and exporters of bread stuffs in the world. San Francisco, located upon a splendid land-locked harbor, and favored with an equable climate, has sprung up within the last thirty years from a rude trading post to an elegant city of 300,000 population. It is to California what Paris is to France, the metropolis of its wealth, commerce, fashion and thought. For this reason what is here said concerning banking will chiefly relate to San Francisco.

The first banking house established in San Francisco was on January 9th 1849, under the firm name of Naglee and Sinton, as a bank of exchange and deposit. At the close of the year five private banks were in operation. Previous to their establishment, mercantile houses provided with safes and chests had done a sort of primitive and embryotic banking business.

Within four months after the "diggings" were fairly opened, gold dust to the value of \$850,000 was sent to San Francisco to purchase mining supplies, but as it was more a Jesuitical mission than a trading post the supply of merchandise proved inadequate. The exorbitant prices then paid for goods in store induced large shipments hither on speculation, the market became glutted, and prices fell as much below their actual value as they had been above it. In 1850 Naglee closed his doors owing to this pressure, and a "run," the first recorded in the financial history of California. In 1851 Wells & Co suspended. That was pre-eminently a wild and speculative period, and the banks lived in an atmosphere entirely uncongenial to a healthy existence and the wonder is that they survived so well.

The elasticity of nature soon caused a revival of confidence and San Francisco rose again on the top wave of speculation and prosperity. General Sherman in his "Memoirs" thus depicts the city upon his arrival in 1852;—"Everybody seemed to be making money fast; the city was rapidly extended and improved; people paid three per cent. a month interest without fail and without deeming it excessive." From all accounts banking at that time rested upon a precarious footing, adequate security was difficult to obtain and the high rates of interest were scarcely commensurate with the risk. Moreover the banks were drained of their deposits every fortnight for transmission abroad by the semi-monthly steamers. The business fabric was erected upon a false and fictitious basis, and the roseate dreams of a modern El Dorado were to be rudely dispelled by a collapse of credit. On Jan'y 18th 1854, Adams & Co. had a "run" made upon them, but after paying out \$416,000 it subsided. Between 1853-5 the principal banking houses were Page, Bacon & Co., Adams & Co., Burgoyne & Co., Davidson & Co., Wells, Fargo & Co. and Lucas, Turner & Co. Page, Bacon & Co. were by all means the leading bankers in the State, and were a branch of Page & Bacon of St. Louis, one of the most influential houses in the U. S. Early in the winter of 1855 some drafts of the St. Louis house went to protest in New York, and when the steamer arrived in San Francisco Feb'y 17th, this fact was communicated to the public. The report spread like wildfire, precipitating a "run" upon Page, Bacon & Co. to which they succumbed. Lucas, Turner & Co., managed by W. T. Sherman, survived the panic which ensued, but most of the institutions went down.

From this time forward for twenty years the current of California's banking interest flowed on with increasing volume and calm tranquility until it reached the verge of a financial Niagara in 1875. During these two decades the banking system was elaborated and freed from many of its crudities. Large sums of foreign capital were invested and some private concerns became merged into corporate establishments. One of the most notable events was the foundation of the Bank of California which was incorporated June 15th 1864, and began business July 1st, at the corner of Washington and Battery Streets, with D. O. Mills as President, W. C. Ralston as Cashier, and a capital of \$2,000,000. On July 1st 1866 the capital was increased to \$5,000,000, and on June 27th 1867 the office was removed to the present handsome edifice, corner of California and Sansome Streets. The Pacific States enjoyed an enviable immunity from those adverse influences which affected the Atlantic States during the civil war. They escaped the incubus of a fluctuating paper currency, by their persistent adherence to the gold basis, and determination to ignore the financial system insti-

tuted by Secretary Chase. California discharged all debts and contracts payable in the East, in gold, at rapidly advancing figures deriving all the benefits, accruing to a foreign nation. The construction of the trans-continental railroad and telegraph opened out new regions to commercial enterprise, and furnished a connecting link in the chain of the world's commerce which found its natural highway through the portals of the Golden Gate. A prosperous agriculture and fresh discoveries of silver in the Washoe mines, required increased maritime facilities to transport treasure and breadstuffs to the four quarters of the globe. The year 1875 dawned with the most auspicious promise for unabated prosperity. It was so abroad, but the greatest bank losses of modern times occurred that year both in Europe and America. During the year the Strousberg failure in Russia and Germany involved many smaller banks in disaster, but particularly the Commerce and Loan Bank of Moscow. The failure of the Collies and the Aberdeen Iron Company in England, and contingent suspensions caused extensive losses to all the leading joint stock banks of London. In the United States, statistics show the commercial failures in 1875 to have been fifty per cent. in excess of 1873, the burden of which was eventually borne by the American banks. It was a sort of *renaissance* period, and favored as was California she could not escape entirely.

During the summer of 1875 the high price of gold in the East induced many merchants to anticipate their payments and buy largely for prospective trade. The shipments East of specie were accordingly \$22,000,000 as against \$3,000,000 the preceding year during the same period. In addition the high price of wheat absorbed several millions for its movement, and, as was currently reported, certain parties had locked up considerable coin. On Tuesday, August 24th, a decline was observed all along the line of mining shares. On Wednesday it continued, culminating in a crash on Thursday. The mining interest ramifies throughout the whole financial system of the State and exercises a very perceptible influence upon the local money market.

The Bank of California had been an active promoter of mining developments, and was the banker for the leading brokers. Mr. Ralston, its President, had been violently assailed by two daily journals and as vigorously defended by others. It was whispered that his bank had locked up two millions of its funds in New Montgomery Street, a million and a half in the Kimball Manufacturing Company and Woolen Mills, and had probably made some losses.

It is difficult to say just what conditions are necessary to develop the bud of distrust into a full blown panic, but in this instance unmistakable symptoms of a "run" on the Bank of California were manifested on Thursday August 26th.

During the day it paid out about fourteen hundred thous-

and dollars and was obliged to close its doors at a quarter to three o'clock. The National Gold Bank and Trust Company suffered a "run" during the afternoon, keeping open their doors until four o'clock, having paid out nearly a million of dollars. The following morning notice was given that this bank would not open, but depositors could have assets to the amount of their respective credits. The Savings Banks issued a joint notice requiring the usual thirty days' notice before withdrawal of deposits.

The intervening night, instead of quieting, inflamed the public, for they had time to realize the import of the Bank of California failure. This institution had so won their confidence and sympathy, it was so intimately identified with all the interests and industries of the coast, that it was regarded with pride as a Gibraltar of security and a monument of imperishable credit.

The morning sun of August 27th rose upon San Francisco's "Black Friday," when the crucial test was to be applied to the banking system of the city. By eight o'clock California Street and contiguous thoroughfares were filled with a nervous and struggling mass of humanity impatiently awaiting the opening hour. When it arrived, the Merchants' Exchange Bank posted a notice that in consequence of the difficulty of getting coin, it would temporarily remain closed. The London and San Francisco Bank and the Anglo-Californian, operating under British charters, but managed by well-known California bankers of pronounced ability, bore the brunt of the attack, showing themselves to be masters of the situation. Transfers of gold to these banks from the Sub-Treasury were made by telegraph, and were exhibited to anxious depositors to quiet their apprehensions. During the day the stockholders and trustees of the Bank of California were viewing the wreck and holding an inquest over its ruins. W. C. Ralston its President, and to whose mistakes its collapse was due, was requested to and did resign his office. After deeding all his property to Senator Sharon in trust, he left the bank about three o'clock, homeless, friendless and penniless. He walked hurriedly up to North Beach, and entered the water, whether for a bath or for the purpose of seeking oblivion from his grief can never be known. He was brought out a corpse, and the intelligence of his tragic death cast a pall of gloom upon the city whose citizens loved him so well, with all his faults. The following Monday was collection day or steamer day, when all mercantile balances were to be adjusted. This custom and the use of book credits instead of notes, are relics of an early day, and are objectionable by reason of producing a periodic semi-monthly stringency. The day came and went; mutual forbearance was exercised and confidence was restored. In 1873 the association of the New York banks and of those in many of the Eastern cities and the use of the

Clearing-House certificates, probably averted a general suspension. In San Francisco there was no union of resources, no Clearing-House and each bank stood on its own merits.

On the 1st of September a Syndicate was formed to extricate the Bank of California from its embarrassments. A guarantee fund of seven and a half millions was subscribed of which D. O. Mills, E. J. Baldwin, William Sharon and Joseph R. Keene each took one million. On the 2nd of October the Bank of California opened its doors for the regular transaction of business, amidst the boom of cannon, the unfurling of flags and the plaudits of the people.

On the 4th of October the Nevada Bank of San Francisco opened for business with a cash capital of \$5,000,000, which was increased Oct. 4th 1876 to \$10,000,000. This is the Bonanza bank, and chiefly owned by Messrs. Flood, O'Brien Mackey and Fair, "Kings of the Comstock." The bank is under an able and energetic administration, has already won the highest position at home and abroad, and is possessed of unsurpassed credit.

Simultaneously with the failure of the Bank of California the Boards of stock brokers closed, to resume their functions on Oct. 5th. As we cast a retrospective glance at the effects of the panic, we meet abundant evidence of the soundness of the banking and financial system of the State. There was no general panic, no tumble in prices and no commercial crash. The banks which failed have all resumed business, the restoration of the Bank of California being a financial feat unparalleled in history. On December 3d, 1875, it reorganized under the laws of the State, and levied eight assessments amounting to \$4,000,000, all of which were paid up within a year, restoring the original capital. The management is now confided to conservative and talented hands, who may be relied upon to avoid in the future the shoals and quicksands which engulfed it under Mr. Ralston's direction.

The inflationists of the East hailed the California panic as a felicitous proof that specie-paying countries are subject to panics. They certainly are, as all will confess, but their recuperative energies are far superior to those using a fluctuating currency.

William C. Ralston, whose death formed a tragical climax to the failure of the Bank of California, occupied a very conspicuous place in the financial history of the State. He was born in Ohio in 1826. His father was a carpenter, but having no predilection for this vocation he procured a situation as clerk on a Mississippi river steamboat, where he attracted the attention of C. K. Garrison. Mr. Garrison sent him to Panama as his steamship agent, and in 1854, when Mr. Ralston came to San Francisco, engaged him in the firm of Garrison, Fretz & Ralston in the bullion and exchange business.

This firm was succeeded by Donohoe, Ralston & Co. which was dissolved in 1864, Mr. Ralston retiring to found the Bank of California. His impetuosity was curbed by the conservative counsels of D. O. Mills, its president, but by his ability, experience, indefatigable energy and accomplished address, he aided in giving high character and standing to the bank and paved the way to his promotion to the presidency. Upon assuming the presidency he guided the destinies of the bank with but little check. Unselfish, but full of grand and visionary projects, he over-estimated the tension of the bank's resources, and scattered its assets with injudicious prodigality, involving it and himself in ruin. Probably the first error made by Mr. Ralston was in assuming the rôle of a capitalist rather than that of a banker. He was interested in the building of steamers to China, Japan and Australia, in the culture of silk, the manufacture of watches and furniture, the Water Company, the Woolen mills, the Truckee railroad; he conceived and began to erect the Palace Hotel, and sought to encourage all magnificent enterprises. No industry languishing for want of support went away unassisted; no new enterprise but met his encouragement.

Mr. Ralston lost sight of the cardinal principle of sound banking, that there is an essential difference between a mortgage and a commercial note. A great responsibility rests upon a banker in deciding into what channels, speculative, visionary, commercial or industrial, shall be directed the floating capital at his disposal. In aiding the legitimate enterprises of a community, a bank cannot afford to lock up its funds and join in a long-time partnership. He increased industrial activity, stimulated the channels of trade and threw a glamour of exaggerated prosperity over the State largely at the expense of the bank. Possessing as he did the charm of good fellowship, the people idolized him; but popularity is sometimes incompatible with sound banking.

There was a smaller class in the community who carped and criticised him. No politician in heated campaign engendered more partisan feeling than was exhibited in the columns of the San Francisco press. The truth is his excellencies and defects were alike prominent: much to approve, much to condemn. He made mistakes, and in order to extricate himself became deeper entangled in the toils, but few question his integrity of purpose. He had great dash and nerve, and in mental activity, boldness of conception, grasp of thought and energy of execution he was the Napoleon of financiers; but his extravagance, audacity and recklessness toward the close were sometimes mistaken for genius and brought him to his Waterloo.

His funeral cortège was the most imposing ever seen in California, fifty thousand people joining in the silent homage to the departed banker. A little later, when the attacks of two daily journals aroused public indignation, twenty thousand

men assembled to vindicate his honor. Orations and eulogies were delivered, resolutions were passed in his memory, and promises were made to withdraw patronage from the hostile papers. What remarkable testimonials were these of a man who had lost the capital of a great bank, and from men who did not know but that their own deposits were also gone!

The last session of the Legislature passed an act requiring statements in January and July, in response to which one hundred incorporated banks have reported. The private banks claim exemption from the act and the Revenue reports afford the only means of learning their condition.

The corporate banks report a paid-up capital of \$44,409,600 with a reserve fund of \$7,585,400, making an active capital of \$53,995,000, with deposits of \$122,911,300, on January 1st, 1877. The total deposits and capital of the commercial banks of the State may be estimated in round numbers at \$200,000,000. There is no usury restriction in the State and rates consequently respond to natural laws. The bank rates hitherto prevailing in the city have been quite high, and at present the average bank rate is probably 12 per cent., though loans are made as low as 9 per cent. The redundancy of capital in the city will soon force a permanent reduction.

The savings banks of California are objects of State pride and are exceptionally strong. The Savings and Loan Bank of San Francisco was the first organized, July 23rd, 1857. The interest paid depositors in the city ranges from 7½ to 8½ per cent. on ordinary deposits, and 9 per cent and higher on term deposits. In the country the dividends range from 7½ per cent. to 15 per cent. The following table indicates the growth for twenty years:—

SAVINGS BANKS DEPOSITS.

<i>Term ending</i>	<i>City.</i>	<i>Interior.</i>	<i>State.</i>
January, 1867.....	\$10,358,900 ...	.....	\$10,358,900
July, 1867.....	13,833,300 ...	.....	13,833,300
January, 1868.....	17,165,600 ...	\$200,000 ...	17,365,600
July, 1868.....	19,687,300 ...	756,000 ...	20,443,300
January, 1869.....	22,342,500 ...	1,476,000 ...	23,818,500
July, 1869.....	24,773,100 ...	1,989,100 ...	26,762,200
January, 1870.....	26,643,500 ...	2,259,100 ...	28,893,600
July, 1870.....	29,842,100 ...	4,039,200 ...	33,881,300
January, 1871.....	31,289,600 ...	5,266,400 ...	36,556,000
July, 1871.....	35,541,600 ...	6,337,200 ...	40,878,800
January, 1872.....	37,033,400 ...	7,201,700 ...	44,235,100
July, 1872.....	40,369,400 ...	7,415,000 ...	47,784,400
January, 1873.....	42,474,900 ...	8,956,400 ...	51,431,300
July, 1873.....	43,731,400 ...	9,614,600 ...	53,346,000
January, 1874.....	46,970,600 ...	10,862,800 ...	57,833,400
July, 1874.....	50,860,300 ...	11,877,600 ...	62,737,900
January, 1875.....	55,891,000 ...	14,022,400 ...	69,893,400
July, 1875.....	59,026,100 ...	13,858,400 ...	72,884,500
January, 1876.....	56,297,600 ...	13,765,000 ...	70,062,600
July, 1876.....	57,677,200 ...	12,789,000 ...	70,466,200
January, 1877.....	59,621,200 ...	13,921,500 ...	72,542,700

The shrinkage of deposits after the panic of 1875 has been recovered, and the total deposits January 1877 are \$72,542,700. The number of depositors is 100,623, making an average to each depositor of \$730, or an average to each head of the population of about \$100. The average deposit per *capita* of population in Switzerland is \$17, in England \$9.60, in Austria \$8.80 and in all Europe \$5.60, which show how superior is the condition of the industrial classes in California to those in Europe. Comparisons with other States of the Union show savings banks to be more largely used in California than elsewhere. Previous to the establishment of a Mint at San Francisco in 1854, the circulating medium was of a heterogeneous character, composed of coins from all nations, gold dust at \$16 per ounce, and "slugs" issued by private refineries. One of the earliest provisions in the organic law of the State was the punishment prescribed for uttering paper money. During the war the greenback was almost as much a stranger in California as the Bank of England note. On July 12th, 1870, the act authorizing gold banks was passed, and on January 3d, 1871, the First National Gold Bank of San Francisco began operations. Since then others have been established in the interior at Sacramento, Stockton, Oakland, Santa Barbara, San José, and Petaluma and one other in San Francisco. People educated to the use of gold and silver very reluctantly accepted gold notes, but their superior convenience has extended their circulation in the country. Gold and silver alone form a satisfactory monetary basis, but the machinery of the modern banking and commercial system greatly economizes the use of the precious metals and substitutes a convertible paper currency. Bank notes, checks and Clearing-Houses have greatly supplanted cumbersome specie transfers. The short-sighted and unfriendly policy of refusing gold notes was adopted by some of the banks during the panic, and even now city bankers send in on the following day for redemption all gold notes taken on deposit. This prejudice must die out, and if the law is modified gold-note banks must come into greater favor. The Clearing-House was established March 11th, 1876, and is now composed of fifteen banks. The Nevada Bank, the largest in the city, is not a member, but the Clearing-House already ranks fifth or sixth in the list of the United States. San Francisco exchange operations with the Orient are very extensive, and large London balances in China are settled on the most advantageous terms through San Francisco. This business is likely to increase, and all the indications of the time point to an early future when San Francisco will rank with London and New York, as the Clearing-Houses of the world.

SAN FRANCISCO, March 1st, 1877.

PROGRESS OF FRANCE IN NATIONAL WEALTH.

The Finance Minister of France, M. Leon Say, has just applied a novel method of estimating the progress of National wealth in France. He says that the value of devises, bequests, successions in any series of years calculated according to the legal records of wills, and administrations, will give important data for estimating the aggregate wealth of the country. Thus, in France, in 1840, the successions amounted to 1,608 millions of francs. Twenty years afterwards, in 1861, the value of the successions reached 2,463 millions of francs. Finally, in 1874, the amount of the successions declared, reached 3,749 millions of francs. The increase was very great. If we rely upon M. Say's rule for interpreting these statistics, the National wealth must have increased by more than fifty per cent. during the period between 1840 and 1861; and more than fifty per cent. additional must have been added in the second period from 1861 to 1874. Again from 1840 to 1874, the National wealth must have increased about 120 per cent. That these figures may be slightly exaggerated, is quite possible; but we may concede without hesitation, that from 1840 to 1874, the wealth of France, estimated in money, has been doubled. We say the wealth estimated in money, because it would be illusory to say that from 1840 to 1874, the number of all the commodities which are useful or desirable, has doubled in France. It would be ridiculous to suppose that there is in that country twice as much wheat, twice as much food, twice as much clothing, &c., in 1874 as in 1840. But what we can affirm with truth is, that the aggregate of these commodities possess twice as much value when estimated in money, in the year 1874, as in the year 1840.

It is worthy of remark, that the results just deduced for France, from the official reports of the wills and successions in that country, are almost exactly the same as those indicated for Great Britain, by the English statistics of the income tax. It is well known that the income tax was established in England and Scotland during the year 1842, and that it was not extended to Ireland till 1853. If we take the English reports of the income tax from 1842 to 1873, the last year on which we have complete reports, we obtain the following results: in 1842-43, the income reported throughout England and Wales, amounted to £ 227,710,000; in 1873-4, the amount was £ 439,803,000. It thus appears that during this same period of thirty-three years, in which the amount of the sums declared for the successions in France was doubled, the

amount was also doubled of the sums declared as income in England.

Turning again to France we find that in 1840, according to the speech of M. Say, the ordinary receipts of the government of France amounted to 1,035 millions, while the sums declared for the successions amounted to 1,608 millions of francs; the proportion of the first sum to the second was sixty-four per cent. In 1861, the ordinary receipts of the government were 1,554 millions of francs, and the sums declared for successions were 2,463 millions; the proportion of the first of these figures to the second, had fallen to sixty-three per cent. Finally, in 1874, the aggregate receipts of the government were 2,500 millions of francs, while the value of the successions were 3,749 millions of francs; which gives a proportion of sixty-six per cent.

THE COINAGE REFORM IN HOLLAND.

The new law for the establishment in Holland of the gold standard has just been rejected by the Upper House of the Dutch Parliament, at the Hague. The vote was sixteen against eleven, and the law had been previously passed by the Lower House. The chief provisions of this bill were, first, the maintenance of the gold standard represented by the coin of ten florins, now in circulation; and secondly, the keeping of silver coin in circulation, but the suppressing of all further coinage of silver pieces, even on account of the government. Moreover, the rejected bill authorized the Finance Minister to demonetize the silver coinage now in circulation, and to withdraw it as soon as possible, replacing it with gold as fast as the foreign exchanges should render this policy possible and necessary. But the Minister was not to use the powers thus conferred upon him, except after a previous arrangement with the bank of the Netherlands; and he had a credit of a million florins, to cover the loss resulting from the operation.

When the bill passed the second Chamber, there were strong objections urged against it on account of these last-named conditions, which were of such a nature as to cause apprehensions of the interference of the treasury in the money market. Indeed, these apprehensions were among the principal causes of the rejection of the bill in the Upper Chamber. When the original bill was first brought into the Lower House, it proposed to put in circulation gold pieces of five florins; but this part of the measure was cancelled before its passage by the second Chamber. Another provision of the bill was to introduce the gold standard into the Dutch colonies, and to keep in circulation, concurrently, the present silver coinage.

The Upper Chamber in rejecting the application of the project to the Low Countries, has decided to postpone its application to India, until some future undetermined period. The monetary situation, therefore, is unchanged in Holland. That is, the public are allowed to coin florins of gold, but they are forbidden to coin silver, as the privilege of the silver coinage is reserved to the government. This defeat of the bill is regarded as a triumph of their principles, by the bi-metallists, who have been most active in preventing the proposed legislation.

JOINT-STOCK SPECULATION IN GERMANY.

The public attention has been frequently directed for some years past to the fever of speculation which since 1869 has spread throughout Germany, and especially in Prussia. The excitement was in its earlier stages before the war of 1870 against France, and the immense payments made at the close of that disastrous defeat, carried the fever to an almost dangerous height. Now that the inflation period has passed by, and its mischievous effects on social and industrial progress are seen, a very suggestive series of economic facts is developing itself, which are well worthy of more attention than they are receiving from the Germany colonists. An interesting paper on the subject has just appeared from the pen of M. Maurice Block, in the *Economiste Français*. He shows the amazing activity of speculation in various ways, and furnishes statistical tables in illustration. For example, he reports from official figures the number of Joint-stock Companies in existence before June 11th, 1870, and compares them with those created since that date. In the former period, the number of these companies in Prussia was 352, and their total capital amounted to 991,065,922. This was the aggregate of the Joint-stock Companies existing in June, 1870. During the interval between that date and 31st December, 1874, 780 new companies were formed, with a total capital of 1,282,770,925 thalers.

The reason for the selection of June 11, 1870, as the dividing line between these two periods, is that the Prussian law, to facilitate the formation of Joint-stock Companies, was passed on that date. To this law, with the stimulus of the French indemnity money, we must chiefly ascribe the rapid growth of the Joint-stock Companies, as above recorded.

M. Block's next table records the results of those companies which have failed and gone into liquidation. During this century there have been 1,267 bankrupt Joint-stock Companies, with an aggregate capital of 2,456 millions of thalers, or \$1,842,000,000. Before 1800, there were five such companies, having an aggregate capital of 467,000 thalers; from 1801 to 1825 there were sixteen failures, with 11,454,265 thalers

of capital; from 1826 to 1850, 102 failures, with 212,065,085 thalers; from 1851 to June, 1870, 295 failures, with 801,585,105 thalers; from June to December, 1870, there were forty-one failures, with 59,024,150 thalers of capital. In the year 1871, there were 225 failures, involving a capital of 375,952,533 thalers; in the year 1872, the failures were 500, with a capital of 543,095,542 thalers; in 1873 there were seventy-two failures, with a capital of 305,780,500 thalers; and in 1874 nineteen failures, with a capital of 146,073,200 thalers.

A third series of statistics refers to the classification of the companies which have absorbed these immense masses of capital. It appears that seventy-two per cent. before 1870, and 43.3 per cent. after that date have been absorbed by the railroads. In this respect the experience of Germany coincides with our own. In this country during the inflation period, our railroads consumed a very large proportion of the floating capital, which became fixed capital every year. We have no statistics, however, enabling us to fix as precisely as in the statistics before us, the exact proportion between the various descriptions of investments into which the capital of this country was absorbed.

In Germany, before 1870, the mines and manufactories absorbed 10.2 per cent., and after 1870 ninety per cent. of the aggregate capital invested. The comparison of these two periods is very suggestive, and has an importance quite equal to the comparison of the investments themselves. Commercial enterprises, principally banks, absorb four per cent. Before 1870, and after 1870, 18.4 per cent. of the aggregate capital invested. Buildings which absorbed formerly 0.6 per cent., so increased in activity after 1870, as to absorb ten per cent. It is well known that when the masses of the people living in towns and cities become better off and earn larger wages, rents advance, and a scarcity of dwellings very soon causes trouble. This evil was very conspicuous in Prussia, and building societies sprung up with great rapidity, and soon the larger portion of them became insolvent.

Let us pass now to the manufactories of machines. They absorbed, before 1870, 1.1 per cent. of the aggregate capital, and 4.4 per cent. after 1870. Textile industry absorbed 1.3 per cent. before 1870 and 1.7 per cent. afterwards. Insurance companies absorbed 8.3 per cent. before 1870 and 0.7 per cent. afterwards. It is worthy of notice that the only department of Joint-stock investments which shows a decrease is that of insurance. We have here a striking illustration of the want of forethought, and of the reckless disregard of the future, which speculative excitement, in all ages, has usually produced. In this country, during our paper-money expansion, there was an exception to this rule. For reasons which merit examination, there never was a time when our insurance companies flourished so actively as during the period of inflation.

RATES OF PROFIT UPON BRITISH AND FRENCH INVESTMENTS.

BY GEORGE M. WESTON.

The Journal of the Statistical Society of London (September, 1876), gives many tables of the dividends for a series of years, paid by various British stocks, and of the market prices of the same stocks in the same years, thus showing the rate of interest received in those years by investors. These tables cover periods long enough to illustrate the actual rates of profit upon invested capital in England, and to show the average judgment of investors in that kingdom, upon the questions of relative security and relative gain which arise in determining investments.

That paying the least rate of interest, is in the three per cent. consols, the holders being indemnified for diminished income by greater supposed safety, and by greater convertibility. In the eighty-seven years, from 1789 to 1875, the average market price of the stock has been eighty-one and six-tenths, and the income three and seven-tenths upon the sums paid to purchase it. But this long period may properly be divided. The first thirty years cover the memorable wars growing out of the great French Revolution and of the ascendancy of Napoleon, when the English government was a constant and great borrower, and its stocks were issued in too great quantities even for the wealthy market which absorbed them. During that period, the average price of the stock was sixty-five and seven-tenths, and the income upon the purchase price of it four and a half per cent. In the fifty-six years since 1819, the average price has been eighty-nine and seven-tenths, and the income upon the purchase price of it three and a half per cent. During the last thirty-five years, the income upon the purchase-price has been only three and one-fifth per cent. And it is the rate of income upon English consols during this thirty-five years, which most practically concerns the present times, and in respect to which, the most valuable and numerous comparisons may be made with the rates of income yielded by other forms of investment.

Next to the government, the Bank of England most completely fills the measure of the average Englishman's ideas of solidity and impregnable strength. It is hardly necessary to be said, that the phrase, "*as good as the bank*," is derived from our English ancestry and connection. It would never have been invented in this country, which is a Potter's Field of broken and defunct banks, too numerous to be distinguished

by head-stones. The institution in Threadneedle street is, to the Englishman, as invincible as St. George, and as sacred as the Tower. It is well entitled to his confidence. In the long period of 144 years, from 1732 to 1875, both inclusive, the dividend has averaged eight and one-quarter per cent. upon the par of the stock, and the income upon the market price of the stock has been four and nearly six-tenths.

During the last thirty-five years, the annual dividends have averaged eight and three-quarters per cent. upon the par of the stock, and the income upon the market price of the stock has been three and ninety-six hundredths per cent., or in round numbers, four per cent.

What is called the London and North-Western Railway, has been since 1846 really a consolidation of numerous railways. It does not cover so much space as the net-work of roads controlled by Col. Thomas Scott, because America is in all senses a "great country," while Great Britain is only a little island. But the London and North-Western is respectable in its cost of three hundred millions of dollars, and in its length of 1,586 miles.

In the thirty-one years, from 1845 to 1875, both inclusive, the annual dividends have averaged six and one-fifth per cent. But as the average premium on the shares has been twenty-five per cent., the purchasers of it have only realized an annual income of four and nine-tenths per cent. on their money. And this is the rate of income on the market price of the great mass of railroad shares in England. Railroad bonds, or debentures as they are called there, being safer, pay less.

Six London Water Companies, with a share capital of £9,191,816, have declared in the five years—1871 to 1875, both inclusive—average annual dividends of six and eighty-six hundredths per cent. But as their shares have borne an average premium of forty-one per cent., purchasers have received only four and eighty-six hundredths on their money.

Shares in the great Ocean Steamship Lines of England, being a hazardous property, sell in the market at prices yielding to the investor from six to seven per cent. annually. Canal shares being deemed safer, yield upon their market price about one-third less. The London and St. Catharine Dock, with a share-capital of six millions sterling, and esteemed to be a reliable property, has yielded to the investor during the last eight years, five and twenty-nine hundredths per cent.

As is well known, real estate is considered in Great Britain the safest of all properties, and sells at prices at which investors do not realize more than three per cent. annual income, and, perhaps, hardly that.

The above figures show in the most reliable way, that is

to say, by market prices over terms of years, what the ideas of the average Englishman are in respect to investments. Next to realty, it is his government in which he most confides, and next to that the Bank of England, or "*the Bank*," as he calls it. He is as well satisfied with three and one-fifth per cent. income upon consols, as four on Bank of England shares. He thinks well of railroads and water companies, but in the comparison, he wants five from them. If he takes a risk, he insists upon being paid for it. If English railways were financiered in the American fashion, he would demand a good deal higher rates for railroad investment risks than he actually does.

Without proposing to exhibit so much in detail the returns upon French investments, we present the figures of the rates received by purchasers of shares in the Bank of France for seventeen years, the Bank itself paying all the taxes on the dividend. The income is reckoned in the same way as in the English cases, that is to say, on the basis of the market price of the shares.

<i>Years.</i>	<i>Average income on market price.</i>		<i>Years.</i>	<i>Average income on market price.</i>
1860	... 4.94	.....	1869	... 3.70
1861	... 5.08	.....	1870	... 4.29
1862	... 5.34	.....	1871	... 8.79
1863	... 4.87	.....	1872	... 8.56
1864	... 5.93	.....	1873	... 7.38
1865	... 4.34	.....	1874	... 6.73
1866	... 4.37	.....	1875	... 5.19
1867	... 3.14	.....	1876	... 3.92
1868	... 2.84	.....	

The four years—1871-2-3-4—may fairly be taken out of the account. During a part of 1871, Paris was in the hands of the Commune, and the enormous payments to Germany rendered the financial situation hard and critical during all those four years. The remaining thirteen years show an average income of 4.38 per cent.

These British and French rates are less than the rates in this country upon securities occupying the same rank in public estimation, but the difference is not so great as it is sometimes said to be. Purchasers give so decided a preference to home investments, that our securities are acceptable to Europeans only upon the condition of paying a marked excess of interest beyond what their own securities pay. It therefore only needs an approximation of the American to the European rates, to bring back all our stocks held abroad.

In his report (1790) on the Public Credit, Alexander Hamilton said: "It is well known that in some of the States, prior to the Revolution, money might, with facility, be borrowed on good security at five per cent., and not unfrequently, even at less."

It may be true that the increased activities of modern times, tending to augment the employments and gains of capital, are an offset to the enormous increase in the amount of it which is disposable. But they can hardly be supposed to have done more than that, and the rates of interest ought not to be higher in America than they were one hundred years ago. They would not be, if our people could be cured of the insanity of perpetuating public debts.

THE BUSINESS DEPRESSION IN AUSTRIA.

BY DUDLEY P. BAILEY, JR.

The results of the late crisis continue to be felt throughout the Austro-Hungarian empire with about as much severity as in the United States. The following facts, mainly from the correspondence of the London *Economist*, constitute a valuable addition to the information on this subject. In 1873, there were in Vienna 294 joint-stock companies, with a paid up capital of 1,702 millions of florins, or gulden, each of 190.5 grains, 9-10 fine silver worth about 47½ cents, according to the rating of silver by the Latin Union. From the 1st of January, 1873, till the 31st of December, 1876, 135 of these joint-stock companies resolved to liquidate. Of these, 59 liquidated in 1873, 36 in 1874, 18 in 1875, and 22 in 1876. Most of these undertakings perished at the commencement of their career, namely: 39 in the first, 34 in the second, 26 in the third, 17 in the fourth, 5 in the fifth, 2 in the sixth, 6 in the seventh, 4 in the eighth, 1 in the ninth, and 1 in the fourteenth years of their existence. The total capital in shares, of these 135 companies, amounted to 369,729,000 gulden, whilst their profits of emission amounted to 64,885,000 gulden. Fifty-two of these companies have already completed their liquidations, twenty more have substantially completed theirs, and thirteen from the repayments already made, may be considered as annulled. These 85 companies absorbed 262,880,000 gulden, or over seventy per cent. of the total capital mentioned. Only 4 of them, with capital of 21,000,000 gulden, returned to their shareholders more than the capital invested; 15, with capital of 42,100,000 gulden, closed their affairs without loss to the public, or their shareholders; 38, with capital of 132,127,000 gulden, settled with their creditors in full, but lost 76,704,000, or 58.05 per cent. of their capital; while 28, with capital of 67,653,000 gulden, lost the whole amount invested; and of these last, twenty companies failed to pay their creditors in full. The liquidations still proceeding, representing a capital of 106,849,000, have, up to the present time, paid the sum of 17,769,000 gulden. It is expected that

with these companies the loss will amount to at least 63,765,000 gulden, making, with the loss of 142,619,000 gulden on the 85 companies first mentioned, a total loss of 206,384,000 to the shareholders in the 135 liquidating companies, or about 56 per cent. of the capital invested. It is expected that the companies now liquidating, will return 25,315,000 gulden to their shareholders, and that all the 135 companies will return not over 163,000,000 gulden. Railway companies not included in these figures.

The crisis has also produced a marked falling off in the yearly sales of landed property. An abstract of the transactions in real estate in Austria, gives the following returns:

Year.	No of Estates sold.	Value in millions of Gulden.	Year	No of Estates sold.	Value in millions of Gulden.
1871	154,531	306.8	1874	167,938	417.0
1872	*758,427	481.8	1875	158,425	355.5
1873	163,815	573.7	...	.....	...

The sales in Vienna were as follows:

Year.	Value in millions of Gulden.	Year.	Value in millions of Gulden.
1870	38.1	1874	87.7
1871	51.5	1875	70.7
1872	131.1	1876	45.0
1873	211.9	...	...

The transactions of the Vienna Clearing House reached their minimum in 1874, and though increasing slowly, have by no means reached their former magnitude. They have been as follows, since the foundation of the establishment:

Year.	Florins.	Year.	Florins.
1872	2,296,598,351	1875	1,419,742,953
1873	2,364,318,630	1876	1,490,702,854
1874	1,264,909,523	...	.....

The Austro-Hungarian banks, savings banks, and insurance companies, contracted mortgages to the amount of only 237.8 millions florins, in 1875, against 854.2 millions in 1874; 799 millions in 1873; 706 millions in 1872; and 576.6 millions in 1871. The bills discounted by these institutions in 1875 amounted to 444.3 millions florins, against 472.7 millions in 1874; 480.8 millions in 1873; 469.8 millions in 1872; and 398.9 millions in 1871. The transactions of the Austrian National Bank, for the year 1876, amounted to 7,761,540,000 florins, of which 6,448,420,000 florins were transacted at Vienna, and 1,313,120,000 florins at the branches. Its condition for the weeks ending at the dates given below, was as follows, in millions of florins:

Assets.	Dec. 29, '75.	Jan. 28, '76.	June 28, '76.	Nov. 2, '76.	Dec. 27, '76.	Feb. 14, '77.
Coin and bullion.....	134,60	136,59	136,60	136,60	136,60	136,61
Discounts and advances	150,55	128,52	133,14	176,14	156,96	141,13
Liabilities.						
Circulation.....	287,99	271,73	273,95	312,61	288,16	284,44

* This amount seems so large in relation to the increase in value as to suggest a doubt whether there is not a typographical error, and the true reading 158,427.

The volume of the Austrian paper currency has shown some increase during the past year, though it has not reached the volume outstanding at the date of the crisis. The changes in its amount have been as follows, in millions of gulden :

	<i>Bank Notes.</i>		<i>State Notes.</i>		<i>Total.</i>
May, 1873.....	321.6	...	360.0	...	681.6
End of December, 1875.	286.2	...	346.5	...	632.7
“ March, 1876.....	273.7	...	336.0	...	609.7
“ June, “	274.7	...	332.0	...	606.7
“ September, 1876.	289.2	...	351.5	...	640.2
“ November, “	296.2	...	354.3	...	650.5
“ February 1, 1877	286.63	...	347.53	...	634.16

In July, the Austrian paper currency was almost at par with silver, which was quoted as low as 100.90 to 100 of paper, the price of gold averaging for the month, 126.43 and not falling below 122.37. The highest price of silver was in December, when it touched 118.25 per cent. The average price of gold advanced from 114.78 per cent. in January, to 126.57 in December, while that of silver, advanced only from 104.98 per cent., to 105.56 per cent., during the same time.

There has also been a falling off in the passenger traffic on the Austrian railways, even more rapid than the increase which took place in the years previous to the panic. The statistics of the Austrian portion of the empire are as follows :

<i>Year.</i>	<i>Length of Railways in English miles.</i>	<i>Passengers conveyed.</i>	<i>Year.</i>	<i>Length of Railways.</i>	<i>Passengers conveyed.</i>
1869 ...	3,209 ...	16,790,529	1873 ...	5,750 ...	30,491,554
1870 ...	3,724 ...	19,400,166	1874 ...	5,948 ...	28,903,700
1871 ...	4,500 ...	22,115,837	1875 ...	6,358 ...	26,927,922
1872 ...	5,219 ...	25,375,016			
			Total.....		170,004,724

In relation to the foreign trade of the empire, there has been, as in this country, a large increase of exports, and a large reduction of imports. During 1875, for the first time since 1869, there was an excess of exports. The real value of the imports and exports for 1874 and 1875, was as follows :

<i>Year.</i>	<i>Millions of Gulden.</i>			<i>Excess of</i>	
	<i>Imports.</i>	<i>Exports.</i>	<i>Total.</i>	<i>Imports.</i>	<i>Exports.</i>
1874 ...	627.5 ...	502.8 ...	1130.3 ...	124.7 ...	...
1875 ...	549.3 ...	550.9 ...	1100.2 ...	...	1.6

The Austro-Hungarian empire, like the United States, is a debtor country, and the above figures indicate that there, as here, the foreign debt is no longer undergoing increase, to pay for imports, but that the sounder policy has been adopted of limiting imports by the ability to pay for them. Trade necessarily suffers, but this change accelerates the re-establishment of credit.

THE DEMONETIZATION OF SILVER.

ITS EVIL CONSEQUENCES AND OSTENSIBLE OBJECTS.

[FROM ERNEST SEYD'S *Treatise on the Currency of the United States.*]

The definite adoption of the Gold Valuation by the majority of the civilized States must involve its extension over all the other nations with which they stand in commercial intercourse. The idea has been mooted that America and Europe might use gold, and that East India and China might use silver. A moment's reflection, however, will show that this division into two distinct portions is not tenable, for in the first place, they would thus be unable to settle the respective balances of trade by means of bullion, and secondly, the lead of the civilized States would sooner or later be followed by the rest. The gold valuing States would consequently suffer from this advantage; they would be unable to make use of silver from the other States, and they would be obliged to divide their stock of gold with the other nations. The scheme of universal coinage, as far as it has been discussed from that point of view taken by those in favor of the single gold standard, requires for its basis, as admitted on all hands, a distinct system, either the single or the double valuation, so that either the one or the other must sooner or later become universal. What would be the consequences of the gold valuation, or rather of the demonetization of silver? According to the best estimates there are now used for monetary purposes* in the world, 3,500 millions of dollars in gold, and 3,250 millions of dollars of silver, together 6,750 millions. Will the introduction of the gold valuation affect the use and price of silver? Will it decrease the total amount of mediums of exchange? and what will be the effects, as far as the intercourse between mankind is concerned?

These matters can best be judged of by enquiring, first: what results, as regards the use of silver, appear where the single gold valuation is in operation? England affords the best example. The amount of gold current in the country, and adding thereto the stock of bullion at the Bank and elsewhere, may be taken at 110 millions sterling. The amount of silver coin now current is estimated at between thirteen to fifteen millions, equal to from ten to twelve per cent. on the whole metallic circulation. It must be distinctly understood that the present stock of silver coin in England cannot possibly increase; the law of legal tender, limiting payments in silver to £2, is absolutely necessary in order to maintain the gold valuation, and it necessitates the abase-

*The accounts given above refer only to coin or bullion, without reference to jewelry, ornaments, utensils, &c., made of the precious metals.

ment of silver coin, so as to prevent its exportation. Such silver coin, therefore, is money which cannot be freely used, and which cannot be freely disposed of where it has accumulated; hence large sums are occasionally lying idle in the hands of bankers, and the British Government dare not issue more of such debased coinage for fear of bringing about its immediate depreciation.

Assuming however that the practical maximum of Great Britain of twelve per cent. is not a rule for other nations (although there is no warrant for this assumption), and that as far as the rest of the world is concerned, twenty per cent. may be the proportion which under the gold valuation can come into use, the following result would appear:

There are now 3,500 millions of dollars in gold used as money, and 3,250 millions of silver, but in future only 700 millions of silver (20 per cent. on the 3,500 millions of gold) could be used; thus 2,550 millions of silver would be thrown on the market to find employment in another way. What is to be done with this enormous quantity of silver? Can it be used for ornaments, utensils and domestic purposes? So long as the price of the metal remains as it is, there is no inducement or prospect of its being used more extensively for such purposes than now. Of course, as soon as the price fell 25 or 50 per cent. it might be used more freely in this way, but on no other terms than such a considerable reduction in value can any increase in its employment for other purposes than money be at all expected, and even then it is doubtful whether such a prodigious amount as 2,550 millions of dollars can be absorbed. In addition to this stock the annual production of silver in the world amounts to at least 75 millions of dollars per annum, and allowing 15 million dollars per annum for the abrasion of coin, silver plating, etc., in 30 years no less than 1,800 millions, in 50 years no less than 3,000 millions, would be added to the general stock, so that say 5,500 millions of dollars worth have to be used. With the alloy customary for silver plate, this quantity would be equal to about 5,200 millions of ounces.

Supposing that all families whose income exceeded 1,000 dollars were in the habit of using solid silver plate; assuming that in Great Britain (taking the income-tax returns as a guide, but with a *very* large allowance for inaccuracy) there were 250,000 of such families; estimating that in Europe and America altogether, there were two millions, and in Asia and the rest of the world another one and a half millions of such families, each of them would have to use, after the next fifty years, about 1,500 oz. of silver in order to absorb that great sum before mentioned. Or if of the population of India, said to be so fond of silver bangles, there were 30 millions of individuals able to indulge in these luxuries, each of them would have to carry a good

weight, in order to absorb, say only one-half of the surplus of the stock of silver. However absurd the result of such reflections may seem, they can bear, on the score of extravagance, very considerable modifications, after which they would appear sufficiently serious to engage the attention of those who are ready to enquire into the whole bearing of the matter.

It is evident then that the introduction of the gold valuation would throw an amount of silver on the markets, which could not be disposed of unless the price of the metal fell 20, 30, 50, or 80 per cent. The question would then arise, whether the silver coin, which after all, under gold valuation, might remain current, could maintain its nominal value? Such silver coin, already abased—for the American half-dollar, for instance, has a metallic value of but 48 cents, and the English five shilling piece of but 4s. 7d.,—would it be possible to maintain its nominal value if the price of silver fell, say, 10, 20, or 30 per cent.? Could the half dollar circulate as 50 cents if in reality its metallic value was but 40 or 30 cents, or less? The power of Seignorage or the force of legal tender may do much, but the supposition that they could uphold such a fictitious value is a foolish one! The only remedy to meet this discrepancy would be that of increasing the size of the coins in proportion, so a half-dollar might be in future as much as a whole dollar, and more. Without reference to the immediate loss and the disorganization of the system, how would this contingency agree with the plea of the advocates of the gold valuation as to the comparatively heavy weight of the present silver coinage? Again, as it would be impossible to determine beforehand to what extent and how soon silver would fall in price, if forcibly abolished, many years might elapse before the final level was determined. Practically, therefore, the introduction of the gold valuation means the total abolition of silver for the purposes of coinage, and as gold cannot be coined in pieces below, say two and a half dollars (for no tricks with alloys and by other means will get over this difficulty), there would be an end to all metallic mediums of exchange now so conveniently made of silver.

It is very singular that the advocates of the single gold valuation refuse to recognise the validity of these arguments. Not that they have ever brought forward any proofs refuting their truth, but they have confined their opposition to the single remark, "We don't believe this; silver will not fall in value; it will be used for other purposes as before!" Note the inconsistency of such an answer! The advocates of the gold valuation base their arguments against the double valuation principally upon the supposed fluctuations of the proportionate value between gold and silver, consequent upon the inequalities between supply and demand. But here, when not only the almost total extinc-

tion of any further demand, but actually the abolition of the use so far made is in question, they refuse to recognise that silver will fluctuate, that it will fall in value. If their allegation, "that silver will not fall in value" under this pressure of its almost complete abolition as a medium of exchange is correct, they themselves furnish the strongest argument in favor of the double valuation—in favor of the stability of the proportionate value between gold and silver.

The demonetization of silver would consequently compel the world to rely entirely upon gold as the only metal to be used by force of law as the medium of exchange. Its supply therefore must be guiding for the future. How will this keep pace with the demand? The discovery of the Californian and Australian gold fields marks an era in the history of the world. Are we likely to discover other Eldorados? The world has now been sufficiently surveyed to deny this hope; and although it is possible that in the inhospitable regions of the North, and the fever forests of the Tropics, there are hid deposits of gold, yet cold and heat will render them practically unworkable. It is a well-known fact that both California and Australia have fallen off in their production of gold. They will furnish it for many years to come, but at a declining ratio, until the production will cover only the amount annually absorbed by the abrasion of coin, and its use in the arts, by the gilding or otherwise, estimated at several millions per annum. In the meantime, both populations and commerce may increase at a rate much beyond that of the supply of gold, and the time may not be far distant when the demand will, in its turn, be hampered by short supply.

The most serious matter however, as far as the mediums of exchange are concerned, is the prospective abolition of the 2,550 million dollars of silver from the total of 6,750 millions of metallic money now current as coin or existing as bullion. The 2,550 millions, out of 6,750 millions, would be tantamount to about thirty-eight per cent.; the whole sum of 3,250 millions would be equal to forty-eight per cent. What would be the effect of this reduction on the contract basis as it now exists, and on commerce and civilization?

The advocates of the gold valuation here again have furnished the argument proving the weakness of their cause. The discovery of California and Australia, *i.e.* the supply of material used as money, brought about a rise in prices, which, under the theory then developed by Mons. Chevalier, was called a fall in the value of gold. The rise in the prices of commodities was supposed to affect injuriously all so-called fixed contracts, interest from State debts, and other fixed incomes, and a great outcry was raised that the undue supply of gold was disadvantageous to these contracts, for its possessors were unable to purchase the same amount of com-

modities which they were able to procure before. Granting, for the moment, that there was no compensating counterpoise (of which I shall speak later on) to this seemingly one-sided and injurious effect, there can be no doubt that the theory was correct. An additional supply of money has the tendency to raise the value of commodities and property; since, if an individual having a fixed income of say 2,000 dollars per annum, is compelled to pay prices, say twenty per cent. higher than before, his income is practically so much reduced in value; but bear in mind, the value of the labor, the produce and real estate, which are interests vastly outweighing the more or less accidental fixed income, is so much increased.

Reverse the position now, and assume that instead of a sudden increase of the supply of metallic money, there had been somehow a sudden decrease in its total, does it not follow that the opposite effect must be produced—that labor, commodities, and real estate must fall in value, and that he, the individual with the fixed income, must profit from such a state of things, because he can buy cheaper, and his income becomes more valuable to him?

Such a sudden decrease in the amount of available mediums of exchange would be the demonetization of silver, and I allege that that which I have here familiarly illustrated by the effects on a fixed individual income, will take place on a grand and universal scale in all the relations between capital on the one hand, labor, goods and real estate on the other; and the demonetization of silver, abstracting say 40 per cent. from the mediums of exchange, or rather the violation of the contract basis upon which these relations now rest, will be tantamount to a gratuitous addition to the power of invested capital and fixed incomes, whilst labor and property will fall in value. Whether this result takes place suddenly, or gradually (as the advocates of the gold valuation put in for an excuse), the principle involved remains the same, the wrong remains paramount. Thus the value of all State debts (in themselves immoral) would increase greatly, the burdens of taxation would become the heavier in proportion, and labor would become more enslaved than ever. There are persons who allege that the additional supply of gold might soon make up the difference! The folly of this assertion equals that of a man who wantonly scuttles his ship in the hope and expectation that he might get another to replace it.

The whole of the misconceptions in reference to this matter originate in the false theory respecting supply and demand which has hitherto held sway. It has been the fashion to say, "the demand rules," and such doctrines have been held as—"the value of money depends upon the demand for it." In reality the supply is the more powerful agent, for it possesses the faculty of creating the demand, whereas

the power of the demand to create supply is limited. The history of railway enterprises show what supply can do in developing demand, and the principle therein shown is active in every other direction. Indeed the supply is that, without which life and the whole intercourse of the world cannot go on. The increase of supply, of whatever material it be, cannot have any other but a beneficial effect on the whole, and special interests must submit to the effects of such an increase.

The special interests, before alluded to, those of the fixed contracts, may have suffered drawbacks; the fault lies in *the specialty* of the individual contract, not in the development of the world's intercourse and the contingencies to which it is naturally subject. And those who have pleaded in favor of the fixed incomes have altogether overlooked the compensating counterpoise. This counterpoise, from which the special contracts have since again, at least in a great measure, recovered their former value, in the increased production. When prices of commodities rise in value, a stimulant is given to their production, which in its turn, by satisfying the demand sooner or later, is again accompanied by a reduction of the prices, and that this has been literally fulfilled, the present prices of commodities, some of which are lower now than before 1850, abundantly prove. The supply of the precious metals may be more spasmodic, for it is unnatural to suppose that it should take place in a mathematically regular manner; the increased production may be slower, but it is surer, and in the end it must come up to the level.

What then is the net result when the production has thus arrived at the level, or is on its way to it? It is *increase* simply—*increase* in the creation and existence of feasible commodities, comforts and luxuries, intended to make life happy. Among these productions we must not only count material matters of necessity and luxury, but the productions of the brain,—those of the poet, the engineer, the scientific man, and the political economist,—they are just as much subject to the healthy stimulant of a supply of money as all other matters; and does not the welfare of mankind, its highest aim, the spread of civilization, depend upon the progress of material and spiritual production? The supply of metallic mediums of exchange has assisted the world greatly in carrying out the splendid inventions, by means of which, during the last twenty years, commercial intercourse, personal comfort, and civilization have made such wonderful strides. A stoppage will take place, or a retrograde step will be made, if the advocates of the gold valuation succeed in destroying the use of one of the precious metals; they would commit a crime from which the present generation may suffer, for which future generations may bitterly curse them.

USURY LAWS AS AN OBSTACLE TO RESUMPTION.

As an obstacle to the resumption and maintenance of specie payments, the usury laws seem likely to prove especially mischievous during the next few years. As every one familiar with the subject well knows, a control over the rates of interest is among the most efficient means by which banks are able to secure and maintain an adequate specie reserve. A rise in the rates of interest has a tendency to reduce prices, diminish imports and increase exports, both of merchandise and securities, and thus produce a favorable turn in the exchanges. The banks gain in cash because less money is borrowed at the higher rates, while the maturity of their loans and discounts is constantly replenishing their coffers. The operations of the Bank of England afford the most conspicuous illustration of this principle. When its specie and reserve are threatened by a drain, it raises the rate of discount to a point sufficiently high to arrest the efflux and attract gold to the bank. The principal banks in all the great commercial centers of Europe, have this power, and find it quite essential to the successful conduct of their operations. An eminent authority on this subject, M. Bagehot says, "Whatever persons—one bank or many banks—in any country, hold the banking reserves of that country, ought at the very beginning of an unfavorable foreign exchange, at once to raise the rate of interest so as to prevent their reserve from being diminished further, and to replenish it by imports of bullion. This, however, is just what the banks of this country are for the most part forbidden to do, except within certain limits, which are far too narrow. In this way the usury laws tend to cramp the banks, and deprive them of the means of protecting their reserves.

The banks in all the redemption cities, but especially the Clearing-House Banks of New York, which sustain somewhat the same relation to the banking system of the United States that the Bank of England does to that of Great Britain, should have a similar power publicly to fix their rates of discount high enough to protect their reserves. If the State and National usury laws cannot be abolished entirely, they ought at an early date to be modified to this extent.

In the past, our panics have been intensified by the want of such a power over their rates in the banks of our leading commercial centers. In the crisis of 1857, though the rates of interest in London and Paris rose to ten per cent., money could be procured at these rates. But in New York the banks were restricted to the legal rate no matter how great the

pressure. They could not ask over seven per cent., when money was worth twenty. Without the natural power of regulating the market by raising their rates, they adopted arbitrary restrictions and curtailed their accommodations heavily, while the banks of Europe discounted freely, at the advanced rates. The weekly averages of the New York banks showed a contraction in loans of \$27,114,122, between August 8, and November 28, 1857, mostly in the eight weeks ending October 10. The Bank of England, pursuing a wiser policy, increased its loans on private securities from £20,404,000 to £31,350,000, or nearly \$50,000,000. The banks of New York have been blamed for their course in that panic, but it is a question whether the fault was more in the banks or in the law which hampered their action. With power to raise their rates as required by the state of the market, they could have mitigated the panic by limiting their discounts, not by their own fears, but by the wants of solvent borrowers at the advanced rates.

There has not been a time since the suspension of specie payments, when an absolute power over their rates of interest was more needed by the banks than it is likely to be for the next three or four years, until the country gets fairly settled on a specie basis. The existing suspension of specie payments has lasted longer than any previous one since the establishment of the National Government, and relatively to its wants, the country has less specie than at any time for twenty-five years before the suspension. During this period an immense change has come over the commerce of the world. Steam and electricity have united the money markets of civilized nations into one body, which feels every tremor even in the remotest member. In addition to this, the vast extension of credit operations has imparted a peculiar sensitiveness to these markets. Hence the machinery by which the markets are controlled, and especially the banking system, needs to possess a greater delicacy and power, corresponding to the increased strain to which it is liable at any moment to be subjected. There can be no doubt that the banks will have an important part to perform in checking any drain which may follow resumption, and in keeping an adequate stock of specie in the country. To enable them to perform this work effectively, the shackles of the usury laws which now bind them, should, at least in the redemption cities, be removed. With weightier responsibilities than banks in other places there is nothing invidious in giving them higher privileges. On the resumption of specie payments, we shall emerge into new conditions. With our whole monetary system affected by every demand for bullion from abroad, it will not be safe longer to withhold from our banks a power of attracting the precious metals which is possessed by other banks which may desire to draw a supply from our stock.

USURY BY NATIONAL BANKS.

UNITED STATES DISTRICT COURT, W. D. OF PENNSYLVANIA.

Wm. Duncan & Brother vs. First National Bank of Mount Pleasant; Benjamin Millinger vs. same.

These cases, for the recovery of penalties for exacting usurious interest, were decided in the United States District Court at Pittsburgh, on March 14th, the jury rendering for the plaintiffs in double the amount of interest charged. The verdict for Millinger was \$76.04, and for William Duncan & Brother, \$1,259.92. The charge of the Court, delivered by Judge Ketcham, is as follows:

GENTLEMEN OF THE JURY: These are cases brought by the plaintiffs to recover from the defendant the penalty for taking usurious interest under the thirtieth (30th) section of the National Bank law of June 3, 1864. By agreement of counsel both these cases, William Duncan & Brother and Benjamin Millinger, are tried by you together. The plaintiffs, as you have seen in the course of the testimony at different times, loaned money of the defendants, Duncan & Brother, at three different times; \$500 on January 30, 1873, \$4,000 on July 9, 1873, and \$500 July 18, 1873. Benjamin Millinger loaned \$250 January 27, 1873, and \$274.35 January 15, 1875. At the time of the loan in each case the bank retained nine per cent. as discount and credited the plaintiffs with the balance, taking their notes respectively for the full amount of proceeds and discount. The notes of Duncan & Brother were not paid at maturity, but were renewed from time to time. The first note of \$500, of January 30, 1873, was renewed till the fall of 1874. It had been reduced by payments to the sum of \$150. The note of July 9, 1873, for \$400, was renewed till October, 1874. The note of July 1873, for \$500 was renewed till November, 1874. At each renewal nine per cent. interest was charged, and was paid by the plaintiffs. These notes were all sued and judgment obtained upon them for the face of the notes or the principal, before the bringing of this suit. The Millinger notes were renewed; the note of January 27, 1873, for \$250, from time to time till March, 1874, when it was paid in full; the note of January 15, 1875, for \$274.35, was renewed at the end of three months, for two months, and then for one month, and remained unpaid until suit was brought upon it. Judgment was obtained upon it for the full amount and interest from maturity to judgment. Interest was charged at each renewal at nine per cent. No credit was given on the principal of any payment of interest by way of reducing the principal of either of the notes of Millinger or Duncan & Brother. Judgment was entered for the notes in full, independent of interest. And the note that Millinger paid he paid in full without reduction of any payment made of interest. The nine per cent. that had been paid and retained was left entirely out of the computation.

The act of Congress permits the National banks to charge the rate of interest fixed by law in the State where they are located, and no more except when by the laws of any State a different rate is limited for banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this title. The legal rate of interest in Pennsylvania is six per cent. The rate of discount allowed to banks of issue is also six per cent. and no more. It is true there are some banks that by special acts of Assembly are allowed to charge more, but these are exceptions to the general law of the State. Congress deals with general rules and when it excepts banks of issue under the State laws it means the general law, applicable to the whole State, and relating to banks

of issue all over the State. The special acts authorizing banks of issue, if there are any, apply only to the particular bank created by them, or permitted by them, to take more than six per cent. discount. The national banking law prohibits a National bank in Pennsylvania from taking more. In case a greater rate of interest has been paid the person by whom it has been paid, or his legal representative, may recover back in an action, in the nature of an action of debt, twice the amount of the interest thus paid from the association taking or receiving the same, provided such action is commenced within two years from the time the usurious transactions occurred.

From the origin of the loan, from the retaining of the first discount through all the renewals up to the time of final payment of the principal, or up to the time of entering judgments, there is a *locus penitentie* for the party taking the excessive interest. Any time till then he may consider the excessive interest paid on account of the loan, and so apply it, and lessen the principal. Up to that time he may make this election. When payment is actually made, or judgment is entered, the election is made, and if, as in these cases, judgment is entered for the face amount of the notes or full amount of the loan, or payment is taken in full without any reduction by taking out the excessive interest, the cause of action is complete. The original loans in these cases were more than two years before these actions were brought, but the payment of one of the Millinger notes was made, and the judgment on the other Millinger note and the judgments on all the Duncan & Brother notes were entered, near the time of bringing these suits, less than two years before. The payment and the judgment concluded the transaction, and determined their character to be usurious. Till that time it was undetermined and the statute did not begin to run. These actions were brought February 1, 1876. The Millinger note was paid in March, 1874. The judgment against Millinger and those against Duncan & Brother, were obtained before February 1, 1876. So that they are within the statute. The Millinger note was not paid in money direct, but by the proceeds of another note, made by another person, and indorsed by Millinger. This was not a renewal, but payment. It closed out the old note and commenced another transaction on a different piece of paper, with different parties under different liabilities. The defendants treated it as payment, and made the entries in their books accordingly. The amount of interest charged in these cases is computed, and is agreed upon by the counsel of both parties as correctly computed. It amounts in the case of Benjamin Millinger to \$38.02. In the case of William Duncan & Brother to the sum of \$629.91. It is the amount of interest retained and paid upon each of the notes sued by defendants up to the entry of judgment, and upon the note paid by Millinger to the time of the payment. You will find double the amount in each case for the plaintiffs respectively.

PRIORITY IN INDORSEMENTS.—Albert Draper was payee of a note drawn by Francis W. Allen, and indorsed by the Chase Manufacturing Company, before it came to him. He sued both parties in the ordinary form of suit against the maker and indorser of a note. The company demurred that the presumption of law is that the payee is the first indorser, so that if it should be made to pay the note it would have an action against Draper. Judge Van Brunt, of New York City, in Supreme Court, Special Term, holds that this is the legal presumption, to overcome which, it must be both alleged and proved that the note was so indorsed for the purpose of giving it credit, or that value was parted with on the faith of the indorsement.

FINANCIAL LAW.

DIGEST OF LEGAL DECISIONS IN THE YEAR 1876.

[COMPILED FROM THE AMERICAN LAW REGISTER.]

BILL OF LADING.

Where sent with draft with instruction to deliver the goods only on payment, and the consignee, in violation of orders, delivers to a third party as purchaser, the latter acquires no title and is liable to the consignor in trover. *Dow v. Nat. Ex. Bank*, 681.

BILLS AND NOTES.

I. *Form, Consideration, &c.*—1. Where a statute directs that any note "given for a patent right," shall contain those words in the body thereof, and makes it a misdemeanor for any person to take a note for such considerations, without the insertion of those words, the note itself is not illegal and void without those words, nor is it within the rule that the infliction of a penalty upon an act makes it *per se* illegal, and prevents it from being the foundation of a civil action. Hence, when the maker of a note for such consideration omits to have the words inserted, the failure of consideration is no defence against an innocent holder for value. *Pender v. Kelley*, 511.

2. A note promising to pay B., or bearer, forty dollars "profits," with interest, etc., is negotiable. *Matthew v. Crosby*, 497.

3. A warrant of attorney to confess judgment, destroys negotiability. *Sweeney v. Thickston*, 53.

4. Where a note appears to have been altered after execution, the jury must judge whether the alteration is such as ought to put a *bona fide* purchaser upon inquiry, or whether it was left by the maker in such a condition as to give an opportunity for fraud. *Iron Mountain Bank v. Armstrong*, 733.

5. Where a party to a negotiable instrument intrusts it to another for use as such, with blanks not filled up, such instrument carries on its face an implied authority to fill up the blanks; but this authority would not authorize the person intrusted with the instrument to alter its material terms by erasing any written or printed part of it. *Angle v. Life Ins. Co.*, 739.

6. Where a note was given for an amount due the payee from the maker on a certain contract, this was a sufficient consideration, although the payee may have owed the maker at the time more than the face of the note, on other contracts. *Knox v. Clifford*, 184.

II. *Rights of the Parties.*—7. Where a plaintiff sues on a note as trustee for another, the maker may avail himself of any defence which he might set up against the real owner. *Belohradsky v. Kuhn*, 248.

8. An Indiana bank drew on a Philadelphia bank in favor of the cashier of a New York bank; the draft was stolen, the name of the cashier (payee) forged as indorser and passed to defendants, October 16th, in payment of goods sold to the holder, they giving to him a check on the Philadelphia bank for the difference, which was drawn, and the draft, indorsed by the defendants, was deposited to their credit in the same bank. After learning of the fraud, on November 2d, the bank demanded payment of the draft from defendants. *Held*, that the demand was in time. *Chambers et al v. Union National Bank*, 375.

9. The holder of a draft which is indorsed and passed by him, guarantees the prior indorsements. *Id.*

10. In an action on a promissory notes, evidence is inadmissible to show a parol agreement, made when the note was given, that it should not be negotiated by the payee. *Knox v. Clifford*, 184.

11. One who purchases negotiable paper, before maturity, without notice, in absolute payment of a pre-existing debt, surrendering his previous security, is

protected by the law merchant against all equities of the maker as against the payee. *Id.*

12. One who makes and puts in circulation a negotiable note, bearing date on a secular day, is estopped, as against an innocent holder, from showing that it was executed on Sunday. *Id.*

13. After accepting and paying a bill, the drawee cannot recover back the amount of it from the payee on the ground that he had paid it under a mistake as to the reliability of the drawer's security, which had proved to be fictitious. *National Bank v. Burkham*, 184.

14. Where the makers of a promissory note are sued jointly, the defence of illegal interest by one of the defendants inures to the benefit of all. *Miller v. Longacre*, 679.

15. One who takes a negotiable note before maturity, at its full value, in payment of a pre-existing debt, in good faith, and without notice of anything that would invalidate it in the hands of the payee, is a *bona fide* holder for value. *Russell v. Splater*, 53.

16. Where the payee takes up a promissory note after its negotiation by him, the ownership both legal and equitable, will return to him, and he may maintain an action thereon in his own name. *Palmer v. Gardiner*, 497.

III. *Indorsement, Acceptance, &c.*—17. Adams, a partner of Moorehead & Co., drew a note in favor of Whiten & Co., of whom also he was a member, and, after it was indorsed by the payees, indorsed the name of Moorehead & Co.; the note was sold to the plaintiff by a known bill-broker. *Held*, that these circumstances were not notice to the plaintiff that the indorsement was without authority. *Moorehead v. Gilmore*, 52.

18. Each partner has the same right to raise money for the use of the firm by endorsement of negotiable paper, as to do so by means of paper already issued, and the public is not affected by the private restriction on the power of each partner. *Id.*

19. Where the holder of a time-draft, with accompanying bills of lading, sends them to an agent with no special instructions to hold the bills of lading, the agent is authorized to surrender the bills to the drawee, on the latter's acceptance of the drafts. *National Bank of Commerce v. Merchants' National Bank*, 102.

20. It does not make any difference that the drafts are sent to the agent "for collection." That instruction merely rebuts the inference of the agent's ownership of the draft. *National Bank of Commerce v. Merchants' National Bank*, 102.

21. Bills of lading, though transferable by endorsement, are only *quasi* negotiable; and the endorsee does not acquire the right to change the agreement between the shipper and his vendee. *Id.*

22. A bill of exchange may be accepted by parol. *Scudder v. Union National Bank*, 619.

23. A partnership firm becoming owners of a note made by one of the firm cannot recover at law upon it, but may in equity. *Hall v. Kimball*, 498.

CHECK.

1. The holder of a bank check is bound to present it within a reasonable time; otherwise the delay is at his own peril. *Woodruff v. Plant*, 145.

2. But what is a reasonable time must depend upon the particular circumstances of the case. And the time may be extended by the assent of the drawer, expressed or implied. *Id.*

3. The plaintiff, desiring to make a remittance to a creditor at a distance, and there being no bank in the place where he lived, asked the defendant, who had an account with a banker in a neighboring city, to take the amount of him in bank bills and give him his check therefor, and the defendant, fully understanding the object, took the bank bills and gave the plaintiff his check upon the banker, payable to the plaintiff's order, the defendant the same day depositing the bills with the banker. The plaintiff at once endorsed the check to his creditor and sent it by the next mail. It was three days before the check reached the place where the banker resided and was presented for payment, at which time the banker had failed and payment was refused. The plaintiff hav-

ing taken up the check sued the defendant thereon. *Held*, that the check was presented within a reasonable time in the circumstances, and that the defendant was liable. *Id.*

4. It is the duty of a bank to whom a check is sent for collection, to present it and demand payment within the time prescribed by law, and if not paid notify the proper parties of its dishonor. *Essex County National Bank v. Bank of Montreal*, 418.

5. A bank upon whom a check is drawn, is liable, before acceptance, only to the drawer; it cannot be made liable to the holder except by its own consent. *Id.*

6. If a bank to whom a check is sent for collection, instead of demanding immediate payment, accepts a certification of it, that will create such a new relation between the parties as to discharge the drawer, and will render the bank accepting the certification in lieu of payment, liable for any loss arising to the holder from the failure of the bank upon which the check was drawn. *Id.*

7. The party to whom the check is indorsed for collection, is the proper plaintiff, and an amendment, under the practice in Illinois, is allowable at the trial, substituting such party as plaintiff. *Id.*

CONTRACT.

1. Government bonds were deposited in a bank; the depositor alleged that the bank bought them from him at par, fraudulently informing him that there was no premium on them, when there was, within the knowledge of the bank. The depositor sued the bank for the premium and declared in the common money counts: *Held*, that the depositor could not recover on those counts. *Sankey's Executors v. Bank*, 309.

2. If the bonds were purchased by the bank in good faith at par, although they were then selling in the market at a premium, of which both parties were ignorant, the depositor could not, on the ground of mutual mistake, recover the bonds or the premium on them. *Id.*

CORPORATION.

A quorum of the directors of a corporation are competent to act within the scope of their powers and to bind the corporation, although the meeting was not regularly called, and there was no notice to the other directors. *Id.*

A sale of the company's shares of its own stock, made at such a meeting of the directors, if made *bona fide* and for full value, and for the purpose of raising money to meet an urgent necessity of the company, passed a good *prima facie* title to the shares. Any director or stockholder desiring to avoid such sale, must proceed at once to dispute it in legal form. *State ex rel. Page v. Smith*, 466.

If the sale is otherwise valid, it is not vitiated by the fact that the motive of the purchaser and of some of the directors, was, to enable the former to vote upon the shares in a certain manner at an approaching election of corporate officers. *Id.*

Where new stock is issued which is to share in profits with existing stock, all the holders of the latter have an equal right to subscribe for their proportionate part of the new stock, but this rule does not apply to original stock bought in by the corporation and held as assets, and sold for the payment of liabilities or for the general benefit. *Id.*

Where a director lends money to his corporation, taking a deed of trust to secure the same, he must act fairly and be free from all fraud and oppression. *Harts v. Brown*, 553.

A director can loan money to a corporation when the money is needed, and the transaction is open and otherwise free from blame. *Oil Company v. Marbury*, 680.

An insolvent corporation cannot purchase in a portion of its capital stock. *Carrier v. Lebanon Slate Co.*, 680.

Where shares of stock in a banking corporation have been hypothecated, and placed in the hands of the transferee, he will be subjected to all the liabilities of ordinary owners. *Wheelock v. Kost*, 558.

A stockholder of a banking corporation which is a corporation *de facto*, who

receives dividends, will be estopped from insisting, when sued by its creditors, that the corporation was not legal. *Id.*, 552.

INTEREST.

1. Under the Ohio statute, parties may stipulate in a note for any rate of interest not exceeding eight per cent per annum, and such note, after maturity, without an express agreement to that effect, will continue to bear the stipulated rate until payment. *Marietta Iron Works v. Lottimer*, 192.

2. A judgment taken on such a note for the amount due, including unpaid interest, will bear the stipulated rate of interest only, without rests, until payment. *Id.*

3. A special rate of interest continues under the Ohio statute, after the time agreed upon has expired. *Monnott v. Sturges*, 124.

4. Where a party agrees, by note, to pay a certain sum at the expiration of a year, with interest on it at a rate named, and does not pay, it bears interest not at the specified rate but at the customary or statute rate. *Burnhisel v. Firman*, 124.

5. If, however, the parties calculate interest and make a settlement upon the basis of the old rate, and the debtor gives new notes and a mortgage for the whole on that basis, the notes and mortgage are, independently of the Bankrupt Act, and of any statute making such securities void *in toto* as usurious, valid securities for the amount which would be due on a calculation properly made. They are bad only for the excess. *Id.*

NATIONAL BANK.

1. A National bank has no power to take a mortgage as security for the loan of money, and if it does so, the mortgage is void and proceedings upon it will be enjoined. *Matthews v. Steinker*, 488.

2. Corporations having only the powers expressly given by their charters or the law under which they are incorporated, or such as are necessarily implied, must follow strictly the mode of action prescribed by the law. *Id.*

3. The National Bank Act not only fails to authorize, but expressly prohibits the banks from dealing in real estate securities, except in certain specified cases to secure debts previously due. *Id.*

4. A person paying more than the legal rate of interest to a National bank cannot have it applied as a payment of so much of the principal, in an action brought two years afterwards. *Higley v. First National Bank*, 501.

5. In such case the rights of the parties are not affected by the State usury laws. *Id.*

6. The New Hampshire statute, subjecting the surplus capital of banking institutions to taxation, is applicable to National banks. *First National Bank v. Peterborough*, 501.

7. Such taxation of the surplus capital of such banks is not prohibited by Congress, and is not an encroachment upon the constitutional powers vested in the Federal Government. *Id.*

8. The States can exercise no control over the National banks nor in any wise affect their operation except in so far as Congress may see proper to permit. *National Bank v. Dearing*, 621.

9. The provision of the Act of February 10th, 1868, that taxation on National bank stock shall not be at a greater rate than is assessed upon other moneyed capital in the States, relates only to the rate, and does not prohibit the States from exempting any subjects from taxation. *Gorgas's Appeal*, 622.

10. The stock of National banks is liable to a school tax in addition to the State tax. *Carlisle School District v. Hepburn*, 622.

11. In the honest exercise of the power to compromise a doubtful debt, stocks may be accepted in payment and satisfaction. *National Bank v. National Exchange Bank*, 743.

SET-OFF.

In the ordinary course of business, funds deposited with a banker become his property and constitute an ordinary debt payable on demand in instalments at the depositor's option, and the subject of set-off, but *semble*, if they were

deposited with him as treasurer of a corporation the funds would be held upon a trust and not subject to set-off. *Id.*

Where an insurance company has funds on deposit with a banker and becomes insolvent, he may set-off his losses on property insured by the company. *Id.*

STAMP.

1. The want of a stamp on a note is no evidence of want of consideration. *Long v. Spencer*, 443.

2. The Internal Revenue Act merely made the want of a stamp a disqualification of the instrument as evidence. *Id.*

VERBAL AGREEMENT.

Where K. & W., by a parol agreement with a certain bank, promise that if the bank will cash a certain draft to be drawn by and in the name of a certain agent of theirs upon S. L. & Co., that said K. & W. will be responsible for its payment, and afterwards such agent does draw such draft and the said bank cashes the same, and afterwards said draft is dishonored by said S. L. & Co. : *Held*, that the bank may maintain an action to recover from said K. & W., on said parol promise, the amount paid out on said draft, with interest. *Kohn v. First National Bank*, 313.

Evidence to prove a promise to pay the debt of another, as an original undertaking, and not a contract of suretyship, must be clear and satisfactory. *Haverly v. Mercur*, 443.

INSOLVENT NATIONAL BANKS.

[AUTHORITY OF THE COMPTROLLER AND LIABILITY OF STOCKHOLDERS.]

U. S. CIRCUIT COURT, D. OF MINNESOTA, FEBRUARY, 1877.

C. P. Bailey, Receiver of the First National Bank of Duluth, v. A. J. Sawyer.

This is a common law action brought to enforce the individual liability of a stockholder in the First National Bank of Duluth, and to recover the amount of an assessment ordered by the Comptroller of the Currency, to the extent of seventy-five per centum of the par value of the shares of the capital stock of said bank, under and by virtue of the Act of Congress in relation to national banks.

A demurrer is interposed to the complaint. Upon the argument it is urged :

1st. That the complaint should set forth the facts and data upon which the Comptroller determined that a necessity existed which authorized proceedings to enforce the individual liability of stockholders.

2d. That the suit should have been in equity, and not in law.

NELSON, J.—The Comptroller of the Currency by virtue of the national banking law in winding up an insolvent bank, is vested with authority to determine when a deficiency of assets exists, so that the individual liability of the stockholders may be enforced. This liability is conditional, and was so held in *Bank v. Kennedy*, 17 Wall. R., p. 22, but the Comptroller, in the exercise of a judicial discretion, decides upon the data before him when "it is necessary" to compel contribution from stockholders to pay the debts of the bank. The law clothes him with this authority, and no appeal lies from his decision by a stockholder. He appoints a receiver, and resorts to the ultimate remedy whenever, in his judgment, the condition of the bank requires its enforcement. And, as stated in *Kennedy v. Gibson, et al*, 8 Wall. R., 504, a more speedy settlement of the affairs of an insolvent bank is thus obtained. Again, this obligation of the stockholder is fixed when he becomes a member of the corporation by taking stock therein, and is several, not joint. There is no necessity for invoking the aid of a Court of Chancery to determine the sum each stockholder must pay, for that is regulated by the number of shares of stock owned. When the Comptroller declares and orders an assessment, the precise amount each stockholder must contribute, is a certain exact sum. A suit at law would seem to be the suitable proceeding to collect the assessment.

Demurrer overruled.

BOOK NOTICES.

Silver and Gold, and their relation to the problem of Resumption. By S. DANA HORTON. Cincinnati: Robert Clarke & Co., 1877.

Two important requisites seem now to be desired in the present state of the silver question. First of all, we need to have the evidence on all the important points collected and arranged in logical sequence and luminous order. Secondly, we need to have the various problems which have been raised, and which are subordinate to the main question, clearly stated, and the bearings of the various facts upon each of these questions plainly set forth. The book before us is more valuable than most of the recent essays on the silver problem, because it is devoted to so great an extent to the first of these objects, and confines itself closely, if not exclusively, to the domain of facts. Hence, the book may be expected to be read with equal interest by men of very opposite opinions on the mono-metallic controversy. In the short space of two hundred pages Mr. Horton has collected together a copious mass of evidence, which he has digested into eleven chapters. Of these, the most important in a practical point of view are the first five, which treat of the supply of the precious metals; the arguments for and against gold and silver, as mono-metallic or bi-metallic standards of value; and the present monetary situation of the United States. In the last mentioned chapter is given a sketch of the public debt of the United States, and an estimate of the aggregate of State, municipal, and railroad bonds, as well as of the paper currency in this country. In his subsequent pages, Mr. Horton discusses the moral questions involved in the monetary policy where, as in this country, the Government notes are irredeemable and depreciated. He gives a masterly sketch of the legislation during the war, and its effects upon the present monetary situation, and proposes the question whether silver is not the lawful successor of the greenback. In some of his views, our author agrees with the celebrated letter written several years ago by President Grant, to advocate the resumption of specie payment in silver, subject to various precautions and within certain limits. It is the object however, of Mr. Horton, to collect evidence rather than to deduce principles or to defend theories. And the body of facts which he has collected together in this part of his work, is certainly creditable both to his industry as a compiler, and to his power to compress his materials within narrow limits, and to give to them the benefit of a lucid arrangement. After an interesting but brief history of the paper-money era in England, and of the inflation and expansion to which it led during the early part of this century, Mr. Horton traces out the consequences of the resumption of specie payments in 1821 and the course of prices from 1815 to 1824. This part of the work is closed by a number of extracts from distinguished economists on Gold Mono-metallism. Locke, Chevalier, Vanderberg, Hendriks, and other writers, are referred to, as is also the Paris Conference and the German Handelstag. Mr. Horton next approaches the discussion

of the Policy of Resumption proposed by M. Cernuschi. This policy consists of two parts, first the establishment of the ratio of fifteen and a half to one between silver and gold. This ratio M. Cernuschi would have established all over the commercial world. His second object would be to convene an International Commission, in which all the great commercial powers of Christendom should be represented, and should negotiate a treaty in which the bi-metallic theory of the currency should receive the sanction of all the great powers, and should become universally accepted all over the world. How far Mr. Horton agrees with these views, and to what extent he regards them as practicable, he does not precisely say. Of course one great difficulty would be that the nations might prove false to their faith, and that the monetary treaties might be broken. Still on the whole our Author leans to the opinion that M. Cernuschi's policy might with some modifications be adopted. The last chapter is, in many respects, the most interesting in the volume. It treats of the conditions needful for the successful resumption of specie payments in this country. The two obvious conditions of resumption are of course that a sufficient contraction in the volume of the paper currency shall be previously made, and that a stock of coin shall be hoarded in the Treasury, to be ready when the time of resumption comes. These fundamental points are not discussed by Mr. Horton, who confines his attention to the question whether the coin accumulated for resumption shall be of silver or of gold, or whether it shall consist of the two metals together. He also discusses the important questions connected with the system, and the guarantees which should regulate the coinage of money-metal during and after resumption. At the close of the volume, an appendix of forty pages contains a rich fund of miscellaneous information, consisting of extracts from Soëtbeer and various authors, ancient and modern, on topics elucidating the several questions raised in the course of the discussions to which the body of the work is devoted. Not the least attractive part of the Appendix is the valuable list of recent works published on the Gold and Silver question. During the next session of Congress there will be much agitation of the public mind as to the necessity and the proper functions of the proposed International Monetary Congress. Mr. Horton's book will afford a tempting supply of material for those persons who intend to take an active part in that discussion, as well as to the more numerous class of readers who wish to inform themselves on the monetary question, and who are not prejudiced for or against either of the two great parties, who are fighting the battle of the Standards.

An Introduction to Political Economy. By ARTHUR LATHAM PERRY, LL. D.
New York: Scribner, Armstrong & Company.

One of the literary characteristics of the age is the tendency to diffuseness. This little book is not chargeable with that fault. The work is intended not as a substitute for the Author's larger treatise, but rather as an introduction to it, and as an aid to those business men who want to obtain some accurate ideas of political economy, but have not the time or the discipline of mind or the patience of investigation requisite for mastering the larger and more elaborate works of J. B. Say, J. R. McCulloch, or Adam Smith. Mr. Perry's book is divided into six chapters, of which the first treats of Value, while the next three

chapters are less theoretical, and treat of Production, Commerce and Money. The last two chapters discuss the difficult subjects of Credit and Taxation. In the chapter on Value, Prof. Perry gives an interesting exposition of Bastiat's well-known theory on the subject. If he does not add much to Bastiat's expositions, Mr. Perry is one of the most eloquent and useful of Bastiat's disciples in this country. In the chapter on Production, there is much that will repay close attention, though we could wish that our Author had been a little more precise and careful in the definition and use of the specific terminology of his science. In the chapter on Credit, there will perhaps be found more of originality and of useful practical information than in any other part of the book. The chapters on Taxation and on Money bear marks of haste. The statements of fact and of principle are in some instances too sweeping, and need qualification before they can be accepted as approximately true. In a work intended not only for general readers of various ages and acquirements, but "as a text-book in high schools, academies and colleges," we have a right to look for more care and for greater completeness than is found in some parts of this volume. Still its defects might easily be remedied, and as a second edition will probably soon be required, the Author will do well to give to the whole work a severe, judicious and enlightened revision. Professor Perry is one of our most popular writers on Political Economy, and the present work is not only worthy of his deservedly-high reputation, but may stimulate and extend the study of economic science very beneficially in this country.

The Statesman's Year-Book: Statistical and Historical Annual of the States of the Civilized World, for the year 1877. By FREDERICK MARTIN. Fourteenth annual publication, revised after official returns. London: Macmillan & Co.

This useful and well-known statistical annual contains the usual variety of tabular and other information, brought down to the latest period. In consequence of the Eastern difficulty, and of the frequent discussions as to the financial condition of the Russian and Turkish Governments, Mr. Martin seems to have given special care to his articles on Russia and Turkey, with the tributary States of Egypt, Roumania, and Servia. In the chapter devoted to the United States, an elaborate summary is given of the main statistical facts pertaining to the Government, the revenue and expenditures, the army and navy, the population and productive power, the trade and industry, and the educational and ecclesiastical progress of the nation. There is no work published in this country in the English language, in which the industrial and economic facts in regard to the various nations of the world can be so easily and so accurately investigated by those persons who are precluded from the opportunity of examining larger and more voluminous official records. Several hundred volumes have been studied by Mr. Martin, in the compilation of this book which has been published for a period of fourteen years. No less than fifty-five volumes of official publications and non-official works are mentioned by Mr. Martin as having been used in the compilation of that part of his book which contains the record of the year 1876. At the same rate of calculation more than eight hundred volumes of statistical and official records must have been made to contribute their quota to the compact, luminous, and well-arranged pages of the volume before us.

Gold and Debt ; an American Hand-book of Finance, also a Digest of the Monetary Laws of the United States. By W. L. FAWCETT. Chicago: S. C. Griggs and Company, 1877.

The plan of this book is better than the execution. Its object is to arrange in a compact form, convenient for reference, a mass of statistical information relative to the monetary and fiscal condition of the United States and of Europe. In successive chapters the Author gives an account of the monetary units in use among the various nations of modern time, a sketch of the history of paper money and coin in the United States, a review of the progress of paper money in Europe, and of the suspensions of specie payments in the United States, in Great Britain, in France, in Austria, Italy, Russia and Brazil. The Author then gives a mass of information concerning the stock of silver coin in Europe and in the world, with the national progress and productive growth of the various countries, their public debts and foreign trade. One of the most useful chapters of the book is that devoted to the Monetary Laws of the United States, which has been very carefully compiled, and appears to be tolerably complete and accurate. The chapter on the National Banks and Bank Currency is also useful. It contains all the sections of the Revised Statutes of the United States which refer to the National banks, so as to exhibit all the laws in force in August, 1876, governing the organization of National banks and the issue and redemption of National bank currency. The Appendix contains tables of the Usury Laws of the various States, with some miscellaneous tables of monetary units and of population. We observe also a table of prices for fifty years, prepared by the Hon. Jeremiah M. Rusk, of Wisconsin, and used to illustrate his arguments in his speech on the tariff in Congress, 11th August, 1876. The practical usefulness of this book would have been greatly enhanced if the Author had been able to have brought down some of his statistical statements to a later period. Still in its present condition the work is extremely suggestive; and to persons who have not access to more recent and complete works, its general accuracy, simple plan, and excellent arrangement, will make it valuable.

Hubbell's Legal Directory for 1866-7. New York: J. H. Hubbell & Co.

This publication, which is now in its seventh year, contains the names of one or more of the leading attorneys in nearly three thousand towns in the United States and Canada. It furnishes also a synopsis of the collection laws of each State, and of Canada, with instructions for taking depositions, the execution and acknowledgement of deeds, wills, etc., together with a synopsis of the bankrupt law, and the names of Registers in Bankruptcy. The times for holding courts throughout the United States and Territories, for the year commencing September 1, 1876, are also given, and a list at the end gives the names of one or more bankers in the principal places. The work contains over 700 pages, and is a very useful addition to the legal library, or to the desk of any whose business extends to other States.

Robert's Rules of Order for Deliberative Assemblies. By MAJOR HENRY M. ROBERT, Corps of Engineers, U. S. A. Chicago: S. C. Griggs & Co.

This little manual is in two parts, the first comprising Rules of Order, a compendium of parliamentary law, based upon the rules and practice of Congress; the second part, on the organization and conduct of business, being a simple explanation of the methods of organizing and conducting the business of societies, conventions, and other deliberative assemblies. The instructions are well arranged and clear, and a table of twenty-seven rules furnishes answers to two hundred questions in Parliamentary tactics. An ample index closes this very convenient and useful book, which is in so small a compass as to be readily carried in the pocket.

INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

I. PROPER HOURS FOR PROTESTING PAPER.

A note payable at another bank is handed to a Notary a few minutes after the closing hour, three o'clock. He makes the demand at the bank where payable, the proper officers being there, and payment being refused it is protested. I wish to ask:

1st. Can a note be protested on a demand made *before* the close of banking hours?

2d. Is it too late for the Notary to make a legal demand a few minutes after the closing hour?

REPLY.—A note can be presented for payment, on the day of its maturity, at its place of payment as early in the day as that place is open for business, and it is the duty of the maker (or acceptor, if a draft) to have funds there ready to meet it. If presented by a Notary he can at once protest and need not present again.

A note payable at bank should be presented "before the close of business hours," but that does not necessarily imply "before three o'clock." If there is any one there to answer a demand of payment the presentment is a good one, however late in the day-time the hour may be.

II. THE TAXATION OF LEGAL TENDERS.

Will you please inform me whether Legal-Tender notes are taxable or not?

REPLY.—It has been decided by the Supreme Court of the U. S. that no tax can be levied by a State on United States notes issued under the late loan and currency acts, and intended to circulate as money, and with the National Bank notes constituting the currency of the country.—Paschal's *Annotated Constitution* sums up as follows the rule sustained by many decisions: "The United States bonds, and indeed all the public securities which have to be redeemed, and which circulate as currency, may properly be classified as money borrowed, or rather securities given for money borrowed, on the credit of the United States. . . . The States have no power to tax the loans of the United States. [*Weston vs. City Council of Charleston*, 2 Pet., 449. *Bank of Commerce vs. New York*, 2 Black, 629.]

III. UNDECIPHERABLE SIGNATURES.

Some months ago we issued our Certificate of Deposit for \$1,000 Gold, to Sam Hing, a Chinaman. He alleges that it was stolen from him, and that it is unendorsed. Being a Chinaman he is unable to give us an indemnifying bond. Should the certificate be presented for payment by an innocent holder, and payment demanded on the ground that the signature written in Chinese characters was genuine—Chinese signatures being so much alike it would be difficult to disprove the assertion,—is there any safe way to pay Sam Hing his money and protect ourselves from paying the Certificate a second time, whether presented by an innocent holder or otherwise?

REPLY.—There is no safe way, in the case cited, to pay either the innocent holder or the bland Sam Hing.

The thing requisite to justify payment is either proof or indemnity. Our correspondent should have regarded the depositor in the first instance, precisely as if he was unable to write anything more than his + mark. His personal description should have been entered on the signature book and the Certificate issued payable to himself only, not to his order. Hing certainly has no claim to be paid, in the absence of the Certificate, unless he gives proper indemnity; and on the other hand, if he affirms that no holder of the paper has a genuine transfer, any one presenting it should be required to furnish a guarantee of genuineness in the alleged indorsement. An order of Court might aid in solving the dispute.

IV. RETAINING A DEBT FROM A CHECK PRESENTED FOR PAYMENT.

Suppose a bank to hold the note of B., past due and unpaid, and B., to present at its counter for payment the check of a depositor. Has the bank any legal right to keep back the amount of his unpaid note and give B., only the balance of the check? Would the case be any different if the note were left for collection instead of belonging to the bank, or if the check should be on some other bank?

REPLY.—The bank has no legal right in either case to deduct the amount of its claim when paying the check, without the consent of its holder.

V. THE RISK OF COLLECTIONS.

A draws draft on B., favor of C. (a bank) for collection. C. forwards to D (a bank) for collection. D. collects payment, surrenders the draft drawn by A., sends his own check on New York to C., who pays A the amount of his collection, and forwards the check drawn by D. to his New York correspondent for credit. The check is protested and returned to C. Proceedings in bankruptcy have been commenced against D., between the date on which the check was issued and its presentation to his New York correspondent for payment. C. asks A. to refund amount paid him, which he refuses to do. Who ought to sustain the loss, A. who drew the draft, or C. who took it and in whose favor it was drawn for collection?

REPLY.—The bank C. must stand the loss. The failing bank was its agent and not the agent of A., who deposited the draft with C. for collection.

VI. PROTEST FEES.

A draft at three days sight on a firm was sent by us to a Chicago bank for collection. On the face was written, *No Protest*. The draft was returned to us with fees \$3.00 for non-acceptance, and \$3.00 non-payment. In the certificate of the Notary, the words "No protest" appeared in his copy of the draft. Was it *legally right* to compel us or the drawer to pay those fees?

REPLY—We do not think that the Chicago bank had any right to impose the expense of protest when the paper carried on its face evidence that it was not to be protested. At the same time, distinct instructions to that effect should be given in every *letter* accompanying paper on which protest is waived.

VII. THE LIABILITY OF AN IRREGULAR INDORSER.

A. gives his note for a consideration to B., who obtains money on it at Bank. When due, A. draws bill of exchange payable to order of the Cashier and indorsed by B. with *tacit* understanding that it is to take up the note. Bill not paid and drawers not good. Is not B. holden, the fact that the Cashier is payee to the contrary notwithstanding?

REPLY.—If proper demand was made and the indorser duly notified of non-payment of the bill, he can be held notwithstanding the irregularity in his indorsement. It has been held in relation to a similar indorsement, that "when a note is presented to the accommodation indorser, and is indorsed by him without having been previously indorsed by the person to whose order the same is made payable, the latter may, at the time he puts his indorsement upon it, indorse it specially, without recourse, to himself, so as to leave the second indorser liable to any person into whose hands it may come for a good consideration, and without any remedy over against the first indorser. Or, if the object of the second indorser was to enable the drawer, as in this case, to obtain money from the payee of the note, upon the credit of such accommodation indorse, he may indorse it in the same way, without recourse, and by such indorsement may either make it payable to the second indorser or to the bearer. And such original payee may then, as the legal holder and owner of the note, recover thereon against such second indorser." [*Woodruff v. Leonard*, 1 Hun. 632, 8 N. Y. S. C. R.]

VIII. THE TRANSFER OF NATIONAL BANK STOCK.

A. borrowed \$25,000 of National bank B., giving as collateral security to the loan, a certificate of stock of bank C. duly transferred on its back with power of attorney executed. Bank B. forwarded the certificate of stock to bank C., requesting the attorney to make transfer on books of bank C., and to have a new certificate of stock issued in the name of bank "B. as collateral security." Cashier of bank C. declined to make such *conditional* transfer and to issue such *conditional* certificate of stock, claiming he had no legal right to make conditional transfers of stock. Cashier of bank C. also asserted that the transfer with power of attorney was good and legal to bank B. as security for their loan. We should be glad of your opinion in the matter, or that of some of your readers, as it seems important to banks loaning on other bank stock; for if such transfer is not legal for security, (bank B. insisting it is not), many banks need to change the form of some of their securities.

REPLY.—The right is given to each bank by the National Bank Act (Sec. 8) to devise and regulate by its by-laws, the manner in which its stock shall be transferred. It is further provided by that Act (Sec. 12) that the stock shall be transferrable on the books of the Association, in such manner as may be prescribed in the by-laws or articles of association.

Bank C. was right in declining to make any *conditional* transfer of the stock. The transfer to bank B. must be absolute, but the transfer of the certificate is valid in their hands at any time if in proper form, provided that there be on the face of the certificate no notice of any right of the issuing bank to set up equities against it.

SILVER AS VALUED BY LONDON QUOTATIONS.

To the Editor of the BANKER'S MAGAZINE :

Referring to an item under the above heading in your January number, I beg leave to state the method of computation somewhat differently :

Silver is quoted in the London market at so many pence meaning that that is the price of one Troy ounce of the British mint standard which is 37 fortieths or 925 thousandths in fineness.

The standard of British gold coin is 11 twelfths in fineness, and out of a Troy ounce of pure gold : $4\frac{1}{8}$ sovereigns = $84\frac{3}{4}$ shillings = 1019½ pence are coined in that country.

The U. S. gold dollar, $\frac{1}{10}$ ths. in fineness, weighs 25.8 Troy grains and contains 23.22 Troy grains of pure gold.

The silver dollar coined in the United States up to 1853, contained 371.25 Troy grains of pure silver, which brought the relative value of gold to silver in our country = 1 to 15.98837. Based on this ratio and on the coining in Great Britain of 1019½ pence sterling out of a Troy ounce of pure gold, one ounce of silver of the British standard ($\frac{1}{12}$ in fineness) would be worth 58.98008 pence sterling.

And by whatever percentage Silver in London goes above or below 58.98008 pence, the American silver dollar coined up to 1853 will be worth in the market the same percentage more or less than the American gold dollar.

NEW YORK, March, 1877.

LEWIS G. HANSEN.

CALLS OF FIVE-TWENTY BONDS.—The following calls have been made by the Treasury Department, each being for Five-Twenty Bonds of the act of March 3d, 1865, dated November 1, 1865. The principal and interest will be paid at the Treasury Department, on and after the dates specified, at which dates the interest will cease. Each call is for \$10,000,000, the numbers in all being inclusive :

Fortieth Call. February 28, 1877. Matures May 28.

Coupon Bonds—\$500, No. 35,801 to No. 37,300; \$1,000, No. 79,001 to No. 89,000. Total, \$7,000,000.

Registered Bonds—\$50, No. 451 to No. 480; \$100, No. 5,961 to No. 6,250; \$500, No. 3,801 to No. 3,950; \$1,000, No. 14,301 to No. 14,800; \$5,000, No. 5,351 to No. 5,831; \$10,000, No. 9,751 to No. 10,083. Total, \$7,000,000. Aggregate, \$10,000,000.

Forty-First Call. March 3d, 1877. Matures June 3d.

Coupon Bonds—\$500, No. 37,301 to No. 38,850; \$1,000, No. 89,001 to No. 98,650. Total, \$7,000,000.

Registered Bonds—\$50, No. 481 to No. 490; \$100, No. 6,251 to No. 6,350; \$500, No. 3,951 to No. 3,960; \$1,000, No. 14,801 to No. 15,050; \$5,000, No. 5,832 to No. 6,767. Total, \$3,000,000. Aggregate, \$10,000,000.

Forty-Second Call. March 10, 1877. Matures June 10.

Coupon Bonds—\$500, No. 38,851 to No. 40,400; \$1,000, No. 96,651 to No. 108,100. Total, \$7,000,000.

Registered Bonds—\$50, No. 491 to No. 496; \$100, No. 6,351 to No. 6,386; \$500, No. 3,961 to No. 3,973; \$1,000, No. 15,051 to No. 15,163; \$5,000, No. 6,768 to No. 7,385. Total, \$3,000,000. Aggregate, \$10,000,000.

Forty-Third Call. March 15, 1877. Matures June 15.

Coupon Bonds—\$500, No. 40,401 to No. 42,300; \$1,000, No. 108,101 to No. 121,000. Total, \$9,500,000.

Registered Bonds—\$100, No. 6,387 to No. 6,394; \$500, No. 3,974 to No. 3,976; \$1,000, No. 15,164 to No. 15,177; \$5,000, No. 7,386 to No. 7,493. Total, \$500,000. Aggregate, \$10,000,000.

BANKING AND FINANCIAL ITEMS.

NOTICE.—The Second Edition of the **BANKER'S ALMANAC AND REGISTER** for 1877 is now issuing from the press. Its lists of banks and bankers are corrected to March 20th.—Copies transmitted from this office to any address on receipt of price, \$3.00.

THE TREASURY DEPARTMENT.—The Hon. John Sherman of Ohio, was nominated as Secretary of the Treasury, by President Hayes, confirmed by the Senate on March 8th, and entered upon the duties of his office on the 10th. Mr. Sherman's long experience and sound views give promise of thorough ability in the management of this important Department.

THE COMPTROLLER OF THE CURRENCY.—The re-appointment of the Hon. John Jay Knox, to this office, and his prompt confirmation are well-deserved.

The nomination was sent in without the solicitation or knowledge of Mr. Knox or his friends. Senator Windom, Chairman of the Committee on Appropriations, moved its confirmation without reference; Senator Morrill, Chairman of Committee on Finance seconded the motion. The nomination was at once confirmed unanimously.

THE TRUE FUNCTIONS OF BANKING.—We trust that none of our readers will fail to give careful perusal to the excellent papers of Mr. George Walker, which will be found under the above title in the present number and the next of this Magazine.

That this country has paid dearly for violations of the sound and simple principles which are here so clearly laid down, is plainly shown by our monthly records of failures and dissolutions, among banks and bankers. And among those who have escaped shipwreck during our financial storm, how many are there whose Profit and Loss account does not contain some ghastly proof that departure from cardinal rules is costly, if not fatal error?

THE MURDERED BANK OFFICERS.—We are gratified to announce that the contributions made by banks and bankers, for the family of Mr. J. L. Heywood, have reached the comfortable sum of \$18,000, including \$5,000 donated by the First National Bank of Northfield.

And now let a movement be promptly made in behalf of the widow of Mr. R. A. C. Martin, the cashier who died so bravely at Columbia, Kentucky, in 1872. This estimable lady is in actual distress. Nothing has ever been done to relieve her want or to honor the noble sacrifice made by her husband, except a circular sent to the Kentucky banks a few months since. The result of this appeal—we record it with regret—was less than Three Hundred Dollars!

The days of robberies are not over. Those to whom is intrusted the property of our banks are as a class not cowards, but who among them will feel justified in facing death if he knows that only sacrifice and want must ensue to those dependent on him? We urge upon every one of our readers to make some donation in this case. Contributions can be sent to the Kentucky National Bank, Louisville, or to this Office. Any sums, large or small, received by us will be duly acknowledged in the pages of this Magazine, and promptly transmitted to Mrs. Martin, whose address is Shelbyville, Ky.

THE NEW YORK GOLD EXCHANGE.—The dissolution of this organization has been decided upon, and it is to be merged into the Stock Exchange.

A meeting of the members of the Gold Exchange was held on March 20th, President Morris in the chair, to consider a proposed amendment to the constitution, which provides for the dissolution of the Exchange whenever a majority of its members in good standing shall sign an agreement to that effect. In case of such dissolution the president and treasurer and three members, elected by ballot, are to form a board of trustees to close up the affairs of the Exchange as speedily as possible, by first settling all claims against it, and then dividing the balance *pro rata* among such persons as were members at the date of dissolution, or their legal representatives.

The sub-committee appointed by the Executive Committee to confer with the Governing Committee of the Stock Exchange with reference to the contemplated Gold Department of the latter body, reported that, after numerous conferences, the Stock Exchange Committee had accepted several important modifications of the plan, which was now as follows:

In the rooms now occupied by the Gold Exchange there shall be established a department of the Stock Exchange for dealing in gold, government bonds, exchange, and miscellaneous securities; and that such solvent members of the present Gold Exchange as shall be approved by a joint committee composed of four members of the Gold Exchange and three members of the Stock Exchange be admitted to this department for three years from May 1 next, at a charge of \$50 each, payable annually in advance; on condition that the persons so admitted shall agree to conform to the laws of the Stock Exchange in regard to joining other organizations, and such other regulations as may be necessary for the proper government of the department. In case the premium on gold continues for a longer period than the three years for which the Stock Exchange have leased these premises, then the Stock Exchange will continue the department on the same basis, in a room provided for the purpose, until gold ceases to command a premium. No additional admissions shall be made to the department other than members of the Stock Exchange and the members of the present Gold Exchange approved by the committee of seven hereinbefore provided; and the subsequent insolvency of any person so admitted from the Gold Exchange shall cause a suspension of these privileges until reinstated by the committee that shall hereafter have charge of this department.

The chairman of the sub-committee also stated that in the unanimous opinion of the committee these terms are as favorable as can possibly be obtained, and that they should be accepted.

The proposed amendment to the constitution was adopted without debate by a vote of 162 in favor to 11 against it, and the meeting adjourned.

The necessary agreement to dissolve the Exchange has to be drawn up, the dissolution to go into effect April 30, and the requisite number of signatures has been received.

WOMEN AS BANK OFFICERS.—Miss. Frank McGrew has been appointed assistant cashier of the First National Bank of Huntington, Indiana. There are two other instances of female bank officers recorded: Miss Bella Wallace is cashier for Watson, Huber & Co., bankers, Mechanicsville, Iowa; and Miss Annie M. King, for A. W. Naylor's bank, New Sharon, Iowa.

The First National Bank of Huntington was the first one to grace its Board of Directors with the presence of a lady, Mrs. Anna A. Daily having been elected director in 1868, and Mrs. E. J. Purviance in 1873. Of the First National Bank of Peoria, Illinois, Mrs. Lydia Bradley was elected director in 1875, and in the First National Bank of Canton, Ohio, Mrs. Louisa McCall is one of the Board. In some of these cases the limited number of stockholders left no alternative, while the advantage of superior business qualifications has also led to the choice.

The banking business of A. K. & E. B. Yount, at Fort Collins, Colorado, has for some time been conducted by Mrs. E. B. Yount, the junior partner, who is said to be a lady of rare sagacity and experience in monetary affairs.

DANGEROUS FORGERY.—On March 21st, James McKay *alias* "Canada Mack" and James Kilpatrick, were arrested in this city on a charge of making counterfeits of the bonds of the Pacific Railroad Company of Missouri, guaranteed by the State of Missouri. Kilpatrick was arrested in the New York Hotel, and had some of the forged bonds in his possessions. McKay was arrested at his residence. It is believed that everything had been arranged to issue the forgeries the next day on Wall Street. They are pronounced perfect imitations, and could, without any doubt, have been easily negotiated. It is said that the presidents of two of the largest institutions in Wall street, who were shown some of the counterfeits, offered to take them to any reasonable amount. Notwithstanding the fact that the genuine have been issued about eighteen years, and have an old appearance, the imitation of general appearance, as well as the paper and engraving, was absolutely perfect, and the only difference that could be found on close comparison, was that the small stamp of the State guaranteeing the payment of the bonds was not in the forged issue. This it is supposed it was designed to affix just before issuing.

The prisoners were brought before Justice Flammer at the Tombs on the 22nd., and the absence of the State stamp proved to be a loop-pole for escape. They were discharged on the ground that a paper, in order to be a forgery within the meaning of the law, must be a complete imitation in every detail of the genuine. There is fear that McKay, who is understood to be the master spirit in this case, Kilpatrick being only a tool to work off the bonds, may do considerable damage, as he still has possession of the plate, and can print any quantity of them. Persons dealing hereafter in these bonds are therefore warned to use the utmost caution in purchasing of strangers. Messrs. Mooney & Boland the detectives who arrested these men, have been on the track of this enterprise for some months past, having accidentally discovered the plot while investigating the \$64,000 forgery on the New York Life Insurance Company. It is believed that the forgers are of the same gang.

The bonds purport to be bonds of the State of Missouri, of the description known as "The Pacific Railroad State Bonds for Construction of South-west Branch in lieu of Guaranteed Bonds."

COLORADO.—Messrs. Thatcher Brothers, of West Las Animas, have organized a bank at Lake City, Hinsdale County, to be called the Miners & Merchants' Bank. It will begin business April 1st, Mr. John H. Maugham being cashier.

COLORADO.—A new banking house has been organized at Deadwood, under the firm name of Stebbins, Wood & Post, opening for business April 1st. The partners are Messrs. G. J., W. R. and C. M. Stebbins and M. E. Post of Cheyenne, Wyoming, and S. N. Wood, late assistant cashier of the Colorado National Bank, Denver.

CONNECTICUT.—The Hon. Daniel H. Sterling, President of the Connecticut National Bank, Bridgeport, died on the morning of March 1st, of disease of the heart.

Mr. Sterling has been a director in the Connecticut Bank for about twenty-five years, and since June, 1875, its President. During that time his large experience and good management have done much to add to the prosperity of the institution. He was also one of the Vice-Presidents of the City Savings Bank, and has been connected with almost every public enterprise in Bridgeport, always with credit to himself and advantage to the community.

BOLD ROBBERY.—A thief entered the Indiana National Bank, at Indianapolis, about noon on March 21st, placed on the floor a small box which he carried, stepped upon it, reached over the railing, seized \$25,000, and fled before those present could get a glimpse of his face. The attaches of the bank were behind the counters, but in the rear part of the room, though in plain sight. A reward of \$5,000 is offered for the arrest of the thief and return of the money. The robbery will in no wise interfere with the business of the bank, its capital being \$500,000, and its surplus \$175,000.

THE NORTHAMPTON BANK ROBBERY.—At the examination of the Northampton Bank robbers, Scott and Dunlap, at Boston, on March 23d, W. D. Edson, the New York bank-lock expert, who has been regarded as the main witness against the burglars, testified that he had known Scott and Dunlap since August, 1873, having met them at various times. He was at Northampton several times in the summer of 1875, doing work for the First National Bank, and in a measure superintending the putting in of doors in the old bank vault. He was in town accidentally one day in November, and called in at the old bank. While there somebody complained that one of the new patent keys failed to fit well. Witness offered to file it, and was given three keys of the outer vault. He spent about five minutes in filing the one key so that it fitted well, and pretended to use fifteen minutes in looking them over, meanwhile going into the director's room. Here he began an impression of the three keys in some wax which Scott gave him before he left the city, and he actually finished the impressions in the main room without attracting attention. On his return to New York, Scott called at his house in Fifty-Second Street, and received the wax impressions. He had several interviews with both Scott and Dunlap afterwards. Mr. Whittlesey, the Cashier, identifies Scott as the man who forced him to divulge the combination of the safe lock.

ILLINOIS.—Through a misunderstanding, the name of Messrs. Petefish, Skiles & Co., bankers at Virginia, Illinois, was omitted from the first Edition of the *BANKER'S ALMANAC AND REGISTER* for 1877. This old and well known house is transacting business as heretofore with its usual promptness, and has no connection with any other bank in that place.

MICHIGAN.—The First National Bank of Monroe closed its doors on March 12th, the recent suspension of Caleb Ives, an extensive capitalist of Detroit, being assigned as the cause. Its directors state that it will be able to resume shortly. This bank suffered a loss of \$17,000 by robbery, in November, 1875, but its surplus was \$29,000, and its credit has been excellent.

MONTANA.—Messrs. W. A. Clark, R. W. Donnell and S. E. Larabie have opened a banking house at Butte City, Deer Lodge County, Montana, for the transaction of a general banking business. These gentlemen, who are the officers of the First National Bank at Deer Lodge, are well known in banking circles, Mr. Donnell being also the senior of the highly esteemed firm of Donnell, Lawson & Co. of this city.

NEW YORK.—The National Bank of Gloversville, N. Y., closed its doors on the morning of March 24th. Its capital is \$150,000, two-thirds of which is said to be tied up in worthless paper. It is claimed that no one, except the stockholders, will lose by the suspension.

SERIOUS BANK FAILURE.—The Bank of Lansingburgh has passed into the hands of a receiver, A. D. Powers, who was appointed March 19th. The failure is thought to have been caused by speculation in New Jersey Central and other railroad stocks. Great excitement was caused in Lansingburgh.

The Bank of Lansingburgh was an old institution, and regarded in its vicinity as very sound; yet it has failed through reckless investment in stocks. The assets, as given in an official statement, are: New Jersey Central, \$38,000; other stocks, \$152,538; bonds and mortgages, \$20,681.50; loans and discounts, \$300,499.99; real estate, \$9,949.82; banking house, \$10,000; cash items, \$164,410.15; total, \$696,078.46. The liabilities are \$1,022,502, of which \$150,000 represents the capital, and \$872,502, is due to depositors. The excess of liabilities over assets is \$326,424.46. Although the surplus of a year ago has been set down at \$300,000, it was only \$170,000. This with the capital makes over \$326,000 which has been swallowed up. It is thought that depositors will realize about seventy-five per cent.

ROBBERY BY A BOOK-KEEPER.—The Brooklyn Bank, Brooklyn, was robbed on the night of March 21st, of \$160,000 in bills receivable and money, by its chief book-keeper, G. L. Whiting. He had been employed by the bank for twelve years, and was a man of highly respectable connections and position. A few days previously, the directors of the bank resolved to cut down its expenses,

and among other reductions lessened Whiting's salary from \$2,250 to \$1,500. It is supposed that this prompted him to the theft. On the evening of the 21st, Whiting was at work alone in the bank, and having obtained the combination, opened the safe, abstracted notes amounting to \$106,000, and \$57,800 in money, and disappeared. The next morning a letter addressed to the President was found, as follows:

"I borrowed the contents of your safe. It is more than I want to keep. I will return it on the following conditions: I will return the April notes and one-half of the money if you guarantee not to prosecute me and release my bondsmen."

A notice agreeing to the proposal was published among the "Personals" of a morning paper. On the 23d. Whiting returned to his house and was arrested by the detectives. A small valise which he carried contained \$106,250.61 in negotiable notes, and \$19,100 in greenbacks. He also had a ticket in the Havana lottery—a suggestive circumstance. He refused for some time to tell where the balance of the money (about \$40,000) was, but finally said it would be found in a place in New York. One of the directors went immediately with an officer and found the bulk of the money as stated.

On counting the recovered notes, greenbacks, &c., there was found to be still a deficiency of \$10,000. Whiting said he had spent it but would not tell how.

OHIO.—Much consternation was caused at Lebanon, Warren County, by the failure on March 2d, of Boake & Hunt, bankers, who made an assignment for the benefit of their creditors. Mr. Robert Boake had been in the banking business for a great many years, and the firm held largely the deposits of the neighboring community.

PENNSYLVANIA.—The German Banking Company of Pottsville, Pa., suspended on March 13th. The deposits amount to \$35,000, and it is thought that the assets are considerably more than the liabilities. The suspension is mainly ascribed to distrust among depositors consequent upon the recent failures of the Miners' Trust and Mountain City banks. The German Banking Company lost considerably by the failure of Jay Cooke & Co.

Defalcation.—The accounts of William J. Rutter, Cashier of the National Bank of Pottstown, Pa., were, on March 13th, discovered to be short about \$18,000. Mr. Rutter had been connected with the bank for many years, and had an excellent reputation in the community. It is supposed that the bank will suffer no loss.

SENTENCE OF A DEFAULTER.—Samuel Carey Ball, late cashier of the Hatboro, Pa., National Bank, has been convicted of embezzlement of its funds, and sentenced to imprisonment for ten years.

TENNESSEE.—The law of this State which allowed ten per cent. interest to be charged on special contracts has been repealed, and no higher rate than six per cent. is now legal. The penalty for usury is, however, only forfeiture of the excess, and a fine is no longer imposed for lending money at its market value.

VERMONT.—Albert Brown, Cashier of the First National Bank of Springfield, Vt., is alleged to be a defaulter to the amount of \$30,000. Brown is charged with having used securities which were left with him for safe-keeping, besides being guilty of other irregularities. He is a victim of Wall street speculation. The directors of the bank claim that it will lose little, if anything.

CANADA, ETC.—The Merchants' Bank of Halifax earned 8½ per cent. in 1876. Its Rest is twenty per cent. of capital, and two dividends of four per cent. were paid. Five hundred shares of the new stock of the Union Bank of Prince Edwards Island were recently sold at auction at prices ranging from sixty to sixty-five per cent. premium. The sub-agency of the Bank of British North America at Stellarton has been closed. Headquarters of the Bank of Montreal, in Miramichi, has been transferred to Chatham; the Newcastle branch is also continued.—*Toronto Monetary Times.*

NEW BANKS, BANKERS, AND SAVINGS BANKS.

MARCH, 1877.

(Monthly List, continued from March No., page 732.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>* N. Y. Correspondent and Cashier.</i>
CAL ...	San Francisco.	Bank of Commerce.....	National Park Bank. A. W. Preston, <i>Pr.</i> D. W. C. Thompson, <i>Cas.</i>
COLO...	Lake City.....	Miners & Merchants' B'k. (Thatcher Bros.).	John H. Maugham, <i>Cas.</i> Kountze Brothers.
DAK...	Deadwood.....	Stebbins, Wood & Post...	Kountze Brothers.
MICH.	Ishpeming.....	Bank of Ishpeming.....	National Park Bank. James O. St. Clair, <i>Pr.</i> Eugene G. St. Clair, <i>Cas.</i>
MO. ...	Macon.....	... Farmers & Traders' Bank. Theo. Krause, <i>Pr.</i> G. E. Waggener, <i>Cas.</i>	.....
MONT.	Butte City.....	Donnell, Clark & Larabie.	Donnell, Lawson & Co.
NEB. ...	Hebron.....	Thompson & Appelget....	Kountze Brothers.
	North Platte...	Walker Brothers.....	National Park Bank.
N. J....	Jersey City....	Mechanics and Laborers' Sav. Bank.	.....
OHIO...	Cincinnati	Queen City Bank.....	Winslow, Lanier & Co. \$ 25,000 J. C. Thomas, <i>Pr.</i> Samuel R. Thomas, <i>Cas.</i>
	Medina.....	Bank of Medina (Spitzer, Wideman & Co.)	Nat. Trust Co.
TEX ...	Marshall.	Garrett & Key.....	Ninth National Bank.
UTAH.	Salt Lake City.	T. R. Jones.....	J. B. Colgate & Co.
VA. ...	Staunton.....	M. Harvey Effinger.....	National Park Bank.
Wis. ...	Princeton.....	Yahr, Thompson & Co....	Traders' Nat. Bank, Chicago.

THE PREMIUM ON GOLD AT NEW YORK.

FEBRUARY—MARCH, 1877.

<i>1876.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1877.</i>	<i>Lowest.</i>	<i>Highest.</i>	<i>1877.</i>	<i>Lowest.</i>	<i>Highest.</i>
April	14	15 1/2	Feb. 26	4 7/8	5 3/8	Mch. 12	4 1/2	4 3/4
May	15	16 3/8	27	4 3/4	5	13	4 7/8	4 3/4
June.....	16 1/4	17 3/8	28	4 5/8	4 7/8	14	4 1/2	4 3/8
July	11 3/4	17 1/8	Mch. 1	4 3/8	4 1/2	15	4 3/8	4 3/4
August	12 3/4	14 3/4	2	4 1/4	4 3/4	16	4 7/8	4 3/8
September ...	13 3/4	17 1/4	3	4 7/8	4 3/4	17	4 7/8	4 3/4
October.....	14 1/2	17 3/8	5	4 5/8	5	19	4 7/8	4 3/4
November....	14 1/8	16 3/8	6	4 7/8	5	20	4 7/8	4 3/4
December ...	12 3/8	15 1/4	7	5 1/8	5 3/8	21	4 3/4	4 7/8
			8	5	5 1/4	22	4 3/4	5
1877.			9	5	5 1/4	23	4 3/4	4 7/8
January.....	5 1/4	7 1/8	10	4 3/4	5 1/8	24	4 3/4	4 7/8
February.....	4 3/8	6						

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from March No., page 731.)

MARCH, 1877.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
CAL.	Far. & Mech. Sav. Bank, } San Francisco }	LeRoy G. Harvey, <i>Cas.</i>	G. M. Condee.
"	... Wells, Fargo & Co., "	H. Wadsworth, <i>Tr.</i>	H. S. King.
"	... Bank of La Porte, La Porte.	Dixon Brabban, <i>Pr.</i>	A. Kleckner.
"	... Bank of Ukiah, Ukiah.	John S. Reed, <i>Pr.</i>	.....
CONN.	Colchester S. B., Colchester.	J. N. Adams, <i>Tr.</i>	E. L. Gates.
"	... Stonington Savings Bank, } Stonington }	O. B. Grant, <i>Pr.</i>	C. P. Williams.
"	... First Nat. Bank, Suffield.	L. Luther Spencer, <i>Pr.</i>	B. Loomis.
IOWA.	First N. B., Marshalltown.	T. J. Fletcher, <i>Cas.</i>	C. W. Fracker.
KAN.	... Cowley Co. B., Arkansas City.	William M. Sleeth, <i>Pr.</i>	A. A. Newman.
LA.	... Louisiana S. B., New Orleans.	J. S. Walton, <i>Cas.</i>	John S. Walton.*
ME.	... Lubec Savings Bank, Lubec.	M. M. Foster, <i>Tr.</i>	E. A. Davis.
MASS.	Eleventh Ward N. B., Boston.	Francis I. Parker, <i>Pr.</i>	E. C. Drew.*
	North Bridgewater Savings } Bank, Brockton }	Rufus P. Kingman, <i>Tr.</i>	E. Southworth.*
"	... Fitchburg S. B., Fitchburg.	Ebenezer Torrey, <i>Pr.</i>	N. Wood.*
"	... Hoosac Sav. Bank, Hoosac.	C. H. Read, <i>Pr.</i>	S. Johnson.
"	... South Scituate Savings Bank.	G. H. Weatherbee, <i>Pr.</i>	M. F. Rogers.
"	... Stockbridge Sav. Bank, } Stockbridge }	Mason VanDeusen, <i>Pr.</i>	M. Warner.
"	... Crocker Inst. for Savings, } Turner's Falls }	C. H. Willis, <i>Sec. & Tr.</i>	H. J. Dunham.
"	... Crocker Inst. for Savings, } Turner's Falls }	D. P. Abercrombie, <i>Tr.</i>	S. Sewall, Jr.
MICH.	First Nat. Bank, Leslie.	W. W. Peirson, <i>Cas.</i>	C. C. Walker.
MO.	... Manuf. Sav. Bank, St. Louis.	S. E. Hoffman, <i>Pr.</i>	I. Cook.
N. C.	... Raleigh Nat. B'k, Raleigh.	Charles Dewey,	W. H. Battle.
"	... " " " " "	John C. Blake, <i>Cas.</i>	C. Dewey.
PENN.	First Nat. Bank, Montrose.	G. B. Eldred, <i>Act'g Cas.</i>	N. L. Lenheim.
"	... National Bank of Pottstown.	Horace Evans, <i>Cas.</i>	W. I. Rutter.
"	... Far. & Merch. B., Saltsburg.	D. O. Brown, <i>Cas.</i>	W. R. McIlwain.
R. I.	... Citizens' Sav. B., Anthony..	John Potter 2d., <i>Pr.</i>	.....
"	... R. I. Union Bank, Newport.	George F. Crandall, <i>Pr.</i>	W. C. Cozzens.*
"	... Citizens' Sav. B., Providence.	John D. Cranston, <i>Pr.</i>	H. T. Grant.
"	... Jackson Inst. for Sav., "	Charles A. Boyd, <i>Pr.</i>	.....
"	... Citizens' S. Inst., Woonsocket.	Albert Cook, <i>Pr.</i>	.....
"	... Mechanics' Sav. Bank, "	Albert J. Elwell, <i>Pr.</i>	.....
TEXAS.	Drov. & Planters B., Denison.	James Porter, <i>Pr.</i>	J. P. Leeper.
VT.	... Lam'ille Co. N. B., Hyde Park.	C. S. Noyes, <i>Pr.</i>	L. H. Noyes.*
WIS.	... Marathon Co. B'k, Wausau.	Chas. P. Haseltine, <i>Pr.</i>	J. A. Farnham.

* Deceased.

DISSOLVED, DISCONTINUED OR CHANGED.

(*Monthly List, continued from March No., page 733.*)

- N. Y. CITY. William E. Connor & Co.; succeeded by William Belden & Co.
 " German Savings Bank of Morrisania; susp. Receiver applied for.
 " Hill, Head & Co.; now Charles Head & Co.
- COLO... Boulder Bank (George C. Corning), *Boulder*; assigned and suspended.
- CONN... First National Bank, *New London*; in liquidation.
- ILL. ... Skow-Petersen, Isberg & Co., *Chicago*; failed.
 " ... William Shannon, *Shannon*; succeeded by Sherwood & Cook.
- IOWA... Bloomfield Bank, *Bloomfield*; suspended.
 " ... West, Morsman & Co., *Clarinda*; consolidated with First Nat'l Bank.
 " ... Keota Bank, *Keota*; now Bank of Keota.
- MASS... Hill, Head & Co., *Boston*; now Charles Head & Co.
 " ... Covell, Haffards & Co., *Fall River*; now Covell & Haffards.
- MICH.. William D. Morton & Co., *Detroit*; failed.
 " ... First National Bank, *Monroe*; suspended.
- MINN.. East Side Bank, *Minneapolis*; succeeded by Lumbermen's Bank.
 " ... Winona Deposit National Bank, *Winona*; now Winona Deposit Bank.
- MO. ... Real Estate Saving Institution, *St. Louis*; now Real Estate Savings B'k.
 " ... Allen, Hoffman & Co., *St. Louis*; consolidated with Manuf. Sav. Bank.
 " ... Montgomery and Norman, *Oregon*; now Montgomery and Roecker.
- N. Y.... Exchange Bank, *Canandaigua*; failed.
 " ... National Bank of Fishkill, *Fishkill*; H. C. Bostwick, Receiver.
 " ... Bank of Lansingburgh, *Lansingburgh*; A. D. Powers, Receiver.
 " ... Lake Ontario National Bank, *Orwego*; in liquidation.
- OHIO... Citizens' Savings Bank, *Ashland*; assigned.
 " ... Boake & Hunt, *Lebanon*; failed.
 " ... First National Bank, *Sidney*; in liquidation.
 " ... First National Bank, *South Charleston*; in liquidation.
- PENN... John Moss, Jr., *Philadelphia*; suspended.
 " ... First National Bank, *Allentown*; suspended and closing.
 " .. Hartley, Russell & Co., *Bedford*; now Hartley & Bowers.
 " ... German Banking Company, *Pottsville*; suspended.
- VA. ... Farmers and Merchants' Bank, *Charlottesville*; suspended.
- WIS. ... Haertel & Schulze, *Portage*; succeeded by German Exchange Bank.

DIVIDENDS OF SUSPENDED BANKS.—The Comptroller of the Currency has declared dividends as follows in favor of the respective creditors of the banks named: City National Bank of Chicago, ten per cent. making a total of thirty-five per cent; Ocean National Bank, New York, five per cent., payable April 5th, making a total of seventy-five per cent.; Watkins National Bank, Watkins, N. Y., twenty-five per cent. making a total of seventy-five per cent.

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	<i>Feb. 1, 1877.</i>		<i>Mar. 1, 1877.</i>
Bonds at six per cent.	\$ 934,877,050	...	\$ 934,877,050
Bonds at five per cent.	712,320,450	...	712,820,450
Bonds at four and a-half per cent.	44,600,000	...	50,000,000
	<hr/>		<hr/>
	\$ 1,691,797,500		\$ 1,697,697,500

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000	...	\$ 14,000,000
DEBT ON WHICH INTEREST HAS CEASED.	\$ 10,912,510	...	\$ 8,629,860

DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.	\$ 365,050,234	...	364,304,851
Certificates of deposit.	33,745,000	...	34,445,000
Fractional currency.	25,424,567	...	24,434,420
Coin certificates.	53,313,700	...	52,146,700
	<hr/>		<hr/>
	\$ 477,533,501	...	\$ 475,330,971
Total debt.	\$ 2,194,243,511	...	\$ 2,195,658,332
Interest.	26,327,007	...	26,954,456
TOTAL DEBT, principal and interest.	\$ 2,220,570,519	...	\$ 2,222,612,788

CASH IN THE TREASURY.

Coin.	\$ 86,477,680	...	\$ 90,263,771
Currency.	9,496,266	...	9,122,874
Special deposit held for redemption of certificates of deposit, as provided by law.	33,745,000	...	34,445,000
	<hr/>		<hr/>
	\$ 129,718,947	...	\$ 133,831,645
Debt, less cash in the Treasury, Feb. 1, 1877	\$ 2,090,851,572	...	.....
" " " Mar. 1, 1877	.....	...	\$ 2,088,781,143

Decrease of debt during the past month.	\$ 2,069,669	...	\$ 2,070,429
Decrease of debt since June 30, 1876.	8,587,772	...	10,658,201

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.	\$ 64,623,512	...	\$ 64,623,512
Interest accrued and not yet paid.	323,117	...	646,235
Interest paid by the United States.	34,018,923	...	34,018,923
Interest repaid by transportation of mails, &c.	7,004,553	...	7,004,553
	<hr/>		<hr/>
Balance of interest paid by the U. S.	\$ 27,014,370	...	\$ 27,014,370

NOTES ON THE MONEY MARKET.

NEW YORK, MARCH 24, 1877.

Exchange on London at sixty days' sight, 4.84 a 4.84½ in gold.

One of the conservative movements of Wall Street is that for the reorganization of the defaulted debts of the Southern States. Whether it will be attended with much success is certainly doubtful; but that it deserves success admits of no question. The three States whose debts are now under negotiation are: North Carolina, Virginia and Tennessee. From a pamphlet which has been sent to us we find that the plan to adjust the indebtedness of Tennessee, has been the subject of protracted discussions in this city between the Board of Adjustment appointed some time ago and a special committee of the Tennessee General Assembly. The details have been decided upon, and will be presented and probably discussed at the special session shortly to be held by the Legislature of that State. The Board of Adjustment consists of George S. Coe, J. D. Vermilye, and B. B. Sherman of New York; B. B. Comegys of Philadelphia, and Enoch Pratt of Baltimore. The Committee representing the State were: John H. Savage, G. W. Martin, Jesse Arleage, W. E. Travis, and Lewis Shepherd, all of whom are members of the General Assembly of Tennessee. By these gentlemen it was at first suggested that, instead of a large reduction of the principal of the debt a concession might be granted for a few years in the rate of interest, as proposed in a plan submitted to the Governor of Tennessee by holders of a large amount of bonds, in the belief that the State would gradually recover and be able to resume payment in full. But the statements respecting the results of the war, the social derangement and general impoverishment and the disorganization existing in all the industries throughout the State, caused the committee to urge that a summary reduction of the debt, even to a large extent, was the best course for all concerned.

The plan decided upon and recommended to the Board of Adjustment is that, after adding all the arrears of interest and the interest to accrue up to July 1, 1877, the aggregate amount of the State debt at that time shall be readjusted by the issue of new bonds at 60 cents on the dollar, or for every sum of \$1,000 then due, new bonds for \$600 should be given in full settlement. The new bonds are to run 30 years and to bear interest at six per cent. from July 1, 1877, payable semi-annually in New York. The interest

coupons are to be received by the State for all taxes. A new and uniform issue of coupon bonds of the required amount, in denominations of \$1,000, \$500, and \$100 is to be prepared to be registered in the name of the owner if preferred, and the old bonds as exchanged to be canceled and immediately returned to the Treasurer of the State. The committee believes that the State will be able at any early day to provide a fund, however small, in excess of the interest to be used for the gradual extinction of the debt. This with the present constitutional prohibition that "no debt can be incurred by the State for the creation or in aid of any public improvement," will give augmenting value to the new bonds, and so far tend to mitigate the loss which the creditors will incur. It remains to be seen what action the legislature will adopt. The prospects of definite affirmative action are reported not to be very favorable. The popular feeling in favor of repudiation and against any fair adjustment is said to be on the increase.

Government bonds are in demand both for private investors and for financial institutions. The inquiry for the new four and a-half per cents. continues active. And it is expected that as the demand promises to be sustained, another call for ten millions of the old 5-20's will shortly be issued by Mr. Secretary Sherman. It is worthy of note that in sympathy with gold the quotations for five-twenties of '67 have fallen from 114 on 23d January to 111 March 1st. Since that extreme point was reached the price has shown a tendency to improve. It is said a number of banks during the low rates for money put a considerable amount of their idle funds into Government bonds. Some of these institutions bought their Governments at high prices, and have had to sell out recently at lower prices. It is hoped that the ill success which has attended the policy of investing surplus bank money in Government bonds will not discourage the future adoption of a similar policy. It is only at rare intervals that so exceptional a state of the market exists as has been prevalent of late, and has resulted in these exceptional losses from the policy of investing in Governments which is usually as remunerative as it is safe on an easy money market. Very little has been said of late respecting the proposed issue of four per cent. Government bonds under the Funding Act of 1870. A large number of our leading financial men are of opinion that such an issue would be eminently useful, and that either under a new law similar to that proposed last session by Mr. John Sherman, or without any new legislation at all, issues of the four per cents. could be made in exchange for greenbacks or otherwise. As Congress adjourned without final action on this proposed legislation, and as during the extra session in June next some new propositions may, perhaps, be discussed at Washington for the funding of the debt, there is for the present a temporary stoppage of the agitation of this subject in Wall Street.

State bonds are inactive and there is not much improvement in them. Georgia sevens and Tennessee old bonds are rather more active. North Carolina and Virginia bonds are dull and neglected. Missouri sixes are rather better.

Railroad bonds are very firm and the demand is well sustained, a large amount of idle capital is seeking this form of investment. The bonds of the best lines are commanding higher prices notwithstanding the depression of the shares in consequence of various circumstances affecting the earning power present and prospective of many of our railroads, especially in the West.

The money market remains without notable change. The supply of capital is abundant, and the demand continues limited. For call loans the demand is unusually quiet for several reasons. There is less speculation, and prices are so much lower than formerly that a smaller amount of capital is necessary to carry on a given aggregate of transactions. Some of the more shrewd brokers are looking forward to a revival of activity, but at present the indications of such a movement are not very numerous, though there is certainly a better feeling. The flow of deposits and greenbacks from the banks is going on with some rapidity, and it has begun earlier than usual this year. Subjoined are the figures of the New York Clearing-House statement as compared with those of previous weeks:

1877.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Feb. 24.....	\$ 258,751,700	\$ 29,374,900	\$ 44,713,300	\$ 15,536,300	\$ 229,311,200	\$ 16,760,400
Mch. 3.....	259,100,400	28,498,900	43,227,800	15,533,500	227,100,000	14,951,700
" 10.....	258,365,700	27,548,300	42,768,600	15,585,400	223,187,400	14,520,050
" 17.....	259,257,100	24,407,900	43,280,100	15,568,900	221,817,900	12,233,525

The Clearing-House exhibit of the Boston banks for the past month is as below:

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 24.....	\$ 128,638,000	\$ 4,783,700	\$ 4,996,500	\$ 73,477,000	\$ 23,188,600
Mch. 3.....	128,988,800	4,455,100	5,088,000	73,240,300	22,555,700
" 10.....	129,377,300	4,313,600	5,028,900	72,953,900	22,640,000
" 17.....	129,818,400	3,878,700	5,085,000	73,097,100	22,796,600

The Philadelphia bank statements for the same time are as follows:

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 24.....	\$ 60,948,792	\$ 1,976,305	\$ 13,289,789	\$ 48,477,491	\$ 10,387,329
Mch. 3.....	60,214,615	1,898,189	13,499,809	47,961,736	10,296,301
" 10.....	60,126,340	1,942,202	12,388,297	47,720,634	10,378,179
" 17.....	60,530,436	1,831,984	13,519,429	48,383,655	10,490,818

Railroad shares are recovering from their protracted depression. Whether the change is temporary or not, it is premature as yet to attempt to foresee. The prices of many of the shares of the several corporations have been so much reduced that they look temptingly cheap, and are not unlikely to attract the attention of investors who have large sums of idle capital which they are unable to use remuneratively. The depression of the coal roads will soon cease to operate prejudicially upon securities of railroads which have no coal property; and the question will soon begin to be asked, whether even the coal roads themselves have not been more severely dealt with than the facts really justified. The London *Economist* has some suggestive remarks in regard to the demand for American securities in England. "Investors," says our contemporary, "are much discouraged of late, from putting their capital into various descriptions of American securities, and the reasons which check the flow of capital into these American investments are founded on apprehensions of misgovernment in the Southern States, of mischievous legislation in the West by the grangers, of appreciation of the currency by the approach of specie payments, and of the bad management and irresponsible control of railroads and other joint stock corporations." The present depression of railroad property, and the immense losses which it has caused to thousands and tens of thousands of investors here and abroad, who can ill afford their losses, will have some adequate compensation if it lead us to correct a part of those evils which have operated so disastrously upon the value of the shares.

To these remarks, the London *Economist* of the 10th inst. adds the following: "A very general alarm seems to have spread among holders on this side as to the stability of American railway bonds, the reason of which appears to lie in the results which has attended the mismanagement of the Philadelphia & Reading line; so much latitude is allowed to American boards of directors. they enter into so many outside operations, combinations and rings that the present fit of disgust, which is causing the sales here of such securities, is heavily depressing them, especially as there is little market for them on the other side. There has been a heavy and general fall amongst the railway bonds which has found a market on this side of the Atlantic, holders of Philadelphia & Reading securities being especially alarmed lest the worst effects of the coal and iron crisis in Pennsylvania should not have passed off."

Gold continues quiet with few fluctuations, which are confined within narrow limits. Foreign exchange has ruled firmer, but closes dull. Sixty days sterling is selling at 4.84, and three days sight drafts at 4.86. Subjoined are our usual quotations :

QUOTATIONS :	Feb. 24.	Mar. 3.	Mar. 10.	Mar. 17.	Mar. 24.
Gold.....	105 ..	104½ ..	104½ ..	104½ ..	104½
U. S. 5-20s, 1867 Coup.	111¾ ..	111½ ..	112½ ..	111½ ..	111½
U. S. new 10-40s Coup.	113¾ ..	110½ ..	110¾ ..	111 ..	111½
West. Union Tel. Co..	63¾ ..	63½ ..	64¾ ..	62¾ ..	62¾
N. Y. C. & Hudson R.	93¾ ..	93 ..	96¾ ..	93¾ ..	95
Lake Shore.....	47¾ ..	49½ ..	50½ ..	49½ ..	50½
Chicago & Rock Island	99¾ ..	101½ ..	101½ ..	99½ ..	100½
New Jersey Central...	10¼ ..	8½ ..	8½ ..	8½ ..	9
Del. Lack. & West....	61½ ..	63¾ ..	62½ ..	58 ..	59¾
Delaware & Hudson..	48 ..	49¾ ..	49¾ ..	47 ..	50½
North Western.....	33 ..	34½ ..	32¾ ..	32 ..	32½
Pacific Mail.....	25 ..	24¾ ..	22¾ ..	22½ ..	21½
Eric	7¾ ..	7¾ ..	7¾ ..	7 ..	6¼
Call Loans.....	2 @ 4 ..	2 @ 4 ..	2 @ 4 ..	2½ @ 4 ..	2 @ 4
Discounts.....	4½ @ 7 ..	4 @ 6 ..	4 @ 6 ..	4 @ 6 ..	4 @ 6
Bills on London.....	4.83½-4.85 ..	4.84-4.85½ ..	4.84½-4.86 ..	4.84½-4.86½ ..	4.84½-4.86½
Treasury balances, cur.	\$ 44,981,911 ..	\$ 44,083,865 ..	\$ 43,774,319 ..	\$ 43,337,519 ..	\$ 44,017,735
Do. do. gold.	\$ 71,999,907 ..	\$ 71,737,568 ..	\$ 72,643,380 ..	\$ 72,496,236 ..	\$ 72,808,974

The stock market is reviving, but for most of the month it has been quiet and dull, with a tendency to lower prices. Among the reasons for depression we may mention the disturbance of confidence by the decision of the United States Supreme Court, in regard to the right of State Legislatures to control the rates of the railroads. On this subject the *Pall Mall Gazette* offered some remarks which are well worthy of consideration. It says: "For some weeks past a feeling very nearly approaching to panic has prevailed in the market for American railway securities on both sides of the Atlantic. Shareholders and bondholders have flung away their properties at great sacrifices, and, as no investors came forward to buy, prices have fallen in a manner that for a time threatened to bring discredit on all kinds of American securities without distinction. So far, however, the panic has been confined to railways. It has been most marked in certain classes of these, but to a greater or less degree it has extended to all without exception. The causes of this feeling are the break-up of the coal combination last summer, which immediately brought some of the lines that had been engaged in it into difficulties; the freight war between the mine railways to the West, the anarchical condition of the

Southern States, the apprehensions excited by the Presidential contest, the long continued depression of trade and the persistent mismanagement of the railways. Next to the break-up of the coal combination, it was the discovery that the very best lines are as liable now as they were in the days of Messrs. Gould and Fisk to be 'captured' by a ring and mismanaged in total disregard of the interest and the wishes of the shareholders, that has exercised the greatest influence; and it is to this point that the attention of the public in this country should chiefly be directed. American railways have of late years been steadily rising in favor with British investors, and, if only some sufficient security could be taken for their good management, it is unquestionable that they would offer a very eligible field." Similar criticisms are frequently made in the leading newspapers of Europe. The *London Times* and other newspapers have offered suggestive observations on the injury recently done to American credit in foreign markets. From all these strictures it behoves us to learn how we may protect and improve the credit of our securities abroad so as to sustain their market value at home. There is no doubt that here as well as abroad a large amount of capital will be attracted to our securities and will invest itself in them so soon as the owners of that capital can rely upon a faithful and honest management of corporate property. But the public confidence in railroad securities and in the bonds of various corporations will be slow to revive, and the most important means of financial recuperation will be comparatively ineffective unless this important condition can be complied with.

Subjoined are the usual statistics of the banking and currency movements:

Week ending	Notes in circulation.	Bonds for circulation.	Bonds for U. S. deposits.	Total bonds.	Coin in Treasury.	Coin Certificates.
Jan. 22....	343,253,577 ..	362,108,062 ..	18,626,500 ..	380,734,562 ..	73,200,709 ..	34,429,000
Feb. 19....	341,557,911 ..	358,428,650 ..	18,621,500 ..	376,050,150 ..	75,051,625 ..	33,786,900
Mar. 21....	340,046,776 ..	355,311,715 ..	18,741,500 ..	374,053,215 ..	69,657,203 ..	34,797,600
Apr. 21....	337,635,219 ..	347,800,350 ..	18,623,000 ..	366,423,350 ..	76,148,711 ..	28,457,600
May 20....	335,197,105 ..	344,893,850 ..	18,623,000 ..	363,506,850 ..	.....	.....
June 17....	332,322,678 ..	342,340,550 ..	18,823,000 ..	361,163,550 ..	65,664,354 ..	22,874,000
1875.						
July 24....	\$ 350,764,469 .	\$ 374,753,362 .	\$ 18,792,200 .	\$ 393,545,562 .	\$ 66,926,937 .	\$ 22,628,300
Aug. 7....	348,937,939 ..	374,927,862 ..	18,792,200 ..	393,720,062 ..	71,953,412 ..	22,657,200
Aug. 21....	349,130,000 ..	374,788,762 ..	18,792,200 ..	393,580,962 ..	70,738,807 ..	18,561,000
Sept. 11....	347,980,000 ..	373,382,762 ..	18,792,200 ..	392,174,962 ..	66,730,316 ..	16,389,400
Sept. 25....	347,720,223 ..	372,150,762 ..	18,792,200 ..	390,942,962 ..	66,924,152 ..	12,435,500
Oct. 9....	346,769,853 ..	369,791,762 ..	18,782,200 ..	388,573,962 ..	68,784,332 ..	12,477,100
Oct. 16....	346,813,776 ..	368,857,212 ..	18,782,200 ..	387,639,412 ..	70,472,506 ..	12,775,600
Oct. 23....	344,458,128 ..	368,119,917 ..	18,760,000 ..	386,879,917 ..	69,070,408 ..	11,502,300
Oct. 30....	346,805,616 ..	367,799,412 ..	18,730,000 ..	386,529,412 ..	.....	.....
Nov. 6....	345,799,108 ..	366,658,312 ..	18,730,000 ..	385,388,312 ..	72,042,514 ..	16,069,900
Dec. 18....	343,938,278 ..	364,690,112 ..	18,626,500 ..	383,316,612 ..	69,206,263 ..	21,447,000
1876.						
July 18....	331,839,109 ..	340,249,850 ..	18,723,000 ..	*369,772,284 ..	61,848,009 ..	36,588,600
Aug. 26....	326,562,064 ..	338,823,850 ..	18,723,000 ..	.....	62,580,612 ..	25,120,000
Sept. 16....	324,832,877 ..	337,318,650 ..	18,743,000 ..	*369,334,604 ..	63,204,594 ..	31,678,100
Oct. 22....	324,970,132 ..	337,289,800 ..	19,155,000 ..	*368,494,740 ..	71,273,106 ..	32,210,100
Nov. 18....	320,612,289 ..	337,849,800 ..	19,103,000 ..	*367,535,716 ..	79,771,725 ..	36,224,300
Dec. 19....	319,894,894 ..	337,602,800 ..	18,967,000 ..	356,569,800 ..	.....	.....
1877.						
Jan. 20....	319,108,061 ..	338,545,220 ..	19,062,800 ..	357,608,000 ..	.....	.....
Feb. 24....	319,364,647 ..	338,591,350 ..	19,149,000 ..	357,984,812 ..	90,159,663 ..	52,738,400
Mar. 24....	318,543,955 ..	340,194,600 ..	19,223,000 ..	364,239,454 ..	88,932,466 ..	49,447,500

* Outstanding greenbacks.

The following are the latest quotations or sales of the stocks of New York City Banks :

	<i>Bid.</i>	<i>Asked.</i>	<i>Last Sales.</i>		<i>Bid.</i>	<i>Asked.</i>	<i>Last Sales.</i>
Amer. Exch. Nat. B.	109	109½	109½	N. Y. Co. Nat. Bank.	230	..	..
Bank of N. Y. N. B. A.	115	116½	115	N. Y. Nat. Exch. B'k.	..	90	76
Central Nat. Bank...	102	..	101¾	Ninth National Bank.	..	77	76
Chatham Nat. Bank.	136	..	139	Phenix Nat. Bank...	102	..	102½
Chemical Nat. Bank.	1501	..	1675	St. Nicholas N. Bank.	102	..	100
Continental N. Bank.	72½	..	72½	Second Nat. Bank...	..	200	..
East River N. Bank.	..	92½	90	Seventh Ward N. B.	..	85	82
First National Bank..	200	..	210	Tenth National B'k.	..	75	63
Fourth Nat. Bank...	100	100½	100¼	Third National Bank.	..	..	98½
Fulton Nat. Bank...	150	..	150	Tradesmen's Nat. B.	130	..	133½
Gallatin Nat. Bank...	106	..	115	Union Nat. Bank....	139	..	137
Hanover Nat. Bank.	92	95	92	Bank of America....	130	..	133
Imp. & Tr. Nat. Bank.	185	..	190	Bank of N. America.	..	92	90
Irving Nat. Bank....	..	138	125½	B'k of the Metropolis.	..	..	80
Leather M'rs. N. B.	..	180	170	Bull's Head Bank....	..	..	60
Marine Nat. Bank...	..	90	123½	Corn Exchange B'k.	125	..	133½
Market Nat. Bank...	110½	..	110	Eleventh Ward B'k.	..	65	89
Mech. & Tra. N. B.	..	..	85	Fifth Avenue Bank..	216	..	..
Mechanics' Nat. B'k.	135	137½	138	German-Amer. Bank.	..	68	68
Mercantile Nat. B'k.	100	115	100	Germania Bank....	..	108	..
Merch. Exch. N. B.	92	..	92	Gold Exchange B'k..	..	100	98
Merchants' Nat. B'k.	119	..	119	Grand Central Bank.	..	..	115
Metropolitan N. B.	132½	133	130	Greenwich Bank....	115	..	122
N. B. of Commerce...	111	113	111	Grocers' Bank.....	..	96	75
N. B. of the Republic.	..	99¼	98	Harlem Bank.....	..	..	50
N. B. of State of N. Y.	122	..	109½	Manhattan Comp. B.	135½	138	137
Nat. Broadway Bank.	..	225	207	Manuf. & Merch. B'k.	..	100	35
N. Butch. & Drov. B.	..	120	127	Nassau Bank.....	..	100	190
Nat. Citizens' Bank..	..	120	108½	North River Bank...	..	70	70
National City Bank..	200	250	246	Oriental Bank.....	170	..	186
Nat. Mech. B'kg. As.	..	100	80½	Pacific Bank.....	..	175	142½
National Park Bank.	114	..	115	People's Bank.....	..	140	135½
Nat. Shoe & Leath. B.	115	117½	137	Produce Bank.....	..	..	70

DEATHS.

At STOCKTON, California, on Sunday, January 28th, aged fifty-three years, Dr. JOHN MILTON KELSEY, President of the Stockton Savings and Loan Society.

At NEW ORLEANS, La., on Monday, February 26th, aged sixty-seven years, JOHN S. WALTON, Cashier of the Louisiana Savings Bank.

At BRIDGEPORT, Conn., on Thursday, March 1st, aged fifty-seven years, DANIEL H. STERLING, President of the Connecticut National Bank.

At WILMINGTON, Ill., on Friday, March 2d, aged sixty-three years, ARCHIBALD J. MCINTYRE, President of the First National Bank of Wilmington.

At NEW YORK, on Friday, March 9th, aged fifty-two years, JAMES L. STEWART, formerly President of the Eleventh Ward Savings Bank.

At WATERLOO, N. J., on Monday, March 12th, aged sixty-eight years, Hon. PETER SMITH, President of the Hackettstown National Bank.

THE
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No. 11.

OUR CREDIT ABROAD.

Mr. Secretary Sherman has entered upon his duties at the Treasury amidst auspicious circumstances. That he has given an impulse to the public credit is indicated by the activity in American securities abroad, by the demand for Government bonds, and especially by the rapid succession of calls for the out-standing five-twenties, and by the progress of the conversion of our six per cent. debt into bonds bearing a lower rate of interest. For many years Mr. Sherman has had much to do with those conservative influences at Washington which have been directed to preserve the financial policy of the country from inflation on the one hand, and from excessive contraction on the other. The objective points of Mr. Sherman have always been the prompt refunding of the debt and the resumption of specie payments at as early a period as is consistent with safety to our commerce and prosperity to our national industry and trade.

If we turn from our own financial centers, and examine the prospects of American securities in the money markets of Europe, two or three conclusions seem to be well established. For example, it is generally agreed that a number of rival securities which formerly competed abroad with American securities, have lost much of their prestige during the last three or four years, so that, other things being equal, the course is more clear for the absorption of such of our municipal, railroad and Government bonds, as might meet the requirements of investors in regard to remunerativeness, sound management and safety. Another fact which is also

established is, that the amount of floating capital in the financial centres of Europe, which is disposed to seek investment in American securities, is on the increase, and that for several years so favorable a state of things has not existed in this respect. It is unfortunate that so promising a movement in the foreign markets should have been disturbed and its advantages impaired by circumstances which have occurred in this country, and which have been copiously discussed in the *Pall Mall Gazette*, which has usually been a trustworthy exponent of American finance. Similar criticisms have appeared in the *London Times* and *Economist*. It is premature to attempt to forecast, either at home or abroad, the effects of these unfavorable circumstances, but they enable us to appreciate the movement of American securities, which have been imported through our foreign bankers more freely than is supposed by those persons who have not watched the course of this department of business with the requisite care.

A still better use of the facts we are considering is, to deduce from them the proper methods to be adopted in this country for the rehabilitation of our credit abroad. These journals suggest several points, which may be with advantage considered. First of all, there is the necessity for some early settlement in regard to the defaulted securities of the Southern States. A large mass of these securities are in the hands of foreign capitalists, and the evil which their default has done has perhaps been overestimated. But there has been, here and abroad a growing conviction that the vigorous efforts which are making by Mr. Coe and his coadjutors of the Board of Arbitration, for the adjustment of these defaulted state debts, are adapted to render great services not only to the defaulting States and to their creditors, but also to the general interests of American credit in foreign countries, as well as at home. Another point referred to by some of our foreign critics, is the recent decision of the U. S. Supreme Court, in the Granger cases, and it is gratifying to find that the bad effects upon the future earning power of our railroads in the West, are not so much exaggerated in England as they have been very frequently in our own country. In illustration of this sound tendency of public opinion abroad, may quote from the *London Economist* :

Some of the Western States appear also to be a little unstable. One cause of the fall in Illinois Central shares is stated to be the legislation of the State of Iowa, which has, in fact, altered the terms of the company's charter, and reduced the authorized charges of the railway. There have been charges of a similar kind against other Western States; and, whether well-founded or not, such charges plainly indicate a danger to which the securities of such a State, so far as they represent undertakings like railways, in which the community to some extent has an interest opposed to the owners of the undertaking, are exposed. Each little State will be apt to legislate for its own advantage, and against the railway or other undertaking which is largely owned by absentee or foreign capitalists. We do not think the danger is generally very serious, for there are various restraining influences upon such States, and as they grow richer

and more settled, the residents acquire an interest in their own great corporate properties. The constitution of the United States also forbids any State legislation affecting the validity of contracts which have been entered into. But the clause in the Constitution, as may be imagined, is difficult to set in operation, and while some Western States are raw and unformed, there appears a real danger of legislative courses which may impair the value of the capital invested there.

Among the most important changes which have been proposed one is as to the necessity that the shareholders of our great corporations should be enabled to exert more of practical, effective control in the management of their property. This is a fruitful subject of inquiry, and we have frequently attempted to aid in the solution of some of its numerous problems. The English and French holders of our securities are disposed to conclude that Congress should take into its hands the control of the railroads throughout the United States, instead of leaving these important highways subject to the conflicting and varying legislation of the several States, which in some cases has been exerted to the injury of the property. It may perhaps be true that at some future stage of our financial and political progress, the change here recommended could be with advantage and safety adopted, but as at present the obstacles appear to be insuperable, we must dismiss this projected reform for the present. Another suggestion is, that in the case of corporations whose stock is largely held abroad, a sound policy requires that the foreign shareholders should be qualified to serve as directors. Hence it is proposed that all laws should be repealed which forbid foreigners from being directors of joint-stock companies in the United States. The argument is that if this were done, foreign capital would be poured into many enterprises from which it is now repelled, and that capitalists abroad might then be expected to add to their investments in America, and to enlarge the flow of capital from Europe to the United States. In this case the difficulties of adopting the suggestion which has been made are not so insurmountable, and we commend the project to the candid examination of those members of our New York Stock Exchange who are anxious to rehabilitate American credit abroad, and to place our securities on the high basis of value to which their intrinsic merits will raise them so soon as subordinate obstacles such as those we have mentioned and which have so long checked the growth of American credit, can be moved out of the way. When the gentlemen composing the Board of Adjustment for the defaulted securities of the Southern States have closed the important labors which they have in hand, we would suggest that they might do good service by taking up some of the defaulting railroad securities, so that if possible the depressing influence with which these defaults have tainted the reputation of American investments abroad may be to some extent counteracted.

THE U. S. SUPREME COURT AND THE STATE TAXES ON THE BANKS.

The official report of the judgment in the tax case of the *Gallatin Bank vs. The Commissioners of Taxes and Assessments in the City of New York*, is published in full on page 888 of this issue. It will be seen that the decision turned upon two questions. First, does the law of the State of New York require the assessors to appraise bank shares at their par value, or at their full and true value? And secondly, is the law, as it stands, valid under the constitution of the United States?

As to the first question, the court decide that by the law of 1866, second statute, page 1647, chap. 71, and by 1 *Revised Statutes*, 393, section 17, the Legislature of the State of New York, has provided that bank shares shall be assessed on the value of the stock, and at "their full and true value as the assessors would appraise the same in payment of a just debt due from a solvent debtor," deducting the proportional value of the real estate owned by the banks. As this is precisely the view contended for by the New York assessors, they included in their appraisal the reserves and the surplus of the bank. In this, they did what the law required of them, for as the court hold, the reserve fund "is as much a part of the property of the bank, and goes to fix the value of the shares equally as if it were not called by that name, but remained as a part of the specie, bills discounted, or other funds of the bank, undistinguished from the general mass."

With regard to the second question, whether such a tax law violates the rights of the National banks, and is forbidden by the constitution of the United States, the court argue that there is no such violation, and that the law as it stands is not unconstitutional. These points are briefly discussed by Mr. Justice Hunt, in delivering the opinion of the court. He shows that the act of Congress of June, 1864, imposes but two restrictions upon the right of the State governments to tax the shares of the National banks. These restrictions are, first, that the State taxation shall not be "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State." And secondly, "that the tax so imposed shall not exceed the rate imposed upon the shares of any of the banks organized under the authority of the State where such association is located." In interpreting these two restrictions, the Supreme Court decided in a former case that "in making assessment of bank shares by State

authority, it was competent to assess them at any amount above their par value." Against this view it was argued by counsel that by the law of 1865, passed by the Legislature of the State of New York, it was declared that bank shares should not be assessed above their par value. To this Mr. Justice Hunt replies, that as the statute in question was declared invalid by a decision of the Supreme Court, a short time after it was passed, no bank could acquire under it any right whatever to have its shares assessed at their par value, or below it. As we have recently discussed this question, and shall recur to it hereafter, we will only add here, that the court declared the act of the State of New York, in 1866, imposing taxation on the shares of National banks, was in accordance with the provisions of the constitution of the United States, and that the tax commissioners had done right in fixing the taxable value of such shares at fifty-nine dollars each, although the par value of such shares is fifty dollars each.

Several important deductions are suggested by this decision. In the first place, the duty is obviously incumbent upon our National banks to unite themselves firmly together to obtain a remission of the excessive fiscal burdens which are doing so much harm. The profits of the banking business are now so much reduced below those formerly obtained, that the present scale of taxation is intolerable, and is driving multitudes of our banks out of the business. Since the agitation began in this city, our Clearing-House banks have diminished their aggregate capital by sixteen and a half millions of dollars. A further reduction is even now going on, which will be most prejudicial to our banking system if its progress be not stopped. At the next session of Congress, a vigorous effort is to be made for the relief of the banks from the excessive tax burdens under which they have so long been crushed, and all the banks throughout the country should see to it that the members of Congress from their several districts are thoroughly informed as to the facts.

Secondly, something ought to be done to render our State taxes upon the banking business more impartial and uniform throughout the country. The Comptroller of the Currency shows in his last report that the taxes levied by the State governments on the banking business, vary to a most extraordinary degree. The unequal rates of taxation upon the banking business in the various States, have frequently been the subject of severe criticism. Not only are these taxes more than twice as much in some States as in others, but they are the heaviest in some of those sections of the country which have the most urgent necessity for fostering and increasing the growth of their banking facilities. Without entering into the details of these inequalities, we may simply offer two or three suggestions in regard to the needful reform

of this part of our fiscal system. In the first place, it is a mistake to suppose that the banks desire to escape their fair share of taxation. The fiscal relief which the banks are now for the first time in their history united in seeking from the Governments, State and National, by which they are taxed, is supported by several important arguments, all of which are based upon the constitutional principle that taxes should be impartial, and should not discriminate either for or against any particular interest. Now, it is well known that the bank taxes discriminate against the men engaged in banking, and are driving large sums of capital out of the business. Much has been written on this subject, and as it appears to be universally admitted that the methods of taxing the banks on State authority need revision, we would recommend to the American Bankers' Association, or to some other body interested in fiscal questions, to compile a digest of the bank tax law of the several States in the Union, and to publish the complete statement of all these laws in as brief, compact, and intelligible a form as possible, in order that out of the chaotic and confused mass of fiscal provisions, some orderly and symmetrical system of taxation may be devised and recommended, which would accord with our general tax methods on the one side, and would be fair and equitable on the other. The labor involved in such a compilation would no doubt be great, but if the digest be efficiently made, it will be well worth all the labor and expense which are indispensable to its production.

Thirdly, we may object that the decision of the court in this case was rendered without examination in detail of the important grounds on which the bank claimed the reduction of the assessments, made by the commissioners. It was founded on a previous decision of the court in the case of *Van Allen vs. The Assessors*, 3 Wallace 573, which was supposed by the court to control the case of *Gallatin Bank vs. The Commissioners*. In thus deciding, the court ignored the fact that the application of the Gallatin Bank was principally based on two grounds; first that the Enabling Act, of the State of New York, in the clause which subjected shares in converted banks to taxation, contained a provision that the tax to be imposed should not exceed the par value of the shares. In this provision a legislative contract was authorized with those banks that accepted the terms laid down in the Act. The Gallatin Bank, with other similar state institutions accepted the terms, completed the contract, and entered into the possession, under this contract, of rights and privileges which, as is affirmed, the Legislature could not afterwards repeal.

The other ground was, that even if there were no such contract between these banks and the State, the present tax law of New York, which imposed a tax on the value of

bank shares without allowing for the difference necessarily resulting from the surplus of twenty per cent., which the National banks are obliged to reserve under section 5199 of the *U. S. Revised Statutes*, infringed the rights of the National banks, because it imposed on them a burden not borne by the State banks which are exempt from the obligation of section 5199 to hold the twenty per cent. surplus. It was argued that this inequality is a violation of the rights of the National banks as fiscal agents of the United States Government, which rights were expressly reserved to them by the National Currency Law.

The Supreme Court without considering either of these specified grounds for claiming a reduction in the tax assessments of the Gallatin National Bank, seem to have felt themselves bound to deny the application, because, as they supposed, they had previously in the case just referred to, declared the taxation clause of the New York Enabling Act of 1865 to be invalid, so as to destroy the force and validity of all contracts founded upon any of its provisions, and that all claims under the provision and contract relied on by the Gallatin Bank necessarily failed with the clause of the Enabling Act, on which they claimed to be founded.

But if we admit for the present that the several parts of the rejected clause, are so connected that the invalidity of one part destroys the other, and that the invidious inequality of taxation between the National and State banks, forms no objection to the present tax law of the State of New York; and also that the decision referred to would be conclusive if it did declare as the court now supposes, there still remains the question whether this decision does in reality lay down the proposition which the court has ascribed to it.

If we refer to the case as reported 3 *Wallace* 573 we shall find that in the opinion which was written by the late Mr. Justice Nelson, the court does not, in terms declare the clause in question to be invalid. What the court says, is that this clause is "wanting in conformity with the National Bank Act." This want of conformity consists merely of an omission from the clause, of a provision contained in the Act of Congress limiting the taxes imposed on National banks to the rate imposed on State banks. If then, the clause is here declared to be invalid, it must be, not expressly but only by inference, and because the want of validity is a necessary consequence of the want of conformity of the kind indicated. On the part of the National banks it is denied that this inference is sound in logic or in law.

It is not true that in all cases and without any exception, the want of conformity with the laws of the United States impairs State legislation or renders it invalid. Of course we do not deny that incidentally and in some cases this want of conformity does carry with it the conse-

quence of invalidity, but it is argued by eminent jurists, on the citation of numerous authorities that in the great majority of cases invalidity does not necessarily result. The effect of the want of conformity between State laws, and the Statutes of the United States depends entirely upon its character. And only when it is such that the State law is incapable of execution without infringing the rights, powers or duties of the Federal Government is the want of conformity of any importance whatever. The distinction here contended for will perhaps be rendered clearer by an illustration. Suppose that this taxation clause of the New York Enabling Act of 1865, instead of authorizing as it does, the taxation of bank *shares*, had authorized the taxation of bank *capital*, such a want of conformity would, no doubt, have been fatal; for the clause could not have been acted upon otherwise than by laying a State tax upon the capital of National banks, and this was forbidden by the Act of Congress.

But such a want of conformity as this is totally different from the want of conformity indicated by Judge Nelson. The New York Enabling Act, as it stood and as he adjudicated upon it, authorized a tax on shares, and the clause which did this, so far from being inconsistent with the National Bank Act, was in fact very nearly a copy of one of the clauses in that Act. If the State had previously adopted the system of taxing the shares instead of the capital of State banks, it might under this authority have taxed also at once the shares of National banks at the same rate. To this extent therefore, the clause must have been valid.

It will perhaps be replied, that when the State of New York in the fiscal laws and passed by virtue of the authority conceded by Congress to tax the shares in the National banks, it did not impose taxes on the shares of the State banks and consequently that under the existing law of the State the authority could not have been executed without violating the Act of Congress. This we admit, but it does not follow that the authority is invalid. The tax law might be at the time incapable of execution, but it is by no means certain that the law must therefore be incapable of execution at some future time. Whenever the State chose to tax the shares of State banks, it could, under the authority of this clause, tax also the shares of National banks. It thus appears that the clause in the State law may have been temporarily inoperative, but it is not for this reason invalid, any more than a man is dead when he has his hands tied. It may be objected also that the clause was invalid in the enabling Act of 1865, because it might be so construed as to authorize its execution beyond the limits prescribed by Congress. In other words, as this law did not limit the taxation it imposed by inserting the restrictive clause of the National Bank Act, it was defective

and capable of being used to impose fiscal burdens on the banks beyond the maximum allowed by the U. S. statute. But this objection leaves out of view the fact that the restriction in question was as effective while it existed only in the Act of Congress as it could have been if repeated in the State law. If a State law is to be held invalid because it does not reiterate all the provisions by which every form of action that can be taken under it should be restricted, then a vast amount of State legislation must be at once wiped out. If we should begin to apply such a dangerous and revolutionary principle as this, perhaps even the New York Tax Law of 1866, under which the tax was imposed, that is, complained of by the Gallatin bank in this case, could be successfully assailed and it might have to go with the rest; for it authorizes the taxation of shares in National banks, and nevertheless, it omits the clause of restriction contained in the U. S. statute. If the omission of this restrictive clause was fatal to the law of 1865, should we not, by parity of reasoning, expect it to be equally fatal in the case of the tax law of 1866.

It would be easy to multiply arguments to show that the taxation clause of the New York Enabling Act of 1865, was not to be held invalid by reason of the want of conformity pointed out by Mr. Justice Nelson. Indeed, the Judge himself said that the defect was of little importance and might be easily remedied. A statement quite inconsistent with its being fatal. The whole of the arguments in Judge Nelson's decision, in the case of *Van Allen vs. The Assessors*, show when carefully analyzed that his objection was not so much to the clause of the Enabling Act of 1865, as to the manner in which it was carried out; and his remarks on its want of conformity with the Act of Congress applied only to such a construction of the clause as might be, or had been, contended to justify the action taken under it.

Finally, the case before us suggests the importance of losing no time in the prosecution of the plans for lightening the pressure of the bank taxes. For some years past it has been supposed by many persons that the U. S. Supreme Court would in some way interpose and relieve the National banks of a portion of their fiscal grievances, and that afterwards it would be more easy for the other members of our banking system to obtain the repeal of the mischievous taxation by which they are themselves oppressed. These expectations are now at an end. In the case before us, the Supreme Court has decided that there is nothing in the constitution or statutes of the United States, to restrain or prevent our State Legislatures from imposing the present unequal taxation upon the National banks, hence, the only remedy within the power of the institutions which suffer from it is to go to the State authorities without delay, and to make the facts so

apparent to the members of their various Legislatures as to bring the desired relief. In this work, which will require to be done in all the States, and may with advantage be carried on at the same time in most of the States, the American Bankers' Association will no doubt take a conspicuous part, and will show the advantages which, in tax reform, as in other beneficent movements are only to be secured by organization and by united effort.

MERCANTILE FAILURES OF 1877.

If we may judge by the number and extent of the failures last year in the United States and Canada, the pressure of the mercantile and financial distress which has prevailed since the panic of 1873 has shown only a partial and slow abatement. The reports just published prove that, as compared with the corresponding quarter of last year, the number of mercantile failures in the first three months of 1877 has been increased, while the aggregate liabilities have diminished. The subjoined table gives a comparative view of the number of the commercial failures of the past three months, as well as of the liabilities, compared with those of the previous two years:

MERCANTILE FAILURES, 1875-1877.

Years.	First Quarter.			Total for the Year.		
	No. of Failures.	Amount of Liabilities.	Average Liabilities.	No. of Failures.	Amount of Liabilities.	Average Liabilities.
1875 .	1,982	\$ 43,176,953	\$ 21,784	7,740	\$ 201,060,333	\$ 25,960
1876 .	2,806	64,644,156	23,038	9,092	191,117,786	21,020
1877 .	2,869	54,538,074	19,010			

One of the chief facts of importance suggested by these statistics is, that though the aggregate losses by failures are increasing, the average liabilities of each insolvent firm are diminishing. Various reasons are assigned for this change. One of its causes is no doubt the difficulty which many men of small resources experience in obtaining credit. The London *Economist* has argued with some show of reason that the pressure of our financial distress is extending, so as to crush smaller and weaker classes of traders, who were formerly exempt from its influence. There is some truth in this view of the case, but it has misled many persons into the false conclusion that the severity of the panic is increasing in this country, and is becoming more and more exhausting to the productive resources of our people. In the following table, Messrs. Dun, Barlow & Co. give the details of the failures in all the several States and in Canada:

MERCANTILE FAILURES, JANUARY TO MARCH, 1877.

States and Territories.	First Quarter in 1877.		First Quarter in 1876.		First Quarter in 1875.	
	No. of Failures.	Amount of Liabilities.	No. of Failures.	Amount of Liabilities.	No. of Failures.	Amount of Liabilities.
Alabama.....	23	\$ 489,731	22	\$ 256,300	15	\$ 366,000
Arizona.....	—	—	—	—	—	—
Arkansas.....	10	98,900	8	97,700	2	27,000
California.....	81	558,559	52	1,201,398	61	675,971
San Francisco.....	39	976,217	—	—	—	—
Colorado.....	13	179,900	6	50,000	—	—
Connecticut.....	96	1,851,423	62	1,722,394	41	297,761
Dakota.....	2	16,000	3	67,000	—	—
Delaware.....	6	106,500	6	85,000	5	65,000
Dist. of Columbia..	13	115,700	1	4,477	5	28,824
Florida.....	5	23,000	5	30,000	4	160,000
Georgia.....	34	484,456	68	2,080,276	40	1,037,300
Idaho.....	1	24,500	1	3,500	—	—
Illinois.....	152	2,062,000	132	2,962,500	96	2,385,018
City of Chicago....	72	3,302,300	52	3,097,200	—	—
Indiana.....	113	1,131,615	92	1,322,521	84	1,661,349
Iowa.....	172	1,053,300	98	1,180,080	44	376,265
Kansas.....	13	74,200	19	171,500	19	83,300
Kentucky.....	69	2,313,650	68	1,218,953	38	1,196,000
Louisiana.....	10	126,000	12	553,525	6	305,831
Maine.....	26	291,200	40	669,450	—	—
Maryland.....	36	604,900	44	793,492	44	780,435
Massachusetts.....	178	2,363,683	154	4,022,560	113	5,514,000
City of Boston.....	31	1,059,800	114	6,157,000	—	—
Michigan.....	110	2,407,984	159	3,444,839	61	511,041
Minnesota.....	57	422,560	44	263,477	38	250,000
Mississippi.....	39	516,389	30	311,046	17	418,450
Missouri.....	25	375,642	35	653,200	65	1,199,550
City of St. Louis...	40	821,000	22	580,933	—	—
Montana.....	—	—	2	55,000	—	—
Nebraska.....	12	83,900	8	51,200	16	120,000
Nevada.....	29	352,743	5	32,000	—	—
New Hampshire....	27	151,662	18	217,500	—	—
New Jersey.....	40	691,000	53	657,747	11	81,758
New York.....	358	5,704,712	282	6,035,968	152	2,694,562
City of New York.	253	11,917,796	313	9,513,548	197	8,490,500
North Carolina.....	23	173,165	55	482,585	16	123,000
Ohio.....	123	1,993,995	137	2,113,005	73	1,187,155
City of Cincinnati.	34	1,041,648	28	730,809	—	—
Oregon.....	10	71,600	6	25,300	—	—
Pennsylvania.....	166	2,685,766	139	3,125,174	155	4,927,606
Philadelphia.....	46	1,481,980	34	1,322,220	—	—
Rhode Island.....	26	848,177	36	982,191	21	476,394
South Carolina.....	42	792,260	40	725,858	61	989,236
Tennessee.....	34	411,100	—	—	23	143,765
Territories.....	—	—	—	—	32	546,702
Texas.....	52	804,923	44	635,896	67	660,100
Utah.....	4	26,000	1	6,000	—	—
Vermont.....	34	232,463	23	437,000	7	31,200
Virginia & W. Va..	43	432,817	54	2,121,665	47	642,765
Washington Terr...	1	14,000	3	162,664	—	—
Wisconsin.....	46	775,254	92	1,039,712	57	419,384
Wyoming.....	—	—	1	37,000	—	—
Total.....	2,869	\$ 54,538,074	2,806	\$ 64,644,156	1,733	\$ 38,873,222
Dom. of Canada....	572	\$ 7,576,511	477	\$ 7,418,030	396	\$ 4,141,340

There are two circumstances pointed out in the circular before us which are well worthy of consideration, in view of the last quarter's increase in the number of mercantile disasters and in their amount. First, the general business of the country has been much less active than was anticipated. Thirteen of the twenty Clearing Houses in this country report an aggregate of clearings, in the first quarter of 1877, amounting to 7,550 millions against 7,677 millions last year. From this salient fact, as well as from a multitude of other circumstances, we have the indubitable evidence that the business of the last three months has not only failed to revive and to reach the high level of activity which was predicted, but this aggregate has not even equaled that of last year, which was notoriously a low one. There is little doubt that many of the unfortunate traders who figure in the insolvent lists, whose aggregates are given above, owe no small part of their misfortunes to disappointed expectations of business and to the expenditure of capital belonging to themselves and their creditors, in preparing for business demands which were expected and prepared for in vain.

Secondly, it must be remembered that a much smaller amount of capital is now at work in the commercial circles of the country, than at any previous time for several years past. A few months ago this fact was recognized and made public in a noteworthy manner by Messrs. Dun & Co., who announced that they had reduced the ratings of the whole body of dealers in their encyclopedic report. This course attracted very little remark at the time, but it was really one of the most interesting and suggestive of the economic facts which have been for some time published in this country. We shall not attempt any elaborate discussion of it in this place as it only offers itself incidentally as connected with the mercantile failures which have recently occurred. These troubles for the past quarter have involved an aggregate of more than fifty-four millions of dollars. If the remaining quarters of the current year are to be equally prolific, the mercantile disasters of 1877 will exceed 200 millions. But the total capital, out of which these 200 millions will have been lost or implicated by insolvency, is a much smaller sum than that which yielded the 200 millions of failures of 1875. In other words the proportion is increasing more rapidly than appears between the losses by the failures and the aggregate business capital of the country out of which these losses must be paid.

THE TRUE FUNCTIONS OF BANKING.

BY GEORGE WALKER.

(Second Article.)

In my last article I spoke of the most important function of the banking business, namely, of loans and discounts. In the present article I shall speak of deposits and circulation. In the natural order of things, these functions should have been properly considered first, but to do so would have postponed the definition of banking, by which I sought to explain the origin and the necessity of the business. Before a bank can lend, it must have the means of lending. These come from three sources: 1, capital; 2, deposits; 3, circulation. When the business is profitable, the capital forms a much smaller part of the aggregate loan fund than the other two. I well remember the reply of a distinguished financial authority in England to my remark, that banking was a far more profitable business in Great Britain than in the United States. "Ah," said he, "but you must remember that in the United States you bank on the capital of your stockholders, while in England we bank on the money of our depositors." Although this general fact is known to most of the profession, the figures which illustrate it may not be familiar, and it will not be uninteresting to state a few recent statistics of English banking. The paid-up capital and surplus of the five old joint-stock banks of London, namely, the London and Westminster, London Joint-Stock, London and County, Union, and City, amounted on the 31st of December, 1876, to £8,780,000 or \$43,900,000. Their deposits amounted to £83,875,000 or \$419,375,000, being nearly ten times their capital. Now, although the lending rate of money was not more than two or three per cent. throughout the year (I have not the exact figures before me), the dividends of these banks, for the year 1876, were fourteen, sixteen, sixteen and one-half, thirteen and one-half, and eight per cent. respectively; none of these banks issue circulation. The profits of English country banks are even more remarkable. Thus taken at random, a bank at Whitehaven (Cumberland), divided twenty per cent.; another in the same county, at Carlisle, twenty-two per cent.; one at Halifax (Yorkshire), eighteen per cent.; and one in Hampshire, twenty per cent. All English banks, except the Bank of England, pay interest on deposits, and these great dividends were earned out of the small difference between the rate paid, and the lending rate on an amount of deposits

far exceeding capital. Such large deposits are not a healthy indication; on the contrary they show the extreme depression of business in England, and the vast amount of idle capital waiting for investment or active employment.* Deposits, in short, are *waiting capital*; they are always this and nothing more. The business of the world is carried on by means of a Loan Fund, which is made up of two elements, the smaller being the capital of moneyed institutions, (banks, savings banks, insurance and trust companies,) and by far the larger uninvested profits. As the business of each year brings its quota of profit, and pours it into the common fund, investments draw out nearly an equal amount from that which has waited longest, and plant it in fixed property. Till the owner of the profits has decided what to do with them, they go into loans, usually through the instrumentality of banks, and become a part of the great floating capital by which industries are moved. *Natural* deposits are largest when business is dull, *artificial* deposits when it is active, for reasons which I will presently explain. It must not, however, be supposed that deposits come only from the owner of profits waiting to be invested. A very large, and in banks of discount probably much the larger part, comes out of the working capital of business men. I have explained that every business requires floating capital to pay for its materials, and its labor, and to carry its products until they are sold; but it ought to have a margin over and above this, to provide for contingencies; to avail of favorable opportunities for buying new stock, and to protect any discounted paper which may be dishonored by the makers and come back upon the endorsers. These are the unavoidable necessities of prudent business; but beyond them there is an artificial necessity for keeping deposits, which every American bank officer and every dealer

* Since the above article was written, I find the following pertinent observations in the *Economist's Commercial History and Review of 1876*. In commenting on the statement of the London Joint-Stock Banks for the last half year, the writer says:

"In the first time for a very long period, the total liabilities of most of the leading banks exhibit a decrease compared with June, '76, and a still further decrease compared with December or June, '75. The decrease of the last six months is (say) two millions (sterling); the decrease from June, '75, is seven millions."

These diminutions of deposits are the result of one set of causes started by the banks, and of a second set of causes arising out of the reduced rate of accumulation in the country at large, as a consequence of unprofitable trade. On the side of the banks, there has been a reduction of the allowance of interest on money left on deposit; and a total discontinuance of the rules under which interest was allowed, in some form or other, on current accounts. The effect of these changes have been *pro tanto* to withdraw and divert money from the banks, and compel the owners of it to find other investments of a more permanent character; a change in itself entirely wholesome. The lessened surpluses or profits of trade have contracted the funds which naturally and generally find their first lodgment, for long or short periods, in banks.

"The events of the half-year, therefore, have been of no small importance in the history of London banking, inasmuch as they have given a very decided check to the doctrines and practices which were becoming established in favor of indefinite enlargement in the attractiveness and scope of Deposit Banking. It was thought and said that a bank could not fail to increase its profit by attracting, by liberal rates of interest, as many deposits as possible; and hence of late years, the progressive advancement of the liabilities for cash deposits and acceptances. The Bank of England minimum rate was relied on to afford a true index of the market, and a profit of at least one per cent. was assumed as certain between the rates to be allowed, and the rates to be charged. We have now arrived at a time when the Bank of England rate has almost of necessity ceased to be a true index of the market rate, and when for a bank to make any profit at all, it must be governed absolutely by such possibilities as may exist from day to day, in employing its money at any, even the smallest, rates."

will think of before I mention it. This results from the implied obligation, on the part of those who expect liberal discounts, to keep a good account. It is an indirect way of paying more than the nominal rate of discount, and of thereby establishing a right to be accommodated. I do not know how far this obligation exists, or is insisted on in England, but probably much less than in this country, where, to a great extent, usury laws still prevail. Banks can never get more than the current value of money, but they are constantly compelled by statute to take less. Artificial deposits are one of the consequences of unjust legislation, and like every other subterfuge bear very unequally on the borrower; for the deposits required to secure liberal discounts are not graduated with the same accuracy as the rates at which the paper discounted would pass in a perfectly untrammelled market.

It results from what I have said, that a large part of bank deposits are nothing more than loans withheld from the borrower. I stated in the beginning, that each of the three banking functions grows naturally out of the other, and this would be perfectly true of deposits, even if the free use of them was not restrained by bank usage. If the seller of products gets the buyer's note discounted, he does not generally need to use the whole proceeds at once, and what he does not need he leaves in bank for his own convenience. Thus legitimately as well as illegitimately deposits grow out of discounts.

Before leaving this subject of deposits, there are two questions touching them which ought to be adverted to; the first is whether or not a bank should pay interest to the depositors; and the second, which is rather scientific than practical, whether they are in any sense circulation. The question of paying interest on deposits has been discussed as often at least as a crisis has occurred, followed by a revival of business, and it will probably never be definitively settled. It is not, in fact, a question of principle, but of prudence and expediency; so that the practice is sometimes defensible and at others indefensible, or highly inexpedient. The arguments in favor of it are, that banking is nothing but the trade of buying and selling capital, or, in common language, money; that even for the shortest interval the use of money is worth something, and the owner is entitled to that something. Thus we daily see in Wall Street, and all great money centres, a price fixed for the use of capital till to-morrow. A day is a life time to a man whose account is not good at the bank. Again, it is for the public advantage that capital should not be idle; it is a servant who has no need of sleep nor recreation, and who never tires. Why then should he not be made to work, like an automaton, all the time? The greatest national efficiency as well as economy would seem to be promoted by keeping every dollar earning, just as every

skillful shipmaster keeps every sail drawing, by night as well as by day.

England is the great exemplar of this system. In no other country has economy in the use of capital been carried so far. It is popularly said that all England settles its accounts in London every night. The smallness of its territory and the high perfection of its systems of correspondence, makes this possible to a degree quite unknown elsewhere. The system of clearing, the most refined and perfect outgrowth of modern banking, is in no country so thoroughly carried out as in England. Not only is there a high degree of economy in the use of capital in general in Great Britain, but this is especially true of its representative, circulating money. While there has been a considerable growth of metallic money within the last thirty years, the bank note circulation has hardly increased at all; while within the same period production and trade have increased fourfold. Although the cash held in the Bank of England seems to us very large, (it is now twenty-six and three-quarter millions sterling, against a circulation of only twenty-seven millions and a half,) that held by all other banks both in London and the provinces, is very small. I remember the *Economist* saying some ten years ago, in comparing it with the legal-tender reserve of the National banks of the United States, that all the cash of all the banks in Great Britain did not probably amount to five per cent. on their circulation and deposits. This is sailing very near the wind.

Against the payment of interest on deposits, the following are the arguments: As a rule, bank deposits in this country are payable on demand, though they are occasionally taken for a definite time, or upon a certain required period of notice. In England, time deposits are much more common. Whether taken on call or on time, if interest is paid on them—it matters not at what rate—they must be loaned, or the bank taking them will lose money. It is safe to assume that a certain proportion of aggregate deposits will not be called for suddenly, and that portion may be loaned on short mercantile paper. Prudent bankers consider that from twenty to thirty-three per cent. of deposits should not be loaned, but should be held as a reserve. The directors of the Bank of England arrived at the conclusion, nearly fifty years ago, that one-third was not too large a reserve on circulation and deposits. Very few American banks have ever adhered to so conservative a rule. A signal exception existed in Louisiana, when, under the Bank Act of 1842, the New Orleans banks were required to hold one-third of their circulation and deposits in specie, and two-thirds in negotiable paper, having not more than three months to run, and not renewable at maturity. I have often spoken of this statute in previous publications, and I think it so admirable a piece

of legislation that I propose, at some future time, to offer to the *BANKER'S MAGAZINE* a separate article in relation to it.

If interest is paid on deposits the temptation to loan too large a part of them is much increased. It is true that the rate paid in this country is usually several per cent. below the lending rate, but when the expense of handling and taxes are deducted, if a proper reserve is kept, there is not much margin for profit. A bad feature of the system is that where interest is paid deposits accumulate when money is abundant, and are withdrawn when it is scarce; so that the fluctuations in the deposit line are greatly increased. When this is the case the bank cannot maintain an even business, nor accommodate as large a body of regular customers as its resources at times would seem to warrant. A larger proportion than otherwise of its deposits must be invested in the purchase of paper, or lent on collateral, or at call. The difficulty with call loans is to find proper security. It must be of a solid character, always convertible into cash, and not subject to great fluctuations of market value. Where, in the present state of the market for public securities and stocks, are such collaterals to be found? United States stocks and bonds of the solvent States, are very scarce and firmly held. The amount available for collaterals is quite too small to absorb the money offered for loan. There are left only railway bonds and shares, telegraph, coal, and mining stocks, and a few miscellaneous securities. In the light of recent events, how far can a majority of these securities be trusted? It seems to me that banks will be driven to loan, to a larger extent than formerly, on pledge of staple commodities. Such loans have not heretofore been favored by the banks of New York, or any of the Eastern cities. They seem to me preferable, however, to stocks and bonds, as to the value of which there is very little accurate knowledge. Tangible property, of a kind always salable at a price, held by proper vouchers, taken at a sufficient margin, and adequately insured, ought to offer impregnable security. I am not aware that the Chicago banks, which make most of their loans on such security, meet with heavier losses than those of Eastern cities, and there is one bank in New York which, I am informed, is doing a safe and profitable business of this character.

Just as England is the best national illustration of economy in the use of money, so is France the exemplar of the opposite system. As compared with Great Britain, France has few banks, and those that exist are conducted on very different principles from those of England. The volume of deposits is relatively small. Only the largest mercantile houses are accustomed to keep bank accounts; among tradespeople, shopkeepers, and individuals out of business, they are by no means common. Payments between dealers are largely made in cash, and the porters still go, periodically, from one place

of business to another, settling accounts with bags of silver. The consequences of this system are that much more money is held in the hands of the people, carried in pockets, and kept in strong boxes and money drawers, than in England or the United States, and the deposit line of banks is both smaller and less subject to fluctuations.* So far as stability of business is concerned, that stability depending on an even money market and a more uniform rate of interest, the system has great advantages. Capital is not so actively employed, and the use of money is not so closely economized. There is probably a smaller current profit, but on the other hand there is a greater exemption from crises, and from the frightful losses which result from them. The penny in England is sometimes too nimble. In the long run, that country is most prosperous, not that makes the most but which loses the least. It is probably true that in respect of business losses, as well as of individual economy, France has greatly the advantage of the Anglo-Saxon nations. As to the greater prevalence of individual economy there is no doubt. It is enough to repeat the statement of Sir Robert Peel, "that in England, one person in five spends his entire income or earnings, while in France, only one in forty does the same, the other thirty-nine making savings."† I wish it could be shown that our countrymen emulate the example of Frenchmen rather than of Englishmen, but I fear that investigation would show the contrary to be the case.

In leaving this branch of the subject, I repeat what I said in the beginning, that there is no principle of sound banking involved in the question whether or not interest should be paid on deposits. It is purely a question of expediency. In the present state of the business, it is to be discouraged, because there is so little safe employment open to call funds. The deposits by country banks in city banks at interest, is of very doubtful expediency. There is no excess of capital kept on deposit in country institutions, and there is a strong tendency to use means too closely for the sake of a large dividend. "Active banking" is responsible for a large share

* Since the text was written, I learn that the "*Société des Dépôts et Comptes Courants*" of Paris is about to increase its capital from sixty to eighty millions of francs, to enable it to increase its deposit line, being prohibited by its charter from receiving deposits beyond one and a half times the amount of its capital and surplus.

† Mr. Frederick Brittain, who was employed in 1876, by the associated Chambers of Commerce of Great Britain, to visit France and investigate the comparative condition of the leading trades in that country and the United Kingdom, states some very interesting and instructive facts respecting the wages and habits of expenditure of the working classes of the two countries. In respect to wages, he says, that in the iron trades for example, "English workmen earn twenty per cent. more in *nine* hours, than French workmen in *eleven, twelve, or even thirteen*; and that in a large number of cases, the difference reaches fifty per cent. The margin between the expenditure absolutely necessary to maintain a workman in good health, and the amount he receives in wages, is very much larger in England than in France. An English workman who submitted to the hardships endured by the Frenchman *would be able to save four times as much out of his wages as the Frenchman can save.*"

"The wonderful prosperity and wealth of France is due chiefly to the sobriety, frugality, and untiring industry of its artisans and agricultural laborers, *who generally save something out of their very small wages.*"

of the losses which have been sustained within the last five years. There is not a shadow of doubt that the richest and most profitable banks, in the long run, are those which keep a healthy margin of means in all times; which cultivate home business and regular customers; which discount the paper of those customers at nearly uniform rates; which seek to build up the business of the communities in which they are established, and which never forget that the relation of banker and customer is one of mutual dependence. The best bank is certain in the end to be the most popular bank, and to strike its roots deeply and widely in the sympathies of the people whom it serves.

Are deposits currency?

This is a question much discussed by financial writers. The late Amasa Walker, one of the most acute reasoners on economical subjects in America, was of the opinion that they are, and this, I think, is the popular view taken by bankers. It seems to me erroneous, if by currency is meant the same thing as circulating money. The definition of Lord Overstone is more accurate, namely that "deposit business is a mode of economising the circulation, but an economical use of the circulation is not of itself circulation." The true distinction is shown in this fact, that payment by check is not absolute, but conditional. Nothing can be truly defined to be money which does not *pay*. A bank note if accepted pays the debt and makes an end of it, and therefore it is money; a check pays it only when accepted and paid by the bank on which it is drawn. Till then the drawer and indorser are holden, which shows that the check is not money, but only a bill of exchange. Deposits are nothing but inscribed credits, and checks are only written orders to transfer those credits.

I have little space left in this paper to speak of circulation, the last of the enumerated banking functions. It is a subject of much less importance in this country under the provisions of the National Banking Law, than it was before that system was adopted. Until a recent period, banks in this country issued circulating notes on their own credit mainly, and without any specific security. That is the character of the notes still issued by the joint-stock banks and private bankers of Great Britain. Repeated bank suspensions, and suspensions of specie payments by the American banks, as a body, led in several of the States to the adoption of different methods of security and protection to the bill holder. All these have been superseded by the National banking system, under which there are no longer any circulating notes issued *by* the banks, or on their credit. National bank notes are issued by the Federal Government *to* the banks and on the credit of the Government. This is a fact which is constantly lost sight of in the popular war upon bank circulation, and eulogiums of the greenbacks. One note is just as

much the issue of the Government as the other. All the differences between them are to the advantage of the so-called bank note as circulating money. I leave out of account the question of legal tender, which is not an intrinsic but an arbitrary quality. The greenback is issued on the sole credit of the Government, without any specific pledges, and with no means for enforcing its payment. The bank note is issued on the pledge of an existing specific obligation of the Government, created in exchange for values received, bearing interest, and payable at a stated time. It is taken at a large margin below both its face and its market value. If the note is not promptly redeemed, the security is sold to pay it, and if that proves inadequate, the government is holden for the deficiency. But this is only a small part of the security pledged to its ultimate payment. All the assets of the bank are under a prior lien to the government to protect the circulating notes, and the stockholders are under a personal liability besides. The aggregate volume of the securities thus specifically pledged is several times greater than the amount of notes issued, and the unqualified guaranty of the Federal Government lies behind them all. A more perfect system of security has never been devised, and it has made the circulation used by the National banks of the United States absolutely impregnable. When a circulation of notes is thus obtained by the banks, the old rules which prudent bankers had laid down for the management of the circulation are not strictly applicable. This is especially true, since, by the same act which regulates the issue of the notes, a reserve is required to protect them. This reserve (five per cent. deposited in the Treasury of the United States) is small, and whether or not it will prove sufficient, cannot be known until there is an actual redemption of the circulating notes, after a resumption of specie payments. Till that time comes, it is useless to lay down any other rule than the broad one which requires all immediate liabilities (for deposits and circulation) to be provided for by a liberal amount of cash in hand—not such an amount only as may be required by law, but such as the experience of prudent bankers shows to be necessary, to work the business smoothly without any strain upon resources, and without any serious interruption or impairing of the great primal function of lending.

THE STATISTICS OF OUR BANKING SYSTEM.

The Comptroller of the Currency has prepared the draft of a bill to provide for the publication of bank statistics throughout the United States. A copy of this important Act appears on page 894 of this issue. It has been sent to all the State Legislatures, with the recommendation that it shall be adopted with as few amendments as possible. Its purposes are first to obtain statistical reports of banks, savings institutions and trust companies organized under State laws, and secondly to provide that these reports shall be made up at the same time and in the same form throughout the whole country. As will be seen, the intention is to have these reports prepared four times a year; they are to be collected by the Auditor of the State, or by some other State officer, and are to be summarized and their aggregates collected under proper heads, so as to be in suitable form for presentation to the Legislature, and for distribution to the public. The men whose business requires them to watch the developments of our banking system, have frequent occasion to complain that while in the National Banking System the statistics are frequently published and can be easily compared, there is a very large part of our banking machinery of which the statistics are extremely imperfect and uncertain. It is one of the peculiar merits of Mr. Knox and of his administration of the currency bureau, that he has for several years devoted a great amount of labor to the compiling of the statistics of that neglected portion of the banking statistics of this country. The bill before us is intended to facilitate this part of the Comptroller's labors, and to make their result more complete and more practically useful to the banking and commercial public, as well as to our legislators and to the students of economic and fiscal science. The new legislation which Mr. Knox recommends is both judicious and conservative. It does not contemplate any interference with the business of the banks or with the management of their officers; all that it aims at is to enable the Comptroller to obey more completely and efficiently the law of Congress, which requires him to publish as full statistics as possible of the State banks, private banks, savings institutions and trust companies, as well as of the National banks, which are more specially under his supervision.

For more than forty years, attempts have been made in and out of Congress to secure as full reports as possible of those changes and movements of our banking system which admit of comparative statements in tabular form. The

law to which we have referred above was passed by Congress February 19th, 1873, and it is embodied in Section 333 of the Revised Statutes. Under this Section, the Comptroller of the Currency has to report every year to Congress, "under appropriate heads, the resources, liabilities, and condition of the banks, banking companies, and savings banks organized under the laws of the several States and Territories." In conformity with this law, the reports of the Comptroller have contained, during the last three or four years, very elaborate and useful summaries of statistical facts pertaining to our banks. Complaints have been made that these statistics are much less full and detailed than those of the National Bank System. But when we remember the obstacles which had to be surmounted in the compilations of these new statistical statements, we shall rather be surprised that they are not more meagre and incomplete. Among other difficulties there is the fact that in several of the States no uniform reports of the bank movements are required by law, while in other States the reports are imperfect and irregular as to the time of their compilation. When the Comptroller's new legislation has been adopted by the various States, most of these difficulties will disappear, and we shall be able to shed the full light of publicity upon our banking system, with all its salutary results.

On examination of the bill, it will be easy to see that the objections urged against it are of comparatively minor importance. One of these reasons is, that Congress ought not to interfere with the business of banks. But the law in question, if properly understood, is not amenable to this charge, as it does not authorize Congress to interfere directly or indirectly with the banks or with the financial machinery of the country. The law when passed will be a State law; it will be carried into effect by State officials; the reports it authorizes will be transmitted to the State Legislature, and these reports will only reach the Comptroller of the Currency when they have first been given to the public. Another objection is, that all interference with the banking business by Legislatures and other Government functionaries is an evil and must be opposed. Without discussing this question, on which there is room for the widest diversity of opinion, we may simply state that the bill cannot, by its terms, give rise to any interference with the legitimate freedom of banking. The indispensable need of publicity in regard to reports of banking statistics has been too long established and recognized to be misunderstood at this late day. This principle is of vital importance to every sound system of banking, and so futile an objection to it is unworthy of serious attention. In the legislation of the most prosperous commercial nations, the rule is fully established by experience and long practice, that the fullest light of publicity should

be shed upon all the movements of the banks. In England, France, Italy, Sweden, Germany and other European countries, the reports of the banking institutions have received of late years a rapid development, and they are now more useful and complete, and are also more carefully watched by the mercantile and financial community than ever before. It is much to be desired that the Comptroller of the Currency may succeed in his endeavor to give more unity and complete practical utility to the bank statistics of this country.

MR. COWDIN ON BANK TAXATION.

One of the most convincing arguments in favor of the policy of relieving the banking business from oppressive taxation, was offered by the Hon. Elliot C. Cowdin, on the 11th April. Two principal reasons were given for lessening the pressure of bank taxation. First, that the diminution was an act of justice, and secondly that it was an act of expediency. As to the justice of the case Mr. Cowdin showed that the tax on the capital of the banking business is greater than on the capital invested in any other business in the country. We have so frequently expounded these facts, and they are so generally understood by our readers that we are compelled to omit Mr. Cowdin's clear and elaborate demonstration of the justice of setting bank shares on the same level of tax assessment with other capital. In asking for relief from fiscal burdens, our banks do not desire to escape any portion of their fair share of taxation. They simply ask as Mr. Cowdin reiterates that bank shares shall be assessed at no higher rate than other capital.

With regard to the expediency of the reform of bank taxation Mr. Cowdin showed that if the severe burdens under which our banks are now struggling are to be continued serious results will follow. There will be a violent and disastrous contraction of banking facilities, as is proved by the fact that many of our banks are now greatly reducing their capital, and that others will be forced to do the same thing. Thus the capitalists engaged in banking will be led to give up their charters and invest their capital in business on which the government lays a lighter hand; while that class of stockholders who reside outside of the State of New York may find it to their interest to withdraw their funds to localities where the exactions are less severe and exorbitant. Mr. Cowdin continues this branch of his argument as follows.

“In consequence of these oppressive taxes the bank capital in the City of New York alone has been reduced, and is in process of reduction, to the amount of about \$22,000,000.

The reduced value of bank shares in the city, mainly caused by excessive taxation, amounts to nearly \$10,000,000. The effect upon the city assessment rolls is obvious. It strikes from them \$32,000,000. Can the tax-payers of the city, who are not owners of bank stock, but who are now struggling under the weight of a city debt of \$150,000,000, afford this reduction? Are the tax-payers in other parts of the State ready to make up this deficiency? Are the farmers prepared to do their share of it? Are the manufacturers and mechanics willing to come to the rescue? * * * The policy of severe and unequal taxation inflicted upon the banks of this State opens the door for capitalists from other States and countries to transact this business in modes which entirely escape taxation here. The banks of rival cities have established agencies among us; but having no property here, they evade the tax gatherer, for their business does not come within the law. Foreigners are now doing the same thing on a large scale. Four Canadian Banks alone, with an aggregate capital of \$33,000,000, have agencies in the city of New York, who do a large proportion of the commercial business, and having none of their capital actually in the city they avoid taxation. Is it wise to drive out of the State by unjust rates of taxation our own native banking capital, which is willing to pay fair and even liberal rates, and to supply its place with foreign capital that pays no tax at all, and is in no wise identified with the welfare of our great commercial and industrial interests? Take, by way of illustration, the case of a few of our leading banks. The National Bank of Commerce of New York, with a capital stock paid in of \$10,000,000, paid, in 1876, National, State, and local taxes amounting to \$407,892 90, equal to \$1,333 for every working day in the year. The American Exchange National Bank, New York, with a capital stock paid in of \$5,000,000, last year paid a total tax of \$227,203 99, or \$742 per day. The Metropolitan National Bank, New York, with a capital stock paid in of \$4,000,000, paid last year taxes amounting to \$202,197 30, or \$660 per day. The smaller banks bear even a greater burden in proportion to their strength. The First National Bank of Troy, with a capital stock paid in of \$300,000, last year paid National, State, and city taxes amounting to \$16,058 56, leaving a net profit for the stockholders of only \$9,714 44—thus compelling the bank to draw \$14,285 56 on previous earnings to pay its dividends. And I have the best authority for stating that at least two-thirds of the banks in the City of New York did not earn the dividends which last year they were compelled by the poverty and importunity of the shareholders to pay, but drew the deficiency from their reserves. * * * In view of these facts, Mr. Speaker, need I add that the struggle is one for existence? At such a crisis, how is it possible for banks to stand a rate of taxation running up to $5\frac{1}{10}\%$, 6, and even $6\frac{1}{10}\%$

per cent., whose chief vocation in even prosperous times is to loan money at a rate limited by law to seven per cent. per annum? The simple question is whether this Legislature will allow the banks of the State, by means of unjust and oppressive laws, to be taxed out of existence? What, then, are some of the remedies for the evils I have depicted? They lie partly in legislation and partly in the courts. Some of the remedies must be sought in Congress and in the Federal courts. With these we have no concern now. We are dealing only with our own State authorities."

The bill of Mr. Cowdin for relieving the banks from taxation has been amended so as to exempt from the assessment the twenty per cent. surplus required to be held by National banks. The ground of the exemption is explained in our article on the decision of the U. S. Supreme Court on bank taxation in another part of this number of the *BANKER'S MAGAZINE*. We need therefore only to say here that as the State banks are not compelled by law to keep a surplus, while the National banks are so compelled, it was contended that there was an incongruity and a manifest injustice, if, while Congress compelled the National banks by statute to keep a twenty per cent. surplus, the State Government should fine the banks for doing this, and should impose a heavy tax upon the surplus so created in obedience to the law of Congress.

WALTER BAGEHOT, THE ENGLISH ECONOMIST.

Political economy has lost one of its leading expositors, and practical finance one of its most luminous and successful teachers, by the death of the editor of the *Economist*, Mr. Walter Bagehot, which occurred on Saturday, March 24th, at his residence at Langport, after two or three days illness, and at the early age of fifty-one. Those who best understood Mr. Bagehot and his work, were of opinion that of all the English economists of the present day, there was no man whose gifts, experience, and habits of thought seemed to point him out as more likely to extend to the bounds of economic and financial science, and to clear up some of the difficult and dark questions which have not yielded to previous investigations. Mr. Bagehot's health some years ago was very precarious, but his numerous labors and his extensive literary works, have more recently led to the belief that his life might long be spared, and his usefulness augmented. The news of his sudden death, therefore, was a surprise to great numbers of his friends, both in England and on the continent of Europe, as well as in this country, where he was better known than almost any other European writer on finance. We propose hereafter to give an extended account

of Mr. Bagehot's last work on political economy, only a part of which has yet been published. That part consists of two essays, intended apparently to appear in the early chapters of the book when complete. It is hinted in the *Economist*, of March 31st, that a considerable portion, if not the whole of this last work of Mr. Bagehot's is completed, and will be published posthumously. Although we have prepared our examination of Mr. Bagehot's theories, we shall defer their publication till our next volume, hoping to hear, meanwhile, some confirmation of the hints given in the *Economist* in regard to the publication of the rest of the work. All of it that has yet appeared, is contained in two articles published in the *Fortnightly Review*. They profess to treat of the "postulates of English political economy." The first article treats of labor, and the second of capital; and both the articles are devoted to the task of proving that English political economy assumes that such a political, financial, and economic condition of society exists, that labor and capital are both free to move into or out of the various channels of industrial enterprise, with which the great system of English commerce and trade is permeated, just as the human body is filled and traversed by the network of the circulatory and nervous systems.

Mr. Bagehot will probably be best remembered hereafter, by the least original and elaborate of his books, "*Lombard Street*." We are not sure but that this book is the most distinguished for its practical utility. In this country its growing popularity indicates the verdict which is likely to be passed upon the work by posterity. Had Mr. Bagehot's valuable life been spared to have undertaken the laborious duty of revising and enlarging his book on "*Lombard Street*," we can easily imagine that this work might have been made the most popular and the most useful introduction to the study of practical finance, which has ever been produced. He has left this work, as well as others which were undertaken or projected by his fertile mind, to be completed by his successors. With regard to the *Economist* newspaper, Mr. Bagehot's influence has been so peculiar, and so completely identified with him as a man, that it will be difficult for any of his lieutenants to take their leader's place. There are those among the American admirers of Mr. George J. Goschen, who imagine that they can see his hand in some of the late editorials on the money market, in the *Economist*. If this supposition should prove correct, the readers of the *Economist* may felicitate themselves on the acquisition; for Mr. Goschen has long been regarded as one of the shrewdest, and surest observers of English monetary movements. At several critical conjunctures, Mr. Goschen is said to have contributed to the columns of the *Economist*, directly or indirectly, much valuable information, which gave prestige and influence to that journal in its earlier days, when it was much less firmly established

than now. Some of our daily journals have expressed surprise that the London newspapers had so little to say about Mr. Bagehot, and devoted no more than a few lines to the obscure announcement of his death. It is certainly a little discouraging to those who cultivate with success the science of which Mr. Bagehot was so great a master, that his death was not deemed worthy of more notice by the dispensers of newspaper fame and honor in England. But it is only fair to state that Mr. Bagehot was never distinguished as a popular orator, and that he was singularly devoid of those arts which give power to demagogues. From some defects of manner or of ability, he signally failed whenever his ambition led him towards a Parliamentary career. His real work was done in those obscure currents of thought and of life in England where fame and gain are seldom won, except posthumously, by those who achieve the highest success. Another reason why Mr. Bagehot was not made more of, may be that his work, though well done as far as it goes, is but a fragment, and has been well compared to the shaft of a pillar whose base represents exquisite proportions, accomplished skill, and suggestive promise, but which is broken off short, and only raises expectations to disappoint and baffle them. Mr. Bagehot was one of the body of distinguished men of science who were graduates of the University of London. A few years ago he was appointed examiner of the University, in Political Economy. And later, Mr. Fawcett was appointed as his coadjutor. How far Mr. Bagehot's influence has extended in giving a practical turn to the progress of political economy, and in imparting a stimulus to its thorough study among the students of the University, we must leave the future to determine.

THE REVIVAL OF COMMERCIAL ACTIVITY.

The anticipations which have been indulged as to the early termination of the severe commercial distress which has prevailed for several years past, have been so frequently disappointed, that it is natural to feel some hesitation in predicting an early change for the better. Still there does seem to be more prospect of a revival of business. Such indications are, however, deceptive. In the early months of 1874 there seemed to be some evidence that the panic would not extend its ravages, but that a speedy recovery of financial elasticity would bring about renewed prosperity. In 1875-76 similar hopeful indications were renewed again and again; but the evidence was mistaken, and with each year the commercial depression has certainly extended its ravages over a wider area, if it has not increased its severity in any given locality. Modern commerce and industrial

enterprise have become so vast and so multifarious, that they can only be dealt with accurately by being distinguished into groups and classes. In comparing the commercial movements of the time in which we live with those of forty or fifty years ago, one of the first financial changes we observe is the swiftness which railroads, telegraphs, and banking facilities have imparted to the movements of commerce and trade. It is almost impossible to estimate the saving of time, labor and capital which the swiftness of locomotion and of telegraphic communication are daily effecting in this country and in Europe. The second change of importance is the increase in the supplies of the precious metals. Forty years ago there were a series of indications overspreading most of the commercial countries of the world, and showing that the monetary supplies of the world were too narrow and contracted. After the gold supplies of California and Australia began to pour themselves into the monetary channels of Europe and of this country these indications and the commercial disasters they brought on gradually passed away, and a period of industrial activity and material growth began, which has no precedent in the previous history of the commerce of the world. The third change peculiar to this age, is the increase in the deposits of the banks and in the floating and fixed capital which are at work in the industrial and financial machinery of business. If we sum up the aggregates of the values dealt in at the various bourses and stock exchanges of London, Paris, Berlin, Vienna, New York, and other financial centres in the old world and in the new, we shall see a vast increase, both in the Government bonds and in the corporate securities, of which the amount has now reached such a vast magnitude.

Turning to the more private aspects of society, we find the same growth of wealth manifesting itself among all classes by greater luxury and prodigality of domestic expenditure, and among the more opulent classes, especially in Europe, by the acquisition of solid fortunes invested in lands, houses, mortgages, Government and other securities, as well as in business. In England the number of such large fortunes is greater, perhaps, than in any other European nation, though they are also numerous in Holland, France, Germany, Austria, Italy, Russia, and Spain. As has been said, there have been during the last forty years a number of severe commercial crises, during which the commerce of the chief countries of Christendom was much depressed. The five years ending with 1842 were full of distress and suffering, which was scarcely relieved until the gold discoveries of 1848 and 1850. The first effect of those discoveries was to stimulate railroad and other investments to an enormous degree. Scarcely had the depression which followed this violent expansion passed off, when the Crimean war broke out, and gave a

stimulus to inflated credit and unsafe enterprise. The panic of 1857 was the culmination of these mischievous forces, and scarcely had it passed away when the revulsion of 1861, caused by our civil war, shook the manufacturing enterprise of Great Britain to its foundations, but afterwards poured into England a flood of wealth from the sale in India and elsewhere of the masses of cotton goods which had been produced in 1859 and 1860 at cheaper rates than had been ever known. Immediately afterwards, France, Germany, and Russia began to build railroads more rapidly than was consistent with the stability of their financial system, and the panic of 1866 was the natural result. The three following years were a period of gloomy reaction and disquiet, of falling prices, lessened wages, scarce employment, and depression of commercial enterprise.

From the middle of 1870 to almost the middle of 1871, there was the Franco-German war. Then came peace—the indemnity of \$1,100,000,000 paid to Germany, and the schemes of vast and rapid expenditure occasioned in that country by the sudden acquirement of so much riches. Two or three years previously Austria and Hungary had become one nation, and had entered upon a free and constitutional life. Italy had become unified, and all over Germany there had been a removal of the obsolete and autocratic impediments to labor and skill. The Suez Canal was opened at the end of 1869. Telegraphs were being carried to the farthest parts of the commercial world; and by successive inventions steam vessels had been brought to a point of economy which gave them the command of the longest voyages. But besides all these influences—nearly all of them in their spheres and degrees revolutionary—we have, in this country, since 1867, built railroads at a pace never before reached; and not only railroads, but canals, docks, wharves, warehouses, and every sort of fixed investment directed to the extension of business, commerce, and manufactures. In Europe there had been, since about 1862, the regular appearance as large borrowers of a group of half-barbarous States never before heard of in the money market. Turkey, Egypt, Honduras, Peru, Roumania, Venezuela, and the whole tribe of South American settlements obtained year by year tens of millions sterling.

As the war of 1870-1, deranged business and stopped nearly all productive labor and enterprise in France and Germany and in no small part of Europe, the fortunate persons who happened to be in possession of the means of supply—notably the owners of coal mines and ironworks—made almost fabulous profits. In England and elsewhere, nothing was talked of but colossal fortunes made in a few months, and an advance of wages and prices beyond all example. The whole industrial and commercial machine was being driven with a velocity and subjected to twists and alterations it could not long

endure. A pause came in the summer of 1873. The Jay Cooke panic, in September of that year, told very plainly that the tension had become insupportable, that floating capital was exhausted for a time, and that cost of production had destroyed consumption. Exactly the same phenomena repeated themselves in Germany, Austria, Russia, Holland, and Belgium. In all these countries since the autumn of 1873, there has been a process of relapse and retreat from a state of things in which expenditure of all kinds had outrun first, income, and then floating capital; in which wages had long exceeded the intrinsic value of the work performed in exchange for them; and in which the market prices of securities had been raised excessively, by a belief in future profits very far larger than the community could furnish or afford.

The case of Central Europe is in effect our own. The six years, 1867-73, included, as regards commerce and manufactures, a greater number of events and changes, each of them more or less revolutionary, than any preceding period of the same length—events and changes, too, which affected a greater number of countries and regions. Considering the profound character of the disturbing causes, the wonder is that the reaction has not been even more disastrous than it has been and is; and it is precisely the amplitude of the arresting and compensating forces, now at the command of industry and commerce, which affords the best reason for believing that recovery is certain, and perhaps not distant.

From the retrospect of these periods of commercial distress, two conclusions are to be drawn. The first is, that a period of commercial distress means, in economic language, a period during which the cost of production of a large class of important articles is reduced from a high range attained during a preceding time of excited prosperity, to a range low enough to enlarge the area of consumption, and thus tempt the investment of capital by the force of cheapness. Secondly, it means a period during which an excessive production of some groups of leading commodities—*e. g.*, cotton, iron, woolens, imported goods—is abated, and brought down to the compass of a demand founded on cash or short credit—that is to say, of a demand naturally arising from the expenditure of the income of the year. In every known instance these two chief conclusions have been affected by some train of special circumstances—as in 1848-9, by the revolutions in Europe, and as in 1861-2, by our own Civil War. And in every period of commercial distress, when the misfortune of one or two bad harvests has materially raised the cost of living to the working classes—that is, to three-fourths of the population—the process of recovery has been rendered slower and more difficult.

If we apply these rules to the prosperous years 1871-3, they will enable us to understand a good deal of what has

since happened. The present distress more than any of its predecessors is, first, a reaction from high prices—that is to say, from excessive cost of production; and, in a less degree, a reaction from excessive demand occasioned by the undue conversion in several quarters of the world, and especially in this country, of floating into fixed capital; a conversion the same in its immediate effects on markets, as the expenditure of borrowed money in war, but different in its remote effects, inasmuch as war leaves behind it no creations of fixed capital contributing to the progress of wealth.

In 1871-3 the cost of production was not only carried rapidly to a high point by the rise in wages, in the price of materials, and in the rate of profit, but, in a still more marked degree, by a serious and almost universal decline in the quantity and quality of the labor given in exchange for the higher wages. Upon this point the testimony is decisive. The engineers' strike in England, in September, 1871, established in nearly all the iron industries a diminution of ten per cent. (nine hours instead of ten) in the working day—a measure, simple as it reads, but in reality a revolution; for it must be remembered that this limitation of manual force implied an infinitely greater limitation of the mechanical forces of production. The productive results of all capital expended in factories, mines, steam-engines, forges, mills, and in every mechanical and engineering contrivance for promoting expedition and cheapness, were at once cut down by a tenth. If a Draconian decree could be supposed under which the rents of all the house property in the country were cut down suddenly, by ten per cent., or, what would be the same thing, under which rent for only forty-six weeks became recoverable for fifty-two weeks' occupation, the loss inflicted on landlords would enable us to see better the far more serious loss entailed upon manufacturers by the nine hours' limit. We say the far more serious loss, because a machine or a factory deteriorates much faster than a house, and the wear and tear has to be met out of a smaller margin. And not only was the manual and mechanical power of production lessened by one-tenth, but by general testimony the quantity and quality of the work done during the nine hours were in turn lessened by very much more than a tenth. The demand for labor, brought into the workshop men of inferior skill and character; and, where piecework did not apply some remedy, the pace of production was reduced to the capacity of the least efficient hands. It is undoubtedly true that it was in a great measure this lessened pace of production in 1872-3 which caused extensive contracts entered into in 1871-2 to result in heavy losses to large employers of labor; and it is precisely because there is even yet no certain evidence that the evil has been overcome, which keeps back the confidence of both consumers and producers.

Of the second leading cause of the distress—namely, the excessive demand for commodities in 1871-3, arising from the undue conversion in this country, as well as in Germany, Russia, and England, of floating into fixed capital—it is not necessary to speak at length. The prevalence all over the world, of finance and credit companies, and of what are called syndicates of persons possessing more or less credit and money, all seeking to make large and rapid profits by concessions of, and contracts for, public works and industrial enterprises, contributed in a large degree to foster a reckless spirit of expenditure. More than one bankrupt country, for example, got its loans through such channels. The distress has swept away the finance companies and syndicates completely—more especially, perhaps, in Austria, Germany, and in this country. Telegraphs and the Suez Canal, have altered the entire complexion of the India, China, and more distant trades. The English failures in the summer of 1875 marked the virtual end, as between producer and consumer, of the race of middlemen who existed naturally and usefully in the India business in the days of six months' voyages and three months' advices. But such a disruption means violent changes in the distribution of capital, many dubious experiments, many mistakes, and many losses and failures; and this is the dark picture which now surrounds us. The change, however, is essentially a start forward. It brings producer and consumer nearer together. It economises time and risk. It puts comparative certainty in the place of extreme uncertainty at both ends of the operation, and hence it contributes to widen that which is the only true basis of commerce—namely, cheapness, expedition, and the rapid circulation of capital. In this country we fear that we are by no means at the end of the evil, although a temporary improvement has doubtless begun, which is destined we trust to work permanent good in the productive development of the United States.

“In England,” says the *Pall Mall Gazette* (from which we have borrowed many of the foregoing facts and illustrations), “the three years of distress have cured effectually the undue conversion of floating into fixed capital. They have purged away most of the abuses and excesses of credit; but they have not yet brought down the cost of production to a point which tempts capital by reason of cheapness to rely upon the prompt and effectual response of consumption. Still, rapid progress is being made in that direction. The losses of manufacturers, merchants, dealers, and tradespeople have become so general, and the lessened dividends upon all capital invested in joint stock companies have so seriously impaired large classes of incomes, that the process of correction is now at work with accelerated force.”

REPORT OF THE GERMAN IMPERIAL BANK.

The report of the German Imperial Bank for last year was presented recently to the general meeting of the shareholders. It will be regarded with some interest in consequence of its containing the results of the first year's business since its constitution was changed by its conversion from the "Bank of Prussia" to the "Bank of the German Empire." The volume of the business of the bank has increased very notably. The total sum of the current account at the branch offices are reported at \$4,000,000,000. Although the expense of extending the operations of the bank and opening new offices has been considerable, still the dividend earned upon the large capital of the institution is $6\frac{1}{8}$ per cent. for the year. The total transactions amounted to \$9,171,207,650. This is a considerable increase over the total reported by the Prussian bank in 1875, which amounted to \$4,364,516,750. In these and the other sums of this report we estimate four marks to the dollar. The rate of discount reported by the bank was five per cent. at the beginning of the year, advancing to 6 per cent. on the 3rd of January, and receding to 5 per cent. on the 19th January, to 4 per cent. on the 4th February, and $3\frac{1}{2}$ per cent. on the 18th May. It was raised on the 11th July to 4 per cent., and on the 25th October to $4\frac{1}{2}$ per cent. The average rate of discount for the year is 4.16 per cent. The capital of the bank is 120 millions of marks or \$30,000,000, and is divided into shares of 3,000 marks each. These shares are owned by 1,374 foreigners who possess 10,967 shares; and by 6,803 German citizens who own 29,033 shares. To the 164 old branches of the Prussian bank, 43 new ones have been added during the year, so that the total branches of the German Imperial bank are now 207. In 13 towns and cities sites were purchased for the bank and suitable offices are being built. The total business of the year transacted with the Empire amounted to \$263,625,000 for sums received, and \$254,250,000 for sums paid. The gross earnings amounted to \$5,000,000. The expenses were \$1,350,000 for administration service, \$425,000 for the interest on deposits, \$25,197 for the printing of notes, \$25,983 for indemnification to banks for surrendering their note issues, \$466,437 paid to the government of Prussia, and to indemnify it for giving up its part of the whole Prussian bank. The net profits were thus about \$2,562,500. Out of this sum $4\frac{1}{2}$ per cent. were paid to the shareholders as a dividend. Of the residue 20 per cent. was put in the reserve fund, \$244,261. The remaining portion of the aggregate net earnings amount to \$1,350,000, half of which will go into the Imperial Exchequer, while the other half will be divided amongst the shareholders. On the whole the report

of the bank seems to indicate that the increased capital, and the new constitution of the bank, have given a new impulse to its business, and that its prospect for the future are better than was in many well informed quarters supposed.

THE NEW ASSISTANT SECRETARY OF THE TREASURY.

The appointment has been announced of the Hon. Richard C. McCormick as Assistant Secretary of the Treasury. For several reasons it has seemed desirable to have in the Treasury, in a responsible position, a man who had acquired practical experience in finance and banking, as well as in the duties and exigencies of a political career. We presume Mr. McCormick owes his appointment in no small degree to the fact that better than almost any other available man, he fulfills these requirements. Unlike his recent predecessors in the Treasury, Mr. McCormick had the advantage of a thorough business training in early life, among the financial responsibilities of Wall Street. He has many friends in this City, where much of his life has been passed, and where his father and family are well-known. In the intervals of business he cultivated his literary abilities, and during the Crimean War he visited the Orient and wrote a series of foreign letters which were published here and were afterwards collected in a volume which enjoyed some popularity in England as well as in this country. At the outbreak of the civil war he went to the South and wrote a series of letters to the *New York Times*, and other journals. Returning to Washington, he became chief clerk in the Department of Agriculture, and was sent in 1863, as Secretary to the Territory of Arizona, of which he was appointed Governor in 1866. Two years later he went to Congress as Delegate of that Territory, and during the subsequent six years he gained much experience and did good service, though his unobtrusive manners prevented the recognition of his merits except by a few intimate friends who knew him best. Throughout his life Mr. McCormick has been connected with various philanthropic and religious organizations, and he was one of the founders of the Young Men's Christian Association of this City. One of his more recent appointments is that on the Centennial Commission, of which he was an efficient and laborious member. Mr. McCormick enters the Treasury of the United States at a critical time in the history of our finances, and if he fulfills the expectations of his friends he will be able to render substantial help in carrying out the policy of Mr. Secretary Sherman, and in piloting the ship of State among the quicksands and breakers which may menace her safety in approaching the haven of specie payments.

SAVINGS BANKS AND THEIR DEPOSITS.

One of the most interesting aspects of the industrial and financial growth of this country, is presented by the records of our savings banks. In the United States, the savings institutions have always been comparatively free from government control; while in Europe, various restrictions have always been imposed upon them, which, with other causes, may have tended to check their progress. Even in England, where the savings bank system originated, and has always been prosperous and progressive, the aggregate deposits of the savings banks do not exceed sixty-six millions sterling, or \$330,000,000. In all Europe, the total deposits of the savings banks amount to about 1,180 millions of dollars. The most successful savings banks are those of England, France, Germany, and Switzerland. The Swiss banks report their deposits at \$57,600,000, the average deposit per head of the population being \$17, while in England, the average is \$960, in Austria \$880, and in all Europe \$560. We take these figures from recent French reports made by government authority. In the United States, as is well known, the deposits in the savings banks are much more ample. The report of the Massachusetts savings banks, lately issued, gives the following statistics:

	1873.	1874.	1875.	1876.
No. of banks.....	175	179	180	180
No. of depositors.....	666,229	702,099	720,639	739,289
Amount of deposits.....	\$202,195,343	\$217,452,120	\$237,848,963	\$243,340,642
No. of deposits during the last year.....	695,327	645,149	640,173	570,784
Amount of deposits during the last year.....	\$58,846,558	\$57,611,608	\$59,930,144	\$49,776,771
No. of withdrawals in the last year.....	454,787	483,047	482,924	537,165
Amount of withdrawals in the last year.....	\$50,458,340	\$49,696,893	\$46,996,039	\$52,120,524
Amount of surplus.....	3,154,593	3,490,934	4,592,720	5,218,410
Loans on mortgages of real estate.....	100,406,767	109,254,540	120,171,268	121,151,105
Loans on personal security.....	35,260,386	37,995,689	38,065,924	35,075,194
Railroad bonds.....	6,098,435	6,486,881	8,345,367	10,088,613
Government bonds.....	17,530,639	18,843,066	17,920,232	28,656,192

These figures offer a suggestive proof that the frugal classes of the inhabitants of Massachusetts, who deposit their savings in banks, are not suffering very severely from the pressure of industrial trouble. The aggregate deposits in the savings banks have increased twenty per cent. since the panic of 1873, and during the last ten years they have increased almost fourfold. At present the savings institutions of Massachusetts are computed to hold about one-fourth of all the savings bank deposits in this country. The losses by savings bank failures have been smaller than in some of the other States. This, and other circumstances, illustrate the sound character both of the management of the banks, and of the legislation by which their progress has been fostered.

Passing to the State of Connecticut, we find that the total deposits amount to \$78,524,172 in October, 1876, against \$76,489,310 in January, 1876, and \$72,205,624 in January, 1875. Subjoined is a summary of the chief statistics supplied in the report :

SAVINGS BANKS OF CONNECTICUT, JAN. AND OCT., 1876.

<i>Resources.</i>	<i>January 1, 1876.</i>	<i>October 1, 1876.</i>
Loans on real estate.....	\$ 55,363,219.55	\$ 55,403,988.29
Loans on stocks and bonds.....	2,236,981.58	2,109,052.05
Loans on personal security.....	2,823,728.15	2,606,214.78
Bank stocks.....	3,777,878.19	3,850,906.70
Railroad bonds and stocks.....	960,474.89	873,001.18
United States bonds.....	4,974,423.62	6,067,656.11
Real estate owned.....	574,743.81	767,218.93
State, Town, and City bonds.....	5,816,505.87	7,456,212.89
Other assets.....	283,665.57	285,950.45
Cash on hand and in banks.....	2,726,037.03	1,916,430.00
Deposits.....	76,489,310.41	78,524,172.48
Interest and surplus.....	2,392,499.97	2,579,024.30
Other liabilities.....	655,847.88	233,434.60
	\$ 79,537,658.26	\$ 81,336,631.38
<i>Statistical.</i>	<i>January 1, 1876.</i>	<i>October 1, 1876.</i>
Whole number of depositors.....	208,030	203,514
Increase of deposits.....	\$ 4,932,730.13	\$ 2,034,862.07
Average amount to each depositor.....	367.69	385.84
“ income from assets.....	6.62	6.36
Amount deposited.....	18,652,953.57	14,579,144.24
“ withdrawn.....	15,947,445.44	12,544,282.17
“ of interest received, or profits earned.	5,144,099.39	4,002,310.03
“ “ credited to depositors.....	4,198,090.02	3,131,895.69
Assets from which no income has been derived.	480,755.08	844,192.23
Amount of income from real estate.....	20,791.87	17,957.59
Largest amount due single depositor.....	32,927.20	32,986.03

Here again we see the same steady progress which was observed in Massachusetts. The first savings bank in Connecticut was chartered in 1819, and so late as 1840 there were but five of these institutions in the State. Up to 1850 only twelve charters had been granted, and from 1850 to 1860 twenty-three more were created. During the inflation period from 1860 to 1870 twenty-one savings banks were organized, and since 1870 thirty-three more have been added. Of the eighty-nine banks thus chartered eighty-six are still doing business, one having failed last year and being now in the hands of a receiver. The law which originally limited the amount of deposits in one name to \$400 in one year, now allows \$1,000. In New York the maximum of savings bank deposits is fixed at \$5,000. A few months ago the French Assembly refused to pass a bill to increase the maximum of savings bank deposits, from \$200 to \$400. A more striking illustration can scarcely be given of the different character of the policy which controls savings bank legislation and progress here and abroad. Our savings bank system in

this country has been of slow growth. At first it was cautious and conservative, and it sought to offer to the poor a place of safe deposit for their frugal earnings. During the agitation and financial excitement of the past fifteen years much competition and rivalry have grown up amongst the savings banks, and in some cases extraordinary inducements for deposits have been offered with large dividends. As these promises could not be fulfilled without commensurate risks investments have been made that promised large returns, with the result in too many cases of ruin and disaster. Such is the wise and frank warning given by the commissioners to the savings banks, the legislature, and the citizens of Connecticut. Similar cautions might be repeated in almost every State of the Union where savings banks exist, and it is gratifying to find that, on the whole, the evil practices referred to are being so vigorously held up to popular reprobation. The one thing which such abuses are unable to bear, is exposure. Under the light of publicity, they must sooner or later perish.

In Maine the savings bank deposits show a decrease. The aggregate for 1876 is \$29,142,352, against \$32,169,390 for 1875. Of the 90,621 depositors, 83,527 are below \$1,000, while those above that sum are only 7,094. Four out of the sixty savings banks have failed during the year. The savings bank law of the State is being revised and codified. The proposed new law aims to prevent the chief evils which have led to disaster in savings bank management. It specifies the securities in which deposits may be invested; it limits the semi-annual dividends to two and a half per cent.; it restricts the amount of deposits in one name to \$2,000; it fixes the State tax on deposits at one half per cent. a year, instead of one per cent. as at present; it requires the trustees of each bank once in six months to set apart from its earnings a reserve of a quarter per cent., until it amounts to five per cent. of the aggregate deposits. It also requires an annual report by the bank examiner, the results of which are to be published immediately after the examination. The taxation of bank deposits is attracting some attention. The report states that in Maine the savings banks are paying a state tax of one per cent., while in Massachusetts the tax was reduced from one to three-fourths per cent. about two years ago. In Connecticut the State tax is one-half per cent. on real estate loans, on other investments one per cent. In Rhode Island the savings bank deposits pay a tax of one quarter per cent. In Vermont all deposits of \$250 and less are free from State taxes; while all deposits over \$250 with the names of the depositors are returned to the town clerk for taxation. These facts deserve to be put on record as they show one of the greatest defects of our fiscal system in its relations to savings banks. The policy of laying a tax on bank deposits

of any kind is open to grave doubt, but on the deposits of savings banks the imposition of State taxation is perfectly indefensible. It is hoped that the agitation in New England against the State taxation of savings bank deposits will not only be successful, but that it will lead to a revision of the fiscal system of other States and to a more enlightened adjustment of the burdens on capital in its most sensitive and untaxable form.

In Rhode Island the number of savings institutions is thirty-nine, and the number of depositors 99,865. Here, as in Maine, the deposits show a decrease, the aggregate being November 28th, 1876, \$50,511,979 against \$51,311,330 in 1875, \$48,771,501 in 1874, \$46,617,183 in 1873, \$42,583,538 in 1872, \$36,289,703 in 1871, \$30,708,501 in 1870, \$27,067,072 in 1869, \$24,408,635 in 1868, and \$21,413,647 in 1867. The number of depositors increased from 50,071 in 1867 to 98,359 in 1874, and to 101,635 in 1875.

In California the savings banks appear to be making steady progress. In San Francisco there are now fourteen savings banks, the two largest of which hold deposits amounting to twenty-six millions of dollars. The aggregate deposits of all the San Francisco banks is nearly sixty millions. The depositors are 75,496, and the gross earnings of the semi-annual statements for several years past. For these figures and the other statistics of the California Savings Banks in this article we are indebted to the San Francisco *Commercial Herald* :

SAVINGS BANKS OF SAN FRANCISCO.

	Depositors.	Deposits.	Loans.	Gross Earnings.	Surplus.	Cash Reserve.
January, 1877.....	75,496	\$ 59,603,651	\$ 60,441,205	\$ 2,813,523	\$ 3,304,323	\$ 2,334,738
July, 1876.....	74,544	57,076,248	57,471,116	2,847,270	3,143,251	2,481,836
January, 1876.....	68,972	56,260,464	56,667,408	2,943,388	3,185,928	2,726,576
July, 1875.....	67,997	59,133,909	60,886,503	2,911,849	3,209,434	1,501,193
January, 1875.....	60,660	55,021,177	56,112,999	2,557,151	2,632,932	1,529,211
July, 1874.....	55,711	50,843,159	50,527,270	2,369,926	2,453,145	2,688,916
January, 1874.....	51,807	46,745,044	46,857,239	2,266,224	2,091,955	1,905,591
July, 1873.....	49,305	43,731,223	43,137,027	2,233,890	1,826,967	1,880,133
January, 1873.....	46,000	42,474,935	42,828,962	2,091,113	1,822,770	1,174,364
July, 1872.....	42,999	40,369,405	40,258,918	1,967,692	1,757,439	1,588,044
January, 1872.....	41,590	37,033,377	36,542,628	1,986,322	1,510,533	1,559,548

The savings banks of interior California are seventeen in number, with deposits of \$14,116,422, and 25,127 depositors. The gross annual earnings have averaged nearly a million for several years past. The statistics of the semi-annual reports for several years past compare as follows:

SAVINGS BANKS OF INTERIOR CALIFORNIA.

	Depositors.	Deposits.	Loans.	Gross Earnings.	Surplus.	Cash Reserve.
January, 1877.....	25,127	\$ 14,116,422	\$ 15,800,520	\$ 962,192	\$ 2,902,530	\$ 1,817,536
July, 1876.....	23,375	13,244,515	15,968,692	967,731	3,364,575	716,884
January, 1876.....	23,743	13,765,460	15,711,158	1,001,347	3,496,547	1,068,602
July, 1875.....	23,936	13,435,194	15,166,548	933,167	3,026,933	794,845
January, 1875.....	23,594	14,002,426	14,856,568	888,214	2,570,028	1,345,905
July, 1874.....	22,199	12,089,895	12,929,196	798,124	2,284,898	1,147,579
January, 1874.....	22,139	10,862,563	11,939,630	760,649	2,233,351	1,058,155
July, 1873.....	20,354	9,745,922	10,617,513	686,940	1,544,339	927,991

An interesting report was lately made to the Committee of Banking of the House of Representatives on the taxation of savings banks. This document shows that there are two classes of savings institutions recognized in the Revised Statutes of the United States. First, there are banks having no capital stock and devoting their whole earnings to the benefit of the depositors; and secondly, there are savings banks having a capital stock or bond intended to guarantee the solvency of the bank and to promote the security of the depositor.

In the early years of our war finance the savings bank deposits were made liable to taxation. It soon became the policy of Congress, however, to exempt the small depositor. At first, all deposits of five hundred dollars and under were free of taxation. Subsequently, as the necessities for revenue diminished, the exemption was extended to deposits of \$2,000 and under. What is important for our present purpose, is to state that, until 1874, these exemptions were refused to savings banks having a capital stock, while they were granted to the rival savings banks having no capital stock. By the law of June 18, 1874, the exemptions were extended to both classes of banks, with the proviso, that if the stock-holders owning the savings bank divided among themselves more than eight per cent. a year they should pay the tax on their deposits. Some unexpected consequences resulted from this exception, to which we will presently direct attention. Many attempts have been made to obtain accurate statistics as to the savings banks in the various States. The last of these is just now being vigorously prosecuted by the Comptroller of the Currency, whose services to the various sections of which our banking system is made up have been so judicious. He is endeavoring to promote legislation in the various States, which would place in the hands of the Auditor, the Secretary of State, or other proper officer, the statistics not only of the savings banks, but of all the State banks, private bankers, and trust companies; and these statistics are to be made up on one uniform system. We commend this effort of the Comptroller to the attention of all the bank officers and bankers in the various States, and we urge them to do their utmost to aid the legislation needful for the purpose referred to. So great was the need of accurate statistics as a condition for legislating intelligently on savings banks, that during the first session of the present Congress the Senate passed a resolution, dated April 24, 1876, calling for a statement of the capital, the deposits, and the taxation of the savings banks throughout the United States, for the six months ending May 31, 1875. Mr. B. H. Bristow, then Secretary of the Treasury, gave the following statistics in reply to this question proposed by the Senate :

STATEMENT OF THE AVERAGE AND TAXABLE CAPITAL, AND THE AVERAGE AND TAXABLE DEPOSITS OF SAVINGS BANKS IN EACH STATE AND TERRITORY OF THE UNITED STATES FOR THE SIX MONTHS ENDING MAY 31, 1875.

STATE OR TERRITORY.	<i>Savings Banks having no Capital.</i>		<i>—Savings Banks having a Capital Stock or Bond.—</i>			
	<i>Average Deposits.</i>	<i>Average Taxable Deposits.</i>	<i>Average Capital.</i>	<i>Average Taxable Capital.</i>	<i>Average Deposits.</i>	<i>Average Taxable Deposits.</i>
EASTERN STATES.						
Maine.....	\$30,109,339	\$3762,462	—	—	—	—
New Hampshire..	29,498,479	4,466,187	\$100,000	\$75,916	\$259,265	\$152,209
Vermont.....	5,666,088	530,073	—	—	—	—
Massachusetts....	212,296,085	1,928,135	205,200	205,200	4,474,090	4,514
Rhode Island.....	46,907,666	13,050,160	—	—	—	—
Connecticut.....	71,189,365	14,566,319	—	—	—	—
Total.....	\$395,667,022	\$38,303,336	\$305,200	\$281,116	\$4,733,355	\$156,723
MIDDLE STATES.						
New York.....	301,257,339	31,451,379	100,000	100,000	687,655	257,916
New Jersey.....	30,662,100	7,814,768	45,000	4,000	721,954	123,319
Pennsylvania.....	19,059,016	1,011,932	50,000	50,000	53,609	1,322
Delaware.....	123,861	8,192	—	—	—	—
Maryland.....	17,921,442	2,157,813	—	—	—	—
Dist. of Columbia.	—	—	50,479	5,356	797,253	88,771
Total.....	\$369,023,758	\$42,444,084	245,479	\$159,356	\$2,260,471	\$471,328
SOUTHERN STATES.						
Virginia.....	11,731	3,359	437,716	437,716	529,225	193,167
West Virginia.....	—	—	—	—	—	—
North Carolina....	—	—	—	—	—	—
South Carolina....	61,361	2,932	—	—	—	—
Georgia.....	—	—	—	—	—	—
Florida.....	—	—	2,000	2,000	15,441	—
Alabama.....	—	—	—	—	—	—
Mississippi.....	—	—	—	—	—	—
Louisiana.....	1,783,783	374,385	—	—	—	—
Texas.....	—	—	—	—	—	—
Arkansas.....	—	—	—	—	—	—
Kentucky.....	—	—	—	—	—	—
Tennessee.....	73,316	73,316	66,000	11,000	30,920	3,529
Total.....	\$1,930,191	\$453,992	505,716	\$450,716	\$575,586	\$196,696
WESTERN STATES.						
Ohio.....	7,904,131	\$2,430,561	142,500	102,666	411,907	117,938
Indiana.....	1,526,058	150,320	—	—	—	—
Illinois.....	944,012	108,765	1,830,000	1,718,990	8,147,236	1,659,280
Michigan.....	—	—	—	—	—	—
Wisconsin.....	53,748	3,408	—	—	—	—
Iowa.....	60,167	5,000	—	—	—	—
Minnesota.....	8,582	—	—	—	—	—
Missouri.....	594,480	206,411	—	—	—	—
Kansas.....	—	—	—	—	—	—
Nebraska.....	—	—	—	—	—	—
Oregon.....	—	—	—	—	—	—
California.....	37,301,863	12,872,070	2,932,033	2,605,690	24,519,529	12,258,385
Colorado.....	—	—	—	—	—	—
Utah.....	—	—	—	—	—	—
New Mexico.....	—	—	—	—	—	—
Wyoming.....	—	—	—	—	—	—
Idaho.....	—	—	—	—	—	—
Dakota.....	—	—	—	—	—	—
Montana.....	—	—	—	—	—	—
Washington.....	—	—	—	—	—	—
Nevada.....	—	—	—	—	—	—
Total.....	\$48,393,041	\$15,776,535	\$4,904,533	\$4,427,346	\$33,078,672	\$14,035,612
Grand total...	\$815,014,012	\$96,977,947	\$5,960,928	\$5,318,534	\$40,648,054	\$14,860,859

From these figures it appears that the deposits in our savings banks were reported as averaging 855 millions, of which 111 millions were taxable. In New England the total deposits amounted to 400 millions; in the Middle States to 371 millions; in the Southern States to two and one-half millions; and in the Western States to eighty-one millions.

As stated above, savings banks which divide more than eight per cent. a year among their stockholders have to pay a tax on their whole deposits, whether small or great. The law in which this provision occurs was amended to that effect in the Senate, the object being quite obvious and very good. Unfortunately, however, the Senate forgot that there are important and rapidly-growing States on the Pacific slope, where capital cannot be had for eight per cent. a year. These States need savings banks and such institutions are rapidly growing up there. A prejudice also exists in favor of some sort of guarantee to protect the depositor from loss. Hence, it happens that in California, where there are thirty-seven millions of deposits in savings institutions, about two-thirds are in the banks possessing a capital or guarantee fund. It appears from this, that of the \$37,145 collected as taxes from the savings banks with capital throughout the United States, no less than \$30,645 have been paid by the California banks. In other words, six-sevenths of the total tax collected in the United States devolved as a fiscal burden on the savings banks of California.

It has also been pointed out that of the \$242,434, collected as tax on the deposits of savings banks having no capital, \$32,180, or less than one-seventh of the whole sum, is collected in California. We believe that we are indebted for the statistics above given to the agitation of the California savings banks to rid themselves of these anomalous and unequal fiscal burdens. However this may be, it is gratifying to find from official statistics, carefully compiled, that our savings bank system throughout the Eastern, Middle and Western States is in a condition of activity which will compare favorably with that exhibited by the savings banks of any other country in the world.

THE SCOTCH BANKS AND THEIR METHODS.

For some time past the system of the Scotch banks has attracted much attention both in this country and in England. The best book which has appeared on the subject, is probably that of M. Wolowski, which, however, is now less useful than formerly, because of the changes and rapid growth which the banking system of Scotland has undergone during the unprecedented financial agitation and excitement of the last ten or twelve years. We published some time ago a sketch of the rise, progress, and chief merits of the Scotch banking system. We found that its chief characteristics are two; first, it possesses a very complete penetrative widespread network of branches which extend to every part of the country, and draw with much activity all the idle capital which can be found among its frugal people, and can be transmuted into bank deposits. Thus, the banking system of Scotland is a vast reservoir, permeating the whole country and gathering together for purposes of financial utility, all the spare capital which the country is able to yield. Probably there is no other nation in the world that has for three quarters of a century enjoyed the specific advantage here referred to at so small an expense, and with so few disasters.

Still there have been occasionally, in Scotland as in other countries, some very severe financial panics. Those of the last thirty years are of course the most interesting to us. Mr. Fleming, the Cashier of the Royal Bank of Scotland, has just published a brief sketch of Scottish banking, in which we find the following account of these troubles, and of those of the period immediately preceding:

“Besides the Commercial bank, eight joint-stock banking companies had been established before 1826, of which only two now survive—the National Bank of Scotland, and the Aberdeen Town and County—both dating from 1825.

“All of these joint-stock banking companies labored under two serious disabilities. Not being corporations, they could hold heritable property only through trustees, and they could not sue or be sued under their descriptive name. They had not, and could not well have, what lawyers call a social name like the earlier private banks—as, for example, the Ship Bank of Glasgow, and the Ayr Bank, which were known to the law only by their social firms of Colin, Dunlop, Houston & Co., and Douglas, Heron & Co. This latter disability was removed by an Act of Parliament passed in 1826, enabling joint-stock banks to sue and be sued in name of their principal officer; and this important Act continued for nearly forty years to be the sole charter by which such banks could practically exist. Between 1826 and 1844, nine joint-stock banks were established, and five of them still exist—the North of Scotland, formed in 1836; the Clydesdale, in 1838; the City of Glasgow, and the Caledonian, in 1839; and the Union, uniting a number of much older establishments, in 1843.

“The Commercial and the National banks obtained charters of incorporation on the same day, 6th August, 1831. All the others have now the benefit of incorporation under the Companies Act of 1862.

"In 1819 there were twelve private banks, but they had all passed away by 1838. At the same date there were nineteen joint-stock banks, with eighty-two branches. Between 1819 and 1st January, 1845, fourteen joint-stock banks were formed, and thirteen were discontinued from amalgamation and otherwise; and at the latter date there were twenty banks, with three hundred and eighty-two branches. The absorptive power of joint-stock banks with large capital, as well as their power of branch expansion, had thus come into full play. The deposits had increased from twenty millions in 1826, to thirty-three millions in 1845.

"The period we are now noticing was, with a few breaks, one of great prosperity. Trade was active as it never had been before; and although we now know that the seeds of future disaster in the banking world were then sown, we must look back on the years from 1810 to 1844, as the time when the substantial superstructure of our banking system was reared on the solid foundations laid a century before. It may be that for a time trade was over-stimulated; and it is unquestionably true that some of the new institutions departed from the sound lines on which the older had for long proceeded; but we cannot but rejoice that through the freedom enjoyed by Scotland, the system of private banking, fraught with so much mischief in the provinces of England, was with us supplanted by a system enjoying a broader, a more national, and more solid basis.

"Not the least eventful period of our history is that which commenced with the passing of Sir. Robert Peel's Act of 1844, and the Complementary Act of 1845. The former prohibited the establishment of any new bank of issue; the latter required us to hold coin to the extent of any excess of issue beyond the average amount, as then ascertained. I do not enter into any discussion as to the policy or effect of these Acts; indeed, it has been my purpose throughout, to avoid topics of controversy, and to confine myself to historical facts. Personally, I have never hesitated to accept the legislation of 1844-45 as in principle sound, and in policy expedient, although faulty in detail. But on this point the greatest possible diversity of opinion exists; and you who are to be the future guides of our banking system ought well to study the vexed question. All I will say here and now is, that never did Scotland make such progress during a single generation as she has done since 1844; and I firmly believe that but for these Acts, our banking system and our general financial position would more than once have been exposed to shocks which would not have left them in the almost unstained credit in which they stand to-day.

"As regards the banks, now eleven in number, the period since 1844, has been one of marvelous prosperity and expansion. The branches have increased from 382 to 925; the deposits from thirty-three to upwards of eighty millions. Dealing with the eight larger banks, of which alone I have the figures, I find that at the selling price of 1845, the value of their capital of under seven and a half millions was about twelve and a half millions. The value of their present capital of nine millions is now upwards of twenty-five millions. The average price of their stock in 1845, was 183 per cent.—now it is 283 per cent.

"As regards the public of Scotland, I am very certain that they have banking facilities of a kind and to an extent unknown in any other country. A change in the law may come, although it is not imminent; and it will not come save with the acquiescence of the people of Scotland. The change, if and when made, will assuredly not be in the direction of freedom of issue; and unity of issue means, as far as Scotland is concerned, a total revolution in our present system, in the maintenance of which, I am satisfied, the preponderating interest now lies with the people rather than with the banks.

"Prosperous as it has been, the darkest incident in our story belongs to this period. The failure of the Ayr Bank in the last century, was a great disaster. The failure of the Western Bank, in our day, was a greater still. It carried misery and ruin to many homes. I am not going to enter on the sad history; it is accessible to you all. Suffice it here to say that the footing on which that bank was from the outset avowedly conducted was radically vicious, and contravened the essential principle on which Scottish banking has for a century and a half been based. I wish time permitted me to read to you the sound views in regard to reserves laid down by the late Mr. Blair, writing on behalf of the Edinburgh banks, in correspondence with the Western Bank, as early as 1834,

when, little more than two years after its establishment, they came to its relief. These were repeated in 1838, and enforced month after month, by the urgent counsels and warnings of Messrs. Jones, Loyd & Co., the London agents of the bank. Mr. Blair's correspondence rescues the Scottish banks from all participation in or complicity with the unsound principles of management which left the Western Bank in 1834, in 1839, in 1847, and in 1857—indeed, in almost every year of its existence—utterly unprepared for an emergency.

"The loss sustained by the shareholders of the Western Bank—whose prompt response to overwhelming calls forms almost the only bright feature in the dark chapter,—amounted to about £2,700,000, spread over 1,200 proprietors. The holders of no fewer than 13,000 shares, representing £650,000 of capital, not only lost their stock, but surrendered their all, without being able to satisfy the claims upon them. How many more nobly struggled, and with success, honorably to meet their liabilities at the price of comparative poverty, and even of want, we cannot tell. No right-minded man, placed in a position of banking responsibility, can fail to be oppressed by the sad and painful lesson taught by this great catastrophe, or to feel very deeply how much and what widespread evil and ruin may result from laxity and imprudence."

The second great characteristic of the Scottish banking system, is that of the cash credits, of which Mr. Fleming gives a very full account :

"Cash credits were first established in Scotland by the minutes of the Directors of the Royal Bank instituting the cash-credit system, and have ever since been a distinctive feature in Scottish banking. The resolutions of the bank meeting are dated 12th March, 1728, and are as follows :

"A motion being made, That the giving credit to merchants or others who keep, or for the future shall keep, cash-accompts with the bank, may be an encouragement to trade, and enlarge the circulation of the credit of this bank.

"Resolved,—That such merchants or others as keep, or for the future shall keep, cash-accompts with this bank, shall have credit for any special sum they shall fix upon, not exceeding four thousand pounds at any one time—the person demanding such credit making a proposition to a Court of Directors, bearing the credit demanded, and the security to be given for such credit—which security must be according to the rules of the bank in the case of ordinary lending, whether on personal security, pledge, or land security ; and further, the person demanding such credit shall give an obligation to certain articles, which obligation and articles are to be settled and adjusted by a subsequent court.

"Pursuant to the resolution of the Court of Directors of the twelfth of March last, the court resumed the consideration of the method of keeping cash accounts with such merchants and others as may have occasion to overdraw on the bank, and the rules to be observed by them, and the form of the security or obligation of credit to be granted by them according to that resolution.

"Resolved,—That such merchants and others as shall be allowed to overdraw on their cash accounts on the bank, shall become bound to observe and perform the articles, rules, and conditions hereinafter written, and to give an obligation of credit of the tenor thereunto subjoined :

"1. That a book for a cash account be taken from the cashier of the bank, by every such person as keeps a cash account with the bank, wherein such money and bills, &c., as shall be lodged by him at any time in the bank on a cash account, shall be written and marked by the teller receiving the same, with the initial letters of his name, which shall be a sufficient voucher to bind the bank for payment of the money, &c., so lodged.

"2. That every such person who keeps a cash account with the bank, do draw his cash out of the bank by bills drawn on the bank's cheque paper, which shall be delivered to him for that purpose.

"3d. That at the end of every half-year—that is, within six months from the commencement of the cash account at least—every such person shall by himself or his lawful attorney, settle and close his cash account with the bank for the preceding half-year.

"4. That every such person, in consideration of an obligation of credit to be

executed by him according to the form hereunder written, may draw upon the bank for any sum not exceeding the sum that shall be agreed on by the bank to be filled up in such obligation, such person paying according to the legal interest for whatever sum or sums he shall draw at any time out of the bank over and above his own cash, in virtue of the credit of the said obligation, which interest shall continue and be running during all the time the bank shall be in any advance for or on account of any overdrafts, and no longer :

“Form of the Obligation of Credit to be executed by such as are allowed to overdraw in their cash accounts on the bank.

“I, A, and with me B and C, are hereby become bound and obliged conjunctly and severally, our heirs, executors, and successors, to pay to Allan Whitefoord, cashier of the Royal Bank of Scotland, or his successors in office, for the use of the said Royal Bank the sum of at least so much thereof as I the said A shall be overdrawn in my cash account with the said Royal Bank, with the due and lawful interest thereof, from the time the Royal Bank shall be in advance for me the said A, with twenty pounds of penalty for every hundred pounds in case of failzie ; and it is hereby declared that all bills, orders, or receipts, drawn or granted by me the said A, on or to the cashier of the Royal Bank, shall be sufficient vouchers to constitute the debt against me, as well as to discharge the cash I from time to time shall have lodged in the bank.

“The cash credit system is both ingenious and simple. To be able, on credit, to draw on your banker as, and when you may find necessary, and to be charged interest only for the time you find it convenient to use the bank's money, is the *me plus ultra* of banking accommodation. That is the essence of the system which since 1728 has been largely instrumental in the development of our agricultural and mercantile enterprise. It had its origin, as we see from the first of these minutes, in the desire to encourage trade, and to promote the circulation of the bank's notes. Perhaps if we were to place the latter motive first, we would be doing the directors little injustice ; but that it fully accomplished the other object is matter of history. It is also certain that, *on the whole*, cash credits have been granted with such caution in the past, that they have proved profitable to the banks, as well as most advantageous to the public. But undoubtedly the system never would have been introduced save for the note-issues. A cash credit was advantageous to the bank mainly through the frequency and extent of the operations upon it—all payments *out* being made in the bank's own notes, and all payments *in* being made in mixed notes. In so far as the notes put out were absorbed by the public, the bank gained the interest as the *quid pro quo* for the use of its credit. But of course the moment the legitimate requirements of the public for paper currency were satisfied, advances on cash credits became a loan not of credit but of capital ; for although the advances might be in the form of notes, the superfluity would immediately return on the bank for conversion. The Ayr Bank failed to see this, and fancying that they had only to provide a sufficient supply of paper, they granted credits so recklessly, that within a few months after beginning business they were obliged to resort to the system of finance paper on London, which proved their ruin. I am not sure that the old banks always kept the dangers of cash credits—for they have dangers—clearly in view last century. Else why did they voluntarily bear the burdens of all the private banking companies by granting cash credits to them ?

“When the state of matters got healthier, and large joint-stock banks grew up, and each leant on its own resources, cash credits were limited to traders ; and so long as they were not granted in excess of the portion of the bank's resources, fairly applicable to such a mode of investment, or in excess of the healthy requirements of trade, they were mutually advantageous. But we can quite understand the fears of our predecessors in 1826, when they told Parliamentary Committees that if our note-issues were prohibited, the cash credit system was doomed. This would probably be the opinion of Scotch bankers still.

“Why? And why is it that the system of cash credits, so manifestly beneficial to the public, has not been adopted in England? And, yet again, why is

it that our system of allowing interest on current accounts has been, after a trial of several years, abandoned the other day by the London joint-stock banks? The answer is, that without note issues having a national circulation and credit, these facilities are all but impossible.

“To illustrate this, suppose John Smith & Co., of London and Glasgow, to have a cash credit for £1,000, with their London bankers, and a similar credit in Scotland. Every cheque they draw on London has to be met on presentation, in legal tender, and the London banker must be prepared to meet at all times, in money, every check drawn up to the limit of the credit. Just so with the balance on a current account. Now go to Glasgow. The cheques drawn on the Scotch bank, whether on a cash credit or on a current account, are, just as in England, demandable in legal tender (*i.e.*, coin in Scotland); but, in point of fact, coin is never taken, and the native notes are universally preferred.* These notes will within a day or two—most probably the same day—reach another bank, and be brought the following morning into the exchange against the issuer; and if the balance is against the issuer on the final clearing, he will grant a draft on London at five days' date for that balance. He has thus never less than eight days to provide for any unusual or unexpected adverse balance in the clearing-house. Hence, we can afford in Scotland to do what the London banker cannot do, for his adverse balance must be met the same day. All this would, of course, be changed if the note-issues were abolished. Loans would continue to be given, but they would, as in London, be for fixed periods and of fixed amounts, and given with reference to the banker's resources at the moment. Cash credits—which at present are given in Scotland with reference to each banker's general experience of the working of his own concern, and of the average demands on his resources, and with ample time, by the sale of consols or otherwise, to provide *in London* for any exceptionally large or unexpected demand upon him—would, I think, almost necessarily cease, and with them probably—I would almost say certainly—the allowance of interest on current accounts.”

With regard to the success of the Scotch Banking System, its causes are intimately connected with the two characteristics above specified. By means of the cash credits, the best of the small tradesmen in the country are singled out, and approved men of business are enabled to wield more or less of borrowed capital for purposes in which they have experience and skill. To these men banking accommodation is given only on condition that the bank has full confidence in them, and is sufficiently satisfied with their methods of doing business, to continue the permission to overdraw their accounts. Another advantage of the system is, that it has always promoted the circulation of the notes of the banks. The business community were well aware, and were continually reminded by the officers of the various banks, that if they would have help from the banks, they must circulate the bank notes, and aid their currency as much as possible, inasmuch as the power of the banks to help business men was entirely contingent upon the ability of the bank to keep its notes moving in the channels of the circulation. As these principles have been in active operation for more than a century, there is probably no country in Europe in which banks and bank notes enjoy more popular support

* I believe I am strictly correct when I say that at all the offices of the Royal Bank (upwards of a hundred in number) £5,000 in gold will not change hands in a week, and a very large portion of that sum is taken in the shape of half-sovereigns for convenience in the payment of wages.

than in Scotland. There are not wanting indications that the expansion of the cash credits of the Scotch banks has reached at times dangerous limits, but the note issues have never been so excessive and so promotive of financial disasters as in England. The difficulty experienced by the Scotch banks in finding adequate outlets for their loanable funds, has caused them during the last few months to seek to establish branches in London and in other parts of England. As the business of Scotland did not afford them a sufficiently broad field for the use of all their idle resources, they were naturally anxious to open new avenues of lucrative employment for their means, and some of them have been engaged extensively in exchange operations with British India and with this country. For such operations it was highly desirable that each bank should have its own branch in London, the financial centre of all the major operations in foreign exchange. Accordingly several of the Scotch banks took steps to establish offices in London, little supposing that there was any legal obstacle to this necessary extension of their institutions. The English banks, however, took the alarm; two powerful associations were organized, one comprehending the banks of the metropolis, and the other those of the rest of the country. These two associations had been in existence before, but their organization and activity received a new impulse from the desire which was general among the banks throughout England, to prevent the Scottish banks from opening branches in London, or elsewhere out of Scotland. The statute on which the English banks rested their case, was Sir R. Peel's Bank Act of 1844, which forbade any bank of issue to have its office in London, or within a certain distance of that metropolis. Instead of commencing a suit, however, the English banks chose to plead their cause in Parliament, and they attempted to obtain new legislation, forbidding the banks of Scotland to establish offices across the English border, without giving up their circulation. The House of Commons, instead of passing this bill, appointed a Committee to inquire into the banking laws and practice of England and Scotland, and the Blue-book published by this Committee shows that its inquiries were general, vague, and not very favorable to the projects of the banks by which the investigation had been instigated. The result has been that no suit has been brought to test the question whether the English law, as it stands at present, allows the Scotch banks to open branches in England. Meanwhile several of these banks, assuming that the law is on their side, have opened their offices in London, and if the banking business had not been for the last year or two so unremunerative, some other offices would no doubt have been established which are at present in abeyance.

THE NATIONAL SINKING FUND.

BY GEORGE M. WESTON.

The bill to refund the Public debt passed the U. S. Senate, March 11, 1870. Amendments were subsequently made in it by the House, and in a conference committee, and it finally assumed the shape in which it was approved by the President, July 14, 1870. A reference to the discussion and votes in the Senate upon the measure, will admonish us that we are drifting away insensibly from the sound views in respect to a public debt, which have been universally accepted in times past in this country, and were still accepted in 1870.

The bill as prepared and passed by the Senate, contains the following :

"SECTION 6, *And be it further enacted*, That in order to carry into effect the fifth section of the act entitled, 'An act to authorize the issue of U. S. notes, and for the redemption or funding thereof, and for funding the floating debt of the United States,' approved February 25, 1862, relating to the sinking fund, there is hereby appropriated out of the duties derived from imported goods, the sum of \$ 150,000,000 annually, which sum during each fiscal year, shall be applied to the payment of the interest, and to the reduction of the principal of the public debt."

In explanation of this section, Mr. Sherman said, February 28, 1870 :

"The interest on the public debt is now about 125 millions, so that this is an appropriation of twenty-five millions, or one per cent. of the principal, to be kept as a perpetual sinking fund, the operation of which will pay off every dollar of our indebtedness, old and new, in from twenty-five to thirty years, depending somewhat upon the change in the value of our bonds."

And again, March 2d, 1870, Mr. Sherman said :

"The public debt is now 2,500 millions, one per cent. is twenty-five millions, and that must not only be applied every year, but it must be applied in the nature of a sinking fund."

And again, March 11, 1870, Mr. Sherman said :

"These particular revenues are pledged, mortgaged. You have no more right to take them for any other purpose than the public debt, than you have to take my property."

As will be seen, Mr. Sherman calculated that every dollar of debt would be paid off in from twenty-five to thirty years from 1870, that is to say, from 1895 to 1900.

And as will also be seen, the proposed sixth section of the bill of 1870, did not purport to introduce any new principle, but to carry out the fifth section of the Act of February 25, 1862, by a precise liquidation and expression of the sum to be paid under it.

The fifth section of the Act of February 25, 1862, set apart and appropriated so much of the customs revenue as might

be required for the interest on the public debt, and next for the following purpose :

“To the purchase or payment of one per centum of the entire debt of the United States, to be made within each fiscal year after the first day of July, 1862, which is to be set apart as a sinking fund, and the interest of which shall in like manner be applied to the purchase or payment of the public debt, as the Secretary of the Treasury shall from time to time direct.”

There were certainly some objections to the proposed sixth section of the bill of 1870. One was, that there was then set apart out of the customs revenue, not merely the interest and one per cent. of the principal of the public debt, but the interest on the sinking fund which either existed, or ought to have existed, from payments into it between 1862 and 1870. Another was, that it proposed to liquidate and precisely express what needed no liquidation or greater precision of expression. Nothing could be more definite than that “one per centum of the entire debt of the United States” should be redeemed annually, and set apart as a sinking fund. There were no deductions to be made, of cash on hand, or of anything else, and nothing was to be done but to add up all the items of the “*entire debt*,” which was, and is, within the capacity of an ordinary clerk. However, this proposed sixth section, which does not appear in the law as finally passed, had the advantage of apprising the country of the total sum, \$150,000,000, annually applicable to the debt, and was intended to be a compliance, in good faith, with the Act of February 25, 1862.

Mr. Sumner (March 11, 1870), objected to the sum, and proposed \$125,000,000. Mr. Sumner admitted all the obligations of the Act of February 25, 1862. His points were, that the interest of the debt would be reduced to 100 millions, by the refundings which the bill authorized, and that an appropriation of 125 millions, would provide for this interest and leave twenty-five millions for the one per centum of the principal. He said, that if his amendment was adopted,

“In a little more than thirty years, the debt will be paid, instead of being paid in a little more than twenty years, as proposed by the section as it now stands.”

As will be seen, the difference between Mr. Sumner and Mr. Sherman, as to the time when the proposed sixth section would extinguish the debt, was not altogether a difference of mathematics. Mr. Sumner reckoned the interest of the public debt, not at its then existing amount, but as it would be after the refundings which the funding bill authorized.

And as will also be seen, Mr. Sumner contemplated the payment of the entire debt “*in a little more than thirty years*,” that is to say, not long after 1900.

As refundings and reductions of principal and interest have since progressed, and now promise to progress, Mr. Sumner's proposition was more nearly right than the sixth section

which he moved to amend. \$150,000,000 annually would be now a greater appropriation, by twenty millions, than sufficient to pay interest and meet the requirements of the sinking fund as stated in the accounts at the Treasury Department. \$125,000,000 would have been so far rather too little, but will probably be soon quite sufficient.

No Senator, except Mr. Sprague of R. I., supported Mr. Sumner's amendment, and it was voted down without a division. Mr. Sumner was very sharply criticised for having proposed it, and more sharply than subsequent events have justified. Mr. Morrill, of Vermont, was especially severe upon him.

On the 3d of March, 1870, Mr. Morrill had said :

"The American people are emphatically a debt-paying people. They do not believe in perpetual mortgages."

On the 11th of March, upon Mr. Sumner's motion to amend the sixth section, Mr. Morrill said :

"If I have been surprised more at one thing than another, it is at one or two of the positions of the Senator from Massachusetts. If there is a man in this body who is a stickler for the public credit, it is that Senator; and yet he has brought forward some propositions here that have more vitally attacked the credit of the country than any other Senator that I have heard speak. Here is a proposition that he brings forward to reduce the amount that is proposed in the sinking fund clause of this bill, from \$150,000,000 to \$125,000,000, to be appropriated annually, when we are obliged by law to appropriate at least one per cent. of the entire debt every year for its extinction. The entire indebtedness of the country is \$2,500,000,000. If the entire indebtedness of the country were to-day funded at five per cent., the amount the Senator appropriates would just pay the interest, and not a dollar more."

The bill, as it finally became a law, did not contain this sixth section, but left the amount payable as a sinking fund, to be determined under the provisions of the Act of February 25, 1862, which are also codified in the Revised Statutes of 1874.

Mr. Wilson, of Massachusetts, seemed to be much less inclined than his colleague, or than the great body of the Senators, to hurry the extinguishment of the public debt, but even his views on the subject appear now, after the lapse of only seven years, to be quite in advance of the surface public sentiment which has been manufactured and nursed in favor of regarding our National debt, not as an evil to be got rid of, but as a blessing, as it undoubtedly is to those who are enriched by the dividends on it.

On the 11th of March, 1870, Mr. Wilson said :

"What will be our condition at the end of ten years? * * * At that time we shall have perhaps \$60,000,000,000 of property. * * * If I had my way I would not pay more than twenty or twenty-five millions annually, for the next ten years. Then for the following ten years, I would perhaps pay five or six hundred millions."

Fifty or sixty millions annually from 1880 or 1890, or five or six hundred millions in the ten years, of the principal of the debt, is far within what the country could easily pay,

but it is more than the sinking fund, as it is stated at the Treasury Department, will actually pay, and it is now apparent that even the sinking fund, little burdensome as it is, will require a vigilant defence against the attacks, open and covert, which are being made upon it.

On the 9th of March, 1870, Mr. Wilson proposed to give those who would lend money to the Government at four per cent. interest, bonds not redeemable until after fifty years. This met with no favor, and brought down a storm of indignation from Mr. Sherman, who said :

"I should like to know how many Senators would be willing to issue a bond of the U. S., payable at the end of fifty years, without any right to redeem before that time? This would open a wide and extended question, upon which I could show to Senators authorities without limit. I could show that never, from the foundation of the Government to this hour, did the United States issue a bond under any circumstances, that was not at the pleasure of the United States to redeem after twenty years, and mostly after fifteen years. I could show from the writings of Washington and Hamilton and Jackson, and all the fathers, that under no circumstances ought a bond to be issued payable absolutely so long a period from date."

Mr. Morrill, now at the head of the Finance Committee of the Senate, realizes too well that "*the American people are emphatically a debt-paying people*" and "*do not believe in perpetual mortgages,*" to give his assent to any scheme of funding liabilities of the civil war, in forty-year bonds, maturing more than half a century after the surrender of Appomattox.

And Mr. Sherman, now at the head of the Treasury Department, may be relied upon to see that all the laws in respect to the sinking fund are faithfully carried out, and especially the law which gives to that fund a lien on the customs revenues, second only to the lien for the interest on the public debt. As he said in 1870, that revenue is "*pledged, mortgaged,*" and until the claims on it of the interest and sinking fund are completely satisfied, neither Congress, nor any executive officer, has any better right to touch a dollar of it, than to take the private property of a citizen.

It is sometimes said, that in certain years since the Civil War reductions of the debt have been made in excess of the sinking fund, and that, taking the whole period since the war, the aggregated reduction somewhat exceeds what it would have been, if the exact sinking fund, no more and no less, had been applied to the debt in each and every year. This is admitted to be true, although the figures of some computations, and even of some official computations, of this excess of past reductions, are open to many criticisms. It is quite unnecessary, however, to spend time upon exact figures, as the position is wholly untenable, that any excess of past reductions, great or small, can offset present and future obligations to the sinking fund. The limits of that fund are not a maximum, but a minimum, of annual appropriations to the debt. Not less than a certain sum must be paid in each

and every year, and as much more as the country finds itself able and inclined to pay. All questions of this kind are settled and concluded, both for the past and for the future, by the Revised Statutes enacted in 1874.

Sections 3694 and 3696 of those Statutes are as follows :

“Section 3694. The coin paid for duties on imported goods shall be set apart as a special fund, and shall be applied as follows :—

“*First.*—To payment in coin of the interest on the bonds and notes of the United States.

“*Second.*—To the purchase, or payment of one per centum of the entire debt of the United States, to be made within each fiscal year, which is to be set apart as a sinking fund, and the interest of which shall, in like manner, be applied to the purchase or payment of the public debt, as the Secretary of the Treasury shall from time to time direct.

“*Third.*—The residue to be paid into the Treasury.

“Section 3696. In addition to the amounts that may be applied to the redemption or payment of the public debt, an amount equal to the interest on all bonds belonging to the sinking fund shall be applied, as the Secretary of the Treasury shall from time to time direct, to the payment of the public debt.”

These were the plain rules for the government of the Treasury Department prescribed in 1874. Everything is definite; the amount of payment “*within each fiscal year,*” and the fund out of which it is to be made. No reduction on account of any previous payments is authorized by this legislation, which, by fixing a clear rule for the future, concludes all the past.

And the legislation in Section 3697 concludes and shuts off any new questions which might be raised in consequence of an excess of payment on the five-twenty bonds beyond the sinking fund, which might be made in any year subsequent to 1874.

That Section, which immediately follows those relating to the sinking fund, authorizes the Secretary of the Treasury to redeem any of the five-twenty bonds, “*with any coin in the Treasury which he may lawfully apply to such purpose,*” that is to say, with any coin left free to be used, and not set apart for the interest and sinking fund of the public debt. Everything is clear, in both letter and intent. To the extent of the interest and sinking fund of the public debt, the coin duties are absolutely and specifically set apart, and placed beyond any discretionary control. But as to any excess of coin beyond that setting apart, and therefore lawfully disposable, the Secretary is authorized, but not required, to buy in any of the five-twenty bonds. It was thus the expectation of the legislators, that circumstances might permit greater payments on the public debt than those of the sinking fund. Such greater payments were contemplated and provided for, and no authority is given, or can possibly be implied, to treat such greater payments, if they should in fact be made, as deductions to be taken in succeeding years from the sinking fund.

Section 3697 of the Revised Statutes, as appears both from the marginal reference and from the language of it, is a revision of a similar provision of the Funding Act of July 14, 1870. It will be seen, in the Senate discussions of the Act of July 14, 1870, that Mr. Sherman thought that this provision might be needed to remove any possible doubt of the power of the Secretary of the Treasury to pay off bonds beyond the limits of the sinking fund. The then Secretary (Mr. Boutwell) had already exercised such a power. He exercised it more largely after the Act of July 14, 1870, and it is these extra purchases of bonds made after the Act of July 14, 1870, and expressly authorized by that Act to be made in addition to the purchase of bonds for the sinking fund, which certain parties endeavored to persuade Mr. Bristow, a succeeding Secretary, to treat as superseding the sinking fund for the future. Mr. Bristow could not be persuaded to take that view of the subject, and it is on the construction of law settled by him, that the sinking fund is now stated at the Treasury Department, and will undoubtedly continue to be stated. Mr. Bristow's successor (Mr. Morrill) did, it is true, insert in his report of last December, a table of the past reductions of the public debt, which was calculated and perhaps intended to satisfy Congress that the existing sinking fund might be suspended for a short time without a breach of public faith. But that was merely an opinion of Mr. Morrill, as to the propriety of a change in the existing law. No such change was made in it by Congress. As to what the law actually now is, Mr. Morrill assumed the construction to be what Mr. Bristow decided it to be, and stated the amount of the sinking fund for the current fiscal year accordingly. Mr. Sherman, of course, will continue the same construction, and indeed, no other is possible.

Until the present fiscal year, the customs revenue has always been largely in excess of the two liens on it, first for the interest, and second for the sinking fund of the debt. This year, there will be a slight deficiency, if the Treasury estimate of last December, 127 million dollars, proves to be correct. The interest may be taken at ninety-five millions, and the sinking fund for this year is \$33,705,806. But the amount of annual interest on the debt is being diminished by refundings, and the customs revenue may be expected to improve as business revives. And while the customs revenue is the only one set apart for the sinking fund, all money in the Treasury, however arising, not otherwise appropriated, is permanently appropriated for it by the following Section of the Revised Statutes :

“SECTION 3689. There are appropriated, out of any moneys in the Treasury not otherwise appropriated, for the purposes hereinafter specified, such sums as may be necessary for the same respectively; and such appropriations shall be deemed permanent annual appropriations.”

“ Sinking fund :

“Of one per centum of the entire debt of the United States, to be set apart as a sinking fund for the purchase or payment of the public debt, in such manner as the Secretary of the Treasury shall from time to time prescribe.”

The payments made from July 1, 1876, to April 1, 1877, towards the sinking fund of the current fiscal year, have been as follows :

In redeeming greenbacks.....	\$ 7,116,080
“ fractional currency.....	11,006,629
Total.....	<u>\$ 18,122,709</u>

The sum of \$ 11,006,629, is the amount of fractional currency redeemed within the period named. In the months of April, May, and June, of 1876, the redemption was \$ 8,157,739, of which only \$ 7,062,142, was carried to the account of the sinking fund of that year. It is possible that the difference of \$ 1,095,595, may be carried to the account of the sinking fund of this year. In that case, the payments made on account of it, to April 1, 1877, are \$ 19,218,304. .

In round numbers, the payments required to be made for the sinking fund between April 1 and July 1, of this year, are fourteen or fifteen million dollars. The means available for the purpose are ample, being *first*, the cash in the Treasury, which is fully twice what is needed for a working balance, and *second*, the accruing surplus revenue of this period of three months. On this last point, the country may be hopeful, as all the changes now being made in executive administration, are undoubtedly in the direction of reform and economy.

Of the fourteen or fifteen million dollars of debt still to be redeemed during the current year, it is uncertain what proportion will consist of greenbacks and fractional notes, and what proportion of bonds.

The sinking fund is the sheet anchor of the public credit. Every attempt to tamper with it must be resisted at the threshold. Everything is afloat if that fund is broken in upon. The question of maintaining it is nothing more or less than the question whether the old American policy of paying off in periods of peace the liabilities incurred during wars, is to be abandoned, and the European policy of permanent national debts is to substituted for it. If the people are not willing to-day to pay such taxes as will steadily diminish the debt, they will be less and less willing to do it hereafter. Time may add to ability to pay debts, but it never adds to the disposition to pay them. The country was never so ready to pay taxes to reduce the liabilities of the civil war, as when its events were fresh, and when the patriotism which had sustained it was still warm and glowing.

No more bonds must be issued on any pretence whatever, until the stress of a new war shall again subject us to that deplorable necessity.

RESUMPTION AND FUNDING.

BY DUDLEY P. BAILEY, JR.

Whatever else may be said respecting the financial policy of the Government for the last nine years, it may at least in its main features claim the merit of consistency. The steady aim of this policy has been to reduce and fund the bonded debt, to the neglect of the far more important duty of reforming the currency. The Resumption Act has indeed been passed, but not a single step has, so far as the public is informed, been taken to carry out its most important provisions. Under the Act of 1874, the National Banks have done more towards bringing the currency back to a specie basis than all the action of the Government. It is indeed a subject of congratulation that in the last three years so much progress has been made in the right direction; but we have been almost dragged along by the force of circumstances instead of hastening with willing feet.

Only twenty months yet remain in which to complete the necessary preparations for resumption, and so far from entering upon this necessary work, the Government still adheres to a policy tending to deplete the Treasury and the country of its too limited stock of coin. By the last debt statement, the Government owned, on the 1st of April, only \$38,538,885 in coin above gold certificates against \$44,941,184 July 1, 1876; \$58,058,110 July 1, 1875; \$51,380,204 July 1, 1874; \$56,062,808 July 1, 1872, and \$78,228,929 July 1, 1870. The figures are taken from the debt statements, which usually require some corrections, and they do not show how much of the Treasury balance for the last two years has consisted of subsidiary silver coin. But it is evident that the policy pursued by the Treasury Department has in the last seven years weakened it in its metallic stock by the sum of \$30,000,000. The funding operations have so far operated in the same way. The amount of called five-twenty bonds held in Europe has usually hitherto been greater than that of the new funding bonds sold there, and the balance must of course be remitted in some other form, either causing exports or preventing imports of specie. For a considerable period the commercial balance of trade has been so much in our favor, that on the whole the United States, for the first time in many years, has imported more specie than it exported. There are now, however, indications that this favorable condition of the exchanges is not to be of long continuance. Of late the quotations for exchange on London have shown

an upward tendency, and may at any moment reach a point at which the late additions to our metallic stock will commence to leave us. Neither the Government nor the country has any gold to spare if specie payments are to be resumed at the appointed day. Secretary Morrill, in his annual report, estimates that to insure this result, half as much coin will be needed as there shall be United States notes outstanding when the redemption commences. If contraction proceeds no more rapidly than during the last two years, there will be nearly \$350,000,000 of greenbacks awaiting redemption on the first of January, 1879, requiring at least \$175,000,000 of coin, of which the Government has, after deducting what it needs for ordinary disbursements, not over \$25,000,000. To acquire the remaining \$150,000,000 in season, it must accumulate on an average about \$7,500,000 per month. The monthly withdrawal of this sum from a market so scantily supplied as our own, is no trifling matter, but to defer still longer the commencement of the necessary preparations, will require a more rapid accumulation, and augment by so much the shock to the money market.

The only way under the Resumption Act by which the Government can secure the necessary amount of gold, is by the sale of bonds for money, and not in exchange for fifties. If the funding operations stand in the way of thus accumulating coin, the time is fast approaching when the Secretary of the Treasury will (in the absence of further legislation) either have to give up funding for the present, or let resumption go by default. By the agreement with the Syndicate in August, 1876, he agreed to call in fifties as fast as the new four and a-half per cent. bonds were subscribed for. The right of the Syndicate to subscribe for the remainder of the new bonds expires by its own limitation on the 30th of June next, and the Secretary has had the right at any time since March 4 to terminate the agreement, by giving ten days' notice. He can, therefore, soon resume the power to suspend temporarily the funding operations, and can then sell bonds for coin until a sufficient supply is accumulated. This and not funding should now be the leading aim of our financial policy, and so far as the two cannot be carried along together, the former should have the preference. It is time to abandon the imbecile policy which instead of grappling with the greatest financial question before the country, has drifted helplessly at the mercy of circumstances. The country needs a new departure in its financial as well as in its political administration.

These views by no means militate against the plan of funding a portion of the United States notes, as proposed in the Sherman bill, introduced into Congress at the late session.

A contraction of the currency and the accumulation of a coin reserve are both important, and the former should, if possible, accompany and supplement the latter. But it is hardly worth while to waste much precious time waiting for new legislation, which may never come.

Business suffers from the impotency of our National policy in relation to the currency. Doubtless one cause of the persistent depression of industry and trade is to be sought in the unskilled management of the currency. If our present suspension of specie payments had, as in previous crises, been a bank of suspension, the matter would have been in skilled hands, and the banks by contracting their obligations and accumulating specie to meet those that remained outstanding, would have placed themselves in a condition to resume specie payments within a few years after the close of the war. But as the present is a government and not a bank suspension, the case is different. The unskillfulness and moral obtuseness of governments in such matters, are proverbial. It cannot be denied that the failure of the Government thus far to make any adequate preparations for resumption, has, to the great injury of business, created a lurking doubt whether specie payments are really to be resumed at the time appointed. It is becoming more and more evident every day that business cannot find solid bottom, except on a specie basis. The sandy foundation of paper money, on which our financial structure has rested for the last fifteen years, yields continually. If the Government were plainly making adequate preparations to resume, the paralyzing uncertainty as to what constitutes a dollar would be removed, the public would know what to depend on, and one of the chief causes of the existing stagnation would disappear.

The almost unrivaled credit of the Government makes its power in the money market equal to the accomplishment of great results, and the Resumption Act places this vast power in a great measure at the disposal of the Secretary of the Treasury, to be used in preparing for the redemption of United States notes. The existence of the power carries with it a corresponding responsibility.

TITLE TO A PROMISSORY NOTE.—In the case of *Caldwell et al. vs. Lawrence* (appeal from Warren), the Supreme Court of Illinois holds that when one having the legal title to a promissory note sues the maker, it is no defense to urge that the equitable title is in another person. Suit is rightfully brought by the party in whom the legal title exists, and it can make no difference to a defendant who is equitably entitled to the process.

ECONOMY AND THE REVIVAL OF BUSINESS.

BY ALBERT S. BOLLES.

Discussion has long been rife as to the causes of "the hard times," yet even some authorities who profess to know pretty nearly everything about such matters, have shot far away from the truth. Thus, the *Nation*, in an article upon "Profitable and Unprofitable Economy," after remarking that "the current newspaper advice on the subject needs considerable revision," adds: "The restoration of confidence is after all the great thing we need; not more money . . . or low living . . . to bring about a return of prosperity."

The *Nation's* specific, we believe, would not have the effect desired; and, had the diagnosis of the case been thorough, the remedy mentioned never would have been applied. What, then, is the difficulty? Many have lost heavily by the Chicago and Boston fires, and other inevitable calamities, and by bad investments. Consequently, their incomes are reduced, and they cannot spend as much as formerly, without cutting into the principal remaining. No one will intelligently assert that they ought to do this. But no other alternatives are open to them—they must diminish the aggregate of their purchases, or their property will be diminished. If they continue in their former way, spending as much as ever, and exceeding their income, bankruptcy is inevitable. Although this latter alternative may be chosen and followed for a season, it is evident that, ultimately, all must live within their means, however small, else National bankruptcy would ensue. This being true, purchases must be less in consequence of a reduced income (prices remaining the same), and, therefore, consumption and production are checked.

The truth of the foregoing observations may perhaps appear the more clearly through an illustration. Mrs. A., for many years previous to the Chicago fire, had taken a kindly interest in the welfare of some Indians, and had contributed liberally of her means in order to clothe them and supply other wants. The sum thus given was her income from an insurance company. That concern, having suffered severe losses by the Chicago fire, was obliged to suspend dividends, and so Mrs. A. was obliged to withdraw her support from the Indians. Not having their usual funds wherewith to make purchases, the Indians could not buy their accustomed quantity of clothing and other things. Their loss of funds of course affected the manufacturer, who was obliged to reduce production; and then the operatives suffered in turn from loss

of employment. Exchanges becoming dull, stores are vacated, men fail, and capital becomes idle. Such has been the course of business during the past few years arising from the loss of property.

The question now is how are we going to get out of trouble? The *Nation* says: "The restoration of confidence is the great thing we need." Confidence had nothing to do with the fires in Boston and Chicago; nor with the stoppage of mills and furnaces since the panic of 1873. These terrible calamities had a different origin; and no amount of confidence can make good the wealth thus destroyed, which is the real cause of our difficulty. The country is suffering from a loss of wealth, not loss of confidence. What people are seeking to do is to recover their lost possessions; by the practice of no magical art, like the restoration of confidence, can this be done. It must come by readjusting profits and prices so that the purchasing power now existing will buy as much as it would before the great losses occurred of which we have spoken.

In other words, when prices are so reduced that all can purchase in the aggregate just as much with their diminished means as previously, they will purchase as much, and as much will be made and consumed. Before that time arrives, however, what will take place? Capital, finding no chance to invest at its old rates, will offer itself for less; the landlord, rather than have his store empty, will cut down his rent; the laborer, in order to retain or get a situation, will work for lower wages; and the exchangers and the manufacturers will lessen their margins of profit. The consequence flowing from these changes will be, more purchases for the same amount of income, than formerly; increase of consumption, followed by enhanced production. This is the way, and by no other, has a nation ever recovered from depression in business arising from a loss of wealth.

The *Nation* truly remarked that if foreign trade increases, we may recuperate our shrunken wealth by selling our products abroad; and there is a very fair prospect for the disposal of our surplus products in this manner. This fact throws light upon the one just mentioned, namely, that what we need, and are trying to obtain, is greater purchasing power. This must come in some way, either by a reduction of prices, or by an augmentation of National wealth, before prosperity can return. Undoubtedly, if this purchasing power could be gained by increasing foreign trade, there would be far less suffering here than by reducing prices.

It is true when business is paralyzed from want of confidence, the restoration of it brings prosperity. Thus, the panic of 1857 opened with the failure of the Ohio Life and Trust Company, followed by the non-payment of the obligations of the Michigan Southern, and New York and Erie railroads. The failure of these concerns caused people and

moneyed institutions to be distrustful, especially the banks, which suddenly began to withhold their usual discounts. The result of their action speedily appeared in general suspension and bankruptcy. The effects of the panic, however, soon passed away, because, as not much wealth was lost, but merely confidence, the proper remedy—the restoration of confidence—was quickly applied. Banks began to discount freely, their customers were able to make their payments, and business rapidly revived. But now, there is a loss, not so much of confidence, as of property. There is a diminished fund for the purchase of commodities. And there is no other remedy except to increase the power of the purchase fund, which is usually effected by reducing prices.

Not a few believe that a return to specie payments would bring prosperity to the Nation. It is true that in flooding the land with paper money the old price-marks were swept away; and ever since, a great deal of suffering has been experienced on account of the inequality of prices occasioned by its use. The prices of commodities did not go up in equal proportions; besides, an additional sum was charged as a kind of insurance premium to cover prospective depreciation of the currency. A return to specie payments would remove the speculative element in prices, and would tend to equalize and fix them, and this would be a great gain; but the use of gold as a standard of value, instead of paper, would not restore the wealth destroyed, which is the main cause of the depression in production and exchange.

On the other hand, by returning to specie payments no such harm would befall the debtor class, or any other class, as many imagine. Those who spend all their earnings about as fast as they get them, are certainly as well off with a gold currency as with a paper one, because if they get less for what they sell, so do they buy at corresponding rates. It is the debtor class only who are affected by a diminution of prices; and as these have greatly and generally declined, notwithstanding the volume of paper currency has remained unchanged, and will continue to decline in spite of the currency at present existing, as much as they would if gold were substituted therefor, no harm will happen to the debtor class from the substitution. For example, a farmer pays his obligations with the income derived from the produce of his farm. Now, if the gold price be as high as the paper price, how can he suffer by the substitution of gold for paper? If the use of paper tends to buoy up prices, then it is clearly for the interest of the debtor class to keep the present currency in circulation; but there are causes at work more potent than any kind of money reducing and equalizing prices. There has been no contraction of the currency since the early years of Mr. McCulloch's administration of the Treasury, yet prices have been dropping during the last ten years, and especially

since 1873. The effect of returning to specie payments, therefore, so far as prices are concerned, has been already experienced, through the working of a different cause than contraction of the currency; and there need be no fear of a further shrinkage of prices in consequence of adopting a gold measure of them. If the currency could be inflated, prices would undoubtedly advance, and every debtor would get more for what he sold, and, consequently, could discharge his debts more easily. But the evils springing from inflation are so patent that but few have the temerity to advocate anything of the kind. In this peaceful time inflation means dishonesty and repudiation, and it were better to enact a law compelling creditors to accept a portion of what is due them in discharge of the whole amount, than to inflate the currency. While, therefore, the return to specie payments will have no such marvelous effect, as some believe, in restoring life and prosperity to business, neither will this step reduce prices any lower than they will go under the present currency, nor render it more difficult for debtors to discharge their obligations. This class can be aided only by an inflation sufficient to raise prices and thus enable them to accumulate more rapidly than they do now; but this move the country is not, and we trust never will be, prepared to make.

Nor would an increase of paper money augment the amount of capital existing in the country, and in that way lighten the burdens of business men. What is needed is more wealth; if that which is lost could be replaced, there would be an immediate restoration of prosperity, but no increase of paper currency will add one dollar to the nation's wealth. The larger quantity would have no more value than the present amount, probably not quite as much; and so the purchasing power would remain unchanged. The only remedy is an increase of wealth, not an increase of the circulating medium.

Perhaps the conclusion we have reached may be more clearly seen by looking at the matter in another way. Prior to the recent panic, the annual production and exchange of commodities had become accommodated to the amount of wealth annually exchanged for them. This sum, within a short period, has greatly diminished. Now, it is evident that, if the prices of commodities remain the same, there is only purchasing power enough to buy a portion of them. In order, therefore, to stimulate sales, prices are reduced; but before the restoration can be complete, prices must decline pretty generally in all things. The price of many kinds of labor, however, still remains high; so do the profits of retail merchants, especially outside of the large cities; also, the price of meats, and often, rents. Every person is desirous of seeing the price of all things, save his own, sink; so each one is struggling along, maintaining the price of his product

as best he can, ignoring the fact, or trying to ignore it, that all must share in the reduction of prices before permanent prosperity is restored. People look wistfully to the extension of foreign trade, to a restoration of confidence, to specie payments, or to an increase of paper money, trying to believe that heroic treatment is not necessary in order to escape destruction. But it is, and the sooner the nation accepts the truth and applies such treatment the sooner will it recover. No one class can bear the reduction singly; an attempt to do so would end in failure. All must suffer in their due proportion. The heavy losses sustained in the beginning must be borne by all in the end, however unwelcome the truth may be, and however hard we may try to escape them. Hence as long as any considerable portion of the laboring classes prefers to steal, starve or beg rather than submit to a reduction of wages; and so likewise the landlord as to a diminution of his rents; and the grocer and butcher as to smaller profits on their sales; industry and consumption will be checked, for no one class can permanently bear the strain of lower prices. There must be a re-adjustment all around. When this is done, there will be a revival of prosperity, and not before.

The conclusiveness of what we have said may not appear clearly to all, for two reasons worthy of consideration. The first reason is, if individuals purchase less, because their incomes are smaller, then less will be consumed and less produced; capital will not be worth as much; and so the shrinkage will go on until there is nothing left. This is not so, as proved by experience. Though wealth has greatly diminished of late, yet purchases, to a certain extent, continue; hence, production and consumption continue to a limited degree. Some are thrown out of employment; some kinds of business are conducted at a loss; but all forms of industrial activity do not cease, because much wealth remains wherewith to make purchases.

The other reason is, before the panic of 1873 the entire income of the country was not expended in purchasing commodities; why cannot people now buy as much as ever without infringing upon their principal, even though that be smaller? The answer is, the entire income of the country is always expended in purchasing commodities. The only possible way to increase wealth is by using it. Perhaps an illustration will throw light on this point. Previous to the panic, A. had an income of five thousand dollars, one-half of which he used to spend, and invested the other half. He has lost one-fifth of his income by fires and bad investments. Still, it is asked, why cannot he spend twenty-five hundred dollars a year according to custom, and if he does, why will not as much be consumed and produced as formerly? Suppose he does spend the latter sum as though nothing had

happened to his fortunes, what then? He has only fifteen hundred dollars to invest. Now A.'s investments were all spent by other persons, otherwise they never would have borrowed his money and paid him for the use of it. What did they want of it, if not to spend it? Were they going to put it in their safes and pay him for the privilege of keeping it? Perhaps he invests his surplus in a savings bank; this institution loans it to B. who builds a house with it; A.'s money finally gets into the hands of the mason, carpenter, painter, lumber merchant and others. Every dollar is expended by somebody. Suppose A. invests his money in real estate? Then the seller puts his wealth into active use—for all cannot hold fixed property, as the quantity is limited and must be created before it can be transferred. A. invests his money in railroad bonds; in this event it is spent for iron, fuel, labor and other things. It is true, therefore, that the entire income of the country is always spent for labor performed during a shorter or longer period. It is evident, then, that it is of no consequence to producers, except as hereafter noted, whether A. spends his entire income himself, or loans it to others; in either case, it is all spent for the benefit of production. To reduce A.'s income, therefore, is to diminish production, unless the price of things is diminished correspondingly with the loss of wealth. In other words, production having become adjusted to the wealth existing three years ago, prices must be reduced, so that the wealth remaining will have as much purchasing power as in 1873, before production can be as great. This is the price of the restoration of prosperity.

If this fact were not heeded, and purchases were made as though no losses had occurred, and at the old prices, a diminution of wealth would be inevitable. Economy, consequently, is not optional with individuals, but a necessity, in order to escape bankruptcy, until prices decline so that they can purchase in the aggregate as much with their smaller incomes as they could previously with their larger ones.

The process of recovery, however, may be supplemented and aided in two ways—by greater industry, and by using wealth more productively. A merchant, finding the times dull, proposes to dispense with the services of one or two clerks, and do more work himself. Taking it for granted that his business will not suffer in other respects from doing clerical work, it is evident that he saves the clerk's salary by greater self industry. But it may be asked, what has become of the poor clerk who was dismissed? Either he goes without work, or, what is more probable, engages himself at a reduced price. The amount of labor relieved in this way swells the volume of unemployed labor which, in consequence, is obliged to offer itself at lower rates. By

doing this, production and exchange are cheapened, and thus we come back to the point whence we started that, by cheapening production it is increased and prosperity is restored.

Recovery, also, is hastened by a more productive use of capital. We have alluded to the case of Mrs. A. who could not give anything to the Indians, after losing a portion of her income. She proposes to recover her wealth, which can only be done by practising greater economy—by spending less and loaning more. It will be affirmed by some that really nothing is saved, because what she retains is loaned to another who spends it. Hence, the objector surely thinks there is no augmentation of wealth by transferring a portion of Mrs. A.'s income to some other spender. Whether this be so or not hinges on the question, who would spend it most productively? If both would spend it in the same manner, it is immaterial who pays it out. But if Mrs. A. would spend it for fuel, horses, carriages and other things which she might dispense with, and for supporting Indians and paupers, and B. in building a house, there would be a more productive return upon the money in the latter case than in the former, for Mrs. A. would have nothing, or but very little to show for the expenditure, apart from the comfort and pleasure derived from it, while B. would have a house. Moreover, he would have paid for just as much labor as Mrs. A., so that the laboring classes would have been as well off as though the money had been spent for coal, horses, carriages and the like. The only difference is, the money would have gone into the hands of different laborers in one case, than in the other. This, therefore, is what is meant by economy, by saving—putting one's means to a more productive use. Every one who does this hastens the day of prosperity, by increasing the aggregate amount of wealth. In these times when the people are practising economy, they are putting their wealth to more productive uses than before, and, therefore, they should be encouraged to continue in their right ways. They may not perfectly understand how economy produces good effects, but these are seen, and so they are satisfied. If, by saving, they have more money at the end of the year, they know they are better off, and this is about all which is worth knowing of the matter.

A bank book was presented at the Springfield (Mass.) Institution for Savings a few weeks ago, which had not been seen by the bank officials since the original deposit was made thirty-two years ago. The amount of the deposit was \$300, while the interest alone has amounted to \$1,649. During all this time the owner of the book had never entered the bank or asked a question as to her property, which she now comes to claim.

“USURY AND THE NATIONAL BANKS.”

In the April number of the *BANKER'S MAGAZINE*, I notice an editorial article under the above caption, reviewing a charge published in the same number, made by Judge Ketcham, in the United States District Court, Western District of Pennsylvania, in two suits *vs.* First National Bank of Mt. Pleasant, Pa.

About one year ago I was led to make a very careful and thorough examination of all the State Bank Charters passed by our Legislature since 1855. As I think my investigation throws some additional light upon the main question at issue, I give the result, and, although my opinions and conclusions have no judicial authority or professional weight, they may aid in correcting, what seem to me, some very grave errors, which are assumed by Judge Ketcham to be facts.

What is the rate of interest that National Banks in Pennsylvania may legally charge? Section 30 of the National Bank Act reads as follows:

“Any association may take, receive, reserve and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State, Territory, or district where the bank is located and no more, *excepting that where, by the laws of any State, a different rate is limited for Banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this title.*”

On this point, and quoting the above Section, Judge Ketcham says, . . . “The legal rate of interest in Pennsylvania is six per cent. The rate of discount allowed to banks of issue is also six per cent. and no more. It is true there are some banks that by special Acts of Assembly are allowed to charge more, but these are exceptions to the general law of the State. *Congress deals with general rules, and, when it excepts Banks of issue under the State laws, it means the general law applicable to the whole State, and relating to Banks of issue all over the State.*”

In 1861 our Legislature passed an “Act to establish a system of free banking in Pennsylvania, and to secure the public against loss by insolvent banks.”

Among other privileges granted by this Act was that of issuing circulating notes. This, so far as I am aware, was the only *general* Bank Act in force in this State, at the time of the commencement of these suits, February 1, 1876, and of the one hundred and twenty or more State Banks doing business in Pennsylvania at that time, I do not believe there is a single one that derived its authority from this general Act,

but each one is incorporated by, and doing business under a special Act of the Legislature. On the 13th of May, 1876, another general Bank Act for Pennsylvania was signed by the Governor, which repealed all former *general* Acts inconsistent therewith, but left special Acts undisturbed. Under this Act I have been informed that five banks have been organized, all in Pittsburgh.

Section 30 of the National Bank Act above quoted, is part of the Act of June 3, 1864, at which time all State Banks, except Savings banks doing a legitimate savings bank business, were "banks of issue." The Savings Banks in existence throughout the United States, at the time of the passage of Section 30, were nearly all, in reality, what the name implied, and managed exclusively in the interest of the depositors who were the sole recipients of all profits earned, over the actual running expenses. These banks were not allowed to do a general banking business or to issue notes, but were restricted in regard to the character of their investments, and in view of these restrictions, my impression is, that in some of the States they were authorized to receive a larger rate of interest on loans than the regular rate allowed by State laws. But on the third of March, 1865, (nine months afterwards,) Congress passed "an Act to amend an Act entitled, 'An Act to provide internal revenue to support the Government,'" etc., *which levied a tax of "ten per cent. on all notes of any State Bank, or State Banking Association, paid out by them after July 1, 1866."*

The effect of this Act was, of course, to destroy all State Banks "of issue" throughout the country, which it did most effectually.

The question then naturally arises as to what was the intention of Congress as expressed in Section 30, and this question is very fully answered in the case of *Tiffany vs. The National Bank of Missouri*, where Judge Strong, in delivering the opinion of the Supreme Court of the United States, says:

"It was expected that they (the National Banks) would come into competition with the State Banks, and it was intended to give them at least equal advantages in such competition. In order to accomplish this they were empowered to reserve interest at the same rates, whatever these rates might be, which were allowed to similar State institutions."

As our "similar State institutions" in Pennsylvania are incorporated under special laws, we, certainly, according to Judge Strong, are "empowered to reserve interest at the same rates, whatever those rates might be," that are accorded to them. What rates are accorded to them? We have in Pennsylvania a large number of banks that are authorized by law to reserve over six per cent. interest.

The majority of these Banks are limited only to such rates of interest as may be agreed upon between the bank and the borrower.

The Section granting these unlimited powers in nearly all these charters is as follows :

“The said bank shall have power and may borrow or lend money for such periods as the bank shall think proper; may discount any bill of exchange, foreign or domestic, promissory note or other negotiable paper, *and the interest may be received in advance at such rates as may be agreed upon by the parties*; and shall have the right to hold in trust or as collateral security for loans, or advances, or discounts, estate, real, personal or mixed, including the notes, bonds, obligations, or accounts of the United States, individuals or corporations, and to purchase, collect and adjust the same, and to dispose thereof for the benefit of said bank or for the payment of the debts as security for which the same may be held in any market of the world, without proceeding in law or equity and *for such price and for such terms as may be agreed upon by the said corporation and the parties contracting therewith.*”

Section No. 5136, of the *United States Revised Statutes* in regard to the powers of a National Bank, is as follows :

“It shall have power to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange and other evidences of debt; by receiving deposits; by buying and selling exchange coin and bullion; by loaning money on personal security; and by obtaining, issuing and circulating notes according to the provisions of this Title ”

Although not “banks of issue,” and practically debarred from issuing notes by Act of Congress, 3d March, 1865, are not these Pennsylvania State Banks just the kind of institutions that Section 30 of the National Bank Act was intended to afford protection to National Banks against? They are authorized to transact a regular banking business, and to do all that the National Banks can possibly do, except to issue notes; they come into direct competition with National Banks in many of the counties of this State, offering such rates of interest for deposits as forces National Banks to offer similar rates, thereby virtually making the discounting of paper at simple six per cent. a practical impossibility, wherever they exist.

Under this state of facts, and with so large a number of our Pennsylvania State Banks authorized by law to take over six per cent. interest, how can the United States Supreme Court (except as they reverse themselves) possibly hold that Pennsylvania National Banks are guilty of any violation of the INTENTION AND SPIRIT of Section 30, in doing the same thing?

E. F. TORREY,

Cashier Honesdale National Bank.

HONESDALE, Pa., April, 1877.

LEGAL-TENDER NOTES ON INTEREST.

On page 696 of the *BANKER'S MAGAZINE* for March last, it is proposed to place a limited portion of the legal-tender notes now in circulation, on interest, in order that they may gradually cease to be used as currency, and finally be withdrawn by conversion into bonds, and thus aid by contraction our return to specie payments as proposed by the Act of 1875.

If it is true, as many suppose, that the quantity of legal tenders in circulation has anything to do with their quality, or power, then we should by all means diminish the volume, until the proper standard is reached. If legal tenders, bank notes, or any other form of *currency*, can be considered as a cause, then let us remove a sufficient amount to give us the right condition.

We shall find, however, that currency is an effect, and that the volume required depends upon the price and quantity of property to be exchanged, and that these are the causes of increase or diminution in the volume of the various kinds of paper with which our transactions are effected. All this paper is *currency*, but not *money*. If from any cause, the money standard depreciates, prices are inflated, and we not only require more bank notes, or other similar paper, for small change, but there is necessarily an immense increase in the volume of checks, drafts, and bills of exchange, which really constitute the great mass of currency all over the world, and which we create without the aid of legislation, as it is wanted to effect our exchanges.

If gold is our standard, and it is found by sufficient experience, that the labor required for its production is relatively and permanently less, then prices will as surely rise, as would the level of the ocean, by the addition of more water. But the *fluidity* of gold, or the facility with which it supplies a demand at any point, makes the change gradual, and really causes but little disturbance, or injustice, and therefore, we need not fear to make our contracts by it, as we should have done during the war, instead of substituting paper which has no value in itself, and ought never to be used as money.

The legal tenders issued under the Act of February 25, 1862, and used as our money standard since that date, have been constantly changing in their relation to gold, and we may justly ascribe the greater portion of the difficulties under which we have labored (especially since 1869) to their presence.

Let us, then, not only place these notes on interest, and convert them at the earliest practicable date into bonds, as proposed in the article referred to, but let us provide for treating the National bank notes now in circulation in the same manner, so that the Government shall not have, on its own account, any paper out, which is not in a legitimate form, as a debt, on interest.

Fund the notes in consols at four per cent. per annum, interest quarterly, and then issue new notes for circulation by bankers who can not only show loanable capital, invested in short-date commercial paper, but who have in addition to this, valuable productive securities, which can be deposited with the proper officer as a guaranty that the Government shall sustain no loss, by engaging that all such notes shall be equal to specie funds at the clearing houses, and consequently fit for use by its own agents, as well as the public at large, in place of coin.

We should never use gold, or silver, as currency, for both are too expensive and inconvenient. We need no gold for currency, or the basis of our currency, but simply as a standard, having a well-known, and considerably uniform relation to labor.

The proper basis for all currency, including bank notes, is to be found in the commodities which every one desires to purchase at gold prices, but not with gold. Good paper is better.

The capital of the banker is not in money, nor in real estate, or stocks of any kind, but is a portion undescribed (except by amount) of the general stock of commodities which we are engaged in producing, exchanging and consuming, or otherwise, converting into fixed forms, or real estate, as instruments of further production.

The checks, drafts, and bills of exchange used, are like so many deeds, and the notes receivable are but mortgages, by which the debtor agrees at a stipulated time to return an equivalent. No bank notes are necessary, because the banker has a perfect right to issue checks payable at the clearing house, for any and all sums he desires to represent. His checks are like the order on a store for goods, and the Government has no right to dictate their form.

But the Government can, and should say, that only a certain kind shall be accepted and used by its agents, and these should not only be redeemable at the clearing houses, on demand, in funds equal to specie, but the banker should pay into the general treasury an equitable portion of the profit on the circulation, sufficient to remove the temptation to over-issue, and also obviate the objection which many persons make to the use of banks as our agents in performing this important service.

We should then remove all restrictions hitherto imposed

upon the business of the banker, leaving him as free to lend, as we do the manufacturer to create, and the merchant to sell the same things.

The banker does not lend money, and there is no good reason why the Government should interfere with his freedom, until he assumes the duty of issuing notes, as our agent. There is no justice in taxing bank capital any more than we should mortgages. Titles to property are not property, and should not be taxed. Property itself is visible, tangible, and can be reached. And all property, public as well as private, should be subjected to fair valuation, and pay its proportion of the expenses consequent upon its care.

Finally, I ask our bankers, and men of business, to consider whether what I have said is not true, and if so, whether there should not be a radical change in our course, in regard to the question of resumption, and the creation of a bank-note currency for the future, which will more perfectly meet the demands of our rapidly-increasing commerce.

My own opinion is in favor of an immediate, honest resumption, or return to the old standard, and the establishment of a truly National System of Free Banking.

DAVID WILDER.

BOSTON, April, 1877.

NATIONAL BANKS AND STATE USURY LAWS.

Two important cases have recently been decided in the Circuit Court of Augusta County, Virginia, by Judge McLaughlin, a jurist whose opinion is entitled to much respect. In each case the National Valley Bank, of Staunton, was plaintiff, and John N. Opie, Michael G. Harman and Robert G. Bickle were defendants. The first case was on a note for \$2,600, which was discounted in that shape by the First National Bank of Staunton (now consolidated with the National Valley Bank) on 16th October, 1874. The note was in renewal of various notes which had been previously discounted in said bank. It had its origin in a note of \$500, discounted at twelve per cent. in March, 1869, and another for \$500, discounted in May, 1869, at the same rate. On the 19th of November, 1869, a note was discounted for \$2,000, at ten per cent., out of which was paid the two notes of \$500 and a Baltimore draft of \$1,000. This note of \$2,000 was renewed from time to time, and consolidated with various other notes, cost of protest, accrued interest, etc., until it was renewed for \$2,600, on the 16th of October, 1874, the balance of which was the note sued on. The drawer was the same in all the notes, but there were from time to time various endorsers, Bickle's name not appearing until the 16th of October, 1874.

The second case was on a note for \$2,450, which was first discounted in that shape in the National Valley Bank on the 16th of October, 1874. This note was also in renewal of various notes which had been previously discounted in said bank. It had its origin in notes which had been discounted as early as 1868, at twelve per cent. These notes had been consolidated into one, which by various curtails and renewals had been reduced to \$1,600. This note was carried on until the 21st of November, 1871, when a note was discounted for about \$2,100, out of which was paid the one for \$1,600, and other notes and drafts. This last note was renewed from time to time,

and with costs of protests, accrued interest, etc., until it was renewed for \$2,450, the renewal of which was the note sued on. The drawer was the same in all the notes, but as in the other case, there were from time to time various endorsers, Bickle's name not appearing until the 16th of October, 1874.

All the defendants pleaded *nil debet*, and the defendants, Harman and Bickle, pleaded usury, and a special plea of offsets and payment of usurious interest, upon which the plaintiffs took issues, and also replied the five years' statute of limitation.

Judge McLaughlin held :

1. That where usurious loans or discounts are made by a National bank, the penalties are those prescribed by the National Banking Act, and not by the statute law of the State.

2. That when a note is originally discounted at an illegal or legal rate of interest, it does not lose its original character by being renewed or consolidated with other notes. The original impress remains on the note or that part of the consolidated notes. If once usurious the taint remains on that part. If originally discounted at a legal rate it remains free from taint.

3. That the present Constitution of Virginia having been adopted by the people of Virginia on the 6th day of July, 1869, and a government having been organized under it, it was in force if not from the 6th of July certainly anterior to the 19th of November, 1869, although the Act of Congress under which it was submitted to the people required the approval of Congress, which was not obtained until the 26th of January, 1870.

4. That the constitutional provision allowing as high as twelve per centum per annum to be exacted for the loan of money upon debts thereafter contracted, operated *proprio vigore*, as an amendment of the statute law of the State, and did not require a Legislative enactment to make it operative and effective, and consequently a loan of money or discount of a note at a rate not exceeding twelve per cent. in November, 1869, was not usurious.

5. That as the constitutional provision only allows more than six per cent. to be charged on debts thereafter contracted, it is not lawful to charge more than six per cent. interest on a note discounted after the adoption of the Constitution, if it was the renewal of a note discounted before its adoption.

6. That under the National Banking Act, the penalties are not only a forfeiture of the interest since the maturity of the note and of the interest or discount reserved in the particular note sued on, but also all payments for usurious interest heretofore paid in the same transaction; but if the defendants seek to set off against the principal of the note the usurious interest paid on the loan or discount, he cannot do so under the general plea of usury, but must do so under a special plea of setoff.

7. That to this special plea the plaintiff may reply the statute of limitations and no payments can be allowed as setoff, except such as were paid within five years.

8. That *usurious* interest means all interest paid if any portion of it is in excess of that allowed by law and not merely the excess over legal interest.

9. That although the principal does not avail himself of the defence of usury, yet his endorsers have a right to have set off all usurious interest paid by him upon such plea filed by them.

10. That after the note is purged of all usury, and the setoffs are deducted for all usurious interest paid, judgment will be rendered for the balance, with interest from the date of the judgment.

Judgment was accordingly rendered in both cases for the amount of the notes, after deducting all usurious interest paid within five years, with interest on so much of the notes as was not usurious from the maturity of the note and on the residue from the date of the judgment.

In the first case the Court rendered a judgment against Harman and Bickle for \$1,702.13, with interest on \$852.11, part thereof from January 14th, 1876, till paid, and on \$852.02, the residue thereof from December 13th, 1876, till paid, and costs; and in the second case, judgment against Harman and Bickle for \$2,100.81, with interest on \$1,602.11 part thereof, from January 14th, 1876, till paid, and on \$498.70, the residue thereof, from December 13th, 1876, till paid, and costs.

THE TAXATION OF NATIONAL BANK SHARES.

SUPREME COURT OF THE UNITED STATES.

No. 965.—OCTOBER TERM, 1876.

The People of the State of New York, ex rel. The Gallatin National Bank et al., Plaintiffs in Error, vs. The Commissioners of Taxes and Assessments in the City of New York.

In Error to the Court of Appeals of the State of New York.

Mr. Justice HUNT delivered the opinion of the Court.

The relators complain that their shares of stock in the National Gallatin Bank are assessed at too large a sum. They appeal from the judgment of the Court of Appeals sustaining the determination of the Commissioners of Taxes, which fixed the taxable value of such shares at \$59 each, whereas the par or nominal value of such shares is \$50 each.

Many grave questions were discussed by the counsel upon the argument, to which we do not think it necessary to refer. We place our judgment upon a single ground.

The laws of the State of New York provide that shares of stock like those we refer to shall be assessed "on the value" of the shares, and at "their full and true value, as they (the assessors) would appraise the same in payment of a just debt due from a solvent debtor," deducting the proportional value of the real estate owned by the bank.—(2 Stat. N. Y., 1866, p. 1647, ch. 71; 1 R. S. N. Y., 393, § 17.)

The assessors were justified under this authority in fixing the value as we have stated. The appraisal included the reserve fund, which is as much a part of the property of the bank, and goes to fix the value of shares, equally as if it were not called by that name, but remained as a part of the specie, bills discounted, or other funds of the bank, undistinguished from the general mass.

The Act of Congress of June, 1864, provides that the States may tax the shares of National banks, subject to two restrictions: 1st, that this taxation shall not be "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State;" and 2d, "that the tax so imposed . . . shall not exceed the rate imposed upon the shares of any of the banks organized under the authority of the State where such Association is located."—(13 Stat. at Large, 112.) In *Hepburn vs. The School Directors*, this Court decided that in making assessment of bank shares by this authority it was competent to assess them at an amount above their par value.—(23 Wall., 480.)

But the relators insist that by the Act of the Legislature of the State of New York, passed March 9, 1865, it was enacted that the shares of a bank could not be assessed at an amount greater than the par value thereof, and that such statute created a contract with the banks organized under the same which could not be altered by a subsequent Legislature. Hence it is argued that the Act of 1866 authorizing such shares to be assessed at a rate which may exceed their par value is a law impairing the obligation of a contract, and is void.

The section of the Statute of 1865 referred to is as follows, viz:

"§ 10. All the shares in any of the said banking associations, organized under this Act, or the Act of Congress, . . . held by any person or body corporate, shall be included in the valuation of the personal property of such person or body corporate or corporation, in the assessment of taxes in the town or ward where such banking association is located, and not elsewhere, whether the holder thereof reside in such town or ward or not; but not at a greater rate than is assessed upon other moneyed capital in the hands of indi-

viduals of this State, provided that the tax so imposed upon such shares shall not exceed the par value thereof; and provided further, that the real estate of such Associations shall be subject to State, County, or municipal taxes to the same extent, according to its value, as other real estate is taxed."

Had this been a valid statute we might have been called upon to discuss the point raised. But it was held in *Van Allen vs. The Assessors* (3 Wall., 573) that this Statute was fatally defective, in that it did not contain a proviso that the tax thereby authorized to be imposed should not exceed the rate imposed upon banks organized under the authority of the State. The system of taxation devised by the Statute of 1865 was adjudged to be illegal and void. The clause now laid hold of by the relators was simply a proviso or qualification of that system. It necessarily fell with it. When the main idea was thrown out of existence, the subordinate parts, which were adjuncts of and dependent upon the main theory, ceased to exist. There never was, legally speaking, any such proviso or enactment as the relators claim the benefit of. Of course, there could be no such thing as a violation of contract contained in a proviso which never existed.—(*Warren vs. The Mayor*, 2 Gray, 98, 99; *Sedgwick on Statutes*, 413, 414, and notes, ed. of 1874.)

Judgment affirmed.

FINANCIAL LAW.

[COMPILED FROM THE ALBANY LAW JOURNAL.]

BANKRUPTCY.

In *Voight v. Lewis, Trustee of Jay Cooke*, decided a short time since by the United States Circuit Court for the Eastern District of Pennsylvania, and reported 14 Nat. Bank Reg. 543, it was held that where bankrupts had, in addition to their other business, carried on a brokerage business, for which they kept a separate account, and a separate bank account, a party whose bonds were sold was entitled to payment in full, if the amount in the bank is more than sufficient to pay all claims against the brokerage department.

The United States District Court for the Eastern District of Virginia, in the case *In re Mutual Building Fund Society and Dollar Savings Bank of Richmond*, recently decided (15 National Bankruptcy Register, 44), passed upon a question in bankruptcy, of interest to those dealing with banks. A bank which had suspended payments, advertised that it would, on a certain day, "resume business by receiving special separate deposits in trust to new account, pledging the bank to use these deposits only in payment of checks against that new account, and as fast as the bank can collect and realize from the loans and securities, to pay *pro rata* instalments on its present indebtedness," etc., etc., and received new deposits, and soon after finally failed, and was adjudicated in voluntary bankruptcy. The court held (on petition of a new depositor to be paid in full as a preferred creditor), that the new deposits were not special deposits; that no lien was secured when they were paid in over the counter of the bank; that no preference was secured by the advertisement; and that the new depositors were general creditors to be paid *pro rata*.

BILLS AND NOTES.

In the case of *Dickerman v. Miner*, recently decided by the Supreme Court of Iowa, the facts were these: After the execution and delivery of a promissory note by defendant Miner, and without his knowledge or consent, it was signed by one Johnson. In an action against both by an indorser, it was held, (1) that the adding the name of another maker to a bill or note is a material alteration, such as will discharge the original parties not consenting, without regard to whether the alteration is injurious or beneficial to them, and that Miner was discharged; (2) that Johnson became thereby the maker of a new note, and that the discharge of the other maker was sufficient consideration to support his promise, the law presuming that he knew that the effect of his signature would be to discharge Miner.

The case of *Van Etten et al., plaintiffs in error, v. Heman*, decided at the January term, 1877, of the Supreme Court of Michigan, was an action upon certain promissory notes, made by plaintiffs in error, payable to the order of "J. H. Luhn," and indorsed "J. H. Luhn, by John D. Day, attorney." At the time these notes were made, Luhn was dead. Plaintiffs in error had in his life-time executed notes for his accommodation, and which he had used, and these were about maturing at the time of Luhn's death. Upon his decease, his widow, with knowledge of the plaintiffs in error, continued his business in his name, retaining Day, who had before been his manager and general agent. The notes in suit were executed by plaintiffs in error and sent to Day to be used in retiring the notes previously given by them for Luhn's accommodation. Day sold the notes to defendant in error, who was a *bona fide* purchaser for value, before their maturity. Day used the proceeds of these notes to take up the previous notes. The Court held that under the circumstances, the plaintiffs in error were in no situation to make any defense to the notes in suit, in the hands of defendant in error as a *bona fide* purchaser, based upon the want of consideration going to them, or the irregularity of the transfer and indorsement, as affected by the decease of the person named in the notes as payee; that defendant in error was entitled to suppose the notes were regularly transferable by Day by his indorsement of the name of the concern he was known to represent, that being the same name to whose order the notes, after the death of the person bearing that name, were made payable, and the plaintiffs in error must have contemplated and intended that the notes would thus be used and transferred.

The Supreme Court of Pennsylvania, in the case of *Rand v. Drouy*, decided January 22, 1877 (3 W. Notes Cases, 349), held that a promissory note does not cease to be negotiable because indorsed by a corporation through its seal. The holder of a promissory note may strike off an irregular indorsement through which he has not derived title, placed before that of the payee.

The case of *Goodnow v. Warren et al., administrators*, decided February 19, 1877, by the Supreme Judicial Court of Massachusetts, was an action to recover upon three promissory notes made by W. R. Stockbridge & Co., payable to the order of Samuel Gregg, by whom they were indorsed. Gregg died before the maturity of the notes, and notice of non-payment was given to W. R. Stockbridge, one of the executors named in Gregg's will. Stockbridge never, in fact, took out letters, and resigned before the maturity of the third note, at which time Fisher Ames was appointed special administrator. The question in the case was, whether there was sufficient notice of the non-payment. The Superior Court ruled that the notice was sufficient, and directed a verdict for the plaintiff. Upon appeal, the Supreme Judicial Court held that the administrator, not having been appointed when the two first notes became due, the notice to Stockbridge, the executor named in the will of Gregg, was, under the circumstances, proved sufficient to render Gregg's estate liable on the indorsement, but as at the time when the third note fell due, the executors named in the will had renounced the trust, and Ames had been appointed special administrator, and all these facts could readily have been learned on inquiry, the notice to Stockbridge was not sufficient.

The case of *Third National Bank of Syracuse v. Clark et al.*, decided on January 5, by the Supreme Court of Minnesota, was an action brought by plaintiff, as indorsee of a promissory note made by defendant, payable to the order of The Williams Mower and Reaper Company, and indorsed as follows, viz: "Pay Third National Bank, Syracuse, or order, for collection for the Williams Mower and Reaper Company, Syracuse, N. Y., O. Welsh, Treasurer." The court held, that the indorsement was "restrictive" and that parol evidence was inadmissible to show it absolute. The case of *Rock County Bank v. Hollister*, 21 Minn. 385, was followed and applied to this case.

The case of *Hannen v. Sullivan*, recently decided by the St. Louis Court of Appeals, and noticed in the *Central Law Journal*, passes upon a question of payment of negotiable paper. The court held, that when the maker of a note pays the same to another than holder, in order to discharge the debt, it must be paid to some one authorized to collect it, or whose action is subsequently

ratified. Such authority or ratification may be proved by circumstances, such as leaving the note in the possession of an agent, or silent acquiescence in the payment to the agent; but mere silence will not be sufficient to establish a ratification unless the jury believe that the principal intended by such silence to ratify his agent's act. Nor will the mere fact of the agent's having loaned the money and received the note for the principal, warrant a finding that the agent was authorized to collect. The mere possession of an undorsed promissory note is not of itself sufficient to authorize a payment thereon to the holder, when said note is not exhibited to the payer.

In *Johnson v. Baisheimer*, lately decided by the Supreme Court of Illinois, a promissory note executed to Lazarus Silverman & Co., was assigned by an indorsement on the back, "Lazarus Silverman, successor to Lazarus Silverman & Co." The Court held that, while at law, a moiety, or any other portion of a promissory note, cannot be assigned so as to enable the assignee to bring an action in his own name for his distinct interest, yet the law is equally well settled that the sole survivor of a firm may assign a promissory note payable to the late firm, by indorsement, so as to vest the legal title in the assignee as effectually as if the note had been made payable to him. The legal effect is the same as would have been the indorsement of the firm itself.

INTER-STATE CONTRACTS.

The case of *Towne v. Rice*, decided on February 3d, by the Supreme Judicial Court of Massachusetts, was an action upon two notes. In the court below the defendant contended that the instruments sued on were not negotiable notes, and that he was not bound personally thereon, as his signature was that of a receiver only. It appeared at the trial in the Superior Court, that the defendant and the other maker, Haralson, were receivers of the Alabama and Chattanooga Railroad Company, a corporation organized and located in the States of Alabama and Georgia, appointed by the United States Circuit Court in Alabama, and that they were engaged in operating and equipping that road. The defendant was allowed, as a witness in his own behalf, against the plaintiff's objection, to show that the notes in suit were actually New York contracts made and given there, and was allowed to impeach the notes for alleged usury under the statutes of New York. The court ruled as a matter of law, and under the statutes of New York in evidence, that the notes were absolutely void on the ground of usury, both as against the original party and any innocent holder for value, and that the plaintiff could not recover against the defendant, either as maker or indorser, and directed a verdict as to each note for the defendant. The plaintiff alleged exceptions, which the appellate court sustained, holding that while the presiding judge correctly ruled that the instruments sued were negotiable promissory notes, it was erroneously held by him that, as against an indorser of the same, in this State, for value before maturity and without notice thereof, the defendant might show that the notes, although dated at Boston with intent that they should be Massachusetts' contracts, were actually made in New York, and on account of illegal interest reserved or taken, were there void by the statute of New York.

LIABILITY FOR DECLARATIONS OF OFFICERS.

The Supreme Court of Pennsylvania, in the case of *Mapes v. Second National Bank of Titusville*, passed upon the question of the liability of an incorporated bank, for the declarations of its officers. The action was by the bank named against indorsers of a note discounted for the accommodation of the drawer. The affidavit of defense was that "at and before the time that defendants indorsed the note," they inquired of the cashier and one of the directors of the bank whether it would be safe for them to indorse, and that these officers informed them that they considered the drawer perfectly good, and they would be safe in indorsing; that the officers knew the representations to be false, and that they made them to deceive defendants, who would not have indorsed but for the representations. The Court held that the affidavit of defense was insufficient. Such declarations, although wilfully false, made by the officers, not in the course of their duties as officers, or agents of the bank, could not

affect the bank. *O'Hare v. Second National Bank*, 27 P. F. Smith, 96, was followed as to the National Currency Act.

PARTNERSHIP.

In the case of *Bennett et al. v. Dean*, decided by the Supreme Court of Michigan, at the January term, 1877, Dean sued Alonzo, Allen and Theodore Bennett, as co-partners doing business under the name and style of the "National Savings Bank of Jackson, Michigan," and he was allowed, in the court below, to recover against Alonzo and Allen Bennett, the court holding them estopped from showing, as defense, that they were not partners, by reason of their having silently allowed Theodore G. Bennett, to represent them in printed notices to be partners as alleged. It was conceded they were not, in fact, such partners. These notices represented that Alonzo and Allen were directors of the bank, but did not import or imply the existence of partnership, or any connection by them involving the liabilities of such a relation. The Supreme Court held, that it was not competent for Dean to claim to have been led by these publications to suppose plaintiffs in error were partners, and as a consequence to have trusted the bank; that the most he could insist upon is, that they should be held to the liabilities which the representations averred them to have assumed.

In the case of *Billborough v. Holmes*, 35 L. T. Rep. (N. S.) 759, decided December 16, 1876, in the Chancery Division of the English High Court of Justice, the facts were these: A firm of bankers was in the habit of receiving money on deposit, paying interest thereon, and giving deposit notes. Whenever a change was made, either by additional payments or by drawings out, in the amount of the deposit, the old deposit note was given up, and a new one given for the new balance. In 1872 two new partners were taken into the firm. One of the original partners died in the same year, the other original partner died in 1874. The business was carried on by the new partners alone until 1875, when the bank stopped payment. The firm continued to receive money on deposit, giving notes as before, such notes bearing the same signature as those issued by the original partnership. The new firm also paid, or credited, interest to the depositors until the bank failed. After the failure, the depositors carried in proofs against the estates of the bankrupt partners, and then sought to prove for the balance against the estate of an original partner. The court held, that the depositors had, by their acts, accepted the liability of the new partners in lieu of that of the old partners, and that the latter were consequently released.

SPECIAL DEPOSITS.

In the case of *Chattahoochee National Bank v. Schley*, decided February 20, 1877, by the Supreme Court of Georgia, the question of the liability of a National bank for the loss of special deposits received for safe-keeping, the Court held that a National bank that habitually receives special deposits for safe-keeping, as matter of accommodation, is bound by the act of its cashier in receiving on special deposit a package of stocks and bonds. The bank, though acting without reward, becomes a bailee, and is responsible for gross negligence. 62 Penn., 47; Code, §§ 2104, 2105. It held also that if a person withdraw from a bank a special deposit, in pursuance of authority conferred upon him by the depositor, the bank is discharged, though the authority be unknown at the time to the corporation, or to the officer representing it in the transaction. It held further that written authority, signed by the depositor, on the certificate of deposit in these terms: "Will pay above dividends or coupons to (naming a particular person) for my account," will not justify the bank in parting with possession of the bonds themselves and the certificates of stock described in the certificate of deposit, though possession be yielded to the person thus named.

STATUTE OF LIMITATIONS.

The Supreme Court of Tennessee, in the case of *State and Watson, trustee, v. President, etc., of Bank of Tennessee*, decided January 20, 1877, holds that as to bank notes issued and put in circulation as money, there is in Ten-

nessee no statute of limitations where there has been no demand of payment; and the making of an assignment by the bank does not change the rule. *F. & M. Bank v. White*, 2 Sneed, 482. The Court also hold that the assets of a bank are a trust fund, first for the payment of its creditors, even after dissolution; and as, in proceedings in equity to reach the trust fund, the corporate existence of the bank is not essential, the proceeding is not affected by Sections 1493, 1496 of the Code. It says that in this case the petitioners not having been cut off from any participation in the fund, by a rule or order of Court requiring all creditors to come in and file their claims by a given time, and the fund being yet undisturbed, the statutes of three and seven years do not protect the assets in the hands of the receiver against the claims of the petitioners.

TAXATION.

The Supreme Court of Minnesota, in the case of *State v. Citizens' National Bank of Faribault*, decided January 17, 1877, *hold*, that in the exposition of tax laws under the constitution of that State, which requires equality and uniformity in the imposition of taxes upon property upon a cash valuation, such a construction must be adopted as will avoid duplicate taxation, unless a contrary interpretation is compelled by some express provision or necessary implication of the statute. Under chapter 1, General Laws of Minnesota for 1874, the banking office and lot lawfully owned and occupied, as its place of business, by a National bank created under the laws of Congress, is not liable to assessment and taxation as real estate "*eo nomine*" against the bank.

In the case of *Peopl' ex rel. Tradesmen's Bank v. Commissioners of Taxes*, decided January 12, 1877, by the Supreme Court of this State, at the First Department General Term, an interesting question in relation to taxation of National banks was passed upon. The capital stock of the relator was \$1,000,000, in shares of \$40 each, par value. Its banking-house was assessed at \$200,000, which was less than its actual value. The market value of each share was \$56. By chapter 761, Laws 1866, under which a tax is imposed upon the shares of National banks, it is provided that in "making such assessment there shall be deducted from the value of such shares such sum as is in the same proportion to such value as is the assessed value of the real estate of the bank to the whole amount of the stock of the said bank." The court *held*, that the market value of the shares was that which is required for assessment, but that in making the deductions the nominal value of the shares was to be regarded. In this case the banking-house appeared to be one-fifth the actual capital. The assessment should be for each share \$56, from which should be deducted one-fifth, \$11.20; the assessed value of the shares would therefore be \$44.80 each.

USURY.

The Supreme Court of Pennsylvania, in the recent case of *Hopkins v. West* (3 W. Notes Cases, 343), *hold* that where usurious interest is included in the amount of a judgment confessed by a debtor and afterward paid in full by him, the excess over legal interest cannot be recovered back under the Act of 28th May, 1858. But the excess of interest paid upon the amount of such judgment, after its confession, may be recovered back. In this case a judgment was confessed for an amount including usurious interest. Afterward the defendant paid the judgment in full, with usurious interest to the day of payment. The Court held, that the excess of interest included in the judgment could not be recovered back, but that paid upon the judgment could be. Sharswood, J., saying that there is no difference in legal effect between a judgment confessed or for want of an appearance or plea, and a judgment on the verdict of a jury.

The Supreme Court of Kansas recently held, in the case of *Pritchett v. Rollins*, that the plea of usury is a personal privilege, and if the debtor declines to avail himself of it, no stranger to the transaction can. A second mortgagee cannot plead usury in a prior mortgage, either to defeat or postpone its lien.

PROPOSED LAW FOR UNIFORM BANK REPORTS.

The following bill has been prepared by the Comptroller of the Currency, and submitted to the authorities of every State. It has already been acted upon by the Legislatures of some of the States, and ought to be adopted by all :

A BILL TO PROVIDE FOR OBTAINING AND PUBLISHING REPORTS OF BANKS, SAVINGS INSTITUTIONS, AND TRUST COMPANIES ORGANIZED UNDER STATE LAWS.

Be it enacted, That each and every banking institution, organized under the laws of this State, shall make a report to the Auditor of State showing the condition thereof before the commencement of business on the first Monday of the months of January, April, July, and October of each year.

SEC. 2. That the Auditor of State shall issue his requisition upon all banking institutions for the reports required to be made by Section 1 of this Act a convenient number of days prior to the first day of January, April, July, and October of each year, and each banking institution shall upon receipt thereof immediately forward to the Auditor a balanced report of its condition, verified by the oath or affirmation of one or more of the officers of such institution, and shall also publish such report in full at its own expense, in a newspaper issued at the place where the institution is located, or, if there be no newspaper in that place, then in the one nearest thereto; and any banking institution neglecting to make and transmit to the Auditor of State and publish such reports, shall, after the expiration of five days from the receipt of the requisition therefor, be subject to a penalty of thirty dollars for each day's delay, which penalty may be collected by a suit to be brought by the Auditor of State or by any creditor of the Association before any Court of competent jurisdiction in the district wherein such banking institution may be located; and all sums of money collected for penalties under this Section shall be paid into the Treasury of the State.

SEC. 3. That banks, trust companies, savings banks, and other banking institutions having capital stock, shall report their resources and liabilities in the following form :

Report of the condition of "The _____," at _____, in the State of _____, before the commencement of business on the first Monday of _____, 187—.

DR.

CR.

Resources.	Dollars.	Cts.	Liabilities.	Dollars.	Cts.
1. Loans on real estate.....			1. Capital stock paid in.....		
2. All other loans and discounts.....			2. Surplus fund.....		
3. Overdrafts.....			3. Undivided profits.....		
4. United States bonds on hand.....			4. State Bank notes outstanding.....		
5. State bonds.....			5. Dividends unpaid.....		
6. Other stocks, bonds, and mortgages.....			6. Individual deposits.....		
7. Due from other banks and bankers.....			7. Due to banks and bankers.....		
8. Real estate.....			8. Notes and bills rediscounted.....		
9. Furniture and fixtures.....			9. Bills payable.....		
10. Current expenses.....					
11. Premium on bonds.....					
12. Cash items.....					
13. Gold coin, \$—; silver coin, \$—					
14. National Bank notes.....					
15. United States notes.....					
Total.....			Total.....		

STATE OF _____
 County of _____.
 Sworn to and subscribed before me this _____
 day of _____, 187—.

I, _____, _____ of "The _____,"
 do solemnly swear that the above statement is
 true, to the best of my knowledge and belief.

_____, Cashier.

SEC. 4. Savings banks and other banking institutions having no capital stock shall report their resources and liabilities in the following form:

Report of the condition of "The _____," at _____, in the State of _____, before the commencement of business on the first Monday of _____, 187—.

DR.

CR.

Resources.	Dollars. Cts.		Liabilities.	Dollars. Cts.	
1. Loans on real estate.....			1. Individual deposits.....		
2. Loans on United States and State stocks.....			2. Due to banks and bankers..		
3. Loans on other stocks and bonds.....			3. Undivided profits.....		
4. All other loans.....			4. Other liabilities.....		
5. United States bonds on hand.					
6. State bonds on hand.....					
7. Other stocks and bonds....					
8. Real estate.....					
9. Furniture and fixtures.....					
10. Expenses.....					
11. Due from banks and bankers.					
12. Specie.....					
13. National Bank and United States currency.....					
14. All other assets.....					
Total.....			Total.....		

STATE OF _____,
County of _____.
Sworn to and subscribed before me this _____
day of _____, 187—.

I, _____, _____ of "The _____,"
do solemnly swear that the above statement is
true, to the best of my knowledge and belief

Cashier.

And such banks shall also furnish, with their reports, the following information: The number of open accounts and the rate per centum of dividends or interest on deposits for the past year.

SEC. 5. That the Auditor of State shall compile the reports received by him under this Act, and the tables so compiled shall be printed quarterly for distribution when prepared, and shall be by him transmitted to the Legislature at the beginning of each session thereof.

THE QUESTION OF TAXATION.—There are indications that the subject of taxation may become one of the leading political issues of the future. On this point the *Chicago Tribune* thus remarks: "This issue embraces in detail differences as to how much money shall be expended in the way of public improvements and on the public service, the limitation of the debt-contracting power, the ways and means of raising the revenue, the principles of revenue reform and high tariff as applied to the production of revenue, the collection as well as the assessment of taxes, and the administration of the public moneys. It is an issue on which what may be called the self-supporting classes will be always practically in accord, whether they live north or south of Mason and Dixon's line, and whether it comes up in a national or local shape; and they may always expect to encounter the antagonism of the tax-devourers, including all those who cannot make a living outside of office-holding, the contractors and subsidy-hunters, the demagogues who persuade ignorant people that lavish public extravagance will redound to their benefit, and generally the impecunious and irresponsible classes, who have no property representing surplus earnings, and who are indifferent to the amount of taxes imposed and the manner in which they are assessed and collected."

LIABILITIES OF THE TWENTY-EIGHT STATE BANKS OF THE CITY OF NEW YORK.

As shown by their Official Quarterly Statements, 31st March, 1877.

Commenced.	Names of Banks.	Capital.	Net Profits.	Circulation.	Due Banks.	Due Depositors.	Unp'd Dividends.	Totals.	Div. Payable.
1799.	Manhattan Company.....	\$ 2,050,000	\$ 1,147,500	\$ 7,500	\$ 1,347,100	\$ 5,993,100	\$ 11,800	\$ 10,557,000	Feb. & Aug.
1812.	Bank of America.....	3,000,000	1,749,000	1,100	1,434,100	5,495,300	78,300	11,755,800	Jan. & July.
1830.	Greenwich Bank.....	200,000	17,500	2,700	3,200	694,800	1,100	919,300	May & Nov.
1850.	Pacific Bank.....	422,700	225,400	—	—	2,204,100	700	2,852,900	May & Nov.
1851.	People's Bank.....	412,500	162,700	5,400	62,800	1,000,200	700	1,644,300	Jan. & July.
1851.	Bank of North America.	1,000,000	66,200	—	602,300	1,689,300	700	3,358,500	Jan. & July.
1852.	Nassau Bank.....	1,000,000	50,400	3,900	40,800	1,668,600	800	2,764,500	May & Nov.
1853.	Corn Exchange Bank.....	1,000,000	630,800	4,800	31,000	1,953,700	1,500	3,621,800	Feb. & Aug.
1853.	Oriental Bank.....	300,000	163,200	4,000	—	1,008,500	600	1,476,300	Jan. & July.
1851.	Grocers' Bank.....	300,000	47,400	—	13,400	582,300	500	943,600	Jan. & July.
1821.	North River Bank.....	400,000	30,200	—	9,300	884,400	—	1,323,900	Jan. & July.
1859.	Manuf. & Merchants' B'k	100,000	11,100	—	54,800	408,700	100	574,700	Jan. & July.
1870.	German-American Bank.	1,000,000	29,100	—	—	2,167,500	—	3,196,600	Feb. & Aug.
1871.	Dry Goods Bank.....	1,000,000	29,400	—	263,900	840,600	800	2,134,700	Jan. & July.
1854.	Bull's Head Bank.....	200,000	29,700	—	—	317,500	1,200	584,400	Jan. & July.
1869.	West Side Bank.....	200,000	77,700	—	—	1,004,400	—	1,282,100	Jan. & July.
1867.	Eleventh Ward Bank.....	200,000	15,500	—	—	356,300	100	571,900	Jan. & July.
1869.	Germania Bank.....	200,000	62,900	—	300	694,400	—	957,600	Jan. & July.
1869.	Harlem Bank.....	100,000	10,200	—	9,800	177,400	700	298,100	Jan. & July.
1870.	Murray Hill Bank.....	200,000	6,700	—	20,000	204,100	200	431,000	Jan. & July.
1871.	Bank of the Metropolis.	500,000	14,000	—	343,400	1,795,100	200	2,562,700	Jan. & July.
1875.	Island City Bank.....	100,000	18,900	—	—	83,200	300	202,400	Jan. & July.
1872.	Produce Bank.....	250,000	10,200	—	—	443,000	—	703,200	May & Nov.
1872.	German Exchange Bank.	200,000	39,700	—	28,800	716,300	600	985,400	Jan. & July.
1874.	Grand Central Bank.....	100,000	2,100	—	15,000	269,600	—	386,700	Jan. & July.
1875.	Fifth Avenue Bank.....	100,000	118,400	—	85,500	539,800	—	843,700	May & Nov.
1875.	Commercial Bank.....	100,000	3,600	—	17,200	96,800	—	217,600	Jan. & July.
1876.	Brewers & Grocers' B'k.	100,000	46,300	—	—	135,900	—	282,200	Jan. & July.
<i>Totals, Mch. 31, '77 (28 Banks)</i>		\$ 14,735,200	\$ 4,815,800	\$ 29,400	\$ 4,382,700	\$ 33,334,900	\$ 100,900	\$ 57,398,900	
<i>Dec. 23, '76 (29 Banks)</i>		14,985,200	5,269,500	32,200	5,353,600	32,955,100	89,700	57,785,300	
Comparisons.... (Decrease)		\$ 250,000	\$ 453,700	\$ 2,800	\$ 970,900			\$ 386,400	
		—	—	—	—	\$ 1,279,800	\$ 11,200	—	



RESOURCES OF THE STATE BANKS OF THE CITY OF NEW YORK.

As shown by their Official Quarterly Statements, March 31, 1877.

Names of Banks.	Loans & Discounts.	Stocks, Bonds, & Mortgages.	Due from Banks.	Real Estate.	Furniture & Fixtures.	Cash Items & Bank Notes.	Specie.	Legal Tenders.	Over-Drafts.
Manhattan Company.....	\$ 8,377,200	\$ 25,000	\$ 389,600	\$ 304,800	.....	.....	\$ 337,000	\$ 1,130,400	...
Bank of America.....	7,952,200	1,335,000	284,100	159,000	.....	.....	821,900	1,198,400	...
Greenwich Bank.....	534,200	267,800	63,800	22,100	.....	.....	31,200	31,200	...
Pacific Bank.....	2,217,600	5,000	97,700	76,200	.....	.....	17,500	438,900	...
People's Bank.....	1,183,100	116,000	127,900	91,600	.....	.....	6,700	117,600	...
Bank of North America.....	2,446,200	69,700	105,700	200,000	.....	.....	99,900	437,000	...
Nassau Bank.....	1,996,000	237,900	203,000	223,000	.....	.....	32,000	62,600	...
Corn Exchange Bank.....	2,567,400	71,100	89,600	111,500	.....	.....	74,100	707,900	...
Oriental Bank.....	1,097,100	136,000	86,900	52,200	.....	.....	8,000	101,100	...
Grocers' Bank.....	737,700	5,000	69,300	25,900	.....	.....	1,000	104,500	...
North River Bank.....	865,100	5,000	140,000	95,600	.....	.....	15,000	209,300	...
Manuf. & Merchants' Bank.....	358,300	.....	38,900	9,000	.....	.....	4,700	143,800	...
German-American Bank.....	1,932,900	581,200	207,600	4,400	.....	.....	204,000	253,500	...
Dry Goods Bank.....	1,316,700	313,100	169,700	1,500	.....	.....	32,200	283,600	...
Bull's Head Bank.....	337,200	30,000	38,600	101,000	.....	.....	11,300	35,600	...
West Side Bank.....	1,006,500	43,000	135,500	.....	.....	.....	.....	95,900	...
Eleventh Ward Bank.....	432,900	24,300	10,600	49,200	.....	.....	5,300	49,400	...
Germania Bank.....	799,000	34,900	74,500	10,000	.....	.....	1,900	37,200	...
Harlem Bank.....	191,400	36,400	37,700	21,000	.....	.....	.....	8,900	...
Murray Hill Bank.....	349,900	33,900	35,000	.....	.....	.....	.....	9,500	...
Bank of the Metropolis.....	1,717,000	115,600	452,500	8,800	.....	.....	1,900	255,100	...
Island City Bank.....	153,800	5,600	34,400	.....	.....	.....	1,400	9,200	...
Produce Bank.....	631,500	8,200	9,100	.....	.....	.....	.....	54,400	...
German Exchange Bank.....	753,100	49,000	141,000	5,000	.....	.....	1,400	36,700	...
Grand Central Bank.....	230,400	112,000	28,900	.....	.....	.....	.....	8,600	...
Fifth Avenue Bank.....	654,100	5,000	87,300	.....	.....	.....	1,600	95,700	...
Commercial Bank.....	180,000	5,000	.....	.....	.....	.....	.....	10,400	...
Brewers & Grocers' Bank.....	138,400	35,000	45,600	45,000	.....	.....	.....	18,200	...
Totals, March 31, 1877.....	\$ 41,086,900	\$ 3,712,300	\$ 3,189,500	\$ 1,616,800	\$ 5,400	\$ 74,600	\$ 1,660,200	\$ 6,035,600	\$ 17,600
“ December 23, 1876.....	40,197,100	4,029,500	3,436,000	1,615,900	5,400	700	2,460,000	6,025,300	15,400
Comparisons.....	\$ 889,800	.....	\$ 246,500	\$ 900	.....	.....	\$ 799,800	\$ 10,300	\$ 2,200

{ Decrease
{ Increase

BANKS AND BANKERS OF THE UNITED STATES.

The Number in each State and Territory.

FROM THE BANKER'S ALMANAC AND REGISTER, 1877—(SECOND EDITION).

	<i>National.</i>	<i>State.</i>	<i>Savings.*</i>	<i>Private.†</i>	<i>Total.</i>
Alabama.....	10	6	—	17	33
Arizona.....	—	—	—	1	1
Arkansas.....	2	1	—	12	15
California.....	9	47	23	67	146
Colorado.....	10	5	—	26	41
Connecticut.....	81	7	85	14	187
Dakota.....	1	2	—	8	11
Delaware.....	13	6	1	3	23
District of Columbia.....	5	5	—	7	17
Florida.....	1	—	—	8	9
Georgia.....	12	28	—	40	80
Idaho.....	1	—	—	3	4
Illinois.....	144	30	—	297	471
Indiana.....	99	25	—	117	241
Iowa.....	76	35	—	216	327
Kansas.....	16	29	—	85	130
Kentucky.....	47	57	—	36	140
Louisiana.....	7	9	—	7	23
Maine.....	71	2	60	8	141
Maryland.....	32	19	5	25	81
Massachusetts.....	240	1	183	54	478
Michigan.....	77	26	—	136	239
Minnesota.....	32	15	—	50	97
Mississippi.....	—	7	—	22	29
Missouri.....	30	103	—	106	239
Montana.....	5	—	—	5	10
Nebraska.....	9	8	—	33	50
Nevada.....	—	4	—	19	23
New Hampshire.....	45	1	68	2	116
New Jersey.....	69	12	40	9	130
New Mexico.....	2	—	—	4	6
New York State (city excepted).....	233	62	113	208	616
New York City.....	47	29	36	88	200
North Carolina.....	15	3	—	11	29
Ohio.....	168	40	—	220	428
Oregon.....	1	—	—	6	7
Pennsylvania.....	233	114	5	306	658
Rhode Island.....	62	15	37	6	120
South Carolina.....	12	6	—	19	37
Tennessee.....	25	18	—	11	54
Texas.....	11	13	—	73	97
Utah.....	1	—	—	7	8
Vermont.....	47	—	20	1	68
Virginia.....	19	40	—	31	90
West Virginia.....	15	15	—	8	38
Wisconsin.....	41	27	—	75	143
Washington Territory.....	—	—	—	2	2
Wyoming.....	2	2	—	5	9
Totals.....	2,078	874	676	2,514	6,142

* These are Savings banks *proper*, organized for the benefit of *depositors*. In other States it is impossible to separate them from those benefiting *stockholders*.

† *Brokers* are not included in this list.

BANKING AND FINANCIAL ITEMS.

SILVER COIN.—The Treasurer of the United States gives notice through a circular, that he will cause to be forwarded from some mint of the United States, to any point in the United States reached through established express lines by continuous railway or steamboat communication, subsidiary silver coin in return for national bank notes forwarded to him for redemption in sums of \$1,000, or any multiple thereof not exceeding \$10,000. The expense of transportation will be paid by the Mint.

The total disbursements of silver to date have been as follows: For currency obligations, \$12,250,000; for fractional currency, \$19,100,000; of fractional currency there remains outstanding \$22,500,000. It is stated that Secretary Sherman claims the right to issue silver to the amount of \$54,000,000, the extra \$4,000,000 being the amount on hand in the Treasury previous to the passage of the act fixing the limit of silver issue at \$50,000,000.

SILVER IN PLACE OF SMALL NOTES.—For the purpose of bringing silver coin into still more general use in the circulation of the country, and as a step towards specie payments, the Secretary of the Treasury will suspend for present the issue of one-dollar notes in sums over ten dollars. He will also, in retiring legal tenders under the Act of 1875, select notes of the smaller denominations wherever it is practicable. In the payment of drafts upon the Treasury, where change is desired, all sums under five dollars will be paid in silver instead of in paper.

CALLS OF FIVE-TWENTY BONDS.—On March 27th the Secretary of the Treasury issued the forty-fourth call for the redemption of the five-twenty bonds of 1865, for May and November. The call is for \$10,000,000, of which \$9,500,000 half millions are coupon and one-half million registered bonds. The principal and interest will be paid at the Treasury on and after the 27th of June next, and interest will cease from that day. The following are the number of the bonds, all being inclusive:

Coupon Bonds—\$500, Nos. 42,301 to 46,000; \$1,000, Nos. 121,001 to 132,000.

Registered Bonds—\$500, Nos. 7,494 to 7,600.

The forty fifth call was issued on April 5th. The call is for \$10,000,000, of which \$9,500,000 are coupon and \$500,000 registered bonds. The principal and interest will be paid at the Treasury on and after the 5th day of July next, and the interest will cease on that day. The following are the numbers, all inclusive:

Coupon Bonds—\$500, Nos. 46,001 to 49,800; \$1,000, Nos. 132,001 to 141,000.

Registered Bonds—\$5,000, Nos. 7,601 to 7,764.

DIVIDENDS.—The following dividends payable in May are declared by New York City banks:

Bank of the State of New York.....	3½ ..	American Exchange National Bank..	3
City Bank.....	5 ..	National Mechanics' Banking Ass'n.	2½
Germania Bank.....	6 ..	Pacific Bank.....	3

DEATH OF LUTHER C. CLARK.—Mr. Luther C. Clark, of the firm of Clark, Dodge & Co., Bankers, died, after an illness of some months, at his home in this city, on April 23d, aged sixty-two years. Mr. Clark was a native of Northampton, Mass., and had been a banker in Wall street since 1845.

THE NEW YORK STOCK EXCHANGE.—The Governing Committee of the Stock Exchange on April 3rd, adopted the recommendation of the Committee on the Stock List, to establish as soon as possible a call for mining securities, to consist of the mining securities that are now on the list, and the stock and bonds of such other mining companies as may comply with the requirements of the Exchange, and prove on investigation to be fair business enterprises. By authority of the Governing Committee, the President has appointed the following Committee of Arrangements:—Messrs. George W. McLean, G. H. Brodhead, D. T. Worden, Fred. White, and Howard Tapsley. This Committee is to have charge of the Gold Department, which begins May 1, and to draw up and enforce the necessary rules for its government and the transaction of business therein, including the arrangements for the call of mining securities.

THE NEW YORK GOLD EXCHANGE held its semi-annual meeting on April 16th, Mr. C. O. Morris presiding. The report of the Treasurer, Mr. R. L. Edwards, showed: balance on hand, October 1, 1876, \$121,216; receipts since, \$15,986; total, \$137,203; expenditures, \$17,862. Balance now on hand, \$119,343. The Secretary reported 451 members in full standing and 18 associate members. On motion, it was unanimously voted that a Committee of three be appointed to draft resolutions expressive of the appreciation by the members of the services rendered to the Exchange by Messrs. C. O. Morris, R. L. Edwards, and James B. Colgate. On motion, the officers and Committee were directed to hand over all the funds, records, etc., of the Exchange to the Trustees, who were to wind up its affairs and distribute the balance of assets *pro rata* among the members.

The Trustees to wind up the affairs of the Gold Exchange, elected by the members on the 17th, were Messrs. Eugene S. Ballin, James Seligman and W. Harman Brown.

BURGLARY.—The Sixth National Bank, on Broadway, Sixth Avenue and Thirty-fifth street, was entered on Sunday, April 8th, between one and four P.M. by burglars, who got into the unoccupied basement, sawed through the floor, and broke open a safe containing a quantity of silver coin. A large Herring safe, containing the main cash of the bank, was unsuccessfully attempted. At four o'clock a policeman observed the broken safe through the window, but the thieves had already flown, carrying off about \$2,000 in silver coin.

CONNECTICUT.—The following is the new Interest Law of this State, which was approved March 23, 1877. It will be seen that there is no penalty for, or recovery of usury once paid, while no higher rate than six per cent. can be collected by suit at law:

An Act Concerning Rate of Interest.—Be it enacted by the Senate and House of Representatives in General Assembly convened:

SECTION 1. The compensation for forbearance of property loaned at a fixed valuation, or for money, shall in the absence of any agreement to the contrary, be at the rate of six per cent. a year. And in computing interest, three hundred and sixty days may be considered a year.

SEC. 2. Interest at the rate of six per cent. a year, and no more may be recovered and allowed in civil actions, including actions to recover money loaned at a greater rate, as damages for the detention of money after it becomes payable; but judgment may be given in any court for the recovery of taxes assessed and paid upon the loan; and the insurance upon the estate mortgaged to secure the loan whenever the borrower has agreed in writing to pay such taxes or insurance, or both.

SEC. 3. No borrower of money shall be permitted to set-off, or recover back by any proceeding in court, any sum of money paid by way of interest, discount, or damages for the detention of money in excess of the rate of six per cent. a year.

SEC. 4. Nothing contained in this act shall affect any contracts heretofore entered into, nor any suit now pending.

SEC. 5. All acts inconsistent herewith are hereby repealed.

SAVINGS BANKS AND THE RATE OF INTEREST.—On April 13th, a large number of representatives of the savings banks of Connecticut held a meeting at Hartford to take action upon the new six per cent. interest law. There were fifty-two delegates present, representing forty-seven banks. The following resolution was adopted:

Resolved, That waiving the question of the constitutionality of the Act relating to savings banks, passed at the last session of the General Assembly, and approved March 12, 1877, we recommend to the savings banks of this State to only require the payment of interest on loans at the rate of six per cent. per annum, semi-annually, in all cases where the same becomes payable after April 20, 1877, when said Act takes effect.

ILLINOIS.—The banking firm of Burnham, Condit & Co., at Champaign, has been dissolved. Mr. A. C. Burnham has purchased the interest of Mr. R. B. Condit. The business is continued under the firm-name of Burnham, Scott & Co., with the same capital, viz: \$150,000.

IOWA.—Mr. James P. Cox, President of the State National Bank of Keokuk, died in that city on April 4th. Mr. Cox has been President of this institution from its first organization as a State bank, in 1865. Previously to that time he had been engaged in mercantile pursuits, and had acquired a handsome competency. He was beloved and respected by the entire community in which he had so long lived.

MASSACHUSETTS.—The Jamaica Plains Savings Bank, which was incorporated four and a half years ago, has paid all expenses and five or six per cent. dividends yearly, but the officers have taken no salaries, and are unwilling to continue it longer. The depositors were notified to withdraw their funds a short time since, and have done so to a considerable extent; and now the Treasurer has converted all of the securities into cash, and is prepared to pay all depositors. It has done a small business, and at the last report had only 150 open accounts and \$22,035 on deposit.

The West Boston Savings Bank, which suspended business January 11, on account of impaired capital, resumed on April 2d, with a balance of \$120,559 over all liabilities.

MR. HENRY B. GROVES, Manager of the Boston Clearing House, died in that city on April 16th, after a brief illness. Mr. Groves has held this position since the organization of the Clearing House, in 1856, and his intelligent and efficient services fully justified the confidence reposed in him by the banks. The Clearing House Association held a special meeting on the 17th, at its rooms, for the purpose of taking action upon his death.

MISSOURI.—Another bank in St. Louis, the Bank of North America, has gone out of business, and has transferred its business to the Bank of St. Louis. This reduces the number of banks in that city to forty-three, whereas it was sixty in 1873, which indicates the difficulties of transacting a banking business with profit during the troublous times of the past few years.

THE TWO-CENT CHECK STAMP.—Among the most active workers for the abatement of this troublesome tax, is Mr. J. T. Heald, banker, of Wilmington, Delaware. Mr. Heald has sent out, at his own expense, a large number of circulars to banks and bankers, in one of which he says: "The two-cent check stamp tax is the least equitable, most perplexing, and meanest of the legal document and paper stamp taxes, all of which, with this exception, have been repealed. Its self-imposed collection involves the daily infliction of inconveniences and annoyances upon about one quarter million of citizens, and is altogether an 'unmitigated nuisance.' . . . The subscriber has forwarded to the Senate and House nearly 1,500 petitions, with about 100,000 petitioners, from all the thirty-eight States and from six Territories; had personal interviews with a large proportion of, and correspondence by letters and circulars with, all the members of both Houses."

Our readers will almost unanimously agree with Mr. Heald in his estimate of that tax. He urges all bankers to write, and have written by prominent citizens, letters to members of Congress, urging its repeal.

NEW JERSEY.—The State Bank of New Brunswick closed its doors on March 31st. There had been rumors of its unsoundness for some time, and depositors had been withdrawing their money freely for the previous few days. The bank suffered from the panic of 1873, and in 1875 instituted a suit against the Woodworth Carpet Company for nearly \$1,000,000, on account of an alleged irregular transaction, but was defeated. A temporary suspension resulted, but the bank resumed business, and has struggled along till now.

THE CHARGES AGAINST THE BANK SUPERINTENDENT.—The State Senate's Committee on Banks met in this city on April 23d, and began the investigation of the charges preferred by the Receiver of the Mechanics and Traders' Savings Bank against Dewitt C. Ellis, Superintendent of the Bank Department. From the testimony of Ira W. Gregory and Wm. Floyd, Examining Committee of the Trustees of that bank, it appeared that in July, 1874, they found the bank insolvent, and subsequently notified Mr. Ellis, who made an examination and estimated the deficit at \$25,000, which the witnesses thought he had, by over-valuation of assets, got much too low, and which he himself admitted would perhaps be more accurately stated at \$50,000. Mr. Ellis wrote to the President in October, saying the Trustees must in some way make the deficit good. It appears he was afterward verbally informed that it had been made good from the profits.

The evidence thus far adduced seems to prove only that differences of opinion existed, and that errors of judgment were made by Mr. Ellis.

NORTH CAROLINA.—Two years ago this State adopted an Usury law which inflicted a forfeiture of double the principal and a fine of \$1,000, for all violations. In March that law was repealed, and the following act passed:

A Bill to be entitled an Act to repeal chap. 84, Public Laws of 1874-75, and to regulate the rate of interest.

WHEREAS, The penalties for the usurious lending of money are not enforced against National banks; therefore,

SECTION 1. *The General Assembly of North Carolina do enact*, That chapter (84) eighty-four, public laws of 1874-75, be, and it is hereby repealed and the following substituted in its stead.

SEC. 2. That the legal rate of interest shall be six per cent. per annum for such time as interest may accrue, and no more: *Provided, however*, That upon special contract in writing, signed by the party to be charged therewith, or by his agent, so great a rate as eight per cent. may be allowed.

SEC. 3. That the taking, receiving, reserving, or charging a rate of interest greater than is allowed by the preceding section, shall be deemed a forfeiture of the entire interest which the note or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case a greater rate of interest has been paid, the person by whom it has been paid, or his legal representative, may recover back in an action in the nature of an action for debt, twice the amount of interest thus paid; provided such action is commenced within two years from the time the usurious transaction occurred.

PENNSYLVANIA.—The directors of the State Bank of Harrisburgh voted, on March 30th, to go at once into liquidation, paying immediately twenty per cent. of all claims, and the balance as soon as the bank can realize from its assets. A circular, signed by the President and Cashier, says that this action has been induced principally by the unprofitableness of banking. The depositors and others are assured that the assets are ample to satisfy all claims. The circular states the assets at \$202,585; liabilities, \$162,049; surplus, \$40,536.

MR. THOMAS BALCH, of Philadelphia, who died in that city on March 29th, was prominently known as one of the best-informed men in this country, upon the monetary affairs of France, and upon those subjects of political economy especially understood in that country, where he resided for many years.

Mr. Balch was the first to propose a Court of International Arbitration, which he did in 1865. He was an earnest student, and unwearied in research. His chief literary work was a history of the French settlers in America, called "*Les Français en Amérique*," but he has written several valuable pamphlets upon financial topics. Few Americans were so thoroughly conversant as he

with the theory and practice of French banking, and especially with regard to the *Credit Foncier*. His translation for the *BANKER'S MAGAZINE* of M. Wolowski's paper, upon the payment of "The French War Fine" and its consequences (published in May and June, 1875,) will be well remembered by our readers. Mr. Balch was an earnest advocate of the the bi-metallic monetary theory, but such was his fairness of judgment and love of justice that, when attacked by his last illness, he was engaged in the translation for this Magazine of Dr. Bamberger's recent pamphlet entitled "Reichsgold," which is esteemed the ablest presentation of the mono-metallic view.

Mr. Balch occupied a position in Europe enjoyed by few Americans not in public stations. He had intimate relations with many distinguished people both in Paris and London—with M. Guizot, and his son-in-law, Cornelis De Witt, and was the early and constant friend of Prevost-Paradol. He was also much respected and relied on in relation to American matters by some of the leading bankers in France, Germany and Holland.

VIRGINIA.—In the Circuit Court of Augusta County, Virginia, were recently tried twelve cases of the *Virginia Banking and Trust Company vs. M. G. Harman*, or *A. W. Harman*, as principals, with various indorsers, in which the defence of usury was set up.

Judge McLaughlin applied to these cases the same principles as in the suits of the National Valley Bank, which are reported on page — of this number, and also held :

1. That the penalties of the present usury laws in Virginia, are the same as those prescribed by the National Banking Act.

2. That where a note was discounted at twelve per cent. when it was legal to exact that rate, a renewal of it at the same rate after a lower rate had been fixed by law, is not usurious.

3. That the penalties for usury are those in force at the time the usurious loan is made.

4. That where a discount was made while the Act of the 1st of April, 1873, was in force, at a higher rate than eight per cent., the lender is entitled to recover the amount of the note after deducting all payments for excess of interest over six per cent., with interest at the rate of six per centum from the maturity of the note.

THE HON. LORENZO SABINE, who died at his residence in Boston on April 14th. was born in New Hampshire in 1803. After his removal to Massachusetts, Mr. Sabine held the position of Confidential Agent of the United States Treasury Department, was chosen a member of the thirty-second Congress, and was for many years Secretary of the Boston Board of Trade. For the past few years Mr. Sabine has led a life of retirement. He was a self-educated man, bred to mercantile life, but at an early period manifested such readiness as a writer, that he was subsequently induced to turn his attention to literary work. Among other writings, he was the Author of an essay on banking, entitled "*Suggestions to Young Cashiers on the Duties of their Profession*," which obtained the prize offered by the *BANKER'S MAGAZINE*, and is now found in the "*Banker's Common Place Book*."

A TELLER WHO KNEW HIS BUSINESS.—An incident occurred the other day in an institution not a thousand miles from Lindsay, Ontario, which is thus related by the *Post* of that town. The Inspector from the parent bank was paying his usual visit, and had among other things counted the Teller's cash, which was found "O.K." On returning the cash to the Teller, the latter at once carefully counted it. The Inspector, a little surprised, asked the cause of this needless ceremony, whereupon the Teller replied that he "never allowed any man to handle his cash without counting it after him." The result of this cool reply and business method was a prompt and handsome increase in the Teller's salary.

NETHERLANDS.—The Netherlands Second Chamber has unanimously adopted the bill establishing in the Dutch Indies a gold standard together with the silver standard.

DIVIDENDS OF THE BOSTON BANKS.

[COMPILED FROM THE REPORTS OF J. G. MARTIN, STOCK BROKER, BOSTON.]

Names of Banks.	Capital, April, 1877.	Dividend		Stock Quotations.*		Surplus, Jan. 20, 1877.
		Oct., 1876.	April, 1877.	Oct., 1876.	Mch. 30, 1877.	
Atlantic National.....	\$ 750,000	4	4	\$ 133	\$ 133	\$ 300,000
Atlas National.....	1,500,000	3	3	117	120	300,000
Blackstone National.....	2,000,000	3	3	120	116	352,000
Blue Hill National.....	300,000	3	3	110	105	33,285
Boston National.....	1,000,000	3	3	125	117	285,109
Boylston National.....	700,000	3	3	133	126	150,000
Broadway National.....	200,000	—	—	95	93	35
Bunker Hill National.....	500,000	5	5	105	170	250,000
Central National.....	500,000	3	2	103	100	9,000
Columbian National.....	1,000,000	4	4	144	144	400,000
Continental National.....	1,000,000	2	2½	110	105	100,000
Eleventh Ward National.....	300,000	—	—	92	45	12,000
Eliot National.....	1,000,000	2	2	113	111	200,000
Everett National.....	400,000	3	3	122	120	64,682
Faneuil Hall National.....	1,000,000	4	4	140	136	250,000
First National.....	1,000,000	6	6	206	206	1,000,000
First Ward National.....	300,000	2½	2	90	90	5,500
Fourth National.....	200,000	2½	—	100	97	2,000
Freeman's National.....	800,000	3	3	116	114	160,000
Globe National.....	1,000,000	3	2	120	118	230,000
Hamilton National.....	750,000	3	2	120	118	150,000
Howard National.....	1,000,000	3	3	113	115	160,000
Manufacturers' National.....	500,000	2	—	102	97	13,000
Market National.....	800,000	3	2	110	112	101,055
Mass. National, par \$250.....	800,000	3	2	125	120	160,000
Maverick National.....	400,000	4	4	150	145	175,000
Mechanics' National.....	250,000	4	4	130	130	60,000
Merchandise National.....	500,000	3	2½	106	107	3,000
Merchants' National.....	3,000,000	4	3½	141	141	1,050,000
Metropolitan National.....	500,000	—	—	90	92	—
Monument National.....	150,000	5	5	185	185	130,000
Mount Vernon National.....	200,000	3	3	129	123	40,000
National B'k of Brighton, p. \$80.....	300,000	3	3	98	93	50,000
National Bank of Commerce.....	2,000,000	3	3	116	114	500,000
National B'k of Commonwealth.....	500,000	3	3	116½	118	70,000
National Bank of North America.....	1,000,000	2	3	105	108	117,223
National Bank of Redemption.....	1,000,000	4	3	149	145	500,000
National Bank of the Republic.....	1,500,000	3½	3½	133	133	300,000
National City.....	1,000,000	3	3	118	121	119,649
National Eagle.....	1,000,000	2	2	115	113	200,000
National Exchange.....	1,000,000	6	4½	176	176	700,000
National Hide & Leather.....	1,500,000	2½	2½	111	111½	153,300
National Market of Brighton.....	250,000	6	6	170	170	100,000
National Revere.....	2,000,000	3	3	111	111	257,000
National Rockland.....	300,000	5	4	160	155	150,000
National Security.....	200,000	½	½	208	203	140,000
National Union.....	1,000,000	4	3	159	151	500,000
National Webster.....	1,500,000	2	2	104	105	155,100
New England National.....	1,000,000	4	4	143	143	432,272
North National.....	1,000,000	3	3	130	125	300,000
Old Boston National.....	900,000	4	3½	72	72	180,000
People's National.....	300,000	5	5	160	160	180,000
Second National.....	1,600,000	4	4	144	145	750,000
Shawmut National.....	1,000,000	3	3	122	122	200,000
Shoe & Leather National.....	1,000,000	3	3	121	121	200,000
State National.....	2,000,000	2½	2½	110	115	96,000
Suffolk National.....	1,500,000	3	3	128	126	260,000
Third National.....	300,000	3	2½	128	120	120,000
Traders' National.....	600,000	2	2	107	105	94,702
Tremont National.....	2,000,000	—	3	108	115	164,589
Washington National.....	750,000	4	4	142	140	280,453

April, 1877.....\$54,300,000

Market Value—Dividend on. † Quarterly.

The foregoing table presents the capital of each Boston bank, together with the last two semi-annual dividends, free of all taxes, and the amount payable on Monday, April 2. Also the market value for each stock, *dividend on*, October 1, 1876 and at the present time. It is difficult to price the stocks accurately, owing to radical changes in dividends, which have not yet had their full effect, and in some cases the last prices may not be sustained.

The bank dividends, though previously reduced very largely, still continue to diminish. The line of six per cents, of which at one time there was a large number, has been reduced to three, and of five per cents, once the leading figure, only three remain; 3, 2½ and 2 per cent. being the usual figures.

Of the sixty-one banks within the limits of Boston, two pay 6 per cent., three 5 per cent., one 4½ per cent., nine 4 per cent., three 3½ per cent., twenty-two 3 per cent., one 3 per cent. quarterly, five 2½ per cent., ten 2 per cent., and five pass, making an average of almost precisely 3 per cent.

COUNTERFEITS OF NATIONAL BANK NOTES.

The following is a complete list of all the counterfeits of National bank notes that have been presented at the Redemption Bureau :

		TWS.	
N. Y. CITY.....	Marine.	... N. Y. ...	Kinderhook ... Nat. Union.
" "	Market.	... " ...	Linderport Nat. Union.*
" "	Ninth.	... " ...	Peekskill Westchester Co.
" "	St. Nicholas.	... R. I. ...	Newport Nat. of R. I.

		FIVES.	
CONN.. Jewett City....	Jewett City.	... ILL.	Galena First.*
ILL..... Chicago	First.	... " ...	Paxton First.
" "	Merchants'.	... " ...	Peru First.
" "	Traders'.	... MASS. ..	New Bedford. Merchants'.
" ... Aurora	First.	... " ...	Northampton. First.
" ... Canton	First.	... " ...	Westfield Hampden.

MICH., Jackson, People's.

		TENS.	
N. Y. CITY.....	American.*	... N. Y. ...	Lockport First.
" "	Croton.*	... " ...	Newburgh Highland.
" "	Marine.	... " ...	Poughkeepsie. City.
" "	Mechanics'.	... " ...	" " " Far. & Mfrs'.
" "	Merchants'.	... " ...	" " " First.
" "	Nat. of the State.	... " ...	Red Hook First.
" "	Union.	... " ...	Rochester Flour City.
IND. ... Lafayette	Lafayette.	... " ...	Rome Central.
" ... Richmond.....	Richmond.	... " ...	Syracuse Syracuse.
N. Y. ... Albany	Albany City.	... " ...	Troy Mutual.
" ... Auburn	Auburn City.	... PENN. ..	Philadelphia... First.

PENN., Philadelphia, Third.

		TWENTIES.	
N. Y. CITY.....	Market.	... CONN. ..	Portland First.
" "	Merchants'.	... ILL.	Chicago First.
" "	Nat. of Com'rce.	... N. Y. ...	Utica City.*
" "	Shoe & Leather.	... " ...	" " " Oneida.
" "	Tradesmen's.	... PENN. ..	Philadelphia.. Fourth.

ONE HUNDREDS.

N. Y. CITY.	Central.	... MASS. ..	Boston First.
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OHIO., Cincinnati, Ohio.

* The National Union, Linderport; First, Galena; and City, Utica; are no longer in existence.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from April No., page 808.)

APRIL, 1877.

	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
ALA....	Merchants & Planters' † Nat. Bank, Montgomery	{ A. B. Peck, <i>Pr.</i> Robt. Goldthwaite, <i>Cas.</i>	{ G. B. Holmes A. B. Peck.
CAL....	B. of Healdsburg, Healds'g.	John N. Bailhache, <i>Pr.</i>	W. S. Canan.
COLO....	Bent County Bank, West Las Animas }	Albert G. Siddons, <i>Cas.</i>	J. H. Maugham. †
CONN..	Conn. Nat. B., Bridgeport..	Sam'l W. Baldwin, <i>Pr.</i>	D. H. Sterling.*
"	... Farmers & Mechanics' } Nat'l Bank, Hartford }	{ Alva Oatman, <i>Pr.</i> Wm. W. Smith, <i>Asst. C.</i>	{
GEO....	Atlanta Sav. Bank, Atlanta.	Lodowick J. Hill, <i>Cas.</i>	R. H. Richards.
"	... First Nat'l Bank, Newnan...	H. C. Fisher, <i>Cas.</i>	L. J. Hill.
ILL....	Mt. Vernon N. B., Mt. V...	N. Johnston, <i>Pr.</i>	A. M. Grant.
"	... Livingston Co. N.B., Pontiac.	J. M. Greenebaum, <i>Pr.</i>	E. G. Keith.
"	... First Nat'l B., Wilmington.	John W. Stewart, <i>Pr.</i>	A. J. McIntyre.*
IND....	Merchants' N. B., Evansville.	H. L. Meadows, <i>Cas.</i>	M. Henning.
"	... City Nat'l Bank, Goshen....	A. C. Jackson, <i>Pr.</i>	H. H. Hitchcock.
"	... First Nat'l Bank, Kokomo...	C. A. Jay, <i>Cas.</i>	W. P. Vaile.
"	... First Nat'l Bank, Liberty...	M. J. Witt, <i>Pr.</i>	W. W. Sullivan.
IOWA...	First Nat'l Bank, Burlington.	William P. Foster, <i>Cas.</i>	J. C. Osgood.
"	... Louisa Co. Nat'l Bank, Columbus Junction }	S. C. Curtis, <i>Pr.</i>	A. Gamble.*
"	... Merchants' N. B., Fort Dodge	J. M. Mulroney, <i>Pr.</i> ...	H. Strong.*
KY....	Mt. Sterling N. B., Mt. S.	H. R. French, <i>Cas.</i> ...	T. H. Summers.
MASS...	Merchandise N. B., Boston.	J. F. R. Foss, <i>Cas.</i>	E. O. Rockwood.
MO....	Com'l N. B., Kansas City...	J. V. C. Kames, <i>Pr.</i> ...	L. K. Thacher.
"	... Laclede Co. Bank, Lebanon.	Geo. A. Paddock, <i>Cas.</i>	C. O. Tattershall.
"	... Bank of Tipton, Tipton.....	A. E. Hawes, <i>Act'g Cas.</i>	H. A. Tompkins.
N. H....	Pittsfield Nat'l B., Pittsfield.	John A. Goss, <i>Cas.</i>	J. Carpenter.
N. J....	Hackettstown Nat'l Bank...	John C. Welsh, <i>Pr.</i> ...	P. Smith.*
N. Y....	First Nat. B'k, Cooperstown.	E. M. Harris, <i>Pr.</i>	C. Graves.
"	... First Nat'l Bank, Fulton...	R. H. Tyler, <i>Pr.</i>	M. L. Lee.
"	... Huguenot N. B., New Paltz.	Charles W. Deyo, <i>Cas.</i>	M. DuBois.*
"	... First Nat. B'k, Port Henry.	F. S. Atwell, <i>Cas.</i>	J. D. Atwell.
"	... Nat'l Bank of West Troy....	B. McE. Shafer, <i>Cas.</i> ...	G. B. Wilson.
"	... Merchants' N. B., Whitehall.	E. W. Hall, <i>Pr.</i>	L. J. N. Stark.
N. C....	First Nat. Bank, Wilson.....	Frank W. Barnes, <i>Pr.</i>	W. D. Rountree.
OHIO..	Ohio National Bank, Cleveland }	{ John McClymonds, <i>Pr.</i> H. S. Kaufman, <i>Act. Cas.</i>	{ R. Hanna. J. McClymonds.
"	... First Nat. Bank, Delphos...	Rudolph Reul, <i>Pr.</i>	J. M. C. Marble.
"	... First National Bank, Eaton }	{ C. F. Brooke, <i>Pr.</i> Wm. M. Brooke, <i>Cas.</i>	{ W. M. Brooke. C. F. Brooke.
"	... First National Bank, Ripley.	E. R. Bell, <i>Cas.</i>	D. P. Evans.*
"	... First Nat'l Bank, Van Wert.	John A. Conn, <i>Cas.</i>	G. A. Sahlquist.*
"	... Wayne Co. N. B., Wooster.	E. M. Quinby, <i>Pr.</i>	H. Armstrong.*
"	... First National Bank, Xenia.	J. B. Allen, <i>Cas.</i>	F. A. McClure.*
PENN..	Carlisle Deposit Bank.....	Adam Keller, <i>Cas.</i>	J. P. Hassler.
"	... Second N. B., Mechanicsb'g.	William Bryson, <i>Cas.</i> ...	A. Keller.
"	... Delaware Co. N. B., Chester.	Elwood Tyson, <i>Pr.</i>	R. H. Crozer.
"	... First Nat. Bank, Tremont...	W. A. Huber, <i>Pr.</i>	Z. Batdorff.
"	... First National Bank, York...	Z. R. Loucks, <i>Pr.</i>	D. E. Small.

* Deceased. † Removed to Miners & Merchants' Bank, Lake City. ‡ Not First N. B.

- R. I. ... Nat. Bank of Commerce, } Edward A. Greene, Pr. A. D. Smith.
 Providence }
 TENN.. Cleveland National Bank. ... J. E. Raht, Pr. W. B. Reynolds.
 " ... National Bank of Columbia J. W. Keesee, Pr. J. M. Towler.
 " ... Stones River Nat. Bank, } I. J. C. Haynes, Pr. ... W. R. Butler.
 Murfreesboro }
 VA. Farmers' Bank, Norfolk. Frederick Hardy, Pr.. H. C. Hardy.
 WIS. ... First N. B., Chippewa Falls. Sam'l M. Newton, Pr. T. L. Halbert.
 " ... First National Bank, Racine. H. B. Munroe, Cas. ... D. Andrews.

DISSOLVED OR DISCONTINUED.

(*Monthly List, continued from April No., page 809.*)

- CAL. ... Vallejo Bank, *Vallejo*; in liquidation.
 COLO. ... German Bank, *Denver*; now German Nat. Bank, without other change.
 CONN. ... Suffield Sav. B'k, *Suffield*; suspended for 90 days by State Commissioner.
 ILL. Skilling, Carter, Arenz & Co., *Beardstown*; in liquidation.
 KAN. Noah Eby & Co., *Coffeyville*; suspended.
 KY. Garrard County Deposit Bank, *Lancaster*; in liquidation.
 MICH. ... First National Bank, *Monroe*, suspended; resumed business April 13, under new management.
 MO. Bank of North America, *St. Louis*; discontinued. Business transferred to Bank of St. Louis.
 " ... Britton, Lomax & Co., *St. Louis*; dissolved.
 " ... Lewis County Savings Bank, *Canton*; suspended.
 N. J. ... State Bank, *New Brunswick*; suspended.
 N. Y. ... Bank of Avon (George W. Swan), *Avon*; suspended.
 " ... National Bank of Gloversville, *Gloversville*; suspended.
 PENN. ... John Moss, Jr., *Philadelphia*, suspended; settled and resumed business.
 " ... Empire Bank, *Allentown*; winding up.
 " ... Thomas & Taggart, *Coatesville*; suspended.
 " ... Farmers' Savings Bank, *Fogelsville*; suspended.
 " ... State Bank, *Harrisburg*; in liquidation.
 " ... Dougherty Brothers & Co., *Harrisburg*; failed.
 TENN. ... Commercial National Bank, *Knoxville*; suspended.

CHANGES OF TITLE, ETC.

- NEW YORK CITY. Commercial Bank; removed to 38 Pine Street.
 " " E. S. Ballin & Co.; removed to 22 William Street.
 ILL. Burnham, Condit & Co., *Champaign*; now Burnham, Scott & Co.
 IND. ... St. Joseph Valley Bank, *Elkhart*; re-organized as a State Bank.
 " ... Hall, Weaver & Co., *La Porte*; also styled B'k of the State of Indiana.
 MICH. ... Lee & Goodell, *Saranac*; now Lee Brothers.
 MO. Manufacturers' Savings Bank, *St. Louis*; now Manufacturers' Bank, and moved to 111 North Third street.
 OHIO.. Citizens' Bank, *Kenton*; succeeded by Kenton Savings Bank.
 " ... Youngstown Savings and Loan Association, *Youngstown*; reorganized as the Mahoning National Bank, with same officers.
 TEXAS. Boxley & Cole, *Hempstead*; now William P. Cole.
 " ... L. W. Mitchell & Bro., *San Marcos*; now Mitchell, Glover & Co.
 VA. Farmers & Merch. Loan & Trust Co., *Norfolk*; title now Farmers' Bank.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

APRIL, 1877.

(Monthly List, continued from April No., page 807.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
COLO...	Boulder.....	First National Bank.....	Donnell, Lawson & Co.
	\$ 50,000	Louis Cheney, <i>Pr.</i>	Israel M. Smith, <i>Cas.</i>
"	... Denver.....	German National Bank....	Chemical National Bank.
	\$ 100,000	George Tritch, <i>Pr.</i>	Job A. Cooper, <i>Cas.</i>
DAK...	Deadwood.....	Brown & Thum.....	Kountze Brothers.
ILL.....	Beardstown....	People's Bank.....	.....
		J. H. Harris, <i>Pr.</i>	T. K. Condit, <i>Cas.</i>
IND.....	Brazil.....	B'k of Indiana. (Hubbard & Teter)	Winslow, Lanier & Co.
IOWA...	Villisca.....	A. W. Sweet.....	National Bank of Commerce.
KY.....	Lawrenceburg.	Anderson Co. Deposit B'k.	Kelley & Alexander.
MO.....	Joplin.....	Miners' Bank.....	.....
N. Y...	Limestone.....	Limestone Bkg. Co. (Jas. E. Markham)	First Nat'l Bank.
OHIO...	Youngstown ...	Mahoning National Bank.	Metropolitan National Bank.
		Joseph H. Brown, <i>Pr.</i>	J. H. McEwen, <i>Cas.</i>
TEX ...	Fort Worth....	First National Bank.....	First National Bank.
	\$ 50,000	M. B. Loyd, <i>Pr.</i>	C. H. Higbee, <i>Cas.</i>
UTAH..	Salt Lake City.	T. R. Jones.....	J. B. Colgate & Co.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized to April 25, 1877.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2349	First National Bank..... Fort Worth, TEXAS.	M. B. Loyd..... C. H. Higbee.	\$ 50,000	\$ 40,000
2350	Mahoning National Bank..... Youngstown, OHIO.	Joseph H. Brown..... J. H. McEwen.	229,000	113,334
2351	German National Bank..... Denver, COLO.	George Tritch..... Job A. Cooper.	100,000	100,000
2352	First National Bank..... Boulder, COLO.	Lewis Cheney..... Israel M. Smith.	50,000	50,000

THE PREMIUM ON GOLD AT NEW YORK.

MARCH—APRIL, 1877.

<i>1876.</i>	<i>Lowest. Highest.</i>		<i>1877.</i>	<i>Lowest. Highest.</i>		<i>1877.</i>	<i>Lowest. Highest.</i>	
May.....	15	16 $\frac{3}{4}$	Mch. 26	4 $\frac{3}{4}$	4 $\frac{7}{8}$	Apr. 10	5 $\frac{1}{2}$	5 $\frac{1}{2}$
June.....	16 $\frac{1}{4}$	17 $\frac{3}{8}$	27	4 $\frac{3}{4}$	4 $\frac{7}{8}$	11	5 $\frac{1}{2}$	5 $\frac{1}{2}$
July.....	11 $\frac{3}{4}$	17 $\frac{1}{2}$	28	4 $\frac{3}{4}$	4 $\frac{7}{8}$	12	5 $\frac{3}{4}$	6 $\frac{1}{8}$
August.....	12 $\frac{3}{4}$	14 $\frac{3}{4}$	29	4 $\frac{7}{8}$	5	13	5 $\frac{7}{8}$	6 $\frac{1}{8}$
September ...	13 $\frac{3}{4}$	17 $\frac{1}{4}$	30	Good Friday.		14	6 $\frac{3}{8}$	6 $\frac{1}{2}$
October.....	14 $\frac{1}{2}$	17 $\frac{3}{8}$	31	5	5 $\frac{1}{2}$	16	7	7 $\frac{3}{4}$
November....	14 $\frac{1}{8}$	16 $\frac{3}{8}$	April 2	4 $\frac{7}{8}$	5	17	6 $\frac{7}{8}$	7 $\frac{7}{8}$
December ...	12 $\frac{3}{4}$	15 $\frac{1}{4}$	3	4 $\frac{3}{4}$	4 $\frac{7}{8}$	18	6 $\frac{1}{2}$	6 $\frac{1}{2}$
			4	4 $\frac{3}{4}$	5	19	6 $\frac{3}{8}$	6 $\frac{1}{2}$
1877.			5	4 $\frac{7}{8}$	5	20	6 $\frac{3}{8}$	6 $\frac{1}{2}$
January.....	5 $\frac{1}{4}$	7 $\frac{1}{8}$	6	5	5	21	6 $\frac{3}{8}$	6 $\frac{1}{2}$
February.....	4 $\frac{7}{8}$	6	7	5	5	22	7 $\frac{1}{8}$	7 $\frac{1}{2}$
March.....	4 $\frac{1}{2}$	5 $\frac{3}{4}$	8	5	5	23	7 $\frac{1}{8}$	7 $\frac{1}{2}$
			9	5	5 $\frac{1}{4}$	24	7 $\frac{1}{8}$	7 $\frac{1}{2}$

NOTES ON THE MONEY MARKET.

NEW YORK, APRIL 24, 1877.

Exchange on London at sixty days' sight, 4.88 a 4.88½ in gold.

The troubled condition of the political atmosphere in Europe, in consequence of the Turko-Russian war news, has not caused much perturbation here, except in the price of gold and of some other commodities, the market for which has become of late more sensitive than usual. The Bank of France has reduced its rate of discount to two per cent. Never before in the history of that prosperous institution has so low a rate been reached. In England, after the panic of 1866, the bank rate fell for several months to two per cent., but, from peculiar circumstances, the rate of the bank of France was sustained above that minimum and never descended below $2\frac{1}{2}$ per cent. The plethora of idle capital in the European money markets is now more remarkable because the monetary ease is visibly extending itself and embracing within its area a larger space in the commercial world. Two reasons are assigned for the monetary stagnation in France; one is the depression of the silk business at Lyons and elsewhere, and the other is the failure and disaster which have attended the financing operations in foreign loans, which for the last ten years have employed increasing amounts of capital in Paris and have resulted in the ruin of more than one of the most prosperous financial institutions of France. So far as our monetary situation is concerned the main interest attaching to these new movements of the money market in Europe arises out of the probable tendency to stimulate investments in American securities. For some time past foreign holders of our Government bonds have been selling them in consequence of the large amount of the fifties which have been called in for conversion into bonds bearing a lower rate of interest. The plethora of idle capital abroad is now so great, and shows so much tendency to increase, that there would be little doubt of an early increase in the demand for our securities in Europe but for two unfavorable circumstances. In the first place so much money has been lost by investments in foreign securities that capitalists and investors, both small and great, have acquired throughout Europe a great dislike and distrust towards foreign investments. Secondly, the war excitement throughout the financial centers of Europe will tend to develop at first a strong desire on the part of capitalists to call

their money home, and to have it in a floating shape under their own immediate command, so that they may take advantage of any favorable conjunctures such as a great war at its outset seldom fails to present to capitalists for making large profits. In all probability this result will be developed very actively during the next two or three months. Should the war be prolonged, however, a reaction can scarcely fail soon to take place and its tendency will no doubt be to send capital to this country in large amounts for investment. In any case there appears to be little doubt that our money market will continue easy for several months to come. Some of our bankers and money lenders are looking forward to better rates next autumn. If the crop prospects are fulfilled an improvement will no doubt result from the demand on this country for grain, and the general activity of trade may thereby receive such a stimulus that the fall movements in the money market may receive an earlier development than usual. It is, however, premature to speak with much confidence on contingencies which are so remote and so complicated.

The rates for loans show few changes. Call loans range at 2 to 5 per cent. according to time, collaterals and other circumstances. On Government bonds time loans are making at $2\frac{1}{2}$ to 4 per cent. Prime mercantile paper passes at $3\frac{1}{2}$ to 5 per cent. There is a somewhat better supply of mercantile bills offering, and some of our manufacturers in New England and elsewhere are already receiving some benefit from the war, in the demand not only for arms, but for shoes and other necessities; for which a speculative demand is springing up in anticipation that the war is certain to be protracted and to draw into the circle of its influence more than one of the great powers who are now neutral. The flow of greenbacks from this city to the interior has stopped, and the tide of deposits and of greenbacks is now setting towards this city as will be seen from the subjoined table :

1877.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Mch. 24.....	\$ 259,690,200	\$ 22,391,200	\$ 44,454,000	\$ 15,732,100	\$ 221,820,000	\$ 11,390,200
" 31.....	259,828,700	20,190,800	44,356,000	15,797,800	219,738,900	9,612,075
April 7.....	260,196,800	21,507,900	42,257,200	15,931,900	218,246,400	9,203,500
" 14.....	259,239,700	19,768,600	44,267,900	15,961,400	219,955,900	9,039,775
" 21.....	257,609,700	20,254,300	45,896,200	15,984,000	220,331,400	11,067,650

The Clearing-House exhibit of the Boston banks for the past month is as below :

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Mch. 24.....	\$ 129,235,800	\$ 3,529,400	\$ 5,137,700	\$ 72,380,800	\$ 22,653,400
" 31.....	129,664,800	3,256,400	5,541,000	72,279,800	22,807,700
April 7.....	129,388,200	2,979,000	5,386,100	73,871,900	23,415,100
" 14.....	127,020,400	2,767,800	5,539,200	73,313,500	23,387,600
" 21.....	127,123,900	2,619,700	6,026,900	73,513,600	23,420,000

The Philadelphia bank statements for the same time are as follows :

1877.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Mch. 24.....	\$ 60,311,207	\$ 1,762,772	\$ 13,983,906	\$ 48,660,209	\$ 10,543,955
" 31.....	60,666,149	1,546,863	13,907,306	48,426,355	10,592,890
April 7.....	60,899,684	1,481,507	14,073,425	48,556,936	10,637,179
" 14.....	60,677,487	1,373,098	15,231,956	50,317,533	10,638,709
" 21.....	60,760,918	1,303,800	15,952,149	50,834,215	10,574,351

It will be seen that the surplus reserve is now eleven millions and that it stands at about the same level as a month ago. There is however this differ-

ence, that the present statement is made up on rising averages. The currency movement and the drain of deposits have now ceased to command special attention, as the time is passed in which they are most active. The stock market has shown a feverish disquiet which does not augur very favorably for the future. Governments have been steady, but they have scarcely advanced as fast as gold during the last week. The old issues of the five-twenties have been somewhat weaker than the other descriptions, owing to the anticipation of their early payment and of the probable fall of gold. With regard to the funding operations of the early future, they are involved in some uncertainty. Secretary Sherman, it is said, wishes for no new legislation, but it is not improbable that some discussion on the subject will take place during the extra session of Congress.

State bonds are dull and neglected, except the Louisianas, which have advanced in consequence of the political changes of the last week. The States of Connecticut and Pennsylvania are both offering new loans which will doubtless be subscribed at full prices.

Railroad bonds are rather less in favor, except those of the best trunk lines which are held in strong hands. If gold is likely to rise in price railroad bonds should certainly fall, but if specie payments are to be resumed January 1st, 1879, it seems natural to expect that, other things being equal, the best railroad bonds should rise in value, or at least that they should not recede.

Railroad shares are less excited, but there is a very weak and unsettled feeling pervading the market. The coal roads have been trying to adjust their difficulties, and the western roads are likely to be able to show increased traffic during the second half of this year. Such at least are the opinions current in Wall Street and upon them better prices are predicted.

Gold has been disturbed by the war news. Considerable oscillations have taken place in the market, owing to the changing opinions day by day as to the effects upon the shipment and the price of gold, which will be developed if a large export of grain and other produce should result from the demand for the war, and from the temporary stoppage of the Black Sea grain trade. Foreign exchange has advanced and closes strong. Subjoined are our usual quotations :

QUOTATIONS :	Mar. 26.	Apr. 2.	Apr. 9.	Apr. 16.	Apr. 24.
Gold	104 $\frac{3}{4}$	104 $\frac{3}{4}$	105 $\frac{1}{4}$	107 $\frac{1}{2}$	107 $\frac{3}{4}$
U. S. 5-20s, 1867 Coup.	111 $\frac{1}{4}$	111 $\frac{1}{2}$	111 $\frac{3}{4}$	112 $\frac{3}{4}$	112 $\frac{3}{4}$
U. S. new 10-40s Coup.	111	111	111 $\frac{1}{4}$	112 $\frac{3}{4}$	113
West. Union Tel. Co.	62 $\frac{1}{4}$	58 $\frac{1}{4}$	56 $\frac{1}{4}$	56 $\frac{3}{4}$	58
N. Y. C. & Hudson R.	93 $\frac{3}{4}$	90 $\frac{3}{4}$	92 $\frac{3}{4}$	91 $\frac{3}{4}$	88 $\frac{3}{4}$
Lake Shore	49 $\frac{3}{4}$	47	47 $\frac{3}{4}$	47 $\frac{3}{4}$	47 $\frac{3}{4}$
Chicago & Rock Island	100 $\frac{3}{4}$	97 $\frac{1}{4}$	96 $\frac{3}{4}$	88 $\frac{3}{4}$	86 $\frac{3}{4}$
New Jersey Central...	83 $\frac{1}{4}$	83 $\frac{1}{4}$	83 $\frac{1}{4}$	73 $\frac{1}{4}$	73 $\frac{1}{4}$
Del. Lack. & West....	59	60 $\frac{1}{4}$	57 $\frac{1}{4}$	52 $\frac{1}{4}$	48 $\frac{1}{4}$
Delaware & Hudson...	49 $\frac{3}{4}$	50 $\frac{1}{4}$	47 $\frac{1}{4}$	41 $\frac{1}{2}$	44 $\frac{1}{4}$
North Western.....	32	32	31 $\frac{1}{4}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$
Pacific Mail.....	20 $\frac{3}{4}$	18 $\frac{1}{2}$	17 $\frac{3}{4}$	16 $\frac{1}{4}$	17 $\frac{1}{4}$
Erie.....	6	5 $\frac{3}{4}$	6 $\frac{3}{4}$	5 $\frac{3}{4}$	6 $\frac{3}{4}$
Call Loans.....	2 @ 4	2 $\frac{1}{2}$ @ 5	2 @ 5	2 $\frac{1}{2}$ @ 5	2 @ 5
Discounts	4 @ 6	3 $\frac{1}{2}$ @ 6	4 @ 6	4 @ 6	3 $\frac{1}{2}$ @ 6
Bills on London.....	4.84 $\frac{1}{2}$ -4.86 $\frac{1}{2}$	4.84 $\frac{1}{2}$ -4.86 $\frac{1}{2}$	4.86 $\frac{1}{2}$ -4.88 $\frac{1}{2}$	4.87 $\frac{1}{2}$ -4.89 $\frac{1}{2}$	4.88-4.90
Treasury balances, cur.	\$44,051,185	\$42,231,889	\$40,851,797	\$41,664,750	\$41,335,123
Do. do. gold.	\$73,124,603	\$74,026,844	\$74,716,670	\$74,877,259	\$76,827,466

The imports for nine months ending March 31, and those for the same period in the two years preceding, are as below; the figures representing gold values.

FOREIGN IMPORTS AT NEW YORK FOR NINE MONTHS ENDING MARCH 31.

	1875.	1876.	1877.
Six months ending January 1.....	\$ 175,110,736	\$ 148,376,529	\$ 147,027,452
January.....	24,831,250	29,756,259	27,646,337
February.....	36,923,360	27,977,330	26,659,268
March.....	38,289,583	32,818,867	34,462,295
Total nine months.....	\$ 275,154,929	\$ 238,128,985	\$ 235,695,352
Deduct Specie.....	8,074,782	7,356,039	29,378,650
Total merchandise.....	\$ 267,080,147	\$ 230,772,946	\$ 206,316,702

As compared with previous years, the last nine months show a decline of sixty-two and a-half millions, from the same period ending March 31, 1874; and 107 millions from that ending March 31, 1873. Part of this decrease, of course, is in the lower price of goods, but the change as represented is still very significant.

The exports of produce and merchandise for the same period of the current fiscal year show the gratifying gain of more than ten millions over those of 1876; although those of 1874 and 1875 were still larger. The total at the end of March, 1874, was \$ 256,867,560.

EXPORTS (EXCLUSIVE OF SPECIE) FROM NEW YORK TO FOREIGN PORTS, FOR NINE MONTHS ENDING WITH MARCH 31.

	1875.	1876.	1877.
Six months ending January 1.....	\$ 140,508,524	\$ 134,944,600	\$ 151,493,635
January.....	19,291,403	21,800,226	25,403,169
February.....	18,111,985	18,304,987	19,662,718
March.....	19,582,162	20,344,776	19,822,112
Total produce.....	\$ 197,494,674	\$ 195,994,589	\$ 216,381,634
Add specie.....	48,905,477	28,549,257	17,960,830
Total exports.....	\$ 246,399,551	\$ 224,543,846	\$ 234,342,464

DEATHS.

At KASSON, MINNESOTA, on Saturday, February 3d, aged forty-seven years, DAVID ANTHONY, President of the First National Bank of Kasson.

At DETROIT, MICH., on Saturday, March 24th, aged seventy-eight years, ELON FARNSWORTH, President of the Detroit Savings Bank since its organization in 1849.

At KEOKUK, IOWA, on Wednesday, April 4th, aged fifty-three years, JAMES F. COX, President of the State National Bank of Keokuk.

At XENIA, OHIO, on Thursday, March 15th, aged forty-one years, FRANKLIN A. MCCLURE, Cashier of the First National Bank of Xenia.

At VAN WERT, OHIO, on Saturday, February 3d, aged twenty-nine years, GUSTAVUS A. SAHLQUIST, Cashier of the First National Bank of Van Wert.

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THE FINANCIAL SITUATION.

Among the most prominent topics of discussion in financial circles is the revival that has been so generally expected from that widespread stagnation by which nearly all the commercial nations of Europe have suffered equally with ourselves. When the panic of 1873 occurred few persons supposed that the effects of that disaster would extend so far or would last so long. The favorite theory was that, like all other recent monetary spasms, the Jay Cooke panic would soon pass away, leaving but little trace of its visitation. Many months elapsed before the true nature of the economic crisis which was then beginning was at all appreciated even by the shrewdest and most far-seeing of our financial observers. It is so natural to the human intellect to seek out arguments to prove and sustain its foregone conclusions, and the American mind is so habituated, in finance as elsewhere, to look upon the bright and hopeful side of the early future, that there is no wonder if a general disposition was manifested to regard the storm which was passing over the country as a mere temporary disturbance of the financial firmament, destined to close before long, and to usher in a bright day of industrial prosperity and continued growth. It was not then seen how deep were the injuries which had been sustained by our commercial and industrial organism, in consequence of the protracted period of extravagant inflation and expanded credit, in which vast amounts of floating capital had been, year after year, converted into fixed forms of investment in railroads and a multitude of

other productive enterprises; until, like Nebuchadnezzar's image, the great structure which had been reared fell in ruins without expectation, almost without warning and from causes which were all but unknown.

The panic of 1873, differed in several essential points from the financial revulsions which were before on record. In 1837, 1848, 1857, 1861, and 1866, the trouble was rather due to a disturbance of credit or of currency, which are two of the three great forces of the financial world. At present the evil lies in another quarter. It is capital now which originates the financial perturbation. Hence, it has been well said that "capital is on strike." This epigrammatic form of expression, though perhaps not strictly accurate, sets forth an important aspect of the financial situation. During the last twenty years we have become familiar with strikes of workmen and combinations among their employers; but now we are brought face to face with another form of strike, that of capital itself. Of course, the term can only be figuratively applied in this case. But the fact to which it points is fundamental and extremely important. Since the gold discoveries of 1848 floating capital has multiplied with a rapidity beyond all precedent. On every side the accumulating currents of this capital have forced for themselves channels of employment. They have covered the whole area of the commercial world with well-arranged networks of railroads, banks and telegraphs, sending capital to and fro with immense speed among dense masses of industrial workers, creating innumerable active centers of production, and organizing mechanical inventions and steam engines with a power for the creation of wealth equal to that of hundreds of millions of men. In effecting this grand transformation, capital has earned larger returns than were at all accessible thirty or forty years ago. Instead of the two or four per cent. with which Holland and England and other rich countries were satisfied in the last generation, capital has become accustomed to demand twice or even thrice as much for its annual earning power. The desire and determination to command these large rates of interest, has introduced an element of risk and of gambling uncertainty into the movements of capital, in which keen observers have for years past seen the menace of much future mischief. The predictions of such conservative men were made light of, and the growth of the financial fabric went on with dangerous speed until the panic of 1873 brought it down in disaster.

From that time capital has been obstinately avoiding and refusing its old channels of absorption and investment, as is proved by the low rates at which it is now lending on call. The capital which formerly would have sought permanent investments is now timidly hoarded, and the plethoric reservoirs of loanable funds in all the great monetary

centers are full to overflowing. Capital is on strike, not because it shrinks from employment altogether, but because it refuses its old employments in the channels of permanent investment.

Nor is this the only feature of the present crisis. Another of equal importance is the check which has been given to enterprise and industrial activity. Even were capital less timid, good borrowers are scarce. The men who are capable of organizing labor and of developing the productive energies of the country with safety and success, have been discouraged and repelled by the insecurity and incertitude which covered the financial world with gloom. Over-production has not only caused immense sums of capital to be created, but it has also caused much of it to be wasted, and men of means and reputation are unwilling to assume the extraordinary risks which of late attend nearly every effort to expand the area of business or to enlarge the productive powers of existing enterprises.

A significant illustration of the extent to which the economic forces of Europe have been depressed is offered by the report of the London Clearing House which has just been issued. The aggregate of the clearing transactions has shown for two years a notable decrease. The total for the twelve months ending April 30, 1877, was 4,873 millions sterling, and for the preceding year it was 5,407 millions, while the three years previous averaged about 6,000 millions sterling a year.

TRANSACTIONS OF LONDON CLEARING HOUSE, 1867-1877.

	<i>Total for the Year.</i>	<i>On Fourths of the Month.</i>	<i>On Stock Exchange Account Days.</i>	<i>On Consols Settling Days.</i>
1867-68...	£ 3,257,411,000	.. £ 147,113,000	... £ 444,443,000	.. £ 132,293,000
1868-69...	3,534,039,000	... 161,861,000	... 550,622,000	... 142,270,000
1869-70...	3,720,623,000	... 168,523,000	... 594,763,000	... 148,822,000
1870-71...	4,018,464,000	... 186,517,000	... 635,946,000	... 169,141,000
1871-72...	5,359,722,000	... 229,629,000	... 942,446,000	... 233,843,000
1872-73...	6,003,385,000	... 265,965,000	... 1,032,474,000	... 243,561,000
1873-74...	5,993,586,000	... 272,841,000	... 970,945,000	... 260,072,000
1874-75...	6,013,299,000	... 255,950,000	... 1,076,585,000	... 260,338,000
1875-76...	5,407,243,000	... 240,807,000	... 962,595,000	... 242,215,000
1876-77...	4,873,000,000	... 231,630,000	... 718,793,000	... 223,756,000

It thus appears that there is a falling off of some twenty per cent. in the aggregate business of Great Britain as indicated by the Clearing House Barometer. The amount of loss and depression which has been spread throughout the country by this severe diminution of business and of the earning-power of capital may easily be conceived. To throw some light on the descriptions of business which have suffered the most, the foregoing aggregates have been submitted to an elaborate analysis by Mr. Henry Jeula a statistician of London. He has published the following statement of the proportions of the annual business of the Clearing House on the

fourths of the month, when the commercial bills to a large extent fall due, on account days when the Stock Exchange business is adjusted, and on the settling days when the transactions in consols are closed. The statistics are as follows:

PERCENTAGE ON ANNUAL TOTAL, 1867-1877.

	1867 <i>to</i> 1868.	1870 <i>to</i> 1871.	1871 <i>to</i> 1872.	1872 <i>to</i> 1873.	1873 <i>to</i> 1874.	1874 <i>to</i> 1875.	1875 <i>to</i> 1876.	1876 <i>to</i> 1877.	Mean <i>of</i> Y ^{rs}
Amount passed on the fourths of the month...	4-52	4-64	4-28	4-43	4-55	4-26	4-46	4-75	4-50
Am't passed on the Stock Exchange account days.	13-64	15-83	17-58	17-20	16-20	17-90	17-80	14-75	16-25
Am't passed on Consols settling days.....	4-06	4-21	4-36	4-06	4-34	4-33	4-48	4-59	4-25
Total passed on the three special days.....	22-22	24-68	26-22	25-69	25-09	26-49	26-74	24-09	25-00
Am't passed on the other days of the month.....	77-78	75-32	73-78	74-31	74-91	73-51	73-26	75-91	75-00
	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00
Percentage of annual increase.....	—	8-01	33-38	12-01	—	0-33	—	—	—
Percentage of annual decrease.....	—	—	—	—	0-16	—	10-08	9-88	—

In addition to the general movements of commerce above referred to, several other facts of much value are illustrated by these tables. The falling off in the Stock Exchange business is quite noteworthy. The commercial business and the transactions in consols have consequently received a nominal increase in their percentage, which is easily explained notwithstanding the decline in the aggregate business of the year.

The depression which has done so much to injure and impede the movements of capital, has of course spread much distress among the laboring population, and has thrown great multitudes out of work. In proof of this the following table has been prepared of the in-door pauperism in England at present as compared with a year ago. The table is as follows, and shows an increase during the last year of nearly five per cent., and the out-door pauperism is reported to show even a larger increase.

IN-DOOR PAUPERS, FEBRUARY 28, 1876 AND 1877.

<i>Divisions.</i>	1877.	1876.	<i>Increase.</i>
The Metropolis.....	39,185	37,321	1,862
South Eastern.....	17,707	17,575	132
South Midland.....	9,851	9,547	304
Eastern.....	8,722	8,592	130
South Western.....	11,332	10,792	540
West Midland.....	16,339	15,033	1,306
North Midland.....	6,581	6,372	209
North Western.....	21,292	20,096	1,196
York.....	10,236	9,556	680
Northern.....	5,946	5,734	212
Welsh.....	5,597	5,002	595
	152,786	145,620	7,166

In view of these facts it is easy to see that the recuperation which has been so often predicted and so ardently waited for may be still deferred, and may be slow and irregular in developing itself. Our vast area of agricultural production gives us exceptional advantages especially in the event of a protracted war in the Orient. We have also many other advantages which seem to give us a better prospect of early revival in industrial and financial activity than is offered to most of the nations of Europe.

THE BANKS AND SPECIE PAYMENTS.

BY DR. GEORGE MARSLAND.

Among the speculative rumors which have been so actively disseminated since Mr. Sherman's visit to New York last month, it has been more than once affirmed, with some emphasis, that the banks are unfavorable to the early resumption of specie payments. As yet we have seen very little evidence in support of this opinion. The new policy which Mr. Secretary Sherman has adopted of selling bonds for gold will be likely to elicit further indications on this subject in the near future. If our banks or any considerable majority of them are opposed to the early resumption of coin payments, the vigorous progress which will be made, should Mr. Sherman persist in his present programme, cannot fail to develop the evidence very soon. The new movements of the Treasury to which we refer are connected with the sale of four and a half per cent bonds at par for gold. The authority for this action is found in the Law of January 1875, which declares that "to enable the Secretary of the Treasury to provide for the redemption" of the greenbacks he is "to issue, sell and dispose of at not less than par in coin, either of the descriptions of U. S. bonds authorized in the Act of Congress, approved July 14th, 1870, to the extent necessary to carry this act into effect, and to use the proceeds thereof for the purposes aforesaid." Under the authority thus conferred the Secretary of the Treasury has decided to sell bonds bearing four and four and a half per cent. interest. These securities are to be disposed of at par in coin, and the specie received for them is to be afterwards sold for currency.

Two questions have been raised in regard to this arrangement. First, it is asked what the Secretary intends to do with the currency so received as the proceeds of the resumption bonds. From a mistaken interpretation of the law it has been supposed that the Secretary is armed with the power to cancel and destroy the greenbacks received from the sale

of resumption bonds, so as to contract the currency as rapidly as he can place his bonds on the market. A better opinion is that the Secretary has at present no power under existing laws to contract the greenback currency in the way proposed, and that the only course open to him is to accumulate in the Treasury the currency which he receives in payment for the coin proceeds of the bonds.

The second question is as to the kind of currency which will thus be locked up in the Treasury. It is well known that the law allows any currency payments to the Treasury to be made in two ways, by bank notes or by greenbacks. If the Secretary should hold any considerable portion of the proceeds of the resumption bonds in bank notes, it is obvious that they would not be available for the purposes in view, which are to act upon the volume of the greenback currency by way of contraction. From these and other like facts it is plain that the Secretary will accumulate the currency fund in greenbacks. Of course, he can use his own discretion as to whether the greenbacks hoarded in the vaults of the Treasury are of large or small denominations. But that the fund now being created by the sale of resumption bonds must be held in greenbacks there is no doubt, whatever be the denominations of the greenbacks held.

In the present state of the money market these questions are not of such practical importance as they may become next autumn if the promise of improvement in business should be fulfilled. Our shrewdest bankers are looking forward to the fall money market with some anxiety. With the returning activity of business an impulse could scarcely fail to be given to the monetary demands of the country, and the loan market would be likely soon to respond by a hardening of the rates of interest. In such a contingency the questions we have noted would assume great importance. If the Treasury should by that time have absorbed forty or fifty millions of greenbacks, or even a much smaller aggregate, there would be a danger that a mischievous agitation would arise, both in Congress and elsewhere, to modify the laws so as to permit the Treasury to reissue a portion of the hoarded currency, and to give ease to the overstrained monetary machinery of business. In view of these facts it has been argued that Mr. Secretary Sherman would do well to explain in detail what particular methods he intends to adopt in regard to that portion of his plan which involves a contraction of the active greenback currency. As the resumption law is silent on these questions they are left to the discretion of the Secretary, and the utmost publicity is of course desirable.

In Wall Street there are a number of persons of some influence who are of opinion that the Secretary should "keep his own counsel" and should contract the greenback circula-

tion as vigorously as he pleases without making any public announcement of what he is doing. This policy is advocated on several grounds. For example, the money market is pointed to and the plethora of currency. "Can there be any doubt" it is asked, "that if the Secretary were to lock up ten or fifteen millions of greenbacks, the results just now would be scarcely appreciable, or if felt at all they would be welcome as remedial, and as a relief from the accumulation of currency? But if the Secretary disturbs and agitates the popular mind by continually announcing the successive steps of currency contraction which he has carried out in the past, or is about to continue in the early future, the results may well be looked for with apprehension." These and many other plausible arguments in favor of secrecy and against publicity in the movements of the Treasury have lost much of the force which they once exerted upon popular opinion. It is now a recognized principle of our Treasury policy that the highest degree of publicity compatible with the efficiency of the Treasury operations should be invariably maintained. It is gratifying to find that Mr. Sherman fully recognizes the importance of publicity, and that he has promised to announce before long the more complete details of his new resumption policy. There is no doubt that the banks all over the country will be ready to give efficient aid to the work of resumption and to co-operate heartily and actively in all the preliminaries thereto.

The National banking system was proposed to Congress by Secretary Chase during the war for two purposes. First, with a view to secure a uniform currency to take the place of the heterogeneous and miscellaneous bank-note circulation, issued under the authority of the United States; and secondly, to furnish a market for United States bonds, so as to enable the Government to fund its war debt. The latter is unquestionably the most important of the two. To secure that object while the nation was under the strain of war, the banks previously in operation relinquished their corporate existence as State institutions, and entered into new relations under the National Currency Law. Very soon, however, the banks found themselves subject to two forms of taxation instead of the one previously imposed upon them. To the State taxes were added new imposts equally heavy by the general Government. Nor was the State taxation diminished but rather increased. These taxes have become so onerous and oppressive, as almost to be prohibitory of the business of banking. Many institutions in all parts of the country, and particularly in the commercial cities, are compelled to diminish their capital and surplus or to retire from business altogether.

It is important especially in view of the present efforts of the Government to prepare the Treasury for resumption, that

we should understand the practical effects of the taxation referred to. The Treasury in its preliminary arrangements for resuming coin payments, is under the necessity of placing large amounts of Government bonds upon the market. The agents most capable of absorbing these bonds are the banks. At present, just as at the beginning of the war, the Government will have to rely upon the banks to open the market for its bonds. But in the performance of these functions the banks are much hindered and oppressed by the taxation imposed upon them. Every dollar of bonds which they purchase increases their liability to taxation, while private individuals can buy the same bonds without any liability to increased fiscal burdens. This unjust discrimination against the banks as purchasers of Government bonds threatens to raise up an insuperable barrier to any extension of the sale of Government securities, which the Treasury in its efforts to restore specie payments will be obliged to make. Why, it may be asked, should one class in the community incur a penalty for doing a great public service which they alone can efficiently execute, while another class possessing less aptitude to serve the Government is free from this severe burden? This is one of the most momentous questions of the time, and its bearings cannot be too early and too thoroughly explored in connection with the relations of the banks to the work of resuming specie payments.

TWO PER CENT. AT THE BANK OF FRANCE.

For the first time in its history, the Bank of France on the 6th April reduced its rate of discount to two per cent. This change is so important as to have attracted the attention of most of the European economists and financial journals. The nearest approach to this rate was in 1867 and 1868, when for a long period the Bank of England rate ruled at two per cent. and the Bank of France descended as low as $2\frac{1}{2}$ per cent. The business of France and of its greatest banking institution has somewhat changed during the interval of ten years. At the beginning of this decade the banking business in France was much less distributed than now. Hence much of that business went to the bank whatever might be its rate of discount, and there were fewer inducements to divert the current of bills into competing channels for discount. The finance institutions of Paris were too busy in other directions to give an exorbitant share of attention to commercial bills. Of late years, however, a change has taken place, and a considerable portion of the commercial paper floating in the channels of discount at Paris, has passed

away from the Bank of France, and has been absorbed by some of the rival institutions which have grown up around it. The process has been somewhat similar to that which we some time ago described, in connection with the Bank of England during the early years of the joint stock banks which began to show their strength forty years ago. Whether the growth of these French discounting institutions will resemble in vigor and success that of their English counterparts is a question which the future must solve. The rate of discount of the Bank of France has been changed only twice in thirty-four months. It was fixed at four per cent. June 4th, 1874, and at three per cent. May 26th, 1876. There has been an utter collapse of foreign loan financing, of which a growing fondness has been exhibited in Paris for several years past. Now that there is an end of this mania, two results are making themselves visible. The financial magnates of Paris have less need of accommodation and less desire to resort to the Bank of France. And secondly their floating capital is shut out from its old channels of absorption and is tempted to seek to invest itself in commercial paper. For these and a multitude of other reasons the paper offered at the bank has diminished in a remarkable degree during the past year. The report for 1876, read at the recent meeting of the share-holders, states the total of the discounts during the year as follows:

Commercial paper.....	\$ 1,127,930,780	... \$ 1,365,456,700
Mint and treasury bonds.....	344,469,700	... 558,693,400
	<hr/>	
Total of discounts.....	\$ 1,472,400,480	... \$ 1,924,150,100

It thus appears that the offerings of commercial paper have fallen off \$27,425,920, the loans on Treasury bonds \$214,223,700, and the aggregate discounts \$451,649,620. The trade bills have decreased seventeen per cent., the treasury bonds thirty-eight per cent., and the total of discounts nearly twenty-four per cent. One of the most conspicuous features of the bank report is its account of the reserve of gold and silver. It amounted on March 22, to \$445,688,244. Since then the telegraph has reported a slight decrease. The steady growth of this vast reserve of the precious metals will be seen by the following table:

GOLD AND SILVER RESERVE OF THE BANK OF FRANCE.

January 2, 1874.....	\$ 153,270,000
March 26, 1874.....	205,615,000
March 25, 1875.....	305,611,611
March 23, 1876.....	374,929,753
March 24, 1877.....	445,688,244

THE NEW YORK SAVINGS BANKS.

In consequence of the recent failure of a few savings banks in this city, and the renewed agitation as to former failures, it has been supposed that a considerable diminution in the amount of the deposits would be recorded during the year. The report of the Superintendent of the Bank Department has therefore been looked for with special interest, and some anxiety was expressed in anticipation of an unfavorable exhibit. The figures have not been published quite so early as usual, and we were obliged to omit them in our general savings bank review last month. From the preliminary report from Albany, we take the following comparative statement :

NEW YORK SAVINGS BANK DEPOSITS, &C., 1876 AND 1877.

	<i>January 1, 1876.</i>	<i>January 1, 1877.</i>
Due depositors.....	\$ 319,260,202 .	\$ 316,677,285
Other liabilities.....	846,433 .	975,259
Surplus at market values.....	33,689,701 .	34,176,603
Number of banks reporting.....	154 .	150
Open accounts.....	859,738 .	849,638
Opened in 1876.....	204,278 .	187,677
Closed.....	188,569 .	181,399
Deposited, including interest.....	162,592,113 .	146,532,529
Deposits withdrawn.....	143,628,957 .	146,026,362
Interest credited.....	16,990,284 .	16,506,090

It will be seen that the deposits have fallen less than three millions, while the surplus has increased half a million. The number of banks is reduced from 154 to 150, and the number of open accounts from 869,738 to 849,638. It thus appears that 10,000 persons who had savings bank accounts a year ago have now none. On the other hand, nearly 8,000 fewer accounts were closed this year than last, and the amount of interest credited to depositors has fallen off by about half a million. When we receive the official report of the Bank Department, we shall be able to enter into more minute details relative to our savings bank progress in this State. It has often been suggested that we might with advantage adopt in our system some of the methods of the English savings banks. For example, not a few persons who have been abroad suppose that the Post Office savings bank arrangements could without difficulty be naturalized here. From some of the savings bank reports for previous years, we find that our bank superintendents have entertained the project and have believed in its practicability. A very brief examination of the British system will, however, suffice to show how incapable under our methods of Post Office management, the project must inevitably be of efficient operation. The total savings

bank deposits of Great Britain amount to 338 millions of dollars. Of this sum over one-third is deposited in the Post Office savings banks, and less than two-thirds in the ordinary savings banks. The following table shows the gradual growth of the Post Office banking system since it was first organized in 1863 :

DEPOSITS OF BRITISH SAVINGS BANKS.

	<i>Post Office Banks.</i>	<i>Ordinary Savings Banks.</i>	<i>Total Savings Bks. & Post Office.</i>
1863.....	£ 16,884,140	£ 204,757,525	£ 221,641,665
1864.....	24,965,620	197,601,680	222,567,300
1865.....	32,632,000	193,726,490	226,358,490
1866.....	40,605,875	181,910,580	222,516,455
1867.....	48,749,645	182,666,015	231,415,660
1868.....	58,333,275	184,337,285	242,670,560
1869.....	67,621,045	187,768,730	255,389,775
1870.....	75,495,520	189,792,745	265,288,265
1871.....	85,125,020	194,098,315	279,223,335
1872.....	96,591,695	200,441,740	297,033,435
1873.....	105,838,745	202,500,675	308,339,420
1874.....	115,787,345	207,529,745	323,317,090
1875.....	125,936,725	212,038,845	337,975,570
Total 13 years.	£ 894,566,650	£ 2,539,170,370	£ 3,433,737,020

The operation of the system may be briefly described. A person wishing to deposit not less than one shilling can go to the nearest money-order post office and leave his deposit, receiving a bank book, properly numbered, on which his name, address and occupation will be written. The amount of the deposit is entered on the book attested by the signature of the post master, and stamped with the official stamp of the office. This is a sufficient voucher for the depositor, the Government being responsible for its safe transmission to the General Office. The postmaster sends an account daily to the money-order office in London of each transaction, with the original signature of the depositors. It is there properly entered, and an acknowledgment is sent to each depositor. This is rather for the protection of the Government from frauds on part of its own officials than as further security to the depositor, for whom the entry on the book is a competent voucher, still it is valuable as cumulative evidence; and if he does not receive such acknowledgment within ten days he should make application for it, which he may do free of postage. Subsequent deposits are made in the same way, and may be made at the same or at any other money-order office in the kingdom, and so perfect is the system that one might make the whole round of the 3,369 post office savings banks in the kingdom, making deposits in each, and though he would add to the labor of the department, he would not confuse or embarrass its operations in the slightest degree.

Withdrawals are effected with equal readiness and ease.

The depositor has only to call at any money-order office and ask for a blank form, which he fills up with the number of his deposit book, the place where deposited, the amount required, the place where he wants it paid, his name, address and occupation, and sends free of postage to the Postmaster-General. The address is printed on the back of the form, so no misdirection, through ignorance or carelessness, can occur. The draft or order is received, signature and other facts compared with those of the original deposit on file, the account examined, and if found correct a warrant for the amount on the Postmaster of the place designated in the order is drawn and forwarded to the depositor, and at the same time a duplicate copy of the warrant in the nature of an advice is sent to the Postmaster.

When the depositor presents his original warrant the Postmaster compares the same with his advice, compares the signature to the receipt attached to the warrant with the original in the depositor's book (which must always be presented), and if all is correct he pays the money and makes an entry of the same in the withdrawal part of the depositor's book, signing and stamping it the same as in case of the deposit. To illustrate the working of the system as it would be if applied in this country let us suppose that a depositor from Portland, Maine, has occasion to visit San Francisco. At St. Louis, finding he will require money soon after his arrival at San Francisco he goes to the post office, procures and fills out a form addressed to the Postmaster-General, directing payment to be made at San Francisco, and proceeds on his journey. Arriving at San Francisco, he would receive by due course of mail the warrant on the Postmaster of that city, from whom he receives his money.

Even were our Post Office organized like that of Great Britain, we should perhaps find almost insuperable obstacles in the way of adopting the Post Office savings bank system with sufficient guarantees against fraud and loss. Under existing circumstances the plan is both needless and impracticable. Our present savings bank methods have worked extremely well. They are more highly developed than those of any other country except Great Britain, and they have the advantage of complete adaptation to the popular institutions and habits of which they are the outgrowth. Hence, we neither require the Post office savings bank system, nor do we possess the facilities for carrying it on with efficiency if we had it.

COAL COMPANIES AND PRODUCTIVE GROWTH.

The heavy blow which our coal stocks received some months ago still attracts so much public attention, and the depression of coal property in this country has been so spasmodic and violent that we are apt to overlook the fact that in Europe a similar collapse has taken place, though from various circumstances it was not attended with so much popular agitation and excitement. When the history of coal property in this country comes to be written it will be seen that the recent fall in values was the inevitable result of the artificial condition in which this species of property had been held. Half a dozen great companies, powerful as their combination might be, and durable as they could have made it, if they had been content to meet the popular wishes for cheap fuel, were wholly unable to resist the downward tendency of values which has been for some years establishing itself throughout the world. Only a few weeks before the crisis in which the coal stocks succumbed, we ventured to predict the near approach of trouble, and to suggest that if the same wisdom presided over the coal interests now to which their rapid growth and consolidation years ago was due, a conservative change of policy would be adopted, and the demands of the public for a notable reduction in the price of coal would be immediately obeyed. Some of the newspapers denied our statements, or made light of our predictions. It is perhaps too much to say that if the coal companies had been wise enough to foresee what many of their friends foresaw, the depreciation in the coal stocks could have been kept within narrow limits. This we do not affirm. The valuations were undoubtedly too high, and the inflation of prices was notorious. Still, the fall would have been without doubt arrested much earlier, and its results might have been less disastrous. It is also very probable that the recovery of this important species of property would have been much more rapid than is deemed at present at all likely by the majority of investors. The chief lesson which seems to be taught by the disasters of our coal companies, is the utter powerlessness of all combinations of selfish individuals to oppose the movements of the great laws which govern values, and which are as irresistible by human efforts as the laws of electricity or of gravitation.

Another illustration of the same principle is found in the recent history of the British coal business. In 1872 a law

was passed for the regulation of the mines which aided the efforts of the miners to keep down production and to maintain a scarcity of coal by limiting the hours of work to fifty-four per week. The inflation of coal property had then culminated, and a reaction was ready to declare itself at the first opportune moment. Hence the result of this legislation was to reduce the hours of work to the amount of eleven days per fortnight, diminishing the yield of coal to the extent of fully ten per cent. Moreover, the increased idleness and irregularity of the miners led to the opening of the new mines, with a view to maintain the production of coal to a level with the demand which in 1872-3 was large. From various articles in the *Pall Mall Gazette* and the *London Times*, we find that the total production of coal in Great Britain sixty years ago was less than one-fourth of its present aggregate. In 1816 the statistics show that the whole production of the British coal mines was only 27,020,115 tons. There is no accurate record available as to the total number of colliers at work in this year, but in 1838 there were only fifty-nine collieries at work in the Great Northern coal-fields, producing 5,887,520 tons, as compared with 347 collieries, producing between thirty and thirty-five million tons of coal in 1876. Sixteen years later the total number of collieries in the United Kingdom was returned at 2,441, and their aggregate production of coal was calculated at 64,961,401. Ten years later still the number of collieries at work was returned at 3,195, and their aggregate production at 92,787,873 tons, being within the decennial period named an increase of 754 collieries and about twenty-eight million tons of coal. During the ensuing five years—that is, to the end of 1869—the singular phenomenon is presented of a large decrease in the number of collieries and a considerable increase in the production of coal, the exact number of collieries at work being returned at 2,819, while the exact production had advanced to 107,427,557 tons. These figures show, as compared with 1864, a decrease of 376 in the number of collieries, and, in round figures, an increase of fifteen million tons in the quantity of coal produced. This seeming incongruity is, however, susceptible of easy explanation. The principal collieries had largely extended their production and a number of smaller collieries had been closed, according to the conditions of trade or the necessities of their owner.

It is a common error to assume that the English coal trade had been steadily progressive during the last half-century. Such is far from being the fact. Between 1855 and 1856, for example, there was an increase in the quantity raised of about two million tons, but in the following twelve months there was a decline of fully a million tons, and the next year, again, nearly another million was added to this

falling off, making, between 1856 and 1858, a reduction of nearly two million tons. In 1859, however, the total production of the United Kingdom had advanced to close on seventy-two million tons, being an increase upon the previous year of about seven million tons, and in the following year there was a further increase of over eight million tons, so that in these two years alone fifteen million tons were added to the output of coal in the United Kingdom—an increase almost equal to our whole production in the year 1816, which was returned at 15,634,000 tons—or an increase more than equal to the united coal production of Austria, Russia, Spain, Portugal, Australia, and India, at that time, and within three million tons of the whole annual production of either France or Belgium at the present time. From 1860 to 1869 there was a steady annual increment of growth, except in 1862, when the output fell about two million tons below the produce of the previous year. From 1869 to the present time there has been a continuous annual growth, except in 1873-'74, when the output fell from 127,000,000 to 125,000,000 tons, a decline, however, that was amply compensated for in the following year, when the total output advanced to 132,000,000 tons, or an increase of 7,000,000 tons on 1874.

Up to the year 1871 the coal trade, although progressive, was not conspicuously prosperous. On the contrary, it has been asserted over and over again by competent authorities, and notably by some of the largest coal owners in the kingdom, *that for twenty years previous to 1870, the average net profits realized in the coal trade did not exceed five per cent. on the capital invested.* But in 1871 the trade began to take a decided turn. In 1872 it experienced an inflation of demand and prices beyond all precedent. In 1873 this condition of affairs was continued, somewhat modified towards the close of the year. It was in these circumstances that the enormous development of the coal-fields was arrived at, culminating in the results tabulated below. Every one who had any available capital made eager haste to transfer it to ventures in coal and iron. Those whose regular business it was to follow these trades were completely at sea as to the probable duration of the period of high prices, while they were impelled to engage in schemes of extension and development that often exceeded their means and left them sorely crippled in available capital. Every coal property that was worth picking up, and not a few that were utterly worthless, were eagerly leased at a higher rate of rental than had ever before been paid—*some even paying as high as 1s. 6d. to 2s. per ton*—and pits were sunk in the most forbidding localities. The net result of these four years will be found in the following table, which shows *the number of collieries opened out in each district, and the increase between the years 1871 and 1875:*

<i>District.</i>	1871.	1875.	<i>Increase.</i>
North Durham and Northumberland...	164	170	6
Cumberland.....	27	39	12
South Durham.....	140	177	37
Cheshire.....	29	37	8
Lancashire, East and North.....	287	400	113
Lancashire, West.....	157	188	31
Yorkshire.....	423	523	100
Derbyshire.....	130	255	125
Nottinghamshire.....	27	46	19
Warwickshire.....	18	31	13
Leicestershire.....	12	25	13
South Staffordshire and Worcestershire.....	307	442	135
North Staffordshire.....	104	157	153
Shropshire.....	59	64	5
Gloucestershire.....	66	90	24
Somersetshire.....	33	40	7
Monmouthshire.....	74	91	17
South Wales.....	299	415	116
North Wales.....	79	124	45
Scotland (East).....	218	334	118
Scotland (West).....	204	232	28
Ireland.....	30	53	23
Totals.....	2,885	3,933	1,048

The following table, which shows the production of coal in each of the districts named, and the total production of the United Kingdom in the years 1871 and 1875, together with the increase or decrease in each district, will exhibit at a glance the results of the opening out of the 1,048 new collieries tabulated in the foregoing table :

<i>District.</i>	<i>Tons—1871.</i>	<i>Tons—1875.</i>	<i>Increase.</i>	<i>Decrease.</i>
Durham & Northumb'land	29,190,116	32,097,323	2,907,207	—
Cumberland.....	1,423,661	1,226,737	—	196,924
Yorkshire.....	12,801,260	15,425,278	2,624,018	—
Derbyshire.....	5,360,000	7,091,325	1,731,325	—
Nottinghamshire.....	2,469,400	3,250,000	790,600	—
Warwickshire.....	723,600	799,750	76,150	—
Leicestershire.....	699,900	1,154,619	454,719	—
Staffordshire and Worces- tershire.....	14,281,250	14,708,004	426,754	—
Lancashire.....	13,851,000	17,076,044	3,225,044	—
Cheshire.....	975,000	658,945	—	317,055
Shropshire.....	1,350,000	1,229,785	—	130,215
Gloucestershire.....	1,412,297	1,273,080	—	139,217
Somersetshire.....	673,878	654,878	—	29,000
Monmouthshire.....	4,915,525	3,525,975	—	1,389,550
South Wales.....	9,120,000	10,632,597	1,512,597	—
North Wales.....	2,500,000	2,337,308	—	162,692
Scotland.....	15,438,291	18,597,507	3,159,216	—
Ireland.....	165,750	127,950	—	37,800
Totals.....	117,352,028	131,867,105	—	—

The year 1875 has been selected because it is the latest for which returns are available, but as 1876 was one of

exceptional depression, the results of 1875 are not likely to have been much altered. The figures quoted above show that the greatest amount of enterprise has been in *Lancashire*, where 144 new collieries have been opened out, and 3,225,044 tons of coal additional raised; and in *Scotland*, where 146 new collieries have been opened, and 3,159,216 additional tons of coal produced. *Yorkshire*, with an increase of one hundred collieries, and 2,624,018 tons of coal, comes very near to the great northern coal-field, with an increase of 2,907,207 tons of coal; but the fact that there have only been some forty-three additional collieries opened out in the last-mentioned coal-field, proves conclusively that increase of production does not always run *pari passu* with an increase in the number of pits. Another very notable fact points to this conclusion, for it will be observed that while the number of collieries has increased in every coal-field throughout the kingdom, there has been an absolute decrease of production in no less than eight of the principal coal-fields—namely, *Cumberland*, *Cheshire*, *Shropshire*, *Gloucestershire*, *Somersetshire*, *Monmouthshire*, *North Wales*, and *Ireland*. Another curious fact will be found on examining the figures relating to *Staffordshire* and *Worcestershire*. In these counties there has been a total increase of 188 in the number of collieries, whereas the increase in the quantity of coal produced is only 426,754 tons. When we remember the prodigious efforts put forth to secure the development of new collieries it is obvious that a large number of the older mines must have been worked to very little purpose.

From what has been said it is evident that there is much difference and some analogy between the way in which coal property has been depressed in England and in this country. In both countries, however, the inflation of values brought on its usual results, over-production and expansion of credits. The tension at length after several years of unprecedented excitement, became so severe as to render an explosion almost inevitable. In the United States the coal production is much more limited in amount and is under the control of a smaller number of leading men. Hence, the collapse might perhaps have been more easily prevented than in England. For the same reason, however, it was more severe when it did occur, and its effects were more disastrous though operating within a more narrow area. If the coal panic has ruined hundreds of investors here, it has impoverished thousands and tens of thousands abroad. We have already referred to the prevailing belief that the coal interest in this country will be slower to revive than elsewhere. But no one who has watched the growth of the coal production among us in the last twenty years can fail to have noticed the extraordinary vitality which it has always shown. Does not this vitality give prom-

ise of an inherent and irresistible recuperative force for the future? How soon we shall see the indications of this revival is a question on which public opinion is beginning to be a little more hopeful.

THE CREDIT FONCIER AND ITS FORTUNES.

Owing to some misapprehension the report has been current that the Credit Foncier of France was about to be wound up. There is no foundation for this rumor. At the end of April last the annual meeting of the shareholders was held, when the report of the year's business was read. It showed a large falling off in the aggregate of business in 1876 compared with the previous year, the total loans and advances amounting to only 152 millions, against 259 millions in 1875. The difference was due to a decrease in the communal loans from 100 millions to eight millions only. The mortgage loans remained stationary at forty-five millions. The most interesting part of the report was that referring to the Egyptian securities held by the establishment. In the meetings held in April and November last, the amount of those assets was stated to be 168 millions of francs, including the bonds taken over in the fusion of the Credit Agricole with the Credit Foncier. In the balance sheet, published for the end of 1876, the sum is set down at 126 millions. There had, however, been a diminution of two millions only. The apparent inexactitude is explained by the assets of the Credit Agricole not having been transferred at that date. The real sum held by the united establishments at the end of the year 1876 was 166 millions, consisting in round numbers of five millions of bonds of 1873; sixty-one millions of advances on securities—titles of the Consolidated Debt and Alexandria Waterworks. That portion of the Egyptian debt had been excepted from the measure of conversion, and is payable in money, the Viceroy having engaged to make up the deficit, should the sale of the securities not cover the debt. Extensions of time for payment have been accorded twice, the second expiring in October next. The remainder of the Egyptian securities held by the Credit Foncier are sixty-one millions of Treasury bonds, and thirty-nine millions of Daira bonds. Referring to the recent modifications in the statutes, the Governor stated that the Government had introduced a clause to limit to 2,000 millions the amount of bonds that could be issued down to the year 1883, unless with the authorization of the Minister of Finances. There is, however, still a wide margin, as the present issue is only 1,365 millions. The bonds redeemed in 1876 amounted to fifty-seven millions of francs. The monopoly of the Credit Foncier

expired in April last, and the report remarks that a renewal of it would have been too dearly purchased if it were to be only obtained in exchange for the surrender of the right of proportioning the conditions of loans to the variations in the value of money. The profits for the year amounted to 2,202,425f. A dividend of 12f. 50c., or five per cent. on the paid-up capital, was paid in January last, and the board proposed to add the balance, which was equal to a further sum of 11f. per share, to the reserve. That proposal was received with dissent, and on a vote being taken, the meeting decided on distributing the balance of the year's profits. Several vacancies among the directors had to be filled, and, as usual, the required number of candidates were recommended by the board, but some of the nominations were not ratified by the shareholders.

Among the modifications in the statutes of the Credit Foncier Company, proposed by the Board and voted by the meeting of shareholders, was the creation of an insurance branch, with the view of intercepting the insurance on house property serving as a security for loans, and now taken with other companies. The Council of State refused to authorize this addition to the ordinary business of the Credit Foncier; but the difficulty is now about to be got over by the establishment of an insurance company independent of the Credit Foncier, but for the shares in which only proprietors of the Credit Foncier will be admitted to subscribe. The capital is fixed at forty millions of francs, and owners of ten shares in the Credit Foncier will have a right to take two in the new company. The other insurance companies are naturally hostile to this scheme, which would deprive them of many of their clients, for the Credit Foncier would no doubt compel borrowers to insure with its own establishment, and propose in return to compete with the Credit Foncier on its own ground. As the monopoly of the latter is at an end, they have started the project of forming a syndicate for the issue of mortgage bonds (with the authorization of the Government) of the same kind as those of the Credit Foncier, for the purpose of making loans to proprietors of houses who insure with them, or would undertake to do so.

It is gratifying to find that this important institution, notwithstanding its losses, is still in a sound condition, and is doing a large though diminishing business in its proper field of investment. Several changes have taken place in it during the last four or five years, and the misfortunes of the company will, it is hoped, produce the good effect of reviving its old conservative principles of management. Besides M. Wolowski, the credit foncier has lost some others of its former efficient managers. Two or three years ago the report was published that the Association intended to invest some of its idle funds in U. S. Government Bonds.

Instead of this conservative policy which would have been equally safe and remunerative, the directors preferred Egyptian securities and other doubtful investments by which heavy losses were sustained. For more than twenty years this institution has enjoyed a monopoly, and has been protected from the competition of other companies by the law. For a long period, in the earlier part of its history, its conservative managers kept the credit foncier true to its original purpose as a lender of money upon mortgage of real estate. Now that its monopoly has ceased a salutary competition will probably spring up with new companies of sound constitution and management from which the best results may be anticipated. As the money which this institution lends and invests is, for the most part, raised from the sale of its bonds to the public, the obligation is very apparent that its investments must be of the soundest and highest character if the price of its bonds is to be sustained in the market.

STATE TAXATION IN NEW YORK.

The general agitation which prevails in regard to various questions connected with our system of State taxation will cause the annual report lately prepared by the State Assessors of New York to be examined with unusual interest. For its own sake the report is well worthy of study. It illustrates the material progress of the State, and it confirms the opinions we have so often expressed as to the inherent difficulties of the fiscal system by which in this country we raise the annual income of our municipal and State governments. The Assessors offer some suggestive observations in regard to the revision of the tax laws regulating the assessment of real and personal property.

It is of much moment to the prosperity and growth of our industry that the existing inequalities and uncertainties may be removed, and that the taxes may fall equally upon all citizens in proportion to their ability to pay. In New York, and in other States, the present tax laws were enacted many years ago, and their provisions have been so construed by the Federal and State courts, especially in reference to personal property, as to produce much irregularity and uneasiness. The Assessors in the discharge of their functions must be guided like other officers by the letter of the law and by the decisions of the court. From the assessment they make there is no appeal save to the people through their representatives in the Legislature. For many years efforts have been making to reform the laws governing the assessment of personal property for the purposes of taxation. Legislative

committees have been appointed, voluminous reports have been made, changes in the tax system have been suggested, sometimes rashly and crudely, at other times with more wisdom and discretion, but little or nothing of a practical character has been accomplished for the reform of the law or the correction of its gross and oppressive evils. In New York the real estate exempted from taxation throughout the State is estimated at 300 millions of dollars. No list or schedule exists by which the precise amount of this exempted property can be accurately known; the Assessors recommend that the Legislature should have prepared an official statement of the quantity of real estate exempt from taxation in the towns, villages and cities of the State, with the names of the owners, the amount of its value, and the purposes for which it is used. The propriety of this suggestion is very obvious. With such a list before them the Legislature can determine how far it is possible, in accordance with sound fiscal principles, to assess any portion of this now exempted property for the purpose of taxation. There is no doubt that a considerable part of the real and personal estate which is now assessed for taxation has as good a claim to exemption as a portion of the property exempted. Such at least is the general belief, and this fact constitutes an additional reason for preparing the official statistics in question. The subjoined table shows the aggregate valuations of real and personal estate for 1873 and 1876:

INCREASE OF ASSESSMENTS 1873 TO 1876.

	1873.		1876.		Increase.
Real Estate.....	1,750,698,918	.....	2,376,252,178	.....	625,553,260
Personal Estate...	418,608,955	.....	379,488,140	.....	*39,120,815
	<u>2,169,307,873</u>	.....	<u>2,755,740,318</u>	.....	<u>586,432,445</u>

* Decrease.

At first sight it may seem singular that in a period of commercial depression like that which has so long prevailed, an increase in the assessments should have been possible. But the report states that the increase is owing to the fact that formerly the Assessors in many parts of the State assessed property at less than its value, "ranging from one-eighth to one-fourth, one-third, or some other fraction of its true value." The law requires that all property shall be assessed "at its full and true value, as it would be appraised in payment of a just debt due from a solvent debtor." This injunction seems to have been more completely obeyed during the last year than ever before. Hence, the assessed valuations are believed to approximate more nearly to the actual cash value of the property.

To show the changes in the assessment during the last year, we give the following table. The net increase in the assessment of real estate amounts to \$267,926,306, or 13.7 per

cent. The net increase in the personal estate assessments during the year were \$21,546,739, or six per cent. The aggregate increase in the assessments of real and personal estate for the year were \$289,473,045, or 11.7 per cent.

ASSESSMENTS OF REAL AND PERSONAL ESTATE, 1875 AND 1876.

Counties.	Real Estate 1876.	Pers'l Estate 1876.	Real & Pers'l 1876.	Real & Pers'l 1875.	Increase in 1876.	Decrease in 1876.
Albany.....	\$47,039,898	\$5,300,151	\$52,340,049	\$51,779,367	\$560,682	—
Allagany.....	15,279,862	1,439,626	16,719,488	10,657,057	6,062,431	—
Broome.....	24,340,331	1,425,296	25,765,627	7,904,906	17,860,721	—
Cattaraugus.....	19,614,404	1,643,450	21,257,854	22,138,049	—	\$880,195
Cayuga.....	29,535,540	4,095,810	33,631,350	35,875,022	—	2,243,672
Chautauqua.....	35,708,918	3,175,353	38,884,271	39,714,352	—	830,081
Chemung.....	22,572,112	795,838	23,367,950	9,783,219	13,584,731	—
Chenango.....	21,883,209	2,702,614	24,585,823	24,756,740	—	170,917
Clinton.....	5,364,454	685,955	6,050,409	6,051,220	—	811
Columbia.....	18,492,013	4,479,019	22,971,032	21,433,561	1,537,471	—
Cortland.....	8,771,243	1,068,468	9,839,711	5,686,936	4,152,853	—
Delaware.....	12,453,359	1,794,313	14,247,663	14,866,244	—	648,581
Dutchess.....	22,454,216	6,062,283	28,522,499	28,556,625	—	34,126
Eric.....	133,675,158	14,578,951	148,254,109	62,221,202	83,032,817	—
Essex.....	5,998,460	406,136	6,404,596	6,270,527	134,069	—
Franklin.....	7,836,614	1,026,848	8,863,462	9,166,500	—	303,038
Fulton.....	4,215,994	460,328	4,676,322	4,085,298	591,024	—
Genesee.....	14,998,736	2,862,051	17,860,787	18,276,142	—	415,355
Greene.....	4,796,865	611,953	5,408,818	5,515,750	—	106,932
Hamilton.....	644,547	900	645,447	842,961	—	197,514
Herkimer.....	11,974,880	1,739,658	13,714,538	9,670,210	4,044,328	—
Jefferson.....	31,222,857	5,473,929	36,696,786	33,942,416	2,754,370	—
Kings.....	223,389,621	14,882,265	238,271,886	236,732,901	1,488,985	—
Lewis.....	7,892,621	916,225	8,808,846	9,136,370	—	327,524
Livingston.....	22,737,168	2,307,992	25,045,160	26,495,613	—	1,450,453
Madison.....	17,861,140	2,526,660	20,387,800	10,475,461	9,912,339	—
Monroe.....	89,700,287	3,967,900	93,677,187	100,259,218	—	6,582,031
Montgomery.....	9,125,290	475,496	9,600,786	9,813,369	—	212,583
New York.....	892,428,165	218,626,178	1,111,054,343	1,100,943,699	10,110,644	—
Niagara.....	30,286,488	2,042,178	32,328,666	25,762,048	6,566,618	—
Oneida.....	57,119,082	6,048,206	63,167,288	18,292,745	44,874,543	—
Onondaga.....	72,420,935	10,861,851	83,282,786	31,705,240	51,577,546	—
Ontario.....	33,172,811	4,176,033	37,348,844	24,832,054	12,516,790	—
Orange.....	38,476,596	6,328,990	44,805,586	25,360,149	21,445,437	—
Orleans.....	20,233,403	1,846,329	22,079,732	23,356,912	—	1,277,180
Oswego.....	24,318,705	1,898,204	26,216,909	16,866,726	9,350,183	—
Otsego.....	12,494,010	1,826,080	14,320,090	11,571,242	2,748,848	—
Putnam.....	8,842,498	1,736,212	10,578,710	7,152,226	3,426,484	—
Queens.....	23,085,209	3,331,130	26,416,339	26,577,198	—	160,859
Rensselaer.....	23,396,295	5,037,719	28,434,014	28,581,196	—	147,182
Richmond.....	13,232,358	853,200	14,085,558	16,588,959	—	2,503,401
Rockland.....	10,706,267	1,633,523	12,339,790	18,391,784	—	6,051,994
St. Lawrence.....	13,938,216	1,131,130	15,069,346	15,839,838	—	770,492
Saratoga.....	13,490,611	1,858,569	15,349,180	12,006,436	3,342,744	—
Schenectady.....	5,900,227	600,463	6,500,690	6,385,122	115,568	—
Schoharie.....	8,112,352	994,710	9,107,062	8,287,544	819,518	—
Schuyler.....	7,811,341	833,100	8,644,441	7,578,835	1,065,606	—
Seneca.....	14,357,393	1,733,892	16,091,285	16,264,100	—	172,815
Steuben.....	25,827,275	2,654,516	28,481,791	29,133,086	—	651,295
Suffolk.....	11,152,049	1,954,600	13,106,649	13,741,559	—	634,910
Sullivan.....	6,022,024	292,798	6,305,822	4,107,531	2,198,291	—
Tioga.....	5,023,091	399,615	5,422,706	5,445,443	—	22,737
Tompkins.....	12,042,779	1,533,835	13,576,614	14,302,632	—	726,018
Ulster.....	10,719,550	1,683,512	12,403,062	12,732,666	—	329,604
Warren.....	2,388,928	510,076	2,905,004	2,972,388	—	67,384
Washington.....	10,080,251	2,092,260	13,072,511	13,675,992	—	603,391
Wayne.....	19,050,287	2,148,026	21,198,313	19,314,745	1,883,568	—
Westchester.....	58,568,811	4,559,781	63,128,592	16,700,487	428,105	—
Wyoming.....	13,353,978	1,458,993	14,812,971	13,942,322	870,649	—
Yates.....	7,711,345	893,884	8,605,229	9,547,133	—	—
Total.....	2,376,252,178	379,488,140	2,755,740,318	2,466,267,273	—	941,904

In regard to the taxation of bank shares, the Assessors make the following remarks: "The shares of bank stock, both National and State, are taxed, when assessed according to

law, to a greater extent than any other kinds of personal property; perhaps for the reason that these shares are more tangible or easily discovered, and their value more readily ascertained, from the returns the banks are obliged by law to frequently make, under the oaths of their officers, and from the stock lists of sales made in the open market. One of the most effective means of relief to the owners of bank shares, aside from a change of the laws, would be the assessment of all kinds of taxable personal property at its full and true value, as the law contemplates and commands it shall be, but as it is not. This would be a great source of relief to the owners of real estate. The assessed valuation of banks and bank shares in the city of New York, in 1876, was \$95,390,373, being an increase of \$11,787,979 over the previous year, caused by compliance to law in the assessments by the Tax Commissioners. It would appear that banks and bank shareholders are not without cause of complaint, and that some relief should be granted. Even now these capitalists are compelled to petition for relief from what they deem unequal and unjust taxation, and are dividing their surplus and reducing the capital stock of their banks.

"The banks and persons engaged in banking business in this State complain, and it seems to us with good and sufficient cause, that the capital of foreign banks, amounting to millions of dollars, is employed in loans and discounts by agents, and yet entirely escapes taxation. A few years ago one of these foreign banks was assessed in the city of New York in the sum of \$4,000,000. The Court of Appeals (N. Y. Rep., vol. 59, p. 40) decided, 'that the intention of the Act of 1851, was, that for foreign capital transferred here, for the purpose of being loaned to our own citizens, and employed by them in their business, no tax should be assessed either upon the foreign capitalist or his agent resident in this State; and that the Act of 1855 was not intended to change this policy. With the question of its wisdom we have nothing to do. The power of taxation is vested in the Legislature, and our duty is simply to interpret its enactments.' In this decision, Church, Chief Justice, Grover and Folger, dissented. Now, if this foreign bank used \$4,000,000 in business in the city of New York (the amount of the assessment), in 1876, the amount of capital of the Metropolitan National Bank (before its capital stock was reduced by vote of its stockholders on the fifth instant), then the foreign capital had an advantage over the capital of the Metropolitan National Bank, to the amount of the taxes paid by said bank in 1876 by \$220,000, or equal to a dividend on its capital stock of 5.20 per cent. The law most certainly needs amendment, for the purpose of protecting our home capital against the now untaxed, and, under the decision of the court referred to,

the untaxable, capital of foreign banks and capitalists. All capital owned abroad, and used in the business of banking in this State, should pay the same tax as domestic capital for local and State purposes; and even then, as long as the Government tax is levied upon National banks, it will have the benefit of two per cent. over the banks, while doing the same business in the same place. The following is the law referred to by the court, under which the assessment was made on the foreign banks by the Tax Commissioners of the city of New York:

“All persons and associations doing business in the State of New York, as merchants, bankers or otherwise, and not residents of this State, shall be assessed and taxed on all sums invested in any manner in said business, the same as if they were residents of this State.”—*Laws of 1855, Chap. 37.*

After some interesting suggestions in regard to the separate valuation of land and buildings, and the necessity of so adjusting taxation as to foster manufactures and avoid driving capital out of the State, the report concludes with the following argument in favor of the establishment of a new department of assessment and taxation, with its principal office at Albany: “After an experience of more than three years in assessments and taxation, and some knowledge acquired from such experience, and considerable reflection on the subject, we have become satisfied that wisdom points to the creation of ‘a State department of Assessment and Taxation,’ with its principal office at Albany, organized similarly to the Tax Department of the city of New York. This Department to have all the powers and discharge all the duties now given to and imposed upon the State Assessors, and such other powers and duties as the Legislature may deem proper to grant and impose relating to local assessors, assessment of corporations and associations organized under the laws of this State, or doing business therein, and to which department all such corporations and associations shall make annual reports, duly verified in such forms and upon such subjects as may be deemed proper, and also be required to pay their taxes directly to the State Treasurer, without the intervention of local collectors or receivers. This department to be made the effective head of the assessing power of the State, with ample power to make rules and regulations for the government and control of local assessors in the discharge of their duties, and for their removal for incompetency, neglect of duty, or violations of the rules and regulations of the department, or of any statute relating to assessments, and to such other powers relative to the assessment, equalization, and collection of taxes as may be thought proper, and said department be required to make annual reports to the Legislature. We believe such a department would be found of great benefit, convenience, and efficiency,

properly organized and conducted, and promotive of order, system, uniformity of assessments, and economy in this most important and vexatious branch of the public service, which touches the pockets of millions of people. We cannot but believe that such a department would prove an efficient and speedy relief from many of the existing evils now demanding active remedies. It would form a good commission for a thorough examination of all tax laws."

We doubt very much whether the plan here recommended would do vital service for the correction of the evils of our tax system. The fault lies rather in the system itself than in the men who are responsible for its administration. Until our State Legislatures become better informed as to fiscal laws and methods, so that the needful legislative reform can be realized, no changes in the organization of the Bureau which has to carry out those laws will be able to bring about much amelioration, or to counteract the serious evils which are at present complained of.

CAN THE HOLDER OF A BANK CHECK SUE THE DRAWEE?

An interesting case was lately decided in the Supreme Court of the U. S., of which we give a full report on page 972 of this issue. The plaintiff sought to recover the amount of a check drawn on the defendant bank by F. E. Spinner, Treasurer of the United States. This check was indorsed in the name of the payee without authority, and the defendant bank paid the amount to an unauthorized holder. The true owner of the check sued the bank, and the Court below gave judgment in his favor. As will be seen from our report this judgment was reversed by the U. S. Supreme Court, on the ground that the bank had never accepted the check, and that until acceptance no privity of contract is created between the payee and the bank on which the check is drawn.

Two or three questions were discussed by the Court which are of practical moment, and are otherwise worthy of special notice. From the evidence it appeared that on a settlement of accounts between the bank and its depositor Mr. Spinner, the check in question had been credited to the bank. This fact was supposed, for reasons to which we will hereafter refer, to be important to the case of the plaintiff, who claimed that the check had been accepted by the bank. But this proof of acceptance was not sustained by the Supreme Court, who held that upon a settlement of accounts in this transaction the credit was by mistake allowed to the bank to which it was not entitled, and that when discovered, this mis-

take must be rectified, inasmuch as an ordinary writing up of accounts with a return of the vouchers precludes no one from ascertaining the truth and claiming its benefit.

The second question was that such a presentation of the check as would create a privity of contract between the payee and the bank, was not effected by the payment actually made in this case to the unauthorized holder of the check. The Court held that there was no valid payment of the check inasmuch as the real endorsement of the payee was as necessary to a valid payment as the real signature of the drawee, so that in law the check was never paid at all. Consequently, as no payment had been made, no privity of contract based upon the presentation or payment could have been created.

Such are the principal points in this interesting case. The conditions under which the holder of a check may sue the bank on which it is drawn have long been the subject of vehement dispute, and the opinions of Courts and jurists are by no means uniform or settled. It has been observed in regard to the chief question on which this case turned,—the right of a check-holder to sue the drawee if he have funds enough belonging to the drawer,—that “when one comes to examine the authorities which range themselves on either side, and to investigate the course of reasoning by which these authorities respectively seek to support themselves, the tale of the two honorable Knights who fought about the question whether the shield between them was golden or silver is forcibly brought to mind. Each line of argument in its turn seems to be the more correct, and to be satisfactorily backed by respectable vouchers.” Since these remarks were published several questions formerly in dispute have been settled. For example, the Supreme Court of the United States decided in *Bank of Republic vs. Millard*, 10 Wallace, 152, that the holder of a bank check cannot sue the bank unless there be some act done by the bank by which a privity of contract is created between the bank and the holder of the check. The Court also held that while a check is an appropriation of the fund held by the bank to the credit of the drawer, and while this appropriation is complete as between the holder and the drawer, it is not binding upon the bank until the latter consents to it. In this case it was held that this rule especially applies when the check is for part of a deposit, as one cause of action might thus be divided into many, and that the only remedy which exists for a wrongful refusal of the bank to pay the amount deposited to meet the check is a suit by the drawer, or by the holder in tort for the wrong done; or secondly, a suit by the drawer for damages for breach of the implied contract on the part of the bank to pay its depositor's checks to the amount of his funds in the bank.

A question very similar to this recently caused a great

amount of discussion in England, and led to the introduction by Mr. Hubbard, in the English Parliament, of an Act intended to give the right of action to the check holder as well as to the depositor of the bank who drew the check. Mr. Hubbard's amendment was not passed, and the English law remains substantially like our own in regard to the rights of the drawers, the holders and the drawees of bank checks. There is, however, this difference, that as a general rule a check is not regarded in England as an assignment of the funds of the depositor, though it is held that there are some cases in which equity would regard a check as such an assignment, for example, in the case of the death of the drawer, and the consequent revocation of the banker's authority which is there held to its effect, the holders may obtain equitable relief against the banker.

Probably the suit before us would never have been brought but for a single sentence which was inserted in the opinion of the Court in the case above cited from 10 *Wallace*, 152. The Court said: "It may be if it could be shown that the bank had charged the check on its books against the drawer, and settled with him on that basis, that the plaintiff could recover on the count for money had and received, on the ground that the rule *ex aequo et bono* would be applicable, as the bank having assented to the order, and communicated its assent to the paymaster (the drawer) would be considered as holding the money for the plaintiff's use; and, therefore, under an implied promise to pay it on demand." In Pennsylvania, it has been decided that privity of contract can be established by the charging of a check on the books of the bank on which it is drawn. *Seventh National Bank vs. Cook*, 73, Penn. St. 485. In Kentucky, it has been held that where the drawer of the check notified the bank by letter, the holder could sue the bank. *Lesler vs. Given* 8 Bush (Ky.) 361. To the same effect is Sharswood's note in *Byles on Bills*. The learned American editor says: a bill of exchange is not an equitable assignment or appropriation, but the cases treat a check on a banker as such; and if the holder is a holder for value, as to whom the drawer cannot revoke rightfully the power which he holds, coupled with an interest why should not the banker upon distinct claim and notice be held bound by the equity?"

This view has been sustained in South Carolina, in the case of *Fogarties vs. State Bank* 12 Rich. Law 518, where it was decided that the check holder has a right of action in assumpsit against the bank. If it refused to pay the check, when it had funds of the drawer available for doing so upon the implied promise which the law raises in his behalf.

In Louisiana, in Illinois, and in Iowa the State Courts have taken a similar view of the privity of contract between the holder of a check and the bank which holds the funds

deposited to meet the check. Opposed to this view are a great multitude of cases decided in reliance upon the old principle that a check was analogous to a bill of exchange. Thus in the case of *Moses vs. Franklin Bank*, 34 Md. 580, Mr. Justice Alvey said, in 1871: "it is certainly a general rule that the drawee who refuses to accept a bill of exchange cannot be held liable on the bill itself; nor to the holder for the refusal, except it be upon the ground of fraud and loss to the latter. A bank upon which a check is drawn occupies in this respect a similar position to that of a drawee or bill of exchange. It is but the agent of the depositor holding his funds upon an implied contract to honor and take up his checks to the extent of the funds deposited. The obligation of the bank to accept and pay is not to the holder but to the drawer."

It seems to us that the confusion, which has prevailed on this subject is due in no small degree to the persistence with which this old principle of analogy has been applied in cases where it was clearly inadmissible. We have here an instance of the injury which injudicious tax laws inflict on business. In England, the tax officials for a long course of years persisted in regarding checks as inland bills of exchange, and charged them with stamp duties accordingly. Hence, the development of the check system in England was very slow compared with that of our own country, where no such pernicious impediments were raised up by our tax laws prior to the civil war. Another consequence was that the Courts of Law continued to regard checks as subject to the analogies of bills of exchange. This view was both more extended and longer kept up than it otherwise might have been; and the courts of law in the United States were in this as in some other cases, too ready to follow English precedents.

In view of the recent decisions of the U. S. Supreme Court and of the higher tribunals of the several States we may sum up the general principles in regard to the question under review very briefly. The law recognizes three parties whose rights are in question. First, there is the drawer of the check. So far as he is concerned the check when drawn, signed and delivered constitutes a valid appropriation, and he is bound thereby. Thus, in *Keen vs. Beard* 8 C. B. N. S. 372, Mr. Justice Byles said, "in one thing a check differs from a bill of exchange. It is an appropriation of so much money of the drawer's in the hands of the banker upon whom it is drawn, for the purpose of discharging a debt or liability of the drawer to a third person; whereas it is not necessary that there should be money of the drawer's in the hands of a drawee of a bill of exchange." To the like effect we might cite innumerable cases showing that when a man signs a check the assign-

ment so far as he is concerned has been completed, and he is bound by it.

Secondly, there is the holder of the check, or the person in whose favor it is drawn. His rights are clearly potential. They are contingent on something which he has himself to do. If he is negligent, his rights and remedies may suffer, if he is prompt and fulfills all the legal conditions, his inchoate rights mature, and are consummated in his receipt of the funds whatever they may be which are on deposit to meet his check. The chief duty of the checkholder, therefore, is promptitude in the presentation of his check to the bank for certification or payment. This point is well put in Morse on *Banking*, page 471. "It is true—and it is all that the cited cases decide—that *before demand for payment* no assignment exists, no obligation has been created, no privity has grown up, and the very right of the bank to pay may be taken away by any one of a great number of occurrences. But the act of presentment and demand made before any one of these occurrences has taken place is the act which creates at once, by usage of business and understanding of all concerned, the obligation, the privity, and the appropriation, or at least the right to claim an appropriation."

The third party whose rights are in question is the bank on which the check is drawn. As the depositor places his money in the bank in order that he may enjoy the usual facilities of checking upon it at pleasure, and as it is the universal understanding between banks and depositors arising from the customs of trade, that the checks upon deposits shall be paid on demand, it is clear that prior to any demand being made upon the bank, no obligation is incurred by the bank in regard to any particular check. But, until the acceptance of the bank is added to a check, that check is contingent, and certain inchoate rights pertaining to it and potential in it have not as yet been legally fixed and completed.

It is easy to apply these principles to the case before us. As the payee of the check on which the suit was brought did not indorse the check and present it to the bank, the act of quasi-presentation was wholly nugatory. If the check was not presented according to law, it was absolutely impossible for any legal rights to mature, by which the bank could be affected. The remarks made by the Court in the case of *Bank of Republic vs. Millard* assume that a privity of contract had been created between the bank and the drawer. But, inasmuch as no such privity of contract existed in this transaction, the whole claim of the plaintiff fell to the ground. The importance of the rulings in this case will be seen more distinctly hereafter when we proceed to examine in a future article the rights of the holder or the drawer of a check to stop the payment at bank before presentation.

THE COST OF THE FRANCO-GERMAN WAR.

Not a few persons have supposed that the war between Russia and Turkey would be prevented by the want of funds, as neither of the two belligerents seems able to borrow much in the money markets of Europe, or in any other method to supply itself with money or other means of carrying on extensive military operations. This theory ignores the great principle to which the first Napoleon owed much of his early success. He used to say that the fundamental rule of successful warfare was to make war support war. And accordingly, during the most brilliant part of his military career, his army cost the French Treasury little or nothing. The same principle has often been exemplified in Oriental warfare, and in the struggle between Russia and Turkey, it bids fair to be carried out upon a large scale. Another instance which is still more noteworthy, is that of the Franco-Prussian war of 1870-71. It is well known that the victorious Germans levied a war-fine of five milliards, which was paid in specie or its equivalent by the French. What is not so well known is the other losses which were inflicted on France during the invasion and occupation of certain districts of the country by the German armies.

The French Government had just published, on this subject, some very interesting statistics. From their report, we find that the number of individuals to whom reparation in pecuniary damages has been made by the French Government, is more than a million, and that the whole sum of the damages claimed from the Government is 886,957,755 francs, or more than 177 millions of dollars. This aggregate includes the contribution of two hundred million francs levied on the city of Paris. The details of these contributions are very interesting.

The war contributions and fines are put down at 229,996,029 francs; the requisitions in kind amount to 134,107,747 francs; the cost of lodging and boarding troops is estimated at 101,809,814 francs; the loss by theft, incendiarism, and occupation, figures for 392,641,839 francs. Thirty-four departments (about three-eighths of France) were invaded by the German armies; the respective losses of each of these departments are estimated as follows: Aisne, 23,742,839 francs; Ardennes, 40,633,735 francs; Aube, 6,672,783 francs; Calvados, 692,129 francs; Cher, 440,390 francs; Côte d'Or, 14,464,427 francs; Doubs, 5,517,370 francs; Eure, 10,516,053 francs; Eure-et-Loire, 25,499,341 francs; Indre-et-Loire, 4,456,535 francs; Jura, 8,761,525 francs; Loire-et-Cher, 15,522,693 francs; Loiret, 37,886,609 francs; Marne, 26,237,675 francs; Haute-Marne,

7,401,293 francs; Mayence, 645,317 francs; Meurthe-et-Moselle, 28,611,180 francs; Meuse, 26,242,760 francs; Nièvre, 5,618 francs; Nord, 1,918,885 francs; Oise, 11,567,175 francs; Orne, 3,446,234 francs; Pas-de-Calais, 2,014,893 francs; Haul-Rhin, 6,010,778 francs; Haute-Saône, 13,825,505 francs; Saône-et-Loire, 30,292 francs; Sarthe, 17,026,660 francs; Seine-Intérieure, 14,864,964 francs; Somme, 22,850,443 francs; Vosges, 8,785,723 francs; and the Yonne, 5,705,599 francs. The departments which suffered the most were the Seine-et-Marne, the Seine, and the Seine-et-Oise; the loss of the first is put down at 50,904,041 francs, of which 932,771 francs represent the war contributions and fines, 12,658,452 francs the requisitions, 6,206,609 francs the cost of lodging and board, and 31,106,207 francs the damage resulting from theft, fire, and other war consequences. The loss suffered by the inhabitants of the Seine Department was not less than 266,196,022 francs, and that of the Seine-et-Oise, 146,500,830 francs, including, of course, war contributions. The total amount of the indemnities already audited and granted for the partial relief of the sufferers is estimated at 617,147,889 francs, or about \$123,430,000.

The aggregate pecuniary losses of the French nation from the war, then, can scarcely be estimated at a smaller sum than \$1,200,000,000, so that France offers in her own history one of the most conspicuous illustrations of the Napoleonic maxim of making "war support war."

THE PROFITS OF FINANCING.

Sometime ago we published several articles illustrating the extravagant profits made by financing bankers prior to the panic of 1866, in Europe. The business of aiding the organization of public companies received so powerful an impulse twenty years ago in England that it gave employment to a very large number of lawyers and agents, and many of the companies which were established under the new legislation of 1862, in England, owed their origin in a very large degree to the ingenious efforts and untiring zeal of these prolific workers in the field of finance. Of late years the business of promoting has sunk into obscurity. Only a few of the most able and skillful practitioners could maintain their position. Among the most notorious of these Mr. Albert Grant has long had a conspicuous place. He has lately lost much of that prestige which formerly surrounded his operations, and he appears as defendant in a case which has just been decided against him by the Vice-Chancellor. The facts of this case are very simple. In 1873, the trustees of Mr. James Bagnall, a wealthy iron-master in Staffordshire,

whose business had been established for more than half a century, became desirous of forming a company to buy the works and carry on the business. Mr. Carlton, a friend of Mr. Albert Grant's, offered to make the needful arrangements, and the trustees accepted his proposition. He undertook to deposit the sum of \$100,000 with the trustees, which was to be forfeited if the conditions were not fulfilled by Mr. Carlton. The trustees on their part agreed to pay Mr. Carlton \$425,000 if the company should be successfully established, and the stock floated. As might be expected the \$100,000 deposited by Mr. Carlton was lent by Mr. Albert Grant, who undertook the whole risk of loss on condition that Mr. Carlton should pay him \$325,000 out of the \$425,000 which he was to receive from the trustees in the event of his success. The stipulations were all fulfilled and the company was successfully floated. Out of the purchase money the stipulated \$425,000 was paid to Mr. Carlton by the trustees, and through him was distributed as previously agreed. Mr. Albert Grant received his \$325,000 and his confederates, Carlton and the others, shared among them the remaining \$100,000. In the prospectus of the company no mention was made of this contract between the trustees and the promoters.

As the law of 1862 requires that all contracts should be made public in the prospectus, the court held that there was in this case a suppression of material facts sufficient to constitute a fraud. The Vice-Chancellor held not only that, as promoters, the defendants were bound to set forth in the prospectus all contracts into which they had entered, but also that being promoters they thereby became the agents of the company, and in that capacity they had no right to any profit on the transaction, which was obtained without the knowledge of their principals. Mr. Albert Grant, therefore, and his associates were ordered to repay each his own share of the \$425,000 received from the trustees, with interest at the rate of four per cent. The court even denied to the defendants the right of claiming a reasonable commission for the services they had rendered holding that the fraud which had been committed was conclusive against any such claim. It will be seen that the English statute is extremely rigid and that it closes the door against one class of the frauds which were formerly so prevalent. That methods will be devised for evading the law is very probable. But at present the rage for creating new companies has so much abated, that there is very little temptation or opportunity for provoking the ingenuity of promoters. It is said that the case above referred to is to be appealed. There is, however, very little prospect that any decision which is at all likely in this or similar cases will enable Mr. Albert Grant and his friends to retrieve their fallen fortunes.

WHAT POLICY OUGHT THE UNITED STATES TO PURSUE UPON THE SILVER QUESTION ?

BY A STUDENT IN MONETARY SCIENCE.

What is the silver question? It is whether a portion of the commercial world, having demonetized silver except for minor or subsidiary purposes, and another portion having stopped coining it, have made a mistake in so doing; and if they have, whether it is of sufficient importance to warrant the calling of an international convention, admitting that one can be called, and that its advice would have any influence; and whether the Government of the United States ought not to take action in the premises.

I have no theory to offer, and I do not intend to sustain or to attempt to sustain any theory as to the policy of remonetizing silver. Theory assumed and not proved is the bane of monetary science, and keeps those who argue to sustain it in the advocate's, rather than the judge's, frame of mind.

That neither silver nor gold, or any other metal used as material to manufacture units of money, having been by common, that is to say international consent, so used, ought ever to be demonetized without a like consent, should be admitted by all scientists without argument, although all nations by their acts have hitherto claimed the right of independent action, and have acted accordingly. Admitting, however, that they have, in so doing, acted wrongly, or at least mistakenly, and waiving the question whether even a general call for such a convention by scientists and those who might join them, would be of any practical use, the real question now is not, was it a mistake to demonetize? but, having demonetized, would it not be a mistake to remonetize? This, in a general sense, is the question for examination; but a question of money is also eminently a practical question, and therefore there is a preliminary question of fact, or rather of probability, to be first answered in order to avoid the necessity of arguing a merely abstract question. Are England and Germany, or is Germany independently of England, ready to debate the question at all? Will they, or either of them take the trouble even to discuss it at this time? I fancy not; and if I am right, the whole question practically resolves itself into this question: Is it expedient for France, and the other members of the Latin Union, conjointly with the United States, to attempt fully to remonetize silver? Is it expedient for the former to restore fully the privilege of coining silver, and of the latter to change

its laws and allow the same thing, all agreeing to make fifteen and a half units of weight of silver in coin, equal to one unit of weight of gold?

Money is altogether a conventional arrangement, and therefore its value is the result of conventional arrangement. Hence its real value lies in its purchasing power. Money is not in any true sense a commodity, even when its units are manufactured out of gold or silver, although it seems hardly possible to resist the fallacy that they are such. What is called intrinsic value in coin, is the value which the bullion contained in the coin would possess if the Government stamp were removed; and that value in the bullion, thus made from the coin, is what the bullion would be worth to manufacture again into coin; the two values resolve themselves into each other. The circumstance that either metal if wholly demonetized possesses intrinsic qualities which make it useful, and therefore give it an independent value in the arts, is an accidental circumstance, important only as it will affect the actual weight of the metal that will be coined, and the reserve that will not be coined. All money of civilized nations is but a development from and improvement on the African Macoutes, or abstract units mentioned by Montesquieu. When two Africans exchanged commodities, each commodity was valued in abstract units called Macoutes; if one commodity were valued at one, two, or three Macoutes, the other might be valued at three, four, or five. Dispense with one of the commodities thus exchanged, and give the Macoutes a locality in units of some commodity to be hereafter universally accepted for the units of all commodities and all capital, and we have units of conventional value, in other words, money. But there must be some limitation to the number of units which can be produced and used, that is to say circulated; otherwise the units of commodities in the numerator of the ratio of value, will be valued by a denomination of an indefinite number of money units. Moreover, there must be also steadiness in the number of those units, that is to say, there must be as nearly as possible, a standard number of those units to a standard number of the units of commodities, and this is the only kind of standard possible; standard therefore is not a commodity, but a condition approaching as nearly as possible, practically, to stable equilibrium in the ratio.

This brief analysis will let in much light upon the "silver question," because it necessarily follows from the adoption of gold and silver as money, that each metal must be divided into units of weight or measure; and division by weight being most accurate, that kind of division has been also adopted by common usage. Either metal being sufficient in quantity for general distribution, if we examine into the resulting values of the units of the two metals, we shall find that the intrinsic qualities of the two metals, if they were both considered for a moment as demonetized, would give different values to each,

not proportioned in the abstract with mathematical accuracy, and not even tending in point of fact, to be proportioned with such degree of accuracy to the differences of weights of their respective total masses, but controlled largely by the difference in the respective degrees of demand for each of them, founded upon the differences in intrinsic qualities. The moment, however, a conventional value as money is given them their relation is one of weight only, and their former value as commodity is entirely sunk in their newly acquired conventional value as money; in other words, they have ceased to have any value as ordinary commodities, that is to say, they have ceased to have any value in themselves; their value now lies in their purchasing power exclusively, and purchasing power is but another name for conventional value; they are worth to the extent of their purchasing power for use in the arts undoubtedly, but that they are so is the result of their conventional value as money; their intrinsic value as commodities would be precisely the same if they had no intrinsic qualities, making them useful in the arts at all, their conventional value has absorbed all other value.

The purchasing power or conventional value of the gold unit, *if that be the only money*, must therefore be inversely as the total number of units of the whole mass existing in the shape of gold coin throughout the commercial world; if its mass in coin were fifteen and a half times as great as it is, then, except so far as legislation might possibly to some extent fix the ratio, to buy the same amount of commodities or capital would require fifteen and a half times more metal; variation in purchasing power or conventional value by artificial increase of circulation is another matter.

There is no natural relation growing out of human wants, and therefore, out of demand, between the number of grains of gold in one of the units of money, and the number of pounds in a bushel of wheat: the relation is conventional only, and therefore it is and can be only mathematical; that is to say, if the unit is comparatively heavy like a gold eagle, the conventional value of the unit will be comparatively great; if a sovereign less, and if a dollar still less: add a little more gold to the sovereign and make it equal to a half eagle, and the purchasing power of the dollar is to that of the sovereign as 1 to 5. Silver having been also adopted as material to make the money unit, it follows that one of its units must be to one of gold inversely as the total weight of its mass in coin, to that of gold in coin, which has been called that of 2 to 31, or 1-15½.

Now if we assume the average product of gold for all past time to be to that of silver as 1 to 45, and the ratio of value of the latter expressed in the former to be 1-15½, it follows that nearly ⅓ of the mass in weight of gold has gone into plate and the arts and 7-9 of the mass in weight of the latter. The mass in weight of gold which has gone into

plate and the arts, is, therefore, approximately to that of silver which has gone the same way, as 1 to 105. If the value ratio of silver to gold were exactly 1-15, then in point of value, seven times as much silver valued in gold will have gone into plate and arts as there will of gold, and 105 times as much in weight of mass. Hence it follows that silver, having less specific gravity than gold, and having also carried into plate and the arts more than one hundred times greater bulk of metal than gold, must have lost by abrasion, chemical action and other destructive agencies, more than one hundred to one in mass as compared with gold, and more than six to one in values thus destroyed or lost. This estimate would leave the reserve of gold not in coin about equal in value to that of silver.*

This view is fortified by a corollary from the foregoing demonstration. Purchasing power, that is to say, conventional value of a unit of silver to one of gold being actually by law, and probably very nearly in fact, as 1 to 15½, and the mass of each metal in coin being abundantly sufficient to distribute it to every part of the commercial world, were "Bi-Metallism" in the shape of silver and gold universally adopted, the tendency would be to an equal division of conventional value between them, and on the average, it would be effected. Hence if one-half the commercial world in point of commerce were to introduce Bi-Metallism, and the other half to demonetize silver, all the gold would go to the latter and all the silver to the former, creating what might well be called a monetary nuisance: if an equal distribution of conventional value is artificially made impossible, the benefit of the steadiness of a compound ratio of production of metal, as compared with one of a single metal, is largely lost. Therefore a general and not a partial adoption of Bi-Metallism should be urged by Bi-Metallists.

Another corollary follows: The purchasing power of all the money in the world, while the amount of commerce remains the same, must always be one and the same, whether metallic units alone, or metallic paper and credit units combined, be employed to pay for commodities, labor and capital; but prices vary locally according to the number of units circulated, and not according to the variations in the price of bullion from demonetization or other causes: the danger of national loss from partially demonetized metals lies in adverse international balances. It is all a valuation by units: units of commodities and capital sold fix the conventional value of the gold or silver units in the ratio of price, and the latter fix, not the conventional, but real, value of the

* If gold and silver were useless as commodities except to manufacture coin—each metal having the same mass and weight existing in the shape of coin as now—the bullion and coin of each metal would have the same values expressed in each other, and the coin the same conventional value in purchases as now. Therefore the one-third of all the gold and silver (this third I have estimated to be in the shape of plate, jewelry, &c.), which is worth one-half as much as all the coin in the world, has carried all its "intrinsic" into its conventional value.

former: the conventional value of the units of gold are fixed at each sale, by putting them in the numerator, and the units of commodities in the denominator; but ordinary language has no name for such a valuation; only the language of scientists; and the name is, Purchasing Power. Ordinary language calls every exchange a sale: the money units are placed always in the denominator, and commodities and capital in the numerator of the ratio.

Another corollary: Money not circulated has potential value only; money not circulated is but an abstraction; money and the circulation of money are practically one and the same thing, and the circulation of money is limited by the commodities sold: the value of money lies only in the commodities or capital it buys, and therefore a convertible paper dollar has precisely the same "conventional value" in its character of money and in the field it occupies as the gold dollar, because both are conventional: if excessive circulation or imperfect convertibility depreciates the paper, it depreciates the gold. There is, however, a real difference between them, and that difference lies in the exceedingly important fact, preëminently important in respect to bank reserves, that paper and even credit dollars, if one choose to call them such, have no natural limitation, but gold and silver dollars have; they all have the same effect upon price when placed in the denominator of its ratio, because as money they are only units, and are not commodities. Therefore no currency can be said to be regulated by gold and silver, of which gold and silver does not form a part, whether it be a third, a quarter, a fifth or a sixth.

This answers the sound, practical, common-sense argument of Mr. Bonamy Price. I call his argument such, because admitting gold coin to be a commodity merely, having qualities as money, distinct from the bank note or the economising bank credit, admitting that clearings are merely transfers of credits for wholesale transactions essentially different from retail transactions outside of banks, effected by cash payments of gold, silver or bank notes; and admitting further that in principle there would be no objection to the extension of the "clearing system" to retail transactions, if practicable, thus reducing the amount of gold or gold and silver required, to a merely nominal figure, then we may as well join with Mr. Price in asking the plain common-sense question: Of what use is a gold banking reserve at all, except to answer the modest calls of those who want change, or a pocket piece? Mr. Price does not ask this question in terms, but it is a question fairly resulting from his argument, unanswerable as it is by any one who contends that gold coin, as such, is a commodity, and that bank credits may and ought to vary without reference to reserve; for surely if wholesale transactions take place without any reference to gold, retail transactions must necessarily do the same. Therefore the

true explanation is, that the value of all money depends upon the number and not the kind of units, whether paper, credit, or gold, placed in the denominator of the ratio of price; and if, as Mr. Price has demonstrated, the credits vary without regard to gold; and because they so vary, the same method of "clearing" might be extended to retail transactions if practicable, then Mr. Price might well carry his argument farther, as the advocates of convertible bond and paper money in the last Presidential canvass in the United States have done, and contend as the logical outcome from the premises, as these advocates, logically, we are forced to admit, have done, that convertibility is after all but a name and a shadow. Their argument and the plain, practical, common-sense argument of Mr. Price can be answered only by admitting the soundness of the arguments from the assumed premises, and then showing the fallacy in the premises.

If, therefore, it be admitted that in point of science the true object of a reserve is not to enable note or credit holders to convert their holdings into a commodity, but to keep always such a reserve; that at every clearing there shall be behind each payment or transfer of credit, that is to say, in the denominator of each wholesale ratio, with but slight variation, the same amount of metal to the same amount of credit, whether the proportion be one-third, one-fourth, or one-fifth, then in all the ratios, both wholesale and retail, there will be on the average, a fixed amount of credit and of metallic units: if the annual amounts to be added to the number of units required by the United States, Great Britain, and France, be for one moment, by way of illustration, assumed to be the same, assuming also that there are no banks of deposit and discount, to increase the circulation of metal or bank notes beyond their *natural* limits; then, if the annual metallic demands of the three countries, in the order named, be respectively as 1, 2, and 3, the average amount of credits in every price ratio in the United States, must be two units of credits to one unit of metal, and in England one unit of credits to two of metal. This adjustment can only be effected in the United States (if twenty per cent. reserve be assumed as sufficient against notes and credits), by maintaining banking and redemption reserve at that figure, if it be possible to regulate deposit and discount banking fully, or perhaps approximately through redemption reserve, so far as the National Banks are concerned, by requiring them to keep a consolidated redemption reserve at the largest commercial centre, and allowing that reserve to count as a part of the collateral in the hands of the general Government for security of notes. In addition to this, 120 millions in gold, or gold and silver, if we put the total of credits and circulation at 600 millions, ought to circulate side by side, indiscriminately with the notes, the

metallic circulation replenishing the banking and redemption reserves, and the latter the metallic circulation. All this we will have, at least as far as it is practicable to attain to it, when we come to understand the true function of metallic units in all circulation, viz., to fix some definite limit operating upon each and every banker, and every producer, whether manufacturer or merchant, to the use of all other units, thus forcing the least conservative to the highest degree of conservatism.

A practical illustration is afforded by the *banks of issue* in Adam Smith's time. Sound banks of issue, unaffected as they are by the unlimited power of banks of discount and deposit, to put money in circulation without redeeming it with metal, *necessarily* by their own proper function, keep a steady reserve, because the reserve steadies itself. In Smith's time the Scotch banks kept a reserve of twenty-five per cent. against circulation, and out of the whole circulation twenty-five per cent. was gold and silver; the bank reserve supplied metallic circulation, and the metallic circulation, reserve: the whole circulation was two millions, and the gold and silver in reserve and circulation was one million; in the United States, in 1857, there was gold and silver enough in the country to cover more than forty per cent. of the effective circulation, but it was not all placed where it would do the most good, and one hundred millions of it were placed where it did no good at all, because it retired out of circulation and from the face of a bank-note circulation, whose purchasing power was debased by non-convertibility, imperfect convertibility, and bank credits varying without reference to banking reserve.

I have now shown, as I believe, that Professor Bonamy Price's argument, and the logical conclusions from it urged by paper-money advocates, are unanswered and unanswerable, except by demonstrating that all money is one and the same thing when placed in the denominator of its proper ratio, that a limitation of units there is essential, that paper and credit money do not furnish such a limitation, while metallic money does, if allowed or forced to circulate as in Adam Smith's time in definite ratios with paper. I proceed briefly to state some particulars which materially affect the question of stability of the ratio of price, and will greatly if not altogether compensate for the demonetization of silver which has already taken place.

The rise and fall of prices for short periods, depends more upon the amount of circulation than upon the number of units of money, whether of paper or metal, in the hands of the people. Prices in Europe have probably been advanced somewhat in the long period during which the United States have failed to take their annual supply of gold. The United States, partly perhaps from political motives, committed the mistake of making their debt payable in gold instead of

paper: had it been payable in paper and remained largely at home, the conservative result of holding mostly their own debt, instead of sending it abroad and investing the proceeds in less productive undertakings, would have rendered the crisis of 1873 less severe, and they would have kept more gold, and so disturbed its distribution less. Again, had Secretary McCulloch and his successors been allowed to proceed with the withdrawal of legal tenders, the return current of gold would have set in, and the crisis would have been avoided, by stopping the payment of labor in those undertakings whose products would not sell. The immense activity given to circulation through our banks brought on the crisis. France had a much greater amount of money placed in the hands of her people after the Franco-German war, than had the United States at any time during the late civil war or since, even if we include our bank credits; but prices rose but slightly in France, enormously in the United States: the difference between the two cases, came from difference in circulation. In France the gold and silver were mostly retired, the paper circulated and did good service in maintaining the price of *rentes* without materially affecting labor or commodities. France, though subjected to an enormous military fine, has suffered less from the payment than Germany from the expenditure of it; prices in Germany have been enormously advanced by reason of it, and still more by the extension of banks, which caused a large investment of labor otherwise than in the production of the necessities of life to take place; the exchanges between the products of labor were blocked and a crisis followed.

But in this brief paper I must hasten to a conclusion. Can law or common consent fix the total purchasing power of one metal or of any number of metals? No; because law deals with actual relations of men and things, and cannot create them: it cannot effectively declare that 2 and 3 shall be 4, and not 5: it can no more fix the total purchasing power of gold, if that be the only metal used as money, of gold and silver if both are so used, or gold, silver, notes and credits, than Xerxes or Canute could chain the tide; it cannot strike at a ratio, or alter the rules of proportion. Can legislation regulate the relative purchasing power, that is to say, the conventional value of gold and silver? Undoubtedly it can, unless it goes so far as practically to demonetize; for if it can abolish, it can recreate, provided it has material to work on: it can demonetize silver or gold, or both: having demonetized both, it can remonetize both, declaring that a pound of gold shall be equivalent in value to a pound of silver, or to 5, 10, 15, 15½, 16, 20, or 25 pounds of silver. To declare gold equal in value to silver would, however, indirectly and practically demonetize it, because gold bullion would all go into manufacture; and if there

were really any danger of metallic supply falling short, it might be a question for careful consideration, whether the universal remonetization of gold and silver could be advantageously accomplished by reducing very largely the conventional and relative value of silver to gold, in order to carry a much larger quantity of metal into the arts, and thus rid the commercial world of Europe (especially England) and the United States, of the almost insuperable objection to the use of silver by reason of its bulk and weight.

If there were no gold or silver in plate and other manufactured articles, because altogether worthless for such purposes, then legislation could at once and forever fix the ratio of relative conventional value, as coin, between them; were it not so fixed, the proportions being allowed to settle themselves, then, if the true value ratio of silver in gold were $1-15\frac{1}{2}$, it would permanently fix itself there.

Legislation, however, could make in this case equal units in weight taken from each mass equivalents, because useless for manufacture. So legislation may, although each metal is useful for manufacture, still fix the relation subject to the risk of indirect demonetization of the metal undervalued; possibly at some future period, if it be found necessary to remonetize silver, it may be undervalued to some extent, if done by the world at large; but gold should not be, under any circumstance, demonetized by the commercial world, because we should be loaded down with heavy metal in all sales and redemptions requiring metal. If any change can be gradually effected by and by, after silver has disappeared from Europe and the United States, except for subsidiary purposes, and for those purposes much less weight of metal than that now used will suffice, perhaps it might advantageously come by reducing the value of the ratio of $1-15\frac{1}{2}$ so as to throw a much larger relative amount of silver into plate and the arts; but this reduction would also have the effect of discouraging silver and encouraging gold mining, and so far the effect would be also advantageous.

Again, should the conventional value of gold rise, then a still better plan might be to remonetize silver universally and fully, and fix the legal ratio at the true ratio as nearly as possible, and to endeavor to carry into effect some practicable scheme for using metallic units of both gold and silver, in such a way that they can enter into the circulation representatively discharging their proper function, without being at the same time an incumbrance. This could be effected by all Governments undertaking to store and safely keep coin of all sorts for all who might desire it, issuing paper or tokens for the same, and leaving it mostly in bullion; coin or bullion to be given in redemption of the paper or tokens at all times. The world has not, however, arrived at that degree of advancement in monetary and social science to make it worth while

for any "practical" man to spend time in urging the propriety of an international convention to discuss even the propriety of a general remonetization of silver, and certainly not of a Government storage of it.

If the quantity of silver used as money could be reduced in bulk and weight to that of gold it would be desirable to remonetize it at once universally as well as gold, and it would doubtless be done at once without a convention. But is not the compound ratio of the total annual production of silver and gold to the total existing combined mass in weight of both silver and gold, more steady than that of either of the metals to its single mass? Unquestionably, and this fact and the assumption that the value of the units of each metal will be more steady than the value of those of gold alone can be, and that those who have contracted debts under a bi-metallic standard (meaning perhaps citizens of France and subjects of Germany,) have been or will be sufferers and losers, if silver be not remonetized, are the chief points of the bi-metallists.

Now as to the fact of greater steadiness in the ratio of combined than of single production, I confess that upon first thought it seemed to me of paramount importance, but upon second thought I believe it to be of subordinate importance only. The mass of gold reserved in plate and jewelry, the mass of gold reserved (because scarcely ever circulated) in coin everywhere (some of the ten and twenty marc pieces even in Germany, having undoubtedly been more or less retired by the old debased silver coin), the vast extension of banking and consequent rise of prices in Germany, the stimulus to the production of gold, should gold rise even slightly in purchasing power in consequence of the acts of Germany and the Latin Union, will abundantly compensate for all tendency in gold to rise. Beside, the introduction and extension of banking and the use of inconvertible paper money in Russia, Austria, and Italy, have had and will have more to do with the purchasing power of all money, and consequently of gold, than any increase or decrease in the ratio of metallic production. To raise the purchasing power of the money unit by "contracting" the total number of units not potentially to any great extent, but actually, in harmony with diminished demand, as we have done in these United States for three years past, affects the value of all our money units whether of paper or of gold. How enormously has the purchasing power of the gold dollar risen within that time above its purchasing power before that time?

But does not the price of silver bullion to-day in the great bullion mart of London, demonstrate practically the "practical" loss which the citizens of France and the subjects of the German Empire are now sustaining, by being compelled to pay in gold when they contracted in silver?

Practically, nothing of the sort. If a bank of issue pays out its notes for discounted securities, and so occupies a part of the great field of circulation, before it quits the field it redeems its notes; if a discount and deposit bank enters the field, when it retires it must redeem its credits with gold, silver, bank notes, or credits of other banks; the moment a part of the field is abandoned another occupant appears, and if no other occupant appears we may be sure that part of the field has not yet been abandoned. The debased silver coin of Germany will not quit the field until the Government can redeem it, and it can only redeem it gradually. It committed the sad error of believing and carrying that belief into action, that it could, within such a period as it might dictate, replace a (debased) silver coinage with a gold one: it failed to reflect that the previous demonetization of silver by England and the United States threw upon the bullion markets less weight of metal than its single one was likely to throw; that this was not the first act of that kind but the third, and that it had therefore to consider the cumulative effect not of its one act but of the three combined. Germany will gradually get rid of her silver, and if she is not willing to wait the progress of time she can give notice that she will redeem the silver in Treasury notes payable in silver at the pleasure of the holder, and in gold at the pleasure of the Government, retiring the silver into her coffers until she sees it to the advantage of the Empire to dispose of it. Meantime she can watch the progress of monetary events. It is by no means certain that the cheapening of silver bullion after the present depression wears off and prices rise, and after the gradual absorption of the supplies from Germany and the Latin Union, will not so increase the demand for it as material for manufacture as to make it approximate former rates. If it does so, it will be a gain to the world, and an important incident. Meantime we may be sure of one thing, that prices will not be materially affected in Germany or France by the cheapening of silver bullion in the bullion mart of London. Silver will not leave the field of circulation in Germany until gold or paper takes, or is ready to take, its place. If there were no gold or paper the silver would still circulate from necessity. Why does an overvalued and subordinate or subsidiary silver coinage circulate in England, and why has it circulated in the United States and elsewhere? From necessity alone and not merely because it is legal tender; because the gold unit cannot be conveniently subdivided for such circulation, and is not therefore coined. Governments, therefore, can issue mere tokens which have a subordinate conventional value and circulation accordingly; this conventional value is precisely like all other conventional value in coins of full weight; the only difference is that the field of convention is smaller.

I sum up my objections to the United States embarking for the present upon the coinage of silver beyond subsidiary uses, as follows : Although the double ratio of production furnished by the two metals is more stable than that of a single metal can be, yet an abundant degree of stability will be furnished by gold alone. This difference in stability is *at this time* merely an abstract quantity so far as practical use goes. In fact the difference will not appear unless the Oriental nations threaten to demonetize silver. When they do it will be time to take action, and action will then be taken either to restore silver or possibly to find some metal of much less mass than silver to take the place of the gold that will depart eastward. Should silver be fully remonetized by the United States and the true functions of a metallic reserve and a mixed circulation be understood and acted on, the bulk and weight of silver in the circulation would be a more serious practical embarrassment to Americans, than the abstract difference between the stability of a compound, and a single ratio ; should Germany change her mind and remonetize, it needs not the help of the United States to do the same, because the act of the Latin Union was in effect provisional, the Union would follow suit, and silver bullion ascend to its former value without the aid of the United States.

Should Germany fail while the United States proceeded to remonetize conjointly with the Latin Union, the United States might place themselves in this predicament. Suppose the commerce of the Latin Union and the United States and other nations having bi-metallic money on the one hand, and the remainder of the commercial world having gold only, should approximate a condition that would take the whole or a large part of their gold away from the former ; the United States, above all other nations, might be subjected to very serious embarrassment. The United States is a debtor nation, and will for a long time continue so. England is our largest creditor, and we can not, if we are required to remit a metallic balance to her, send our silver to Paris and pay her in bills on Paris, nor can we remit silver to her in payment. We have committed two great financial mistakes already mentioned ; the last we could certainly have avoided, and the not avoiding it has run us sadly in debt. Let us not take the risk of committing a third mistake. We ought never to think of remonetizing silver, until England at least, if not indeed the whole commercial world, is ready to do it. It will not help us in the slightest degree towards resumption, and the cost of metal will be the same whether in conjunction with the Latin Union and Germany, or the Latin Union only, we remonetize silver ; or, on the other hand, refuse to do it. If we remonetize we shall raise silver bullion against ourselves ; if we do not, gold will cost no more.

Our plain simple duty is, to enter upon no untried path ;

to fund our legal tenders; to require all the banks to prepare for redemption in gold; to foster and help the National banks and not to oppress and drive them to wind up, by onerous and unjust taxation; to convert the present system of National banks into one single bank for the purposes of circulation, by allowing or rather requiring them to consolidate their banking reserve, placing it in the hands of the General Government in a Bureau of Redemption in New York City; requiring sub-treasuries in all cities to exchange gold for notes, remitting the notes they receive for redemption at the Bureau; and allowing the consolidated reserve to count as so much collateral in place of a like amount of United States debt. The General Government could thus, without any trouble on the part of the banks, convert, with their consent, a sufficient amount of the bank collaterals in the shape of bonds, gradually into gold, place it to the credit of each bank in the consolidated reserve, and put all their notes in a condition of convertibility, without any trouble on their part.

Gold will come to us fast enough, when a sufficient amount of Government paper is funded. Meantime, France needs no aid of us. Her monetary condition is sound, her internal exchanges are never blocked by excessive and misdirected labor, paid for by an artificial and excessive circulation. Germany is in a bad plight, but it is her own fault; and because she has depressed the silver bullion market, that is not a sound reason why the United States should step in and run the risk of seriously embarrassing themselves by raising the market price. A steady movement forward towards metallic convertibility into gold, is our policy. The Mercantile Theory of intrinsic value in coin, while it has led to a misunderstanding of the true function of a banking reserve, has had a conservative effect elsewhere: it has retired vast sums from active circulation, ready nevertheless to be used when needed: the possession of money is evidence of thrift in individuals, and if in them, then in nations, because it is the most natural form in which thrift can be demonstrated. The United States are now practicing the highest degree of economy, for after all their interest is paid abroad, they have of late, shown a balance paid to them in gold. The error of the Mercantile Theory, as it was called, was not therefore in asserting that a gold balance is desirable, but in not taking notice, that although such a balance shows economy and thrift, and is therefore desirable in itself, there is a natural limitation to it, otherwise there could be no commerce, the end being thus sacrificed to the means. There will be no scarcity of gold when the silver leaves, so that gold can take its place. Germany can rid herself of her embarrassment in the way of silver if she chooses. Why should the United States, and above all France, step in to aid her?

Surely by remonetizing silver the United States would help Germany out of a bad predicament, subject themselves to inconvenience, without any possible advantage, and run unnecessary risks.

PUBLIC DEBTS INJURE ALL PRODUCTIVE INTERESTS.

BY GEO. M. WESTON.

A city journal (*The Public*, March 22, 1877) says, "lending money to railroads at seven, eight, or ten per cent. interest, is very like lending on the bills and *post obits* of a reckless spendthrift;" that investors, who have "been getting gambler's interest," and who have "exactd rates which very few roads could possibly earn," must expect "gambler's losses;" and that if they hold railroad bonds which "bear impossible rates of interest," they must "look to the property for security, or consent to a compromise." And upon the whole, *The Public* believes, that while "some roads have been ruined by fraudulent or wasteful management, a very much larger number have been ruined because it proved to be impossible to pay the stipulated interest."

Productive business, and the development of real estate, by the erection of houses, stores, and mills, are carried on in this country, as in all new countries, largely upon borrowed capital. They are in the same category, in that respect, as the railroads, and like them, have been compelled to promise "*impossible rates of interest.*" The causes for this are doubtless many, but a leading one is the enormous extent to which the loan market has been crowded by bonds representing public credit in various forms. Not only is the nation a large borrower, but nearly all the States, counties, cities, and towns, are also borrowers. In the resulting competition for money, lenders have almost fixed their own rates, and it is not wonderful that they have been tempted to fix rates which are proving to be "*impossible.*" The creation and perpetuation of public debts find their most steady and powerful support in that class of men. That portion of the press of this country, which represents that class, is a unit in condemning the reduction, not very great, which has been made in the National debt, and in insisting that the reduction shall go no farther. Those engaged in productive interests, and real estate enterprises, are not so observant of the effect upon them of public policies, and have less leisure to combine an effective resistance to policies which are unfriendly and unjust to them.

In some aspects, it is true that high rates of interest, and

large returns upon all forms of invested capital, are for the general advantage; but this is only in the same aspects, in which it is true, that high wages for labor are for the general advantage. The higher the income of wealth the more rapidly will it accumulate, and the greater will be the inducement to save it, instead of expending it in personal and temporary gratification. And the higher wages are the more is industry encouraged, and the greater will be the surplus not needed for the support of laborers, and which may thus become new capital. If the economic condition of the world could be re-constructed upon principles of supposed benevolence, it is not easy to see what limits would be put upon the gains of either capital or labor. But in fact, whatever we may wish, we must take the world as we find it, and neither wages nor the income of capital can be pushed beyond a certain point without paralyzing productive interests. And when that happens, wages and the income of capital must fall again to the level at which production can be resumed. What that level is varies in different times and countries, and is never stationary anywhere. It is a mysterious but certain condition of human affairs, to be ever on the ebb or flow. But the true level at any given time and in any given country will soon be found, if the laws which govern markets are not disturbed by extraneous interference. Interest upon money loaned, left to itself, would have a certain relation to the income of capital in other forms, and the demand for loans, left to itself, would bear a certain relation to the activity of production, and to the improvement and development of fixed property. But when governments become borrowers, it is by political necessities, or supposed political necessities, that the demand for money, and the interest paid for money, are controlled. During the late civil war, the United States borrowed paper dollars, and paid annually for the use of one hundred such dollars six gold dollars then worth in the market fifteen paper dollars. Those who could lend at such rates to the Government were very little likely to lend at moderate rates to anybody else. And even when governments do not pay such excessive rates, they make a new and unnatural demand for money, and thereby place private borrowers at a disadvantage.

Lenders of money, foreign and domestic, profit by our National debt in all ways. Their direct income from it is more than princely. Few princes, in either ancient or modern times, have enjoyed revenues so vast. But their indirect advantages from it are also great. To whatever extent our government, or any government, will safely hold their money and pay liberally for its use, the less remains for individual borrowers, and the keener the competition of such borrowers to obtain it.

All the productive and property interests of this country

are languishing under this unnatural state of things. Agricultural lands are the safest of all forms of property, but loans upon them for their development are only possible upon impossible terms. The railroads, as stated by *The Public*, have been eaten out by usury, and their further construction, needful as it is in this wide and growing country, is substantially arrested. Those who erect houses, or stores, borrowing two-thirds, or even only one-half of the needed capital, get no income, as the rents will only pay taxes and interest on the mortgage, and not always that.

The interest-bearing debt of the United States is 1700 million dollars. The payment of one-half would reduce the annual interest more than two-thirds. The annual interest is now upwards of ninety millions. A debt of 850 millions could be carried at the rate of three and one-half per cent. interest, such is the demand for that species of security, provided the amount on the market is kept small. By such a reduction of the principal of the debt, and the consequent reduction of the rate of interest on what was left unpaid, the production and property of the country would save sixty millions in annual taxes, and in addition, a sum possibly greater by a diminution of the charges for borrowed capital. Property and productive interests, as compared with money, may not be entitled to special favors, but they are at any rate entitled to justice and fair play. They should not be discriminated against by public policies. If the Government should convert its treasury, replenished for that purpose by taxation, into an institution to make loans to farmers, builders, and railroads, at rates fixed benevolently low, private capitalists would have a good right to complain of it. Wherein is the right less good of enterprise and production to complain, if the Government becomes the great borrower in the market, not temporarily and during the stress of overpowering necessity, but permanently, and as a systematic policy?

The interest on public debts is the measure of the income of the holders of them, but it is by no means the measure of the burden which they impose upon taxpayers. The expense of collecting taxes is considerable under the best management, and the actual management is sometimes the worst possible.

A National debt has been described as a device which enables the rich to buy the right to levy taxes on the poor. That is a roughly correct description of one aspect of it, as National taxes are generally levied more upon consumption and labor than upon property, but it is by no means an adequate account of the effects of public debts. By increasing the rates of interest, they enable one class of rich men to prey upon another class of rich men. They enable those who have money to lend, to appropriate what ought to be the gains of the capital of others, and would be so but for an unnatural disturbance of the loan market.

The savings banks of the State of Connecticut are reported to have voted, at a convention held within a few weeks, to make loans hereafter at six per cent. interest. It is not stated how much higher rates they have been receiving heretofore. Their managers are not to be censured for receiving whatever rates were current in the market. But manifestly, it could only have been some violent and abnormal cause, which, in one of the oldest and richest States in the Union, could have carried the rates above six per cent., upon such securities as would be accepted by those banks which are reputed, and no doubt justly, to be safely and carefully managed.

This cause is the enormous expansion of public debts, in every conceivable form, within recent years. The evil has reached such a height that the reform of it is a necessity. Productive interests, railroads, agriculture, and real estate development of every kind, find the burden no longer supportable. The evil, in all its various shapes, must be steadily reduced and, as soon as may be, finally got rid of altogether. The sinking fund of the National debt must be watchfully guarded. Old municipal debts must be paid off, and the contraction of new ones placed under really efficient restraints. On the last point, the law of Massachusetts, passed two years ago, is an example to be followed and improved upon.

OF THE DISCOUNT DEPOSIT.

BY CHARLES H. CARROLL.

Once in my life, and only once, have I known a bank officer who seemed to me to comprehend thoroughly the nature of his business in discounting an evidence of debt out of itself into a "deposit." That officer was the late J. Amory Davis, President of the Suffolk Bank of Boston, who told me that in his opinion, the business of banking would be more profitable to its proprietors in the long run, as well as more useful to the public, if that principle were abandoned entirely. Mr. Davis was a good thinker, careful and sound in his conclusions, and a perfectly conscientious man. I was glad to find that his ample experience and practical knowledge of banking led to the same conviction on this point which I had entertained many years before I had the pleasure of his acquaintance.

The subject is brought to my mind at this time by an argument of George S. Coe, Esq., President of the American Exchange National Bank of New York, on bank taxation, which I find reported in the March issue of this Magazine, and in the newspapers. In a newspaper he is represented as saying to the Committee of Ways and Means of Congress :

"Now, as to dividends, the banks in the city of New York, one-half of them, have not for the last two years earned their dividends, and for the last year not one-third of them. * * I say that our institutions did not earn the dividends which they have declared, but they paid them out of their reserves because they could not help responding to the agonies of the stockholders, and the necessities of the case."

There is nothing surprising in this statement. The gist of the trouble lies in the supposititious "dollar" created by discounting, which, being nothing in itself, has no equivalent; nevertheless it demands the payment of money, or an equivalent, and, although the bank throws upon its customers the obligation to meet this demand, the demand "returns to plague the inventor" of the fictitious dollar, under the adverse course of exchange which that dollar itself creates.

A promise is a debt, it is nothing else; and the attempt to make debt serve the purpose of money, always has been and always will be a failure. Money and debt are as opposite in nature as fire and water; money extinguishes debt as water extinguishes fire. Debt in the money channel is a violator of natural law; an intruder that can remain there only so long as money can be kept out by the interference of legislation. The buying of goods is one thing, the paying for them another. Credit may be a good medium of exchange, but never can be the object of exchange. The seller is not paid for his goods in a note or a check; the exchange is not completed until his capital is restored to him in money or its equivalent as value for value. Hence the debts of the community, so far as they are contracted in price without value; that is, in price formed by credit in excess of the natural money value, below which prices cannot permanently fall, must be kept in existence by continued renewal, and by maintaining in full activity of circulation, the volume of currency in which they were contracted, or prices will fall, debts must be discharged in bankruptcy, and banking comes to grief like other credit business. A sluggish circulation, such as we have had for some years past, is equivalent for the time to a contraction of the currency, since if the currency cannot be used it cannot maintain prices.

These fundamental principles of finance and political economy are ignored in the fictitious bank deposit, the deposit created by discounting; and this is the cause of the trouble with the banks which Mr. Coe portrays so eloquently. Taxes have very little to do with the matter, and their removal would have no appreciable effect, I think, in removing the difficulty. This so-called "deposit" involves the entire principle of the currency system of Europe and America. It was invented by the Bank of England, in 1694, or rather by the Scotchman, William Patterson, who invented that bank; and two other Scotchmen, John Law, the projector of the Missis-

issippi scheme, and Adam Smith, have been chiefly instrumental in corrupting political economy with the fallacy that this "deposit," with nothing to it or behind it, is an economy of the precious metals. It amounts precisely to this and nothing more, that two men exchange promises, one being a banker, promising to pay on demand, which promises are to be off-set in the end by a re-exchange of one against the other; meanwhile, the banker's promise is to be called "money," and regarded as equal in value to gold. Mr. Coe, I am glad to see, discovers the fallacy of this pretence of money in the deposit, but he does not propose to reform it; and he is one of a thousand of his craft in admitting, that in manipulating the deposit, he is not borrowing and lending money.

Here is Adam Smith's statement of the matter.* "A paper money, consisting in bank notes issued by people of undoubted credit, payable on demand, without any condition, and, in fact, always readily paid as soon as presented, is, in every respect equal in value to gold and silver money, since gold and silver money can at any time be had for it." That is to say, a banker does the same thing in effect for commerce and the general welfare, by writing a promise for a given amount of gold which he does not possess, as the miner who produces capital by raising the same amount of gold by hard labor from the bowels of the earth. I think no greater folly than this ever claimed the sanction of science in any department of human inquiry; but it is the principle of banking in which Mr. Coe is engaged, and the essence of our currency system. It is a quicksand which the banks make for their own and all other business to stand upon.

As to the difference, so often alleged, between the bank note and bank deposit, there is none whatever in principle or effect; one is as much currency as the other. Originally, the Bank of England issued notes for all her discounts and demand liabilities. Suppose you have \$1,000 at your credit inscribed in a bank ledger, and you make and pay away a check for \$100, you have \$900 of bank credit left. Or suppose you have the same amount inscribed in ten separate notes, and pay away a note for \$100, you have \$900 of bank credit left as before. In the one case you make your own checks at your convenience; in the other, the bank makes, in effect, and hands you ten checks upon itself, which you dispose of at your convenience. The currency is the fund in bank, whatever that may be or pretend to be; it is not merely the instrument—check or note—which serves to circulate that fund; and the whole fund is money or fiction, as money is present in or absent from it. Were the currency exclusively metallic, it would be largely distributed through banks by the same instruments. The balance at the debit of every trader's cash account is his currency, and the chief item

* *Wealth of Nations*, book 2, chapter 2, of Money.

of that balance is usually his bank deposit, subject to check at sight ; not the deposit loaned on time or in a savings bank, which, being removed from his cash account, is loaned, and is not currency.

If this common-sense statement needs the sanction of authority to satisfy the reader, let him refer to Henry Thornton's *Inquiry into the Nature and Effects of the Paper Credit of Great Britain*, page eighty-seven, where he will find a footnote as follows : "It is in substance the same thing whether a person deposits £ 100 in money with the bank, taking no note, but obtaining a right to draw a draft on a banking account which is opened in his name, or whether he deposits the same £ 100 and receives for it a bank note. The possession of the right to draw obtained in the one case, is exactly equivalent to the possession of the note obtained in the other. The notes, it is true, are commonly issued not in consideration of money received, but of bills discounted ; but the deposits, it may be observed, are generally formed by the means of bills discounted."

And in Lawson's *History of Banking*, page 156, we find the following statement of the same thing : "A note holder does not in fact differ from a person to whom a balance is due, both are creditors of the bank ; the one holding a note, which is the evidence of the debt due to him ; and the other having the evidence of the entry in his pass book, or in the ledger of the bank." Authorities are abundant on this point. Joseph Hume completely defeated Lord Overstone, then Samuel Jones Loyd, in an argument upon it before a committee of the British House of Commons, as I read the case in Overstone's *Tracts*.

Mr. Coe explains the principle thus : "One hundred bales of cotton are sent from New Orleans to New York, shipped inland. This cotton is not money. There is not a dollar of actual money connected with it. It has a value equivalent to so much money. The party in New Orleans who ships it chooses to send it to Cincinnati, and draws a draft against it, upon that place, and deposits that draft in bank in New Orleans. That becomes a deposit. Is it money? Is it not cotton and nothing else?" To this I reply, it is no more cotton than it is money ; it is neither one nor the other ; nor is it legitimate credit, for legitimate credit borrows capital, and there is no capital borrowed or loaned in this transaction as recited by Mr. Coe. The bank borrows no cotton and lends no money. The cotton shipper lends no cotton and borrows no money. The two parties merely exchange obligations ; the bank promises to pay the cotton shipper money in New Orleans which it does not possess, for if it does, the deposit is money borrowed by the cotton shipper, and the credit is legitimate in true and unexceptionable banking, which is not the case in question. On the other hand, the cotton shipper

promises to pay to the order of the New Orleans bank, money in Cincinnati which he does not possess or own there. By taking his draft the bank does not come into possession of the cotton or its ownership; it has nothing to do with the cotton, which goes on its way according to Mr. Coe's explanation. What then does the bank possess? Simply the cotton dealer's obligation to put money to its credit, or meet the draft in Cincinnati. The cotton may be destroyed upon the road; whether it is or not, the drawer may sell property inherited from his grandfather, to meet the draft in Cincinnati. His obligation is of the nature of a mortgage upon his whole estate, which he may release by the sale of any other property, as well as of the cotton in Cincinnati; or he may be an utter bankrupt, in which event he may have appropriated the proceeds of the cotton in anticipation of the appearance of his draft in Cincinnati; or the acceptor may be good for nothing. What I wish to show is that the bank has no lien upon or security in the cotton, and the deposit is merely an organization of debt into currency through false banking.

Mr. Coe proceeds: "The owner in Cincinnati moves it (the cotton) to Pittsburgh, and he puts the draft which he draws upon that place against it, into a bank in Cincinnati, and there also it is a deposit. The owner in Pittsburgh again moves it to New York, and there again a draft is drawn and is deposited in bank. That is the third time that the value of that one hundred bales of cotton becomes the subject of a deposit, and yet not a single dollar of money is deposited. Now what is that?" I answer: *Fiction*, counterfeit money, that ought to be suppressed by taxation, or in any way the Government may adopt to get rid of it, for the benefit of banking and all other business.

Why don't Mr. Coe say the deposit in Cincinnati is cotton, and again cotton in Pittsburgh, if, as he says, it was cotton in New Orleans? I believe Mr. Coe to be one of the most intelligent bankers in the United States. I think he does not care to risk his reputation for intelligence and common-sense on the assertion that this sort of banking, which he believes to be legitimate and entitled to relief from taxation, multiplies 100 hundred bales of cotton into 300 bales by three successive deposits. Anybody would see the fallacy of such a statement. But the dollar is such a pure abstraction, as the medium of exchange, which, as such, can be made as perfect by the authority or permission of Government in a leather button, or in an item of bank debt, as in gold or silver, that almost any absurd statement as to a deposit of dollars, may have the sanction of the British school of Political Economy, and pass for good banking and good sense; because the doctrine of that school is commonly accepted that the medium of exchange is the only essential function of money. While that doctrine prevails, political economy, in my opinion, will not amount to a row of pins.

Money in trade is a commodity, a thing that is bought and sold ; out of trade it is simply wealth. It is the creature of commerce, not of Government. It existed before Government. When history began it was gold and silver bullion circulating by the common unit of weight, as Abraham weighed the shekels of silver to Ephron. Its essential function in commerce is that of capital as the common equivalent of value in exchange ; and the prime element of an equivalent is always cost of production ; its other elements being supply and demand. Instead of being a mere medium of exchange, it is the most conspicuous object of exchange in commerce, since, as the universal equivalent, it buys and pays for every thing offered for sale, and is wanted, always and everywhere, as no other commodity can be, the wide world over. An exchange is as complete on the receipt of money as of any other commodity.

A dollar made without cost of production, may serve the purpose of a medium of exchange, like counterfeit money among people who choose to circulate it, but it pays for nothing ; it is a non-value, no capital, no equivalent, and, being used as money, it sinks the value of money in the rise of prices without compensation, and hence in loss of capital to the nation that makes and employs it ; for infallibly so much gold or silver will be paid away for nothing in a false price for foreign goods. Whereas, a fall in the value of money by reason of the production of gold and silver, is exactly compensated by the increase of capital in money which will be exported and exchanged for commodities of higher value, like a surplus of wheat, or of any other commodity, as soon as the course of exchange indicates, as it will with scientific precision, that money is cheaper than the average of other commodities ; which is the same thing as saying, as soon as local prices are raised above the money level in other countries. No steam governor regulates the working of an engine with more accuracy than money, uncorrupted and unobstructed, regulates the movements of commerce.

Now, Mr. Coe's deposit is made of dollars that cost nothing—dollars that he says, very truly, are not money, and that I say are not cotton, for there is obviously not a particle more of money or of cotton in the country, or in the world, by reason of their creation, than if they had never existed ; but being interchangeable with money, or so far as they are exchangeable for money at a discount, they will, by the law of value, which is as constant and irrevocable as the law of gravitation, depreciate money, as I have just said, and compel the export of gold or silver in pure loss of capital to the nation. Of course I am treating of a principle in this matter, and assume, as the principle requires, that the deposit is an addition to the pre-existing currency.

The interests of banking, as well as the public welfare,

require the suppression of every such "deposit," and all such dollars, since they but obstruct the money channel and prevent the accession of capital in money that we should otherwise have by producing and exporting merchandise in exchange for it. According to all authorities, as well as all common sense, the limit of industry and trade is determined by capital. The only power or use of credit is to borrow capital; when credit supplants capital it is an unmitigated evil.

The loans of the commercial banks of this country, during specie payments, have never amounted to double their capital, in the aggregate. The two greatest periods of expansion culminated in 1837 and 1857, and in both instances the expansion brought about a financial crisis and a general suspension of specie payments. According to the returns at Washington, the capital in 1837 was \$290,772,091, and the loan \$525,115,702 being about eighty per cent. more than the capital. In 1857 the capital was \$370,834,686, and the loan \$684,456,887, or about eighty-four per cent. more than the capital. The suspension of 1837 was succeeded by fitful and partial efforts to resume, and six years of extreme perturbation and distress. A general resumption being accomplished in 1842, the loan stood at the beginning of 1843 only eleven per cent. in excess of the capital. The suspension of 1857 was less disastrous because the California gold replenished the coffers of the banks, and they were enabled to resume in 1858, with their loan forty-eight per cent. in excess of their capital. But it is safe to say that the bank loan has not exceeded the bank capital seventy per cent. on the average, from the adoption of the constitution in 1787, till the suspension of specie payments in 1862.

Now, there are trust companies in our large cities, lending twenty to twenty-five times their capital, and honest, well-conducted savings banks, with no stock-capital, lending fifteen to twenty millions of dollars each. How are such large loans maintained? Simply by non-interference with the currency; in other words, by avoiding the fictitious deposit—the discounting of an evidence of debt out of itself—to cripple their loans. Every one knows that a large business with a small percentage of profit leads to accumulation more generally than a small business with a large percentage of profit. There is no limit to the loans that might be made by the commercial banks under a normal system, but in the vast amount of loanable capital in the country which they do not reach with the false deposit, and which they would reach without it, more especially with a currency of solid money, since that would be of itself capital added to the existing means of doing business.

It was in view of such facts as these that I was long ago led to believe the business of banking would be more profitable in the long run, to its proprietors, if they would abandon altogether the deposit created by discounting; and it

was in view of such facts that the experienced banker, Mr. Davis, to whom I have referred, came to the same conclusion. He had seen the reverse side of the picture which Mr. Coe now presents.

Nearly all the borrowing and lending of capital in trade is done now by buying and selling goods on credit. It is a forced business, to make currency by making notes for discount, against the natural laws of trade, which, if left to themselves, would bring money into the country, and the buying and selling of goods would then be done with and for cash on delivery, which would save to the industrious classes the enormous cost of the currency in the credit prices charged for goods, and covered in the notes discounted. These prices must include not only the discount allowed the banks, but also the guarantee against bad debts; the discount ranging in ordinary times from seven to ten per cent. per annum, in different parts of the country, and the guarantee, according to some authorities, averaging four per cent. on each credit sale, to cover the cost of supporting bankrupts, including of course the smallest retail business.

All this is abnormal and utterly wrong, but it is the inevitable fruit of the false deposit. If this system were abandoned, the banker would take his proper position as the middleman between the lender and borrower—between the capitalist and the man of enterprise, who would borrow capital of the banker in money and pay the interest properly out of his profits, since he could get no greater price for goods than his neighbor trading on his own capital, who would have no interest to pay. General prices, therefore, would be unaffected by credit; we could produce cheaper than we do now, and cheaper than the people of Europe, who maintain the false money system, so that we should have the advantage of them in the world's commerce. And our securities for banking, which are now so generally doubtful, and frequently bad, would then be reliable and good, almost without exception.

The intelligent reader does not need to be told that "commerce is simply the exchange of commodities." Can he then fail to discover the impolicy of obstructing the money channel with paper promises, and blockading commerce against the admission of its most useful and desirable commodity, gold and silver bullion, to the amount of one thousand millions of dollars, approximately, which belongs as the common equivalent to our circulating capital, and the absence of which plunges nearly the whole traffic of the country into the vortex of debt and credit? We have only so much the less commerce as this \$1,000,000,000 of capital would maintain.

It follows, unquestionably, that our true policy is absolute non-interference with the value and circulation of money; in other words, true and free banking, and free trade in money

THE INFLUENCE OF IRREDEEMABLE PAPER
MONEY ON INVESTMENTS IN SECURITIES
PAYABLE IN SPECIE.

BY DUDLEY P. BAILEY, JR.

At first sight, it would appear that investments in securities payable in specie are the most stable in value of any, and when measured by a real standard they are so. But when measured by the standard of an irredeemable and fluctuating currency, their very fixedness in real value occasions fluctuations in their currency price with every change in the fictitious standard in which they are quoted and ordinary commercial transactions carried on. Such securities have a tendency to advance or decline in sympathy with gold. If the paper currency is depreciating they become the most desirable of investments; for, being estimated according to the standard in which they are payable, they tend to retain their specie value and to advance as quoted in currency, while securities payable in paper are sinking *pari passu* with it. When, on the other hand, the currency is appreciating, securities payable in gold are less desirable as an investment than those payable in currency. The latter, if they continue stable as quoted in currency, partake of its appreciation and advance in gold value. The investor who holds them until, by the resumption of specie payments, they become gold-paying securities, gains the whole difference between paper and gold. Securities payable in gold, however, if their specie value remains uniform, suffer under the same circumstance a decline in currency value. The investor who holds them until resumption, has the same specie value, but less currency value, by the difference between paper and gold. Every approach towards specie payments tends to bring all securities payable in currency nearer to the level of those payable in specie, the latter, meanwhile, like gold, losing their premium.

The operation of these principles, long disguised by a variety of causes, especially by the advance for many years in the gold prices of United States bonds, has, by the full re-establishment of our National credit within the last few years, become more clearly manifest. To this is principally due the heavy decline in the currency prices of United States gold bonds within the past year. The five per cent. funding bonds of 1881 touched their highest point—119—June 28, 1875, when gold was at $117\frac{1}{8}$, and again February 21, 1876, when gold was 114, giving 101.6 and 104.4 as the respective

gold prices of the bonds at these rates. The lowest quotation during the past three years was $109\frac{1}{8}$ March 1, 1877, when gold was down to $104\frac{3}{8}$, giving a gold value of 104.5 or almost exactly the same as on February 21, 1876. The lowest price on record was $106\frac{1}{4}$ in November, 1873, when gold fell to $106\frac{1}{8}$, and when the bonds were worth about par in coin. The Pacific Railroad six per cents. payable in currency, fluctuate on different principles. They were, early in May, salable at $124\frac{1}{2}$ to 125, against 128 February 23, 1876, the highest price on record, and $120\frac{3}{8}$, December 4, 1876, the lowest price for two years. On the 1st of March, 1877, when the fives of 1881 fell to $109\frac{1}{8}$, the currency sixes closed $122\frac{3}{8}$. Their currency value is not determined by the state of the gold market, and is therefore, under existing conditions, more uniform than that of gold bonds. The currency quotations of United States and other gold bonds are, indeed, affected by a multitude of causes, general and special, besides the value of currency as expressed in gold, but this will remain one of the leading causes so long as commercial transactions in this country are left at the mercy of irredeemable paper money.

These considerations deserve careful attention, not only from individual investors, but more especially from trustees, financial institutions, and others having obligations payable in currency which they must meet from the proceeds of their investments. It is the currency value of their securities which they need principally to consider, and any security which will not maintain its currency value is likely to prove to that extent a source of loss. It will not save them from loss or embarrassment that the gold value of these securities is sustained. They have promised to pay so many dollars in currency, and if this becomes more valuable, they cannot for that reason discharge their obligations with less of it. Suppose a savings bank to have purchased \$1,000,000 five per cents. of 1881 at 119, the price of February 21, 1876, and to keep them until the resumption of specie payments, their gold value remaining uniform at $104\frac{1}{2}$, and we shall have the following result :

\$ 1,000,000 bonds of 1881 at	\$ 119	cost	\$ 1,190,000	currency.
“ “ worth on specie basis at $104\frac{1}{2}$			1,045,000	“
Shrinkage			\$ 145,000	“
Interest on \$ 1,000,000 5 per cent. bonds 2 years 10 months to January 1, 1879.			141,667	gold.
Equivalent in currency if gold premium averages 8 per cent.			153,000	currency.

The shrinkage absorbs nearly the whole interest received. In other words, owing to the mischievous influence of an irredeemable and fluctuating currency, the bank would have been nearly as well off to have left this sum of money lying idle in its vaults, and an investment which with a stable cur-

rency would have been among the soundest that a bank could make, turns out to be scarcely better than no investment at all. This is an extreme case, but like results, only less in degree, would follow in any case where bonds are purchased at a currency value, above what they will have on a return to the specie basis. If the bonds had been purchased at $109\frac{3}{8}$ the lowest price during the last three years, the loss would be smaller, but would, under the same conditions, amount to $4\frac{3}{8}$ per cent. on the par value, or nearly one year's interest. An investment in the new $4\frac{1}{2}$ per cent. bonds would produce similar results. The investor who should purchase at the price of March 1, 1877— $105\frac{3}{8}$ —the lowest price yet touched, equivalent to 100.96 gold, at the premium of the day, would, on resumption, if their gold value remains uniform, find the currency value of his investment shrunk to about 101, and that his loss amounted to about $4\frac{3}{8}$ per cent. or the interest on his investment for nearly one year. The net interest from March 1, 1877, to January 1, 1879, after making good the currency value of the principal, the point to be considered by financial institutions, would be only about 2 instead of $4\frac{1}{2}$ per cent. If the bonds were purchased at the highest price yet touched— $111\frac{1}{2}$ —the depreciation would be still greater. To a person investing his own money this would not be a matter of so much consequence. If he considers himself investing so much gold in United States bonds, he will, under the conditions supposed, find that his investment, after resumption, represents as much gold as before. He will not have suffered an absolute loss. He will only have relinquished a possible gain. This does not, however, apply to those who are investing the money of others, which they are answerable for in currency, whether more or less valuable. In either case, we need be at no loss to account for the check which the funding operations have received since the gold premium has begun again to advance. This carries up the currency prices of the bonds and makes them a less desirable investment.

The state of the currency has thus a tendency to discourage investments in United States bonds. Financial institutions, which have in the past few years been using funds payable in currency to purchase United States gold bonds, can be saved from serious loss only by an advance in the gold price of United States bonds corresponding to the appreciation in the value of the currency. Such an advance may occur, but the experience of the past two years does not justify such an expectation, and in view of the prospective revival of business and the consequent advance likely to occur in the rates of interest, a change of an opposite kind would seem quite as probable.

It certainly does not follow from these considerations that the currency should not be allowed to appreciate, but should

be kept irredeemable. This would insure the periodical recurrence of the mischiefs just described. On the contrary, a definite period should be put to these mischiefs by the resumption of specie payments. The re-establishment of the currency upon a specie basis, is a condition precedent to the highest success of the funding operations, and should, therefore, first claim attention. The Government owes it to itself to place the currency upon a foundation that will favor investments in United States bonds instead of discouraging them. Halting and timid measures in regard to the currency should give place to a bold, well-defined and decisive policy which will dispel doubt and assure the public what to depend upon. Accordingly the welcome announcement that the Secretary of the Treasury proposes to sell bonds for gold to be used for resumption purposes, will be hailed with profound gratification by all who desire a return to a sound currency. It is a cheering sign that, after drifting aimlessly so many years the ship of state is at length headed in the right direction.

RIGHTS OF HOLDER OF CHECK ON BANK.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1876.

The First National Bank of Washington, Plaintiff in Error, vs. Whitman.

No action against a bank can be maintained by the payee of a check until it has been accepted, there being no privity of contract between the payee and the bank.

So held where the action was brought by the true owner of a check drawn by the Treasurer of the United States upon a depository bank, which had been paid upon an unauthorized indorsement.

The fact that there had been a settlement of accounts and the check allowed, on the supposition that it had been properly paid, does not alter this rule.

Payment of a check upon an unauthorized indorsement does not operate so as to justify an action by the real owner to recover its amount, as upon an accepted check.

In Error to the Supreme Court of the District of Columbia.

Mr. Justice HUNT delivered the opinion of the Court.

This action is brought against the First National Bank of Washington to recover the amount of a draft drawn upon it by Mr. Spinner, Treasurer of the United States, for \$3,414, dated March 9, 1867. The draft is in this form, viz.:

“Draft No. 9,243 on war warrant No. 915.

“\$3,414.

TREASURY OF THE UNITED STATES,

“WASHINGTON, March 9, 1867.

“Pay to the order of Mrs. E. S. Kimbro, three thousand three hundred and fourteen dollars. No. 9,243. Registered March 9, 1867.

“Issued on requisition No. —. \$3,414.

“S. B. COLBY, *Register of Treasury.*

“F. E. SPINNER, *Treasurer of the United States.*

“To the First National Bank of Washington, D. C.”

It was indorsed in the name of Mrs. Kimbro without authority, and the

amount of it was paid by the bank to an unauthorized holder. It appears from the testimony of Mr. Tayler, First Comptroller of the Treasury, that the funds of the Government deposited by the Treasurer in a National Bank, are treated by the Government, for the purpose of keeping accounts, as in the Treasurer's own charge and custody; that they are charged to him, and the payments made are credited to him, and that he is chargeable precisely as if the funds had been in his own office, and that he had power to make the draft in question.

We may, therefore, simplify the case by eliminating from its consideration all reference to the United States, and consider the transaction as between Mr. Spinner, as an individual, and the bank, as his depository, and Mrs. Kimbro, as the payee of his check.

The question is this: Can the payee of a check, whose indorsement has been forged or made without authority, and when payment has been made by the bank on which it was drawn, upon such unauthorized indorsement, maintain a suit against the bank to recover the amount of the check? We think it is clear, both upon principle and authority, that the payee of a check unaccepted cannot maintain an action upon it against the bank on which it is drawn. The careful and well-reasoned opinion of Mr. Justice Davis in delivering the judgment of this court in *The Bank of the Republic vs. Millard*, 10 Wall., 152, leaves little to add upon this subject by way of illustration or authority. In that case a paymaster of the army made his check on the Bank of the Republic to the order of Captain Millard, for \$859, due to him for arrears of pay as an officer of the army. The bank paid the amount of the check upon a forged indorsement of Millard's name. Recovering the check and exposing the forgery, Millard demanded payment to himself, and upon refusal brought his action against the bank. This court held that the action could not be maintained, upon the principle that there was no privity between the bank and Millard. The bank's contract was with the paymaster only, and to him only was its duty. It received no money from Millard. It never promised Millard to pay him any money. It had no money belonging to him. It received money from the paymaster upon an agreement that it would return it to him when called for by him in person, or that it would pay it upon his checks. But it made no such agreement, or any agreement, with Millard. For a failure of duty in this respect it was responsible to the paymaster, with whom it made the contract, and to no one else. If the check was not paid the arrears of pay to Millard were not paid, and his claim upon the Government or the paymaster was not impaired by the giving of the check, which being presented in due time was not paid. He was still entitled to demand his arrears.

The case of Millard is a perfect and complete authority upon the question stated. See, also, *Arter vs. Bank*, 46 N. Y., 82.

Nor is this principle confined to checks or bills. Thus, in *Ashley vs. Dixon*, 48 N. Y., 430, it was held that if A be under contract to sell property to B, and C persuade A to sell the property to him, no action lies by B against C. There is no privity of contract between C and B, but the remedy of the latter is against A only.

It is not to be doubted however, that it is within the power of the bank to render itself liable to the holder and payee of the check. This it may do by a formal acceptance written upon the check, in which case it stands to the holder in the position of a drawer and acceptor of a bill of exchange. *Merchants' Bank vs. State Bank*, 10 Wall., 604; *Espy vs. Bank Cincinnati*, 18 id., 604.

It may accomplish the same result by writing upon it the word "good," or any similar words which indicate a statement by it that the drawer has funds in a bank applicable to the payment of the check, and that it will so apply them. *Cook vs. State Bank of Boston*, 52 N. Y., 96. And such certificate, it is said, discharges the drawer. As to him, it amounts to a payment. *Bank vs. Leach*, 52 N. Y., 350; *Meads vs. Merchants' Bank*, 25 id., 143; 9 Metc. 311; 2 Duer, 121. Whether this certificate be obtained by the drawer before the check is delivered, and is thus made an inducement to the payee to receive the same, or whether it is made upon the application of the payee for his security is of no importance. It is a contract recognized by the law, valid in its character, which essentially changes the position of the parties. The privity of

contract with the drawee which before pertained to the drawer alone is now imparted to the payee, and the duty which before existed only to the drawer now exists to the payee.

It is said that this fact of a contract between the payee and drawee exists in the present case. The testimony of Mr. Arnold is referred to, to the effect that in April, 1867 the bank made its weekly statement to Mr. Spinner, of deposits received and payments made, returning the draft of Mrs. Kimbro as paid on the 22d of that month, and that in the statement the amount of the draft was entered to the credit of the bank.

There is no suggestion in the evidence that either the bank or Mr. Spinner knew that the indorsement of the payee was unauthorized. The bank we assume, would not knowingly subject itself to the dangers and liabilities resulting from making payment to one not authorized to receive it. We assume also, as we are bound in justice to it to do, that it would not ask Mr. Spinner to give credit for a payment that it knew to have been illegally made, and that it would not attempt to deceive him into the belief that a pretended indorsement was a real one. It comes to this, then, that upon a settlement of accounts between them, a credit was by mistake allowed to the bank to which it was not entitled. The law is that neither party is to be benefited or to be injured by the mistake. The bank must refund the amount by handing over the sum or by crediting the same to Mr. Spinner in his next account. Mistakes in bank accounts are not uncommon. They occur both by unauthorized or pretended payments, as well as by the omission to give credit for sums deposited. When discovered the mistake must be rectified, and an ordinary writing up of a bank-book with a return of vouchers or a statement of accounts precludes no one from ascertaining the truth and claiming its benefit. *Story's Eq. Pl.*, §§ 799, 800, 801; *Story's Eq. Jur.*, §§ 523, 527; *Buchlin vs. Chaplin*, 1 *Lans.*, 443; *Bruen vs. Houe*, 2 *Barb.*, 586; *Bullock vs. Boyd*, 2 *Edw.*, 293. We cannot perceive that such a mistaken recognition of the validity of the payment of this check can create an additional or different contract between the bank and the owner of the draft.

It is further contended that such an acceptance of the check as creates a privity between the payee and the bank is established by the payment of the amount of this check in the manner described. This argument is based upon the erroneous assumption that the bank has paid this check. If this were true it would have discharged all of its duty, and there would be an end of the claim against it. The bank supposed that it paid the check, but this was an error. The money it paid was upon a pretended and not a real indorsement of the name of the payee. The real indorsement of the payee was as necessary to a valid payment as the real signature of the drawee, and in law the check remains unpaid. Its pretended payment did not diminish the funds of the drawer in the bank, or put money in the pocket of the person entitled to the payment. The state of the account was the same after the pretended payment as it was before.

We cannot recognize the argument that a payment of the amount of a check or sight draft under such circumstances amounts to an acceptance, creating a privity of contract with the real owner. It is difficult to construe a payment as an acceptance under any circumstances. The two things are essentially different. One is a promise to perform an act, the other an actual performance. A banker or individual may be ready to make actual payment of a check or draft when presented, while unwilling to make a promise to pay at a future time. Many on the other hand, are more ready to promise to pay than to meet the promise when required. The difference between the transactions is essential and inherent.

Without discussing the other questions argued we are of the opinion, for the reasons given, that the plaintiff below was not entitled to recover. The judgment is reversed, and the case is remanded for a new trial, or for such further proceedings as the parties may be advised to take.

POWER OF STATE TO REQUIRE A NATIONAL BANK CASHIER TO MAKE LIST OF SHAREHOLDERS.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1876.

Silas M. Waite, Plaintiff in Error, vs. George S. Dowley, Treasurer of the Town of Brattleboro.

In Error to the Supreme Court of the State of Vermont.

Held, That plaintiff in error, cashier of the First National Bank of Brattleboro, was not justified in refusing to return to the clerk of the township of Brattleboro the number of shares held and the amount paid thereon in that township, by his assumption that the law directing such returns was unconstitutional and void. The States may require these lists for the purpose of taxation, a right which is conceded by the act of Congress itself, because the returning of the list is not in conflict with any requirement of the Banking Act.

MILLER, J.—This is a writ of error to the Supreme Court of the State of Vermont, and, as is frequent in writs to the State Courts, it is objected that there is no jurisdiction. The plaintiff in error was cashier of a National bank in that State, and the judgment which this writ brings here for review was rendered against him for penalties imposed by a statute of that State, for his refusal to transmit to the clerk of the town of Brattleboro a true list of the shareholders of the bank who resided in that town, with the number of shares held, and the amount paid on said shares. The record shows that “the defendant’s counsel claimed in defense, that as said bank was organized under the law of Congress referred to in plaintiff’s declaration, the defendant, as such cashier, was amenable to no law but said law of Congress, and that the State Legislature had not power to prescribe or define his duties as such cashier.” That this proposition raises what is called a federal question within the meaning of the Act of 1867, admits of no doubt. We are also of opinion that no judgment could have been rendered against the defendant in the State Courts without holding, and in effect deciding, that this plea was bad, for if the State could not impose the duty of making such a list on the cashier, by reason of the Act of Congress or the Constitution of the United States, then the defendant was guilty of no offense, and the judgment is for that reason erroneous. This plain proposition cannot be evaded by any opinion delivered by the Supreme Court of that State. This Court, therefore, has jurisdiction.

And the single question raised by the record is, whether the statute of the State is void which requires “the cashier of each National bank within the State, and the cashiers of all other banks, to transmit to the clerks of the several towns in the State in which any stock or shareholder of such banking association shall reside, a true list of the names of such stock or shareholders, with the number of shares standing against the name of such share or stockholder, on the books of such banking association, together with the amount of money actually paid in on such shares on the first day of April.”

The proposition on which this statute is asserted to be void is that Congress has legislated upon the same subject, and that where there exists a concurrent right of legislation in the States and in Congress, and the latter has exercised its power, there remains in the States no authority to legislate on the same matter. It is not necessary to dispute that proposition, nor when stated in this general language can it be controverted. It is none the less true, however, that the line which divides what is occupied exclusively by any legislation of Congress from what is left open to the action of the States is not always well defined, and is often distinguished by such nice shades of difference

on each side as to require the closest scrutiny when the principle is invoked, as it is in this case.

We have more than once held in this court that the National banks organized under the Acts of Congress are subject to State legislation, except where such legislation is in conflict with some Act of Congress, or where it tends to impair or destroy the utility of such banks as agents or instrumentalities of the United States, or interferes with the purposes of their creation.

This doctrine was clearly and distinctly announced in the case of *The Bank vs. The Commonwealth of Kentucky*, 9 Wallace, 353, and that case has been often referred to since, with approval in this court.

The statute of Kentucky required "the cashier of a bank whose stock is taxed, to pay into the Treasury the amount of the tax due. If not, he was to be liable for the same, with twenty per cent. upon the amount." The stock thus to be taxed was, as in the present case, the stock of the shareholders, as authorized by the Act of Congress, and that statute went a step further than to require a list of the names of these shareholders and the amount of their stock, and obliged the cashier to collect the tax out of the dividends and pay it over to the State.

The precise point raised here was taken there and overruled by this Court, namely, that the laws of the State could impose no such duty on the banks organized under the laws of the United States. The case is directly and conclusively in point.

It seems to have been supposed that because Congress has required of each National bank that a list of its stockholders shall be kept posted up in some place in their business office, this covers the same ground as that covered by the Vermont statute.

The Act of Congress, however, was merely designed to furnish to the public dealing with the bank a knowledge of the names of its corporators, and to what extent they might be relied on as giving safety to dealing with the bank. It had no such purpose as the Vermont statute, and was wholly deficient in the information needed for the purposes of taxation by the State, as conceded to it by the Act of Congress itself.

Some legislation of Vermont was, therefore, necessary to the proper exercise of the rightful powers of the State, and so far as it required, this list was not in conflict with any provision of the Act of Congress.

This leads to the second objection to the validity of the State statute, namely, that its purpose was to tax bank shares at other places than those where the bank was located.

This case does not raise that question.

1. Because the bank, whose cashier is the plaintiff in error, was located in the town of Brattleboro, and the judgment against him is for refusing to deliver the list of shareholders to the clerk of that town, and not for his refusal to deliver such a list to any other town than the one where it was located. The delivery of a list to this clerk of the shareholders in that town would have been in aid of the taxation of the shares at the place where the bank was organized and did business, and such taxation is legal within the narrowest definition of the Act of Congress.

2. But if it be true that so much of this statute as is supposed to authorize other towns in which shareholders reside to tax such shares is unconstitutional, that does not invalidate the part of it we have been considering. It will be time enough to decide the provision of the State law authorizing such taxation unconstitutional when an attempt is made to collect such a tax, and the party resisting it shall bring the case here. The cashier has no right to make a case for him in advance. His rights are not affected by the acts here demanded of the cashier. This Court does not sit here to try moot cases to solve a question which may never be raised by any party entitled to raise it.

The judgment of the Supreme Court of Vermont is affirmed.

INTEREST ON CLAIMS AGAINST SUSPENDED NATIONAL BANKS.

SUPREME COURT OF THE UNITED STATES.

No. 905.—OCTOBER TERM, 1876.

The National Bank of the Commonwealth of New York City, Plaintiff in Error, vs. The Mechanics' National Bank of Trenton, New Jersey.

In Error to the Circuit Court of the United States for the Southern District of New York.

Held, that the claims when proved to the satisfaction of the Comptroller, were upon the same footing as if they had been in judgment and would draw the same interest.

SWAYNE, J.—This suit was brought by the defendant in error, as an original claimant, and as the assignee of other parties.

All the claims have a common origin, and involve the same principle.

On the 22d of November, 1873, the Bank of the Commonwealth refused to pay its circulating notes on demand, and became in default. The Comptroller of the Currency appointed a receiver, and the bank has since been in his hands. The Mechanics' Bank and its assignors had funds on deposit. On the 24th of September, 1873, all the parties demanded payment. Nothing was paid. Installments on account of the principal debts were subsequently paid, from time to time, to each of the parties. On the 20th of November, 1874, the last installment was paid in each case, and the principal debts were thereby extinguished. At each payment interest from the 24th of September, 1873, on the amount so paid, was demanded and refused. The other parties assigned to the defendant in error their claims respectively for such interest. The Mechanics' Bank instituted this suit. The declaration demands the payment of this interest in all the cases, with interest upon the aggregate amount from the 20th of November, 1874. The Bank of the Commonwealth demurred. Judgment was given against it, and this writ of error was thereupon prosecuted.

Two errors are assigned.

1. That the plaintiff below was not entitled to recover any interest.

2. If interest was recoverable, as demanded, on each installment when paid, the plaintiff was not entitled to interest on the gross amount of such interest from the 20th of November, 1874, the time when the last installments of the principal were paid.

There is but one demurrer, and that is to the whole declaration. The point is, therefore, well taken by the counsel for the defendant in error, that if any part of the declaration be good, and devisible in its nature from the residue, the demurrer must be overruled. 1 Chitty's Plead., 664. But the view which we take of the case renders it unnecessary to apply this rule.

By the common law, interest could in no case be recovered. As early as the reign of King Alfred, in the ninth century, it was held in detestation. Churchmen and laymen alike denounced it. Glanville, Fleta, and Bracton, all speak of it in terms of abhorrence. The first English statute upon the subject was the 37 Henry VIII, ch. 9.

This statute fixed the lawful rate of interest at ten per cent per annum, and visited receiving more with forfeiture and imprisonment. Other statutes regulating the subject were passed in later reigns from time to time, until finally an act of Parliament in 1854, (17 and 18 Vict., ch. 90,) swept all the usury laws in the English statute books out of existence, and established "free trade in money." The first impulse to public opinion in this direction was given by Bentham, near the close of the last century. The final result was doubtless largely due to his labors.

The fiftieth section of the National Banking Act (13 Stat., 113) requires the Comptroller of the Currency to apply the moneys paid over to him by the receiver "on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction." The act is silent as to interest upon the claims before or after proof or judgment. Can it be doubted that a judgment, if taken, would include interest down to the time of its rendition? Section 996 of the *Revised Statutes of the United States* (p. 182) declares that all judgments in the courts of the United States shall bear the same rate of interest as judgments in the courts of the States, respectively, where they are rendered. Interest is allowed by the law of New York upon judgments from the time they are perfected. Rev. Code of N. Y. (ed. 1859), vol. 3, p. 637.

If these claims had been put in judgment, whether in a court of the United States or in a State court of that State, the result as to interest upon the judgment would have been the same. It was unnecessary to reduce them to judgment, because they were proved to the satisfaction of the Comptroller. After they were so proved, they were of the same efficacy as judgments, and occupied the same legal ground. Hence, they are within the equity, if not the letter, of these statutes, and bear interest as judgments would have done. Sedgwick on Const., 311, 315. This is conclusive upon the first assignment of error.

The rule settled by this court as to the application of payment is, that the debtor, or party paying the money, may, if he chooses to do so, direct its appropriation; if he fail, the right devolves upon the creditor; if he fail, the law will make the application according to its own notions of justice. Neither of the parties can make it after a controversy upon the subject has arisen between them, and *a fortiori* not at the trial. *U. S. vs. Kirkpatrick*, 9 Wheat., 737; *U. S. vs. January*, 7 Cr., 572; *Field vs. Holland*, 6 Id., 8. In the present case, the appropriation was made unequivocally by the party from whom the money was received. How it would have been applied by the law if neither of the parties had given any direction is a question which we need not, therefore, consider.

The interest lawfully accruing upon each of the claims was as much a part of it as the original debt. The creditor had the same right to the payment of the one as of the other. If there had been a judgment, and the full amount due upon it had not been paid, an action of debt might have been brought upon it to recover the balance. 1 Chitty's Plead., 111.

Such balance would have been adjudged to the plaintiff, with interest, in the shape of damages for the detention of the debt. If in that case the judgment debtor had chosen to pay only the principal of the judgment, leaving the interest unsatisfied, and the suit had been for the balance, consisting of interest only, the same result would have followed.

We have shown that the claims, when proved to the satisfaction of the Comptroller, were upon the same footing as if they had been in judgment. The amount in arrear was liquidated, and as certain as if it consisted wholly of principal instead of interest. This action was, therefore, well brought. If it had been in debt, damages would have been awarded for the detention of the debt sued for. The action not being in debt, the same amount was properly included in the mass of the damages for which the judgment was rendered.

The compounding of interest, so far as it has occurred, was due entirely to the fault of the agent of the plaintiff in error. The principle of *estoppel in pais* applies. No exception can be taken upon that ground.

The plaintiff in this action was entitled, *ex equo et bono*, to the money sought to be recovered. Where the right to recover exists in this class of cases, it includes interest as well as principal, unless there is something which would render the payment of the former inequitable.

Kent, Chief Justice, said upon this subject: "Each case will depend upon the justice and equity arising out of its peculiar circumstances, to be disclosed at the trial." *Pearce vs. Barbour*, 3 Caine, 265; see, also, *Robinson vs. Bland*, 2 Burr., 1087.

In the latter case Lord Mansfield said: "The interest is an accessory to the principal; and the plaintiff cannot bring a new action for any interest grown

due between the commencement of his action and the judgment in it." * * * "I don't know of any court in any country (and I have looked into the matter) which don't carry interest down to the last act by which the sum is liquidated."

The Comptroller committed a plain violation of his duty. There should have been no discrimination between principal and interest in making his payments. The creditor had the same right with respect to both, as if he had been pursuing the defaulting debtor under other circumstances. The Comptroller should have done just what the law would have done if the case had not come under his cognizance.

Numerous cases, both English and American, are to be found in which compound interest, under special circumstances, was recovered. It is sufficient to refer to a few of them. *Ex parte Beavens*, 9 Vesey, Jr., 223; *Colliot vs. Walker*, 2 Anstr., 495; *Hamilton vs. La Grange*, 2 H. Black, 145; *Kellogg vs. Hickock*, 1 Wend., 521; *Tyler vs. Yates*, 3 Barb. Rep., 222; *Rennow, Dickens, Cam. and Norw. Rep.*, 357; *Aurora City vs. West*, 7 Wall., 82; *Town of Genoa vs. Woodrow*, 92 U. S. S. C., 502.

The demand for the interest was properly made upon the plaintiff in error.

The judgment of the Circuit Court is affirmed.

TAXATION OF A BANK BUILDING AS CAPITAL.

OPINION OF THE ATTORNEY-GENERAL OF THE UNITED STATES.

Money Invested in a Banking House by a Bank or Banker is Capital, and subject to the Tax of one twenty-fourth of one per centum.

DEPARTMENT OF JUSTICE, WASHINGTON, April 7, 1877.

Hon. John Sherman, Secretary of the Treasury:

SIR: Yours of the 28th ultimo propounds this question, "Whether the terms 'capital' and 'capital employed,' as used in paragraph *second* of Section 3,408, R. S., embrace that portion of actual capital which is invested in and represented by the banking house or other real estate, or whether for the purpose of said paragraph, such real estate is not to be regarded and treated as personality."

So much of the Statute as it becomes necessary particularly to examine reads as follows: "Section 3,408. There shall be levied, collected, and paid, as hereafter provided: *First*, *Second*, A tax of one twenty-fourth of one per centum each month upon the *capital* of any bank, association, company, corporation, and on the *capital employed* by any person in the business of banking beyond the average amount invested in United States bonds: *Provided*, That the words, '*capital employed*' shall not include money borrowed or received from day to day, in the usual course of business, from any person not a partner of or interested in the said bank, association, or firm."

You transmitted with your letter a copy of an opinion given November 5th, 1869, by Special Counsel, to the then Commissioners of Internal Revenue, to the effect that the estimated cost or value of the building used for banking purposes (where owned by the banker), should not be considered in determining the amount of "capital employed" in that business.

Respect for the careful conclusion of counsel, and what is understood to be the practice of the Department, has caused a full examination of the subject before expressing any opinion; and a reply to your inquiry has therefore been somewhat delayed that the response might be the result of due deliberation and investigation.

In my judgment, it is not material whether the capital employed in banking business is invested in real estate or in personality. It is its *use* and not its nature (if it be not Government bonds) that determines the amount of the tax. As the court in New York observed, "The assessment and taxation of individual bankers, as well as banking associations, in respect of their banking

capital, are governed by special statutes, applicable only to property *thus employed*, and not by the general statutes of the State regulating the assessment and taxation of personal property; and the business of banking, whether carried on by individuals or associations, is subject to restrictions and regulations peculiar to itself, and not applicable to any other branches of business." *Miner vs. Fredonia*, 27 N. Y., 157.

The imposition is an *excise* duty, as distinguished from a *tax* strictly so termed; the latter being assessed upon *property* proportionally, while the former is a fixed, direct, and absolute charge for a *privilege*, without any necessary regard for the amount of property belonging to those on whom the charge may fall (*Oliver vs. Washington Mills*, 11 Allen, 274, 275), although it may be increased or diminished by the *extent* to which the privilege is exercised.

The power of the sovereign to impose a charge upon all professions or avocations is unquestioned. *Portland Banks vs. Apthorp*, 12 Mass., 257; *U. S. vs. Vassar, and vs. others (License Tax Cases)*, 5 Wall., 462; *Com. vs. Blackington*, 24 Pick., 357; *St. Louis vs. Laughlin*, 49 Mo., 562; *State vs. Simmons*, 12 Mo., 271; *Eyre vs. Jacob*, 14 Grattan, 431. It has been exercised in the various Federal statutes passed to raise internal revenue. *Society for Savings vs. Coite*, 6 Wallace, 607.

The section and clause under discussion fixes the charge to be paid for the privilege of carrying on the business of banking. That the "capital" fixed by the charter or articles of agreement of a corporation or association, and the "capital employed" by an individual, are taken as the basis for calculating the value of the privilege. They indicate the extent to which the privilege is used; but it is not material in what property that capital is invested, except that the statute, in setting up its arbitrary standard of computation, excludes United States bonds.

In regard to a license fee for carrying on insurance business in Illinois, the court of that State says: "This is not a tax upon property, but is a burden imposed upon the agent for the right of exercising a franchise or privilege, and which the legislature would have the right to withhold or inhibit altogether, and the amount of premiums charged is merely used as a *mode of computing* the amount to be paid for the exercise of the privilege. The legislature might have adopted, as a mode of computing the amount, the value of the property insured, and in that event it could hardly be said to be a tax upon that property." *People vs. Thurber*, 13 Ill., 557.

The assessment is on *the means of acquiring property*, and not on the property itself. *Com. vs. Blackington*, 24 Pick., 357; *In re Peyton*, 7 Hurl. and Nor., 296; *Tyson vs. State*, 28 Md., 587. Of course, all taxes must be paid out of the payer's property, but excises are not based upon a valuation of property. Thus, an excise upon Savings banks, though an indirect assessment upon the depositors, is not a tax upon them or their property, but upon the corporation; on its privilege or franchise. *Com. vs. People's Saving Bank*, 5 Allen, 432, *et seq.*

The amount of capital, invested any otherwise than in United States bonds, is the statutory method of ascertaining the excisable value of the franchise or privilege. *Commonwealth vs. Lowell Gas Light Co.*, 12 Allen, 76; *Com. vs. Hamilton Man. Co., Id.*, 301, *et seq.*; affirmed in 6 Wall., 632.

As expressed in *Coite vs. Society for Savings*, 32 Com., 188 (affirmed by the United States Supreme Court, in *Society for Savings vs. Coite*, 6 Wallace, 594), the imposition is, "for its facilities of business, and not on its assets." *Attorney General vs. Bay State Mining Co.*, 99 Mass., 152, 153; *Coite vs. Conn. Mut. Life Ins. Co.*, 36 Conn., 512.

The language of the Federal and State courts, in those numerous cases (some of which are above cited), where the legality of taxes upon corporations which had part of their capital invested in United States bonds was affirmed, is pertinent here, and apparently decisive of the present inquiry. "It is the capital stock, considered as a franchise, embracing the whole corporate organization, with all its rights and privileges, of which the shares are constituent fractional parts, that forms the subject matter on which the tax or assessment is imposed." *Com. vs. Ham. Man. Co.*, 12 Allen, 305 *Manufacturer's Ins. Co.*

vs. *Lond*, 99 Mass., 147; *Attorney General vs. Bay State Min. Co., Id.*, 153, top; *Oliver vs. Liverpool Ins. Co.*, 100 Mass., 538, affirmed in *Liverpool Ins. Co. vs. Massachusetts*, 10 Wallace, 566; *Bradley vs. People*, 4 Wallace, 459, affirming *Van Allen vs. The Assessors*, 3 Wallace, 573; *Bank of Commerce vs. New York City*, 2 Black, 628, 629; *Provident Inst. vs. Massachusetts*, 6 Wallace, 611, affirming *Com. vs. Prov. Inst. for Savings*, 12 Allen, 312.

A banking house purchased and used for banking purposes, either with part of the authorized capital of a corporation or association, or the personal funds of a private banker must be deemed "capital employed" in that business. "The capital employed in manufacturing," said Mr. Justice Weston, in construing a tax act in 1827, "or in a manufacturing establishment, embraces whatever is essential to the prosecution of the business. To this purpose, the factory building is as necessary as the machinery, or the raw material. As well might it be urged that the money invested in a saw mill is not capital employed in the manufacturing of boards." *Gardiner C. and W. Co. vs. Gardiner*, 5 Maine, 139, top.

It follows, therefore, that every banking corporation should be assessed for the fixed amount of its capital (less the sum put into Government bonds), and the private banker for the capital employed by him in that business, other than that by him invested in such bonds. The statute, which is the sole basis for and guide of any assessment, authorizes no further deductions, in ascertaining the sum upon which the monthly tax of one twenty-fourth of one per cent. is to be calculated. Very respectfully, your obedient servant,

CHARLES DEVENS, *Attorney-General*.

INTERNAL REVENUE CIRCULAR.

CONCERNING THE TAXATION OF BANKING CAPITAL INVESTED IN
REAL ESTATE.

TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE, }
WASHINGTON, May 8, 1877. }

In an opinion of the Attorney-General, dated April 7, 1877, and which is published in the *Internal Revenue Record*, vol. 23, page 126, he holds that "A banking house purchased and used for banking purposes, either with part of the authorized capital of a corporation or association, or the personal funds of a private banker, must be deemed 'capital employed' in that business." The opinion closes by stating "that every banking corporation should be assessed for the fixed amount of its capital (less the sum put into Government bonds), and the private banker for the capital employed by him in that business, other than that by him invested in such bonds. The statute, which is the sole basis for and guide of any assessment, authorizes no further deductions in ascertaining the sum upon which the monthly tax of one twenty-fourth of one per cent. is to be calculated."

Assessments will hereafter be made in accordance with this opinion, any instructions heretofore given by this Office to the contrary notwithstanding; and all returns for assessment of banks, banking associations, companies, and corporations, and of bankers, hereafter made, will be required to embrace the entire amount of *paid-up capital* of the bank, association, company, or corporation, and the entire *capital employed* by any private bank or banker in the business of banking. The returns will also in each case state, as a deduction from the capital, the average amount invested in United States bonds. *No other deduction than this will be allowed.*

All returns hereafter made, including not only returns for the six months' period ending with the 31st instant, and all periods subsequent thereto, but also all returns hereafter made for periods prior to that ending upon the day above named, should be upon the revised forms, which expressly include, in the return of capital, capital invested in real estate.

Collectors will see that the banks and bankers in their respective districts are each supplied with a copy of this circular.

GREEN B. RAUM, *Commissioner*.

INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

I. FRAUDULENT ALTERATIONS IN CHECKS.

Can you give me the decision of any court in reference to raised checks? For instance, a bank cashes a draft drawn on another bank, the drawee does not find that the draft has been raised, until informed by the drawer to that effect. Where does the loss fall? on the drawer, drawee, or endorser?

REPLY.—The leading decisions upon this point are in the cases of *Espy vs. First National Bank of Cincinnati*, 18 Wallace, 614; *National Park Bank vs. Ninth National Bank*, 46 N. Y., 77; *Marine National Bank vs. National City Bank*, 55 N. Y., 211; *Third National Bank vs. Allen*, 59 Mo., etc., all of which have been reported in the BANKER'S MAGAZINE.

The question of alterations in checks after issue, is fully discussed in *Daniel on Negotiable Instruments*, which treats the subject of checks in the most comprehensive and thorough manner. We take from this excellent work the substance of the following:

As a general rule the bank can only charge the original amount against the drawer; for that limits the extent of its authority to it to pay out his deposit; and if his check has been altered by any party, such alteration is a forgery of his name, for which he is by no means responsible, provided he afforded no opportunity for its commission.

But when the drawer has drawn his check in such a careless or incomplete manner, that a material alteration may be readily accomplished without leaving a perceptible mark, or giving the instrument a suspicious appearance, he himself prepares the way for fraud, and then, if it is committed, he, and not the bank, should suffer.

As to recovery of excess when money is paid by the bank upon a "raised" or altered check by mistake, the general rule is that it may be recovered back from the party to whom it was paid, as having been paid without consideration; but if either party has been guilty of negligence or carelessness, by which the other has been injured, the negligent party must bear the loss. This doctrine is clear, and is sustained by authority. The bank is not bound to know anything more than the drawer's signature, and in the absence of any circumstance which inflicts injury upon another party, there is no reason why the bank should not be reimbursed.

II. IRREGULAR ACTS OF A BANK OFFICER.

If the Vice-President of a bank, who has nothing to do with its daily business, endorses accommodation paper, is the bank liable for such paper? What position does this place the V. P. in?

REPLY.—Unless the bank should have derived benefit from the proceeds of the paper so indorsed, it would not be held liable for the unauthorized indorsement of its Vice-President.

Corporations are bound by acts of their officers within the scope of the ordinary and legally inherent duties of their respective offices, but not by illegal transactions outside of those duties. The indorsement of a bank upon negotiable paper, other than a bona-fide bill of exchange, is a circumstance which ought to put a prudent purchaser upon guard and inquiry.

If the Vice-President indorsed the paper without authority and not for the benefit of the bank which he purports to represent, he is liable individually as indorser.

III. THE AUTHORITY OF AN AGENT.

A has a clerk who is in the habit of collecting his monthly accounts, and signing his (A's) name to the same, with his permission. This clerk receives in exchange for a monthly bill a check on a bank, goes to the bank and endorses A's name upon the check, the teller of the bank paying him the money on the check so endorsed. Now, if the clerk appropriates the money and does not account to A for it, can the bank be made to refund the money to A, he claiming that the clerk had no right to sign his name on checks? In view of the fact that the draft was given for the settlement of a *monthly bill*, and that A says that his clerk *had power to sign his name to bills*, is the bank responsible to A for the money paid on the endorsement of the check?

REPLY.—The point is simply this. Was the clerk authorized to *indorse checks* for his employer? It does not follow that he was, merely because he was allowed to collect accounts. The rule of law is, that “if an agent who is specially authorized to do a specific thing, exceeds his authority, the principal is not bound, because the party dealing with such agent must inquire for himself, and at his own peril, into the extent and limits of the authority given to the agent.” Unless the bank can prove that the clerk signing his name was authorized to do so, A can recover the money paid on the clerk's indorsement and misappropriated by him.

IV. THE RIGHTS OF DIRECTORS AND STOCKHOLDERS.

If a banking corporation in this State is in liquidation, and while in such condition should find it necessary to order assessments upon its stockholders for the purpose of meeting its liabilities, and certain stockholders should refuse the payment of said assessments, has the Board of Directors, who are still continuing in office, a right to declare the stock of said stockholders forfeited for the non-payment of said assessments?

REPLY.—Unless the authority to do so is provided in the By-laws of the corporation, or in its charter, the Board of Directors has no right to declare forfeit the stock of the refusing shareholders.

V. FAILURE TO PROTEST UNINDORSED DRAFT.

A's draft at five days sight on and accepted by B, and payable to the order of C, a banker, is cashed by the latter, who forwards it for collection to D, a bank at the place where payable. C, through mistake, omits to indorse the draft, and D does not protest it at maturity. Is D responsible to C for its payment?

REPLY.—C's omission to indorse the draft does not lessen D's duty in the premises. If any loss should result to C from D's failure to protest, D is responsible to C therefor. But if D returned it on the day of its maturity, thus advising C of its non-payment, it became C's duty to notify the drawer in his turn, and (unless it were a foreign bill) A is held as though by formal protest.

VI. FILLING BLANKS IN NEGOTIABLE PAPER.

A printed form for a note is filled in for a certain amount, and payable a certain number of months from date, but the line before which the word “at” stands is left blank. After the note is signed, another party fills in this line and makes it payable at a bank, doing this without the knowledge or consent of the maker of the note. Does this act invalidate the paper in the hands of an innocent holder?

REPLY.—No; the maker cannot in such case escape liability to an innocent holder for value. When a blank is left in a negotiable note, there is an implied authority to the holder to fill up the indorsement. If fraud be committed, the maker, who furnished the opportunity for it by his neglect to fill the blank, must suffer, and not the innocent holder.

VII. ARE DETACHED COUPONS SECURED BY THEIR BOND MORTGAGE?

The holder of a real-estate mortgage having coupons attached for the interest sends the coupons to a bank for collection, and a friend of the payor takes it up for him and holds it himself as against the maker and the property. Now if the principal is unpaid when it falls due, and is foreclosed, can this interest coupon be put in judgment with the mortgage, and the holder share in the proceeds of the sale as part owner of this claim?

REPLY.—It has been held that a coupon is part of the debt covered by the mortgage which secures its bond, and the security of the mortgage inures to the assignee of the coupon. [*Miller vs. Rutland, etc., R. R., 40 Vt., 399.*]

We should not, however, regard this as a precedent sufficiently safe to justify such payments "for the honor of the maker." There are other points in the transaction as mentioned which might suggest grounds for dispute.

NEW BANKING LAWS OF NEW YORK.

GENERAL STATUTES OF NEW YORK, CHAP. 69.—An Act to amend chapter 475 of the laws of 1867, entitled "An Act enabling National Banking Associations to become State Banking Associations, and to amend the Banking Laws of this State." Passed March 29, 1877.

SECTION 1. Section three of chapter four hundred and seventy-five of the laws of eighteen hundred and sixty-seven, entitled "An Act enabling National Banking Associations to become State Banking Associations, and to amend the Banking Laws of this State," is hereby amended so as to read as follows:

SEC. 3. Nothing in the Banking Laws of this State shall be construed as requiring any banking association or individual banker to issue circulating notes, but every banking association and individual banker not having given notice of intention to close the business of banking, and not having made a deposit of cash to redeem its circulating notes, and whose outstanding circulation does not exceed ten thousand dollars, is hereby required to keep on deposit, in the bank department, in addition to the deposit now required to secure the circulating notes of said bank stocks of this State, or of the United States, bearing interest at a rate of not less than four and one-half per cent., to the amount of five thousand dollars, and the same shall be held by the Superintendent of the bank department as a pledge of good faith, and guaranty of compliance with the Banking Laws of this State, on the part of such banking association or individual banker, and the proceeds of such stock, or the interest thereof, or so much thereof as may be necessary, may be applied by the Superintendent to the payment of any penalty incurred by, or the assessment imposed upon, the banking association or individual banker, for whom such deposit is held, in lieu of the remedy by suit at law, heretofore given by the Banking Laws of this State, to the Superintendent, for the enforcement of penalties or the collection of lawful assessments. The provisions of Section one, chapter two hundred and eighty-one, laws of eighteen hundred and forty-four, relative to depositing securities with the Superintendent of the bank department, shall not apply to banking associations or individual bankers that issue no circulating notes.

SEC. 2. This Act shall take effect immediately.

PUBLIC DEBT OF THE UNITED STATES.

Recapitulation of the Official Statements—cents omitted.

DEBT BEARING INTEREST IN COIN.

	<i>April 2, 1877.</i>	<i>May 1, 1877.</i>
Bonds at six per cent.	\$ 934,877,050 ...	\$ 914,754,100
Bonds at five per cent.	703,266,650 ...	703,266,650
Bonds at four and a-half per cent.	50,000,000 ...	70,000,000
	<hr/>	<hr/>
	\$ 1,688,143,700	\$ 1,688,020,750

DEBT BEARING INTEREST IN LAWFUL MONEY.

Navy pension fund at three per cent.	\$ 14,000,000 ...	\$ 14,000,000
DEBT ON WHICH INTEREST HAS CEASED.	\$ 6,062,390 ...	\$ 15,621,380

DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.	\$ 362,721,296 ...	361,559,481
Certificates of deposit.	35,155,000 ...	40,465,000
Fractional currency.	23,440,512 ...	22,186,575
Coin certificates.	48,279,400 ...	49,712,700
	<hr/>	<hr/>
	\$ 469,596,208	\$ 473,923,757

Total debt.	\$ 2,177,802,298 ...	\$ 2,191,565,887
Interest.	27,029,976 ...	33,092,616
	<hr/>	<hr/>
TOTAL DEBT, principal and interest.	\$ 2,204,832,275	\$ 2,224,658,503

CASH IN THE TREASURY.

Coin.	\$ 86,818,285 ...	\$ 105,439,740
Currency.	8,184,863 ...	8,395,145
Special deposit held for redemption of certificates of deposit, as provided by law.	35,155,000 ...	40,465,000
	<hr/>	<hr/>
	\$ 130,158,148	\$ 154,299,886

Debt, less cash in the Treasury, Apr. 2, 1877	\$ 2,074,674,126 ...	.....
" " " " May 1, 1877	.....	\$ 2,070,358,617

Decrease of debt during the past month.	\$ 14,107,016 ...	\$ 4,315,509
Decrease of debt since June 30, 1876.	24,765,218 ...	29,080,527

BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES, INTEREST PAYABLE IN LAWFUL MONEY.

Principal outstanding.	\$ 64,623,512 ...	\$ 64,623,512
Interest accrued and not yet paid.	969,352 ...	1,292,470
Interest paid by the United States.	34,018,923 ...	34,018,923
Interest repaid by transportation of mails, &c.	8,044,094 ...	8,131,735
	<hr/>	<hr/>
Balance of interest paid by the U. S. ...	\$ 25,974,829	\$ 25,887,188

THE NATIONAL BANK NOTE CIRCULATION.

Statement of the Comptroller of the Currency, showing by States the amount of National bank circulation issued, the amount of Legal-Tender Notes deposited in the United States Treasury to retire National bank circulation, from June 20, 1874, to May 1, 1877, and amount remaining on deposit at latter date.

STATES AND TERRITORIES.	Additional Circulation issued since June 20, 1874.	LEGAL-TENDER NOTES DEPOSITED TO RETIRE NATIONAL BANK CIRCULATION, SINCE JUNE 20, 1874.			Legal Tenders on deposit with the U. S. Treasurer at date.
		For redemption of Notes of Liquidating Banks.	To retire Circulation under Act of June 20, 1874.	Total Deposits.	
Maine.....	\$903,580	41,200	\$555,000	\$596,200	\$119,607
New Hampshire..	389,865	27,400	10,800	38,200	5,573
Vermont.....	866,980	134,807	458,340	593,147	111,950
Massachusetts.....	7,371,915	96,400	5,154,500	5,250,900	386,042
Rhode Island.....	156,200	—	617,385	617,385	73,650
Connecticut.....	966,310	27,050	1,132,490	1,159,540	75,223
New York.....	4,931,970	913,866	14,395,300	15,309,166	2,363,915
New Jersey.....	995,635	30,060	891,540	921,600	232,094
Pennsylvania.....	4,063,480	616,982	4,578,515	5,195,497	1,370,917
Delaware.....	84,175	—	—	—	—
Maryland.....	188,910	166,600	1,178,080	1,344,680	380,430
Dist. of Columbia.	249,900	393,164	427,500	820,664	238,869
Virginia.....	306,100	706,864	760,915	1,467,779	431,655
West Virginia....	41,670	731,060	204,300	935,360	250,657
North Carolina...	350,060	—	764,185	764,185	292,480
South Carolina...	6,700	—	953,380	953,380	222,010
Georgia.....	180,000	242,725	347,675	590,400	145,695
Florida.....	45,000	—	—	—	—
Alabama.....	90,000	—	4,500	4,500	863
Mississippi.....	—	—	—	—	1,721
Louisiana.....	32,130	625,750	1,844,250	2,470,000	774,359
Texas.....	89,100	—	229,340	229,340	48,490
Arkansas.....	90,000	—	90,000	90,000	20,933
Kentucky.....	2,267,940	526,367	982,633	1,509,000	619,942
Tennessee.....	206,000	235,901	461,959	697,860	206,258
Missouri.....	119,270	260,731	3,427,419	3,688,150	794,133
Ohio.....	1,048,980	977,521	1,894,460	2,871,981	1,387,813
Indiana.....	1,596,570	521,769	3,344,780	3,866,549	863,469
Illinois.....	870,975	898,474	5,688,086	6,586,560	1,899,367
Michigan.....	326,920	116,400	1,641,800	1,758,200	299,063
Wisconsin.....	80,900	364,999	732,400	1,097,399	333,684
Iowa.....	624,140	503,012	1,412,850	1,915,862	535,043
Minnesota.....	578,520	191,676	1,128,545	1,320,221	342,529
Kansas.....	30,600	558,571	184,900	798,471	337,424
Nebraska.....	—	45,000	99,880	144,880	71,820
Nevada.....	—	—	—	—	3,709
Colorado.....	126,000	70,425	149,400	219,825	80,503
Utah.....	—	161,191	196,800	357,991	59,268
Montana.....	—	—	45,000	45,000	3,260
Totals.....	\$30,366,495	\$10,185,965	\$55,993,907	\$69,993,547	\$15,384,418
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....	—	—	—	3,813,675	—
Total deposits.....	—	—	—	—	\$73,807,222

JNO. JAY KNOX, *Comptroller of the Currency.*

NATIONAL BANK AND LEGAL-TENDER NOTES.

STATEMENT of the Comptroller of the Currency, showing the Issue and Retirement of NATIONAL BANK NOTES and LEGAL-TENDER NOTES under the acts of June 20, 1874, and January 14, 1875, to May 1, 1877.

NATIONAL BANK NOTES

Outstanding when act of June 20, 1874, was passed.....	\$ 349,894,182
Issued from June 20, 1874, to January 14, 1875....	\$ 4,734,500
Redeemed and retired between same dates.....	2,767,232
Increase from June 20, 1874, to January 14, 1875.....	1,967,268
Outstanding January 14, 1875.....	351,861,450
Redeemed and retired from Jan. 14, 1875, to date..	\$ 51,841,897
Surrendered between same dates.....	7,286,881
Total redeemed and surrendered	59,128,778
Issued between same dates.....	25,631,995
Decrease from January 14, 1875, to date.....	33,496,783
Outstanding at date.....	\$ 318,364,667
Greenbacks on deposit in the Treasury, June 20, 1874, to retire notes of insolvent and liquidating banks.....	\$ 3,813,675
Greenbacks deposited from June 20, 1874, to date, to retire National bank notes.....	66,179,872
Total deposits.....	69,993,547
Circulation redeemed by Treasurer between same dates without reissue	54,609,129
Greenbacks on deposit at date.....	15,384,418
Greenbacks retired under act of January 14, 1875.....	\$ 20,505,596
Greenbacks outstanding at date.....	361,494,404

JNO. JAY KNOX, *Comptroller of the Currency.*

FEMALES AS STOCKHOLDERS IN NATIONAL BANKS.

Table, showing the amount of capital stock of ten of the principal banks in Central New York, together with the amount of stock held by females, the total number of stockholders, the number of female stockholders, and the average amount held by each female.

	Capital.	Amount of stock held by females.	Average each female.	Stockholders.			Wid-ows.
				Total	No. of female		
Oneida Valley Nat. Bank...	\$ 105,000	\$ 48,300	\$ 2,100	46	23	18	
State Bank, Oneida.....	60,000	11,700	1,170	33	10	3	
Central National B'k, Rome.	97,500	13,080	727	76	18	7	
First National Bank, Rome.	100,000	16,000	941	59	17	3	
Fort Stanwix Nat. B., Rome.	150,000	26,950	929	95	29	11	
First National Bank, Utica.	600,000	232,560	1,472	326	158	70	
Oneida National B'k, Utica.	400,000	146,900	1,650	208	89	39	
Second National B'k, Utica.	300,000	77,600	1,650	134	47	20	
National Bank of Vernon....	100,000	36,200	1,810	40	20	10	
National B'k of Waterville..	150,000	31,120	724	95	43	11	
Totals.....	\$ 2,062,500	\$ 640,410		1,112	454	192	
Average amount held by each of the total stockholders,				\$ 1,854.			
“ “ “ “ female				“	1,410.		

BANKING AND FINANCIAL ITEMS.

CALLS OF FIVE-TWENTY BONDS.—The Secretary of the Treasury issued on May 5th, the 46th call for five-twenty bonds, numbered as follows, all inclusive :

Coupon Bonds.—\$500, Nos. 49,801 to 52,267; \$1,000, Nos. 141,001 to 150,006. Total coupon, \$8,581,100.

Registered Bonds.—\$50, Nos. 497 to 510; \$100, Nos. 6,395 to 6,397; \$500, Nos. 3,977 to 3,991; \$1,000, Nos. 15,178 to 15,247; \$5,000, Nos. 7,765 to 8,198. Total registered, \$1,533,550.

The bonds outstanding and represented by the above-mentioned numbers, aggregating \$10,114,550, constitute the residue of those issued under the act of March 3, 1865, dated November 1, 1865. Interest will cease on August 5.

The bonds next subject to call for redemption, are the consols of 1865, of which there were outstanding on May 1st, \$202,658,100.

The forty-seventh call was issued on May 21st, being for \$10,000,000 consols of 1865. The principal and accrued interest will be paid at the Treasury in Washington, on and after August 21, 1877, and interest will cease on that day. The numbers, all inclusive, are as follows :

Coupon—\$50, Nos. 1 to 3,000; \$100, Nos. 1 to 4,000; \$500, Nos. 1 to 5,000; \$1,000, Nos. 1 to 11,000. Total coupon, \$6,000,000.

Registered.—\$50, Nos. 1 to 100; \$100, Nos. 1 to 700; \$500, Nos. 1 to 700; \$1,000, Nos. 1 to 2,800; \$5,000, Nos. 1 to 1,100; \$10,000, Nos. 1 to 1,181. Total registered, \$4,000,000.

Bonds forwarded for redemption should be addressed to the Loan Division, Secretary's office, and all registered bonds should be assigned to "the Secretary of the Treasury for redemption."

Where parties desire checks in payment for registered bonds drawn to any one but the payee, they should assign them to the Secretary of the Treasury for redemption account of the owner or owners.

THE NEW YORK STOCK EXCHANGE.—At the annual meeting of the New York Stock Exchange, May 14th, the following officers were elected for the ensuing year:—President, Henry Meigs; Chairman, M. A. Wheelock; Vice-Chairman, James Mitchell; Treasurer, D. C. Hays; Secretary, B. O. White; Trustee of Gratuity Fund, Jas. M. Fuller. Governing Committee, to serve four years:—S. T. Russell, F. N. Lawrence, F. R. Sturgis, W. L. Bull, R. Keppeler, E. Brandon, D. T. Worden, H. G. Stebbins, A. Colvill, G. L. Haight. To serve three years C. K. Randall. To serve one year, H. Lapsley and S. J. Drake.

EXPRESS CHARGES ON CURRENCY.—The Treasury Department has so modified its circular of February 26, 1876, concerning express charges on United States currency received for redemption, etc., that hereafter until further notice National bank depositaries may forward under the Government contract with the Adams Express Company, to the Treasurer at Washington, fractional currency for credit on account, in sums of \$500 and multiples thereof, at the expense of the Department.

LIQUIDATION OF NATIONAL BANKS.—The Comptroller of the Currency declared in April, a dividend of twenty-five per cent. in favor of the creditors of the National Bank of Fishkill, N. Y. Also a dividend of fifteen per cent. in favor of the creditors of the First National Bank of Wichita, Kansas, making in all for the latter bank, thirty-five per cent.

THE WORK OF THE U. S. MINTS.—Dr. Linderman, Director of the Mint, recently applied to the leading foreign countries which have mints of their own for specimens of their latest issues of gold and silver coins. After assaying and comparing their fineness and the character of the mechanical work with that of our own coins, the comparison is very favorable to the United States. Gold coins recently turned out at the Netherlands and German mints are concave on one side and convex on the other, so that they will not lie firmly together, and the abrasion from this cause is very greatly increased. The workmanship on the French and English coins is much better, but in no instance do they excel that upon American coins now being manufactured at our mints. The devices both on our gold and silver coins are not as good as they might be; but so far as the fineness of the metal and excellence of the workmanship are concerned the United States gold and silver coins will bear comparison with the best produced in Europe.

Between July 1st 1876, and the 1st of May, the mints of the United States have produced about \$40,000,000 worth of gold coin. Adding to this the amount of silver coinage during the same period, the aggregate is greater than the amount of coinage ever done in the United States mints in the same length of time. The only years during which the amount of work was nearly so great were two or three immediately succeeding the discovery of gold in California and Australia. Even in those years the number of pieces actually made was much smaller than during the present, as the greater portion of the gold then coined was made into double eagles, while during the present year an immense quantity of silver coins has been turned out. The accumulation of gold in the United States during the current year will probably be greater than during any previous year of its history. This country is not only retaining all the gold produced, between \$40,000,000 and \$50,000,000, but in the first eight months of the present fiscal year our importations of gold and silver exceeded the exportations by about \$4,000,000. From present indications it would not be surprising if the amount of gold and silver accumulated in this country during the present year from production and import should amount to fully \$50,000,000, or more than the amount sent out of the country during the year 1862, as a result of the suspension of specie payments.

END OF THE NEW YORK GOLD EXCHANGE.—Monday, April 30th, was the last day of the New York Gold Exchange. Promptly at three o'clock the President, C. O. Morris, called the members to order, and after reading the section of the constitution providing for the dissolution of the board, as recently adopted, stated that an agreement had been signed by four hundred members, or over four-fifths of the total membership, which fixed the dissolution of the Exchange on April 30. In conformity with such agreement and the constitution of the board he therefore declared the New York Gold Exchange to be dissolved. The President followed this announcement with a brief review of the history of the Exchange from its organization in 1864 to the present time. The first President, Mr. Benedict, served four years, and was succeeded by Townsend Cox, who in turn was followed by six others, Mr. Morris having served two terms. The clearing department was not organized until Dec. 10, 1866. Mr. Morris defended the existence of the Gold Exchange in the past, claiming it had been as necessary as the Produce or Cotton Exchange. He was succeeded by the Vice-President, Secretary, and Treasurer, who, in a few brief remarks, thanked the members for the courtesy and kindness shown them.

The President of the Stock Exchange, Samuel T. Russell, stated that it had been decided to establish a gold department of the Stock Exchange, to be carried on in the room heretofore occupied by the Gold Board, and the first meeting would be held at ten o'clock on the following morning, May 1st. Hereafter dealings in Government bonds also take place in this room, and for this purpose there would be three calls of these bonds, as follows, at 10.15 A. M., 11.30 A. M., and 2 P. M., each occupying from seven to ten minutes. George W. McLean, Chairman of the Committee on Arrangements, announced that the rules governing the gold department would conform as

nearly as possible with those heretofore in existence in the Gold Room. A. W. Peters, Secretary of the Gold Exchange, had agreed to preside temporarily over the Gold Room, in place of the former Vice-President. The Treasurer stated that all dues from members had been paid, and there would be left on hand to be divided among the members, after settling all accounts, about \$123,000. The average daily clearances have been \$50,000,000.

A parting dinner of the members of the Exchange was given in the evening at Delmonico's, at Fifth Avenue and Twenty-sixth street, at which nearly all the members were present.

FRAUDS.—On the 11th of April, a man named Richard Lenix obtained from the Farmers' National Bank of Bushnell, Ill., \$400, upon a fraudulent draft purporting to be drawn by Judson's Bank of Ogdensburg, N. Y., on the Fourth National Bank of New York City. He was identified and the draft endorsed by a citizen of Bushnell. On the following day the same person got from the First National Bank of Canton, Ill.,—thirty miles east of Bushnell—\$600 upon another draft of the same character, being identified through a resident. On the same day, an accomplice known as Captain George Palmer,—a one-armed man—procured at the Home Bank of Canton, \$500 on a similar draft, he being satisfactorily identified by an old citizen of the place. These men had for two months been laying their plans and making acquaintances, in order that they might be properly identified. They had in their possession other drafts of the same description, in various amounts from \$400 to \$1,500. The drafts were well executed lithograph forms manufactured by Wm. M. Christy's Sons, Philadelphia, very neatly filled out in a business hand, machine numbered, revenue stamp imprinted, and perforated by a "check protector." They were signed in due form, and addressed to the regular correspondent of Judson's Bank, as given in the **BANKERS' ALMANAC AND REGISTER**.

It is supposed that these parties are the perpetrators of a similar swindle at Quebec, Canada, as they were traced by the bank as far as Toronto. There is reason to believe that their headquarters are at Philadelphia.

A skillful fraud was recently perpetrated at St. Joseph, Missouri, by which a bank of that city narrowly escaped the loss of \$1,900. We give the full particulars, in order that bankers may understand how perfectly every business precaution is met by these swindlers. On the morning of April 27th, a well-dressed stranger, of business-like make-up, appeared at the counter of the State Savings Bank, and inquiring for Mr. France, the cashier, handed to him a letter of introduction which read as follows:

OGDEN, BROWER & Co., Bankers and Brokers, }
17 William Street, NEW YORK, April 23, 1877. }

C. B. France, Esq., Cashier State Savings Bank, St. Joseph, Mo.

DEAR SIR: We have sent the bearer, J. C. Quinn, Esq., to you, by request of Messrs. Donnell, Lawson & Co., of this city. Mr. Quinn will have occasion to transact considerable business in your vicinity, and for convenience of disbursements, he will probably open an account with you. As he will remain in the Western country for some time, we trust his account may prove advantageous.

Yours respectfully,

OGDEN, BROWER & Co.

Quinn then presented a check, purporting to be drawn by Ogden, Brower & Co. on the National Park Bank of New York, for \$4,900, certified across its face by the printed stamp of the Park Bank, signed by E. Nile, teller. He asked for \$1,900 in currency, and credit for the balance. The transaction appeared regular throughout, and the money was paid.

After Quinn had left the bank, Mr. France examining the check more minutely, discovered a similarity in the writing between the endorsement and the filling of the check. His suspicions were immediately aroused, and he hastened to telegraph Donnell, Lawson & Co., their correspondents, to ascertain whether or not such a check had been certified by the National Park Bank. The correspondents replied that the check was a forgery. Mr. France immediately sought the railroad officials, and a train being at once telegraphed, which had left about an hour after the transaction aforesaid, the forger was found on board. He promptly surrendered the money, and was forthwith arrested and lodged in jail.

CALIFORNIA.—Mr. N. K. Masten having resigned the Cashiership of the Nevada Bank of San Francisco the board of directors have elected to that office Mr. C. T. Christensen, of the firm of B. G. Arnold & Co., New York. Mr. Christensen carries to his new position a high reputation for ability and character as a business man.

CONNECTICUT.—The Meriden Savings Bank was robbed at 11.15 o'clock on the morning of May 14th. The Secretary was called to the front door by a man in a carriage, and while talking with him two confederates entered by a rear door, opened the vault, and took between \$400 and \$500 in money and \$1,600 in bonds.

The State Treasurer of Connecticut has given notice that all coupon bonds of the State, dated July 1, 1861, and payable twenty years from date, or at any time after the expiration of ten years from said date, and all coupon bonds dated October 1, 1864, and payable thirty years from date, or at any time after the expiration of ten years from said date, and all registered bonds issued in exchange for or on account of either of the above-named issues, will be redeemed and the accrued interest paid on the same on presentation at the treasurer's office, June 1, 1877, and the interest on said bonds will cease on that day. Any bonds of these issues, with accrued interest, are paid on presentation any time previous to June 1.

GEORGIA.—The City Bank of Macon closed its doors on May 14th, having made an assignment for the benefit of its creditors.

ILLINOIS.—A bill to make silver legal tender in this State, has been passed by the Illinois Legislature, and if approved by the Governor, will take effect on the 1st of July next. The following is the text of the bill:

“SECTION 1. Be it enacted by the people of the State of Illinois, represented in the General Assembly, That from and after the date of the passage of this act, all silver coins, the standard value of which has been fixed and declared by the Congress of the United States, shall be a legal tender at such values, for the payment of all debts, both public and private, which are payable or collectable within the State of Illinois, and which are not made by the terms of the contract which created them expressly in other kinds of coins.”

This would make the silver coin a legal tender in the payment of all debts contracted in this State. All bank checks, all notes payable at banks, all savings bank deposits, all private debts, all taxes due the State and municipal corporations within it, and all other forms of indebtedness, could be paid in silver without reference to the amount, unless otherwise specified in the contract.

BANK TAXATION.—The Chicago Superior Court denies the applications of several National banks of Chicago for an injunction to restrain the collection of taxes on their shares (about \$170,000 in all), the plea being that the individual shareholders had not been notified, though notification of the tax had been sent to the bank officials.

MASSACHUSETTS.—At the annual meeting in May of the Five Cents Savings Bank of Newburyport, Captain David Wood resigned the presidency which he has held for twenty-one years. Captain Wood was the oldest bank officer in the city, his age being eighty-four years.

MISSOURI.—Mr. James T. Howenstein having been appointed an Examiner of National Banks, has resigned the cashiership of the Valley National Bank of St. Louis. Mr. Howenstein was Bank Examiner from 1868 to 1871, when he organized the St. Louis Clearing House, of which he was manager for three years. In 1871, he organized the Valley National Bank, the cashiership of which he held until April 24th. At a meeting of the directors, held that day, resolutions were adopted expressing the regret of the board in accepting his resignation, and extending their best wishes for his success.

OHIO.—Mr. Henry B. Greenham, Cashier of the Piqua National Bank, died in that city on May 18th, after three weeks' illness. Mr. Greenham has been connected with this bank for thirty years, having been cashier since the death of Mr. Joseph G. Young, eighteen months since, and was a highly esteemed gentleman.

OHIO.—Mr. Horatio S. Young having resigned his position as cashier of the Toledo National Bank, on May 14, Mr. Edgar H. Van Hoesen has been appointed cashier in his place.

PENNSYLVANIA.—The Union Banking Company of Philadelphia closed its doors on May 1st. The failure is generally attributed to the existing depression in business, but the immediate cause was a defalcation, estimated at \$50,000, on the part of the cashier, James A. Hill. The Board of Directors met on April 30th to consider the condition of the bank, and after much deliberation resolved that, unless they could raise \$100,000 before ten o'clock next day, the bank must go into liquidation. The effort to secure the money proving unsuccessful it was then resolved that the doors be closed and assignees appointed. Mr. N. C. Musselman, the President, and Mr. William Brice, of the firm of Wm. Brice & Co., commission merchants, were made assignees.

Consequent upon the closing of the doors of the Union Banking Company, the United States Banking Company of Philadelphia also suspended business on the same day. The latter company some time ago resolved to wind up its affairs, and expected in a few days to satisfactorily accomplish that end. The sudden failure of the Union Banking Company, with which concern the latter was a depositor, precipitated matters and compelled the Directors to announce the stoppage of business. Their liabilities are small.

CANADA.—The Jacques Cartier Bank of Montreal resumed on May 1st the banking business in all its branches. Mr. A. De Martigny has been appointed cashier. He was formerly an officer of the Merchants' Bank, and lately cashier of the Credit Foncier der Bas Canada, and is esteemed a business man of excellent character and capacity.

THE BANK OF ENGLAND.—At a general court held at the Bank of England on April 10th, the following Board of Directors was elected for the ensuing year:—E. H. Palmer, Governor; J. W. Birch, Deputy-Governor; H. W. Blake, H. H. Berens, A. E. Campbell, R. W. Crawford, M. W. Collet, B. B. Greene, H. H. Gibbs, J. S. Gilliat, T. Hankey, K. D. Hodgson, H. L. Holland, T. N. Hunt, C. F. Huth, A. Latham, W. Lidderdale, G. Lyall, A. Matheson, J. Morris, D. Powell, Jr., A. G. Sandeman, H. C. Smith, C. Weguelin, C. Wigram, and the Right Hon. J. G. Hubbard.

POWER OF A BANK TO MAKE A NOTE.—The United States District Court at Chicago recently decided a suit which grew out of a promissory note for \$5,000, made by the cashier of the Wyandotte National Bank to the Cook County National Bank of Chicago, and discounted by the New York Loan and Trust Company. Judge Blodgett admitted the equities against full payment, holding that the power of a National bank officer to make a promissory note is one which cannot be exercised without special authority or subsequent ratification.

BONA-FIDE PURCHASERS.—The rights of bona-fide purchasers for a fixed price are protected to the extent that value has actually been parted with upon the faith of the transaction, but no further. This principle is illustrated in the case of *Moodie vs. Seventh National Bank et al.*, recently decided by the Court of Common Pleas of Philadelphia, the facts being as follows: One Erwin held a certificate of stock for seventy-five shares in the defendant's bank, with a warrant giving authority to transfer the same. The actual owner of the certificate was, however, one Morris, a defendant in the action. Erwin sold the certificate for \$6,450.83 to plaintiff, who had no notice of Erwin's want of authority to sell, plaintiff paying him cash \$3,700, an over-due check of Erwin's for \$2,500, and an account for coal which he held against Erwin. The court held that the indorsement of the warrant of transfer estopped defendants from denying the authority for Erwin's act, citing *Turnpike Co. vs. Ferret*, 2 C. E. Green, 117; *McNeill vs. The Bank*, 46 N. Y. 325; *Garrard vs. Haddan*, 17 P. F. Smith, 82; *Sevall vs. Boston Co.*, 4 Allen, 277; *Shaw vs. Spencer*, 100 Mass., 385. It was held, however, that plaintiff was protected as a bona fide purchaser for value only to the extent of the cash paid by him, but was not so as to the amount of the over-due check and the coal-bill (see *Root vs. French*, 13 Wend., 570), and this was not affected by the circumstance that Erwin's pecuniary circumstances might have changed since the transfer was made.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from May No., page 908.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
N. Y. CITY.....	Scranton & Willard.....	30 Broad Street.	
COLO... Boulder	National State Bank.....	Kountze Brothers.	
	\$ 50,000 C. G. Buckingham, <i>Pr.</i>	W. A. Buckingham, <i>Cas.</i>	
" ... Lake City.....	First National Bank.....	Chemical National Bank.	
	\$ 50,000 H. A. McIntire, <i>Pr.</i>	H. J. Alexander, <i>Cas.</i>	
D. C. ... Washington....	German-Amer. Nat. B'k..	Chemical National Bank.	
	\$ 127,100 John Hitz, <i>Pr.</i>	Chas. E. Prentiss, <i>Cas.</i>	
FLA. ... Jacksonville....	B. of Jacksonville (W. B. Barnett)	Donnell, Lawson & Co.	
IOWA.. Charles City...	Charles City Bank.....	Third National Bank.	
	J. P. Taylor, <i>Pr.</i>	S. F. Farnham, <i>Cas.</i>	
KANS. . Howard City..	Elk County Bank.....	Donnell, Lawson & Co.	
	N. Momma, <i>Pr.</i>	A. F. Eby, <i>Cas.</i>	
MICH. . Detroit.....	Michigan Savings Bank....	Amer. Exchange Nat. Bank.	
	\$ 36,000 Thomas McGraw, <i>Pr.</i>	Sam'l R. Mumford, <i>Cas.</i>	
" ... "	McLellan & Anderson.....	Mechanics' National Bank.	
" ... "	Sexton & Hall	Ninth National Bank.	
" ... Quincy.....	Lee & Hannan.....	Imp. and Traders' Nat. B'k.	
MINN.. Wells.....	Bank of Wells.....	Donnell, Lawson & Co.	
	J. M. Nye, <i>Pr.</i>	F. E. Watson, <i>Cas.</i>	
MO.... Brunswick.....	Chariton Co. Exch. B. (J. A. Merchant, <i>Cas.</i>)	Donnell, L. & Co.	
" ... Platte City.....	Farmers' National Bank...	Donnell, Lawson & Co.	
	\$ 50,000 J. E. Merryman, <i>Pr.</i>	W. O. Oldham, <i>Cas.</i>	
" ... Sturgeon.....	Woolbridge & Carr.....	Donnell, Lawson & Co.	
NEB. ... Beatrice.....	First National Bank.....	First National Bank.	
	\$ 50,000 John E. Smith, <i>Pr.</i>	Samuel C. Smith, <i>Cas.</i>	
N. M. ... Silver City.....	Grant Co. Bank (Newton Bradley, <i>Mgr.</i>)	Donnell, L. & Co.	
N. Y. ... Moravia.....	Moravia National Bank....	.....
	\$ 50,000 S. Edwin Day, <i>Pr.</i>	John A. Thomas, <i>Cas.</i>	
PA..... Osceola.....	Morgan Seely.....	Imp. and Traders' Nat'l B'k.	
" ... Sugar Grove...	Sugar Grove Sav. Bank...	Third National Bank.	
	\$ 25,000 W. H. Shortt, <i>Pr.</i>	J. H. Spencer, <i>Act'g Cas.</i>	
TEX. ... Cleburne.....	Bank of Cleburne (Smith Bros.)	Moody & Jemison.	
" ... Honey Grove..	A. G. Stobaugh & Co.....	Donnell, Lawson & Co.	
QUE. ... Montreal.....	Banque Jacques Cartier....	(A. de Martigny, <i>Cas.</i>) resumed.	

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

Authorized to May 21, 1877.

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2353	Moravia National Bank.....	S. Edwin Day.....	\$ 50,000	
	Moravia, N. Y.	John A. Thomas.....		\$ 50,000
2354	First National Bank.....	H. A. McIntire.....	50,000	
	Lake City, COLO.	H. J. Alexander.		50,000
2355	National State Bank.....	C. G. Buckingham.....	50,000	
	Boulder, COLO.	W. A. Buckingham.		30,000
2356	Farmers' National Bank.....	J. E. Merryman.....	50,000	
	Platte City, Mo.	W. O. Oldham.		50,000
2357	First National Bank.....	John E. Smith.....	50,000	
	Beatrice, NEB.	Samuel C. Smith.		50,000
2358	German-American Nat'l B'k.	John Hitz.....	130,000	
	Washington, D. C.	Charles E. Prentiss.		127,100

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List; continued from May No., page 907.)

<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY. Continental Nat. Bank.	Ed. D. Randolph, <i>Cas.</i>	W. J. Harris.
CAL. ... Nevada B'k, San Francisco.	C. T. Christensen, <i>Cas.</i>	N. K. Masten.
" ... Bank of Dixon, Dixon	J. C. Merryfield, <i>Pr...</i>	J. Millar.
COLO. . First N. B'k, Colo. Springs.	C. B. Greenough, <i>Pr.</i>	H. A. McIntire.
ILL. Nokomis N. B'k, Nokomis.	H. F. Rood, <i>Pr.....</i>	J. H. Beatty.
" ... First Nat. Bank, Springfield.	Chas. W. Matheny, <i>Pr.</i>	N. W. Matheny.*
IND..... First Nat. B'k, New Albany.	Wm. N. Mahon, <i>Cas..</i>	H. H. Combs.
IOWA... State Nat'l Bank, Keokuk...	A. Hosmer, <i>Pr.....</i>	J. F. Cox.*
MD..... Centreville National Bank...	R. E. Feddeman, <i>Cas..</i>	W. A. Cunningham.
" ... National Bank of Elkton....	Charles B. Finley, <i>Cas.</i>	R. McFarland.
MASS... First N. B., East Hampton.	A. D. Sanders, <i>Cas....</i>	C. E. Williams.
" ... Newburyport Five Cent S. B.	Eben Sumner, <i>Pr.....</i>	D. Wood.
" ... First Nat'l Bank of Easton, } North Easton)	Fred'k L. Ames, <i>Pr...</i>	O. Ames.
MICH.. Nat'l Exch. Bank, Albion...	H. M. Dearing, <i>Cas...</i>	L. B. Miner.
" ... First National Bank, Niles..	E. G. Hougland, <i>Cas..</i>	W. R. Taggart.
N. Y... Bank of Rochester.....	T. W. Whittlesey, <i>Cas.</i>	G. M. Sweet.
" ... First Nat. Bank, Saugerties.	Peter M. Gillespy, <i>Cas.</i>	B. M. Freleigh.
" ... Nat'l Exchange Bank, Troy.	William Gurley, <i>Pr...</i>	H. Miller.
" ... Schuyler Co. B'k, Watkins.	Edgar S. Payne, <i>Cas...</i>	W. M. Pellet.
OHIO.. Toledo Nat. Bank, Toledo..	E. H. VanHoesen, <i>Cas.</i>	H. S. Young.
" ... North Western Savings B'k.	J. H. Walbridge, <i>Cas..</i>	.....
PENN.. First Nat. Bank, Indiana....	Silas M. Clark, <i>Pr.....</i>	J. Sutton.
" ... First Nat. Bank, Montrose..	G. B. Eldred, <i>Cas.....</i>	N. L. Lenheim.
" ... Farmers' N. B., Pennsburgh.	Edwin M. Benner, <i>Pr.</i>	W. F. Reed.*
R. I. ... First Nat. B'k, Providence..	Nelson W. Aldrich, <i>Pr.</i>	S. Foster.
ONT.... Canadian B. of Commerce, } Brantford)	E. Mitchell, <i>Act'g Mgr.</i>	J. Pollock.
QUE... Consolidated B. of Canada, } Chaboillez Sq., Montreal)	Robert Mills, <i>Manager.</i>	H. Hebert.*

* Deceased.

THE PREMIUM ON GOLD AT NEW YORK.

APRIL—MAY, 1877.

1876.	<i>Lowest.</i>	<i>Highest.</i>	1877.	<i>Lowest.</i>	<i>Highest.</i>	1877.	<i>Lowest.</i>	<i>Highest.</i>
May	15	16 $\frac{3}{4}$	Apl. 25	7	7 $\frac{1}{2}$	May 10	7	7 $\frac{1}{2}$
June.....	16 $\frac{1}{4}$	17 $\frac{3}{4}$	26	6 $\frac{3}{4}$	7 $\frac{1}{2}$	11	7	7 $\frac{3}{4}$
July	11 $\frac{3}{4}$	17 $\frac{1}{2}$	27	6 $\frac{1}{2}$	7 $\frac{1}{2}$	12	7	7 $\frac{1}{2}$
August	12 $\frac{3}{4}$	14 $\frac{3}{4}$	28	6 $\frac{1}{2}$	7 $\frac{1}{2}$	14	6 $\frac{3}{4}$	7 $\frac{1}{2}$
September ...	13 $\frac{3}{4}$	17 $\frac{1}{4}$	30	6 $\frac{1}{2}$	6 $\frac{1}{2}$	15	7	7 $\frac{1}{2}$
October	14 $\frac{1}{2}$	17 $\frac{3}{4}$	May 1	6 $\frac{1}{2}$	6 $\frac{1}{2}$	16	7	7 $\frac{1}{2}$
November....	14 $\frac{1}{2}$	16 $\frac{3}{4}$	2	6 $\frac{1}{2}$	7 $\frac{1}{2}$	17	7	7 $\frac{1}{2}$
December ...	12 $\frac{3}{4}$	15 $\frac{1}{4}$	3	6 $\frac{1}{2}$	7 $\frac{1}{2}$	18	6 $\frac{1}{2}$	7
			4	6 $\frac{1}{4}$	6 $\frac{1}{2}$	19	6 $\frac{3}{4}$	6 $\frac{1}{2}$
1877.			5	6 $\frac{1}{2}$	7 $\frac{1}{2}$	21	6 $\frac{1}{4}$	7
January	5 $\frac{1}{4}$	7 $\frac{1}{2}$	7	7 $\frac{1}{2}$	7 $\frac{1}{2}$	22	6 $\frac{1}{2}$	6 $\frac{3}{4}$
February	4 $\frac{3}{4}$	6	8	6 $\frac{1}{2}$	7 $\frac{1}{2}$	23	6 $\frac{3}{4}$	7
March.....	4 $\frac{1}{2}$	5 $\frac{3}{4}$	9	6 $\frac{1}{2}$	7 $\frac{1}{2}$	24	6 $\frac{1}{2}$	7
April.....	4 $\frac{3}{4}$	7 $\frac{1}{2}$						

DISSOLVED OR DISCONTINUED.

(Monthly List, continued from May No., page 907.)

- N. Y. CITY. Groesbeck & Kitchen; dissolved.
 " " R. A. Hills & Co.; failed.
 " " Livermore, Clews & Co., dissolved; now Henry Clews, 8 Exch. Ct.
 " " Eugene N. Robinson & Co.; suspended.
- ARK... Nelson & Hanks, *Helena*; suspended.
- COLO... Bank of Canon, *Canon City*; closed and receiver appointed.
- GA..... City Bank, *Macon*; assigned.
- ILL Home Bank, *Casey*; closed.
- IOWA... Otis Briggs, *Nevada*; quit banking business.
- MICH. John Johnston & Co., *Port Huron*; closing.
- MINN.. National Exchange Bank, *Minneapolis*; suspended.
- N. Y... Hope Banking Co., *Albany*; suspended.
- OHIO.. Samuel Marfield, Son & Co., *Circleville*; suspended.
- PA..... Union Banking Co., *Philadelphia*; suspended and in liquidation.
 " ... United States Banking Co., *Philadelphia*; suspended and in liquidation.
 " ... Twenty-Second Ward Bank, (*Germantown*) *Philadelphia*; to close July 1.
 " ... Franklin Savings Bank, *Allentown*; failed.
 " ... Lehigh County Safe Deposit and Trust Co., *Allentown*; failed.
 " ... Dimes Savings Bank, *Bethlehem*; suspended.
 " ... Joseph Miller & Co., *Fogelsville*; closing.
 " ... Saucon Savings Bank, *Hellertown*; suspended; failed.

CHANGES OF TITLE, ETC.

(Monthly List, continued from May No., page 907.)

- N. Y. CITY. Cummings & Mastin; now J. Edward Mastin & Co.
 " " J. K. Gracie & Westervelt; now James K. Gracie.
 " " Greenebaum, Brothers & Co.; moved to 18 Wall Street.
 " " A. Loeffler & Co.; new firm, same title.
 " " Munson & Ketchum; now Arthur & Ketchum.
 " " Putnam & Halsted; now R. H. Halsted.
 " " G. B. Scranton and E. K. Willard; now Scranton & Willard.
- COLO... Buckingham Brothers, *Boulder*; now National State Bank.
 " ... Chick, Browne & Co., *La Junta*; moved to El Moro.
 " ... Hinsdale County Bank, *Lake City*; suc. by First Nat. B'k. Same officers.
- IOWA... H. F. Greef & Bro., *Bentonsport*; now Greef & Pergrin.
 " ... Packard & Powers, *Kellogg*; now T. Packard.
 " ... Cadwell & Fiske, *Logan*; now P. Cadwell & Co.
 " ... Farmers & Merchants' Savings Bank, *Morning Sun*; now H. C. Johnson.
- KAN... Hull's Bank, (C. A. Hull & Co.) *Independence*; sold to Edgar Hull.
- MICH. O. F. Hall & Co., *Detroit*; now Sexton & Hall. N. Y. Corr.: Ninth N.B.
 " ... Dutton & Williams, *Eaton Rapids*; succeeded by Bowne, Combs & Co.
- MINN.. Easton & Haugan, *Wells*; succeeded by Bank of Wells.
- MO..... Farmers' Savings Association, *Platte City*; now Farmers' National Bank.
 " ... Smith Brothers, *Beatrice*; now First National Bank.
- NEB. ... Cones & Pollock, *West Point*; now J. W. Pollock.
- TEXAS. C. Chambers & Co., *Gainesville*; now Putnam, Chambers & Co.
- QUE... Banque Jacques Cartier, *Montreal*; resumed. A. de Martigny, *Cas.*

NOTES ON THE MONEY MARKET.

NEW YORK, MAY 25, 1877.

Exchange on London at sixty days' sight, 4.87 a 4.88 in gold.

The accumulation of idle capital in the loan market continues, and the current sets towards this city with more activity. The demand for accommodation is very limited, and the failure of another Providence firm makes lenders more timid. The war news is favorable to some departments of business, but the general stagnation in other directions is so great that but little improvement is visible. The expectation that investors, capitalists, and bankers in Europe would call home their funds, and that the supply of funds in our money markets would thus receive a notable curtailment, has not as yet been realized. To some extent this movement has no doubt begun, but the uncertainty which hangs over foreign investments is so much greater than that which attaches to well selected investments in the United States, and the intelligence of the investing public in Europe is so much greater now than formerly, that the probability is increased of a growing desire year by year on the part of European capital to flow into American enterprises and investments.

The rates for loans show no improvement. Money on call is quoted at about two per cent. on miscellaneous collaterals, and at one and a half per cent. on Government bonds. In the discount market there is little doing, and prime mercantile paper passes freely at three and a half to four and a half per cent. One of the circumstances which might be expected to trouble the loan market, is the new policy of the Secretary of the Treasury in regard to the resumption of specie payments. He has just sold five millions of four and a half per cent. bonds, which the syndicate have paid for in gold. These bonds are intended to assist in the preliminary arrangements for carrying out the resumption law of January, 1875. Other sales under this statute are expected to be made from time to time, but nothing has been officially announced as to the frequency and amount of the sales, or as to the ulterior arrangements which the Secretary will make, either by the accumulation of the gold proceeds in the Treasury, or by their conversion into greenbacks. These and other points in regard to the Secretary's policy form the subject of anxious discussion, and the

enterprise of ingenious newspaper correspondents receives abundant scope in the invention and publishing of sensational rumors which not infrequently become the basis of speculative excitement in gold and stocks. It has been affirmed, for example, that under the resumption law the Secretary had the power to cancel greenbacks as fast as he could sell the resumption bonds authorized in the statute. In spite of its incredibility, this report was greedily accepted and its manipulation has more than once aided the bears in producing a downward turn in the speculative and more sensitive securities in Wall Street. But the most cursory examination of the law is sufficient to show that the Secretary has received no discretionary authority under the resumption law or any other statute, to cancel indefinite amounts of greenbacks at his pleasure. The withdrawal of greenbacks is limited by a special arrangement to eighty per cent. of the new issues of the National bank notes. And even this contraction is to be stopped when the greenback level falls to 300 millions. On no other conditions than the issue of greenbacks is the Secretary allowed to cancel and destroy the greenback currency so as to make a permanent contraction in its volume. The law of February 4, 1868, is a safeguard against any violent use of discretionary power over the greenback currency, such as has been mischievously used in previous periods of our paper money inflation. Hence, it is evident that even were it not notorious that Mr. Sherman was unfavorable to any such perilous experiments with the currency, the country is protected from all fear of such a contingency by the direct operation of the law. All this is well known to the public, but still the belief has been actively fostered that greenback contraction would take place as a consequence of the new resumption policy of the Secretary of the Treasury. It is somewhat singular that in the present state of plethora which pervades the money market, when there is such an accumulation of excessive amounts both of capital and of currency, both of greenbacks and of National bank notes, these idle theories should have received so much attention. Even had there been a probability that a moderate amount of greenback contraction would take place, the contraction for some time to come could scarcely have been expected to have forced itself upon the public attention. This fact is now so well recognized, that although the belief is general that the Secretary intends to hoard greenbacks in the Treasury the effect upon the money market is wholly imperceptible. Indeed, if any result at all should be felt it ought to be in the way of steadying the rates, and giving a conservative tone to the market. Subjoined are our usual tables of the New York Clearing House Banks :

1877.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
April 28.....	\$ 255,733,800	\$ 20,534,500	\$ 48,865,000	\$ 15,966,100	\$ 222,991,200	\$ 13,674,300
May 5.....	258,013,900	23,119,100	50,441,700	15,995,900	226,957,000	16,821,550
" 12.....	256,519,600	23,272,500	51,066,700	16,068,700	227,226,000	17,532,700
" 19.....	255,894,700	21,867,200	52,437,700	16,069,900	226,645,400	17,643,550

The Clearing-House exhibit of the Boston banks for the past month is as below :

1877.	Loans.	Specie	Legal Tenders.	Deposits.	Circulation.
Apr. 28.....	\$ 126,706,800	\$ 2,331,700	\$ 6,561,200	\$ 73,608,700	\$ 23,304,900
May 5.....	128,671,300	2,542,000	6,916,300	76,115,000	23,371,400
" 12.....	129,033,100	2,429,600	7,012,200	75,695,500	23,341,500
" 19.....	129,488,900	2,337,800	7,000,700	75,158,700	23,432,000

The Philadelphia bank statements for the same time are as follows :

1877.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Apr. 28.....	\$ 60,337,095	.... \$ 1,188,924	.... \$ 16,568,606	.... \$ 51,104,158	.... \$ 10,560,931
May 5.....	60,733,685	.... 1,306,708	.... 17,036,708	.... 52,386,491	.... 10,538,356
" 12.....	60,768,747	.... 1,266,351	.... 17,412,613	.... 53,473,284	.... 10,526,878
" 19.....	61,115,305	.... 1,311,430	.... 17,434,155	.... 54,009,832	.... 10,644,078

From these tables it appears that the greenback reserves have risen and are still augmenting. The specie in bank has been somewhat depleted by the large exports that have been stimulated by the exchange operations of banking speculators who are operating upon the news from the seat of war. Whether this export movement will be continued is doubtful. The rise in the price of consols yesterday, in London, with some other circumstances, appears to indicate the early decline in the shipment of gold from this port. But, on the other hand, the Bank of England is still losing its specie reserve, and the sensitive condition of the British money market awakens grave apprehensions in financial circles in London. The bankers there are looking forward to an increase in the Bank rate. There is little doubt that such an advance would have taken place before now but for the impossibility of inducing the other banks who have such large deposits lying idle, to follow the Bank rate. There is also another circumstance which is adverse to any rise in the London rate of interest. We refer to the low rates of money on the Continent. In Paris the bank rate is two per cent., while the rate in the open market is one and three quarters. In Brussels money is lending at two and a quarter to two and a half, and in Amsterdam at two and three quarters to three. Even in Vienna the rate is but four and a quarter to four and a half, and in Berlin the recent advance to five per cent. was only made with the main hope of protecting the specie reserve of the Imperial Bank of Germany. Reasoning upon these facts, it has been inferred that the shipments of gold from New York will decline. However this may be the abundant greenback reserves of the banks will keep our money market easy and will render the gold shipments of inferior importance in forecasting the monetary movements of the immediate future.

The Bank of England, May 3d, advanced its rate of discount to three per cent., the rate of two per cent. had ruled since April 20, 1876.

As a portion of the Consols of 1865 have been recently called in, an effort has been made to discover to what extent these bonds are held in Europe. The investigation shows that coupons representing \$ 19,000,000 have been received through the Syndicate, hence, the inference is that not more than \$ 20,000,000 to \$ 25,000,000 of these bonds are in the hands of foreign holders.

Foreign exchange is quiet at 4.87 to 4.88 for sixty day bills, and 4.89 3-4 to 4.90 1-2 for three days sight bills. There is very little doing, as the demand is limited and bills are scarce. The rates are still above the specie shipping level.

The stock market offers very few facts of novelty or special interest. In governments there has been a good demand, and prices are firm notwithstanding the diminished strength of the gold premium. The five millions of four and a half per cents., sold last week to the Syndicate at par in gold, have been all taken up and paid for, and the general market closes firm on all descriptions. In State bonds little is doing. South Carolina consols have

risen to 72, and Louisiana consolidated sevens to 92. Railway bonds are firm, the Western securities being in greater demand. Railroad shares are feverish and irregular with a little more confidence in the investment purchases. Subjoined are our usual quotations :

QUOTATIONS :	Apr. 26.	May 3.	May 10.	May 17.	May 24.
Gold	107 ..	106 $\frac{3}{4}$..	107 $\frac{1}{2}$..	107 ..	107
U. S. 5-20s, 1867 Coup.	112 $\frac{3}{4}$..	113 $\frac{3}{4}$..	113 $\frac{3}{4}$..	114 $\frac{1}{4}$..	114 $\frac{1}{4}$
U. S. 10-40s Coup	113 ..	112 $\frac{3}{4}$..	113 $\frac{3}{4}$..	113 $\frac{3}{4}$..	113 $\frac{3}{4}$
West. Union Tel. Co.	58 $\frac{3}{4}$..	61 $\frac{3}{4}$..	63 $\frac{3}{4}$..	62 $\frac{3}{4}$..	63 $\frac{3}{4}$
N. Y. C. & Hudson R.	89 ..	92 $\frac{1}{4}$..	95 ..	92 $\frac{3}{4}$..	91 $\frac{3}{4}$
Lake Shore	47 $\frac{1}{4}$..	50 $\frac{1}{2}$..	53 $\frac{1}{4}$..	51 $\frac{1}{2}$..	50
Chicago & Rock Island	87 $\frac{1}{4}$..	90 $\frac{1}{4}$..	93 $\frac{1}{4}$..	93 ..	94
New Jersey Central...	8 ..	8 ..	8 ..	9 ..	7 $\frac{3}{4}$
Del. Lack. & West....	45 $\frac{3}{4}$..	48 $\frac{3}{4}$..	48 $\frac{3}{4}$..	44 $\frac{1}{4}$..	42 $\frac{3}{4}$
Delaware & Hudson..	43 ..	45 $\frac{1}{4}$..	44 $\frac{1}{4}$..	39 $\frac{1}{4}$..	39
North Western.....	18 $\frac{1}{4}$..	19 $\frac{1}{2}$..	21 $\frac{1}{4}$..	20 $\frac{1}{2}$..	22 $\frac{1}{4}$
Pacific Mail.....	18 ..	21 $\frac{1}{4}$..	21 $\frac{1}{4}$..	21 $\frac{1}{4}$..	21 $\frac{1}{4}$
Erie.....	6 $\frac{3}{4}$..	6 $\frac{3}{4}$..	7 $\frac{1}{4}$..	6 $\frac{1}{4}$..	6 $\frac{1}{4}$
Call Loans.....	2 @ 5 ..	2 @ 5 ..	1 $\frac{1}{2}$ @ 5 ..	2 @ 4 ..	1 $\frac{1}{2}$ @ 4
Discounts	4 @ 6 ..	4 @ 6 ..	4 @ 6 ..	3 @ 7 ..	3 @ 6
Bills on London.....	4.88-4.90 ..	4.88-4.90 $\frac{1}{2}$..	4.88-4.91 ..	4.87 $\frac{1}{2}$ -4.90 ..	4.87-4.90
Treasury balances, cur.	\$41,226,723 ..	\$41,952,979 ..	\$44,088,014 ..	\$46,321,724 ..	\$46,801,417
Do. do. gold.	\$76,955,533 ..	\$79,182,487 ..	\$77,892,386 ..	\$76,556,938 ..	\$75,725,611

Yesterday the Legislature adjourned without passing the tax relief bill which has been so long pending at Albany. One of the most significant results of this defeat of the movement for any tax reform is the vote of the shareholders of the National Bank of Commerce to reduce its capital from ten millions to five millions. At the meeting of the shareholders on Wednesday, 70,256 shares were voted either in person or by proxy in favor of the reduction. The answers from stockholders have been five months in coming in, and the necessary assent from two-thirds of the stock has only just been received. The one hundred thousand shares of this bank are distributed among 2,094 owners, who hold an average of not quite 48 shares each. The taxation on this bank for State and city purposes amounted to last year \$305,195. The resolution proposed last December, and which has now been voted upon and finally adopted, sets forth the pressure of the fiscal burdens on the banking business as the sole reason why this bank which has a larger capital than any other would have to diminish its capital. The bank began business April 3rd, 1839, and entered the National bank system January 13th, 1865. Subjoined is the resolution which received on Wednesday the necessary number of votes and will be carried into effect by the payment of \$5,000,000 to the shareholders on and after July 16th.

"Resolved, That, in view of the excessive and discriminating taxation levied upon the banks of the city of New York, resulting in injurious competition with them on the part of foreign corporations, and rendering it difficult, if not impossible, for our own banks, especially those of large capital, to earn even reasonable dividends for their shareholders, it is the sense of this board of directors that, unless some material legislative change is made during this season in reduction of such taxation, it may become expedient to reduce the capital of the bank by returning a portion of it to the shareholders; and the President and Cashier are hereby authorized to take all preliminary steps to enable the board of directors to make such reduction of capital, to an extent of not exceeding \$5,000,000, if at any time in their judgment they may deem proper."

The imports at this port during the month of April, and for the same month in previous years, were as follows, specie and bullion being included:

1873.	1874.	1875.	1876.	1877.
\$ 37,179,426	\$ 40,764,927	\$ 30,037,367	\$ 23,804,232	\$ 28,858,011

FOREIGN IMPORTS AT NEW YORK FOR TEN MONTHS, ENDING APRIL 30.

	1875.	1876.	1877.
Six months.....	\$ 175,110,736	\$ 148,376,529	\$ 147,027,452
January.....	24,831,250	29,756,259	27,606,337
February.....	36,923,360	27,977,330	26,659,268
March.....	38,289,583	32,018,867	34,402,295
April.....	30,037,367	23,804,232	28,858,011
Total ten months.....	\$ 305,192,296	\$ 261,933,217	\$ 264,553,363
Deduct Specie.....	9,498,073	7,474,032	30,263,699
Total merchandise.....	\$ 295,694,223	\$ 254,459,185	\$ 234,289,664

In the ten months ending with April, 1874, the imports of merchandise were \$ 309,550,974, and the same period in 1873 \$ 350,148,842.

The exports during the corresponding periods are presented below:

EXPORTS FROM NEW YORK TO FOREIGN PORTS IN THE MONTH OF APRIL.

	1875.	1876.	1877.
Domestic produce.....	\$ 18,933,522	\$ 17,456,396	\$ 21,158,574
Foreign merchandise, free.....	226,017	286,205	179,101
Foreign merchandise, dutiable.....	441,316	517,250	426,396
Specie and bullion.....	6,018,678	3,919,512	2,092,950
Total exports.....	\$ 25,619,533	\$ 22,179,363	\$ 23,857,021
Total exports, exclusive of specie..	19,600,855	18,259,851	21,764,071

This increase is encouraging, although the total (exclusive of specie) for April, 1874, was \$ 23,301,296, and for 1873, \$ 25,619,763.

EXPORTS FROM NEW YORK TO FOREIGN PORTS FOR TEN MONTHS FROM JULY 1.

	1875.	1876.	1877.
Six months ending January 1.....	\$ 140,508,524	\$ 134,944,600	\$ 151,493,635
January.....	19,291,403	21,800,226	25,403,169
February.....	18,111,985	18,304,987	19,662,718
March.....	19,582,162	20,344,776	19,822,112
April.....	19,600,855	18,259,851	21,764,071
Total produce.....	\$ 217,094,929	\$ 214,254,440	\$ 238,145,705
Add specie.....	54,924,155	32,468,769	20,053,780
Total exports.....	\$ 272,019,084	\$ 246,723,209	\$ 258,199,485

The total for the same period ending with April, 1874, was \$ 282,635,861.

DEATHS.

At SPRINGFIELD, ILLINOIS, on Monday, April 30th, aged sixty-two years, NOAH W. MATHENY, President of the First National Bank of Springfield.

At ITHACA, N.Y., on Friday, May 4th, aged sixty-two years, JOHN MCGRAW, President of the First National Bank of Ithaca and Vice-president of the Second National Bank of Bay City, Michigan.

At PIQUA, OHIO, on Friday, May 18th, aged fifty years, HENRY B. GREENHAM, Cashier of the Piqua National Bank.

