

THE  
BANKER'S MAGAZINE

AND  
Statistical Register.

---

*"No expectation of forbearance or indulgence should be encouraged. Favor and benevolence are not the attributes of good banking. Strict justice and the rigid performance of contracts are its proper foundation."*

*"The revenue of the State is THE STATE; in effect, all depends upon it, whether for support or for reformation."*

*"Rightfully considered, no principle is more conservative than that which identifies the laborer with the capitalist."*

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**VOLUME THIRTY-THIRD,**  
OR,  
**VOLUME THIRTEENTH OF THE THIRD SERIES.**

FROM JULY, 1878, TO JUNE, 1879, INCLUSIVE.

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# GENERAL INDEX

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OF THE  
BANKER'S MAGAZINE AND STATISTICAL REGISTER,  
FROM  
JULY, 1878, TO JUNE, 1879, BOTH INCLUSIVE.

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AND

## Statistical Register.

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### THE ANNUAL CONVENTION OF THE BANKS.

The American Bankers' Association announces that its next annual Convention will be held at the Town Hall at Saratoga, on the 7th of August, and two following days. Last year the meeting was in New York, and the year before at Philadelphia. The intention was to hold the Convention this year at Louisville, Chicago, Cincinnati, St. Louis, or some other Western city. For various reasons this project was postponed. As the meeting had to be held in August, and as a large delegation was absolutely necessary, it was decided that the best place of meeting would be Saratoga, where, in 1875, a very large and successful Convention was held. From the official circular it appears that the discussions are likely to take a wide range, and to be of no small practical utility. Among the topics mentioned are bank taxation, usury laws, the principles of currency reform, the union of the banks for the refunding of the debt, the powerful influence of the banking system upon public and private credit, and the evils which, by injuring our banking efficiency, do a corresponding mischief to every kind of business, and to all orders of business men. The payment of interest on deposits does not seem to be referred to, nor the much disputed questions about cash reserves. These and other subjects formerly commanding much attention appear to have been crowded out of the programme by topics of more pressing importance.

Among these topics we observe a reference to the unre-

stricted power to issue municipal, county and other bonds, by which heavy burdens of taxation have been created, and a mischievous public agitation has been kept alive. These burdens are so galling, and foster such a constant irritation in the public mind as to aid the demagogues who are undermining our public credit at home and abroad. It is one of the advantages of a National Convention comprising bankers, financiers, bank officers, and other persons who own or control capital in the United States, that such subjects can be discussed with a practical knowledge and a ripe experience, which, in the present condition of our National finances ought to command the attention of Congress and the Legislatures of the several States. If, by the deliberations of the Convention, some new restrictions can be set in operation to check the reckless issue of corporate and municipal bonds, one fundamental condition for the rehabilitation of the country will be supplied, and others may be expected to follow.

A large and influential portion of our six thousand banks will doubtless attend this meeting. The time chosen is favorable, occurring, as it does, just at the torrid season in the middle of the summer vacation, when so many bankers and bank officers from various parts of the country are at leisure, and may, consequently, be expected to find it easier to visit New York. Moreover, during the December session, Congress will be very likely to legislate on bank taxation, and the officers and shareholders of banks will, on this account, be the more likely to appreciate the necessity of taking prompt measures to inform their Senators and Members of Congress of the facts which show how the interests of business are threatened by bank taxation. Now is the time to draw closer together those bonds of union by which the several branches of our banking machinery are becoming one harmonious body. The pressure of taxation with many other causes, has tended of late to destroy that antagonism and rivalry which were formerly so mischievous and so active in separating from each other the various classes of banks and different sections of our banking system. An interesting paper might be presented to the Convention on this special need of our financial organism. The experience of the past might be instructively cited to show the necessity for union, the obstacles and difficulties which have so long made it almost impossible, and the progress which has been made in this country during the last few years in bringing together the discordant elements of our banking system. In discussing the advantages which have thus been already secured, and the greater benefits which are promised to our finance and industry hereafter, it would be easy to show that the closer is the union of our banks with each other, the better will be the prospect for the revival of business, and for the avoid-



ance of some of the financial dangers which now threaten the nation. We repeat the suggestion we made last year that it might be of advantage to the Convention if, in the distribution of the various topics to each speaker, the Committee would give some prominence to a practical view of the characteristics of our banking system as compared with those of other countries. As there will probably be, next August, a number of foreign bankers, merchants and statesmen, visiting this country, it will be easy for the American Bankers' Association, if they desire it, to obtain sufficiently full information from authentic sources, and to make this part of its discussions suggestive and useful. Of course, an account of the British, Swiss, Belgian, Italian, and other systems of banking in the old world can be, with advantage, made to enter into the programme of the Convention, but most probably the evidence in regard to the recent banking history of Germany, Austria, Scotland and France will be of more practical interest, as well as more easy of access.

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### CONGRESS AND BANK TAXATION.

After eight months of continuous labor Congress has adjourned without completing any fiscal legislation. Mr. Wood's tariff bill has failed, and the only tax bill reported by the Committee of Ways and Means which has passed the House, is the internal revenue measure of Mr. Burchard, to which reference was made in our last number. This measure was so transformed by amendments, that on the last day of its discussion, Mr. Burchard resigned it to Mr. Tucker who carried it through the House, and it awaits the action, next December, of the Senate. As heretofore explained, the intention was to append to the bill an amendment repealing the tax on bank deposits. The advocates of this plan abandoned it however, and the bank-tax section was struck out of the bill. No one acquainted with the facts will suppose that the banks have been inert, or their numerous friends in Congress idle. Two things have at least been done. The attempts at hostile legislation have been kept in abeyance, and the ground has been prepared for some measure of more visible success next winter. For obvious reasons, but little has been heard of the banks, or of their efforts at Washington. It has been the wise determination of the American Bankers' Association to have nothing to do with the lobbyists who infest the Capital, but to rely solely upon the legitimate influence of the members of the Association throughout the United States with their senators and representatives at Washington. Facts have been brought to

the knowledge of every member of Congress, by his own constituents, which have produced a profound conviction in many quarters where indifference or hostility to the banks formerly prevailed, that the relief of the banking business from the burden of the deposit tax is demanded by public policy, and is one of the most enlightened and efficient expedients for aiding the revival of business throughout the country. Though so little noise has been made in the newspapers, we learn from official sources that during the past year about 320 thousand slips have been circulated, or prepared for circulation, containing articles and speeches advocating bank tax repeal, and that the Association has also sent out nearly 100,000 newspapers, pamphlets and journals in furtherance of the general objects for which it is formed. Some idea may be formed of the activity of the efforts making by the banks for relief, when we find that the correspondence is reported at 92,000 letters received and sent out during the last ten months. What will be the result at last of so much well-directed labor remains to be seen. A peculiar feature of the agitation appears to be that its activity is greater in the West and South than in other sections of the country. Several of the most convincing and useful addresses to the Committee of Ways and Means have proceeded from gentlemen of high standing in the South, who are wholly actuated by the conviction that for the resuscitation of industry in the Southern and Western States it is absolutely needful to relieve the banks from the pressure of war taxation. Among the speeches from southern men unconnected with the banking business one of the most effective that we have seen is that of the Hon. John W. Daniel, of Lynchburg, whose eloquence and legal knowledge have won for him a national reputation, while his Senatorial labors at Richmond have given promise of still greater services to the country hereafter. We regret that our space admits of only a part of Mr. Daniel's address to the Committee of Ways and Means on the subject of bank-tax repeal. We understand, however, that it is to be published in full in the official report of the proceedings. After asking the Committee to report a bill for the repeal of the deposit tax, Mr. Daniel proceeds as follows:

"My attention was called to this subject as a member of the Virginia Senate, while studying the financial condition of the State and country; and I was impressed with the belief that this tax was one of a series of most impolitic and injurious measures. Uninterested in it through connection of any kind with banks, or bankers, I felt persuaded that in the interests of the people, the tax should be repealed; and but for the press of general business upon the General Assembly of Virginia, which crowded the matter out of consideration, there is no question that it would have

adopted a resolution, which was offered, invoking Congress to this end. I beg leave now to repeat a summary of the views which have created these convictions in my mind.

“(1.) First let me say that to tax a bank for exercising its common law right to receive and hold funds for the accommodation and use of its customers is an anomaly in our system, resting on no philosophical theory and upon no practical business-like view of the case which I can discover. For, be it observed, that the tax lays in wait for the customer's money as it flits across the bank counter, catches hold of the hand that receives it and squeezes a tax out of that hand, albeit it receives no benefit from the money, albeit that money lie idle in a bank vault, albeit that money passes immediately out again upon the customer's checks, albeit the customer, not the bank, received the accommodation.

“(2.) Let it be observed that the bank is taxed for taking care of and protecting another party's property; that the tax is not laid on the owner of the money, nor upon the party who is certainly benefited by the deposit. The bank accommodates and benefits the community, stimulates trade and places itself as a public convenience in the thoroughfares of business, as a servant of exchange, and is taxed for its most gracious work.

“(3.) Be it observed also that the deposit is in the nature of a loan, at the loaner's will, to the bank; that the deposit may be checked away the next instant after it is made; and that the tax on deposits is in reality a tax on the temporary borrower of funds. If money *permanently* deposited—that is, for a long and definite season—alone were taxed the bank might in some sort remunerate itself by lending out the funds and charging interest upon them. But this is not the case. The funds may stay only long enough to subject it to a charge for receiving them. When the banks receive funds and issue certificates of deposit they pay a bonus to the depositor—in Lynchburg, my place of residence—as high as five per cent. They are then taxed by the government one per cent. Then they must loan it out on good paper (and at what rate of interest I pray you?) to make a profit. But of this I shall speak hereafter. . . .

“(4.) Both in England and America this iniquitous and unreasoning theory of taxation has received searching criticisms from the best thinkers; and capitalist, agriculturist, and trade are alike interested in its repeal.

“Petitions signed by over 50,000 voters have been laid before Congress seeking redress; the Comptroller of the Currency has recommended it; and in the Southern and Western States, an imposing movement to bring it about has begun. In St. Louis there was recently assembled a convention in which the representatives of more than 5,000 State

banks and of 2,000 National banks participated; and they united in invoking Congress, for the sake of the business of the country, to lift from them this hard and oppressive burden.

"(5.) And here let me ask the attention of the Committee to some instructive tables furnished by the Comptroller of the Currency in his report for 1877, which is accessible to all. From these tables it will be seen that the total revenue derived from taxation of the banks, State and Federal, was for the last year \$10,828,656.12, and that about six and a half millions of the amount consisted of the tax on deposits of State and National banks. . . .

"(8.) Stability, legality, certainty—the elements that make up *reliability*, should be the foundation characteristics of banking. These are unattainable under the Federal Statutes. The banks are forced to take the hazards of usury; a speculative turn is given to business which of all others, should be freest from it. Breach of law—greater ventures—harder bargains—these are the retaliating measures, necessary to combat oppression. These are the throes of the struggle for life and success. At first blush the people are captivated with the idea of heaping taxes on money changers. The demagogue is ever ready to play upon this prejudice; but it disappears as soon as intelligence is addressed, and the plain truth is perceived, that one end of the burden falls on the people who borrow money, and that they are at last the heaviest sufferers.

"In the last reported year total losses were over \$19,000,000 and 231 National banks declared no dividends whatever. To save themselves and make six per cent. profit usury *must*, usury *will*, usury *does*, gouge deeply, and frame your statutes as you will, that gouge comes out of the people, that gouge opens an avenue to the bankrupt court. There was a time when the National banks could bear this strain and still make profits. It was when United States bonds were at a discount. Of this we shall speak hereafter. But that time has passed. And both as to State and National banks, such is now the condition of things, that it may be stated as a patent fact: *That our banking system is a system of compulsory usury, and that bank which does not violate the law must perish by the law.* We are, in short, constructed by harsh laws into a nation of usurers, preying upon and destroying one another in order to live."

Mr. Daniel's lucid address suggests an argument that we do not remember to have been used by the advocates of bank tax repeal in Congress. The dark spectral arm of communism now raised in this country, and threatening the life of our institutions, warns us that if we would hope for victory in the approaching struggle with organized anarchy, which may be nearer than many of us suspect, we should

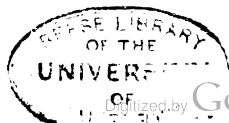
strengthen all the conservative forces of our National life. But, of those conservative forces, the banks are among the foremost. Hence, the highest public policy demand that we should make the banks strong; and if the war taxes on deposits undermine the strength of the banking system, which is admitted, these taxes should be taken off for that reason, as well as because they bring nothing into the Treasury that will at all compensate for the harm they do to our industry and trade. We have no space to elaborate this argument, and merely offer it as a suggestion for the consideration of those whom it so nearly concerns.

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## PROGRESS OF USURY LEGISLATION.

BY DR. GEORGE MARSLAND.

A usury decision of some importance has just been announced in the U. S. Circuit Court for the Western district of Pennsylvania. The opinion was given by Mr. Justice Strong, and was concurred in by the Circuit Judge, the Hon. William McKennan. The facts and principles connected with this case have been several times set forth and commented upon in this magazine since the suit was commenced in the Court below. The First National Bank of Mount Pleasant had lent at various times, sums of money to the plaintiffs, Messrs. Duncan & Bro., "reserving and charging therefor, interest at the rate of nine per cent." It was proved and admitted that interest had been paid at that rate, and the plaintiffs claimed that the transaction was usurious under the U. S. Revised Statutes, Section 5197. It is there forbidden to a National bank to charge more than the rate of interest allowed to be charged under the State laws by banks of issue. The Section 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 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."

The penalty for violation of this statute is fixed by Section 5198 as follows: "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."

Such is the U. S. law governing National banks in regard to usury. If they charge more than is allowed under the State laws to be charged by banks of issue, they are liable to the penalty, namely, the forfeiture of all interest.

The question on which the case turned was, therefore, a very simple one, admitting, it might seem, of an easy answer. It was this, did the defendant bank charge the plaintiffs a higher rate of interest than other banks of issue are allowed to charge in the State of Pennsylvania? In the *BANKER'S MAGAZINE* for April, 1877, we reported, page 787, Judge Ketchum's charge to the jury in this case in the U. S. District Court at Pittsburgh. The Court charged the jury as follows: "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 accordance with this instruction from Judge Ketchum, the jury gave a verdict against the bank and, if this view of the law were correct, the defendant bank was clearly liable to the penalties of usury, but as the U. S. Circuit Court has overruled Judge Ketchum's construction of the law, the case now goes back to the District Court for trial, on the fact as to whether there are any banks of issue in the State of Pennsylvania which are allowed under the laws of that State to charge "a rate of interest agreed upon by the parties," whether that rate exceeds six per cent. or not. On the part

of the bank it is contended that there are more than fifty banks in Pennsylvania which have the privilege of charging whatever rate of interest may be agreed upon, without any reference to the limit of six per cent. This privilege accrues to them under the general law passed by the Legislature of Pennsylvania, April 16th, 1850, which provides among other things that "every banking corporation hereafter created by any *special* Act of the General Assembly, and every bank hereafter re-chartered or the charter of which shall be hereafter extended or renewed by any such Act of Assembly shall be subject to the provisions of this Act;" that is, shall have the privilege of charging any rates of interest that may be agreed upon.

On the other side, it is argued that the law of 1850, does not apply to the present case, inasmuch as the fifty banks referred to do not actually issue circulation, though they have the right to do so under the Pennsylvania law. This right is in abeyance, and it is not used by the banks because the privilege of note issue is unprofitable under the ten per cent. tax levied upon State bank notes by the Federal Government.

On the whole, therefore, the ultimate decision will turn on a question of law, dependent of the construction of the Pennsylvania statute of 1850, and the rulings on that subject. If, as seems probable, the final adjudication should be in favor of the bank, the usury laws will be as completely reformed in the State of Pennsylvania as they were in this State by the important case of *Farmers and Mechanics' National Bank vs. Dearing*. Much credit is due to the committee of the Pittsburgh Clearing-House banks, who have so laboriously conducted this important litigation in Pennsylvania to a successful issue. We are informed that Mr. L. Halsey Williams, Mr. S. George, Jr., and Mr. G. R. Duncan, who constitute this committee, are about to issue a circular on the subject, which we hope soon to publish for the information of the banking community, among whom the questions involved have already begun to command general attention. In reply to the question whether the case will be appealed to the U. S. Supreme Court, we may state that by the rule of practice in the U. S. Supreme Court, a case cannot be carried up on appeal from the Circuit Court if it involves a smaller sum than \$5,000, except where the judges on the Circuit Bench disagree. As this case involves only \$900, and the judges agree, there is no appeal from the decision under review, to the Supreme Court of the United States. In our *Notes on the Money Market* will be found some account of the new legislation which the case before its close suggested to the Legislature of the State of Pennsylvania.

## HOW TO READ BANK STATEMENTS.

BY GEORGE WALKER.

Publicity is one of the most esteemed safeguards of modern banking. That it is by no means a complete one, is shown by the ever-recurring bankruptcies of institutions which have not avoided publicity, and have made a fair showing in their published statements. The trouble in these cases is two-fold : on the one hand, the statements, while perhaps truthful on their face, may cover a great deal of rottenness, and on the other hand, the public, for whose enlightenment they are intended, has not learned how to interpret them. There is a certain measure of information which any business man of average understanding may derive from a bank statement, and it is far from being an unimportant measure. On the contrary, when dealing with the transactions of a large number of institutions, statistics are almost always an unerring indication of strength or weakness.

We propose, in a brief space, to point out some of the simplest rules by which bank statements are to be interpreted, and to show what can, and what cannot, be learned by means of them.

The balance sheet of a bank, like all other balance sheets, is made up of items of debit and credit ; the gain or loss account, which strikes the balance between all the other accounts, being Profit and Loss, which, if the bank is in a sound condition, should be found on the side of Liabilities, and not of Resources. In the simpler and more popular phraseology of our National accounts, however, the old fashioned name, Profit and Loss, does not appear ; but in place of it, the items "Surplus Fund," and "Undivided Profits," which can only be found on the right side of the Ledger.

Now, what are the usual and legitimate debits and credits which should figure in a bank account? What, in other words, do its debts and assets properly consist of? The three principal items of liability are capital, circulation and deposits. The bank owes its stockholders for the capital invested by them in the business ; it owes the general public for the circulating notes which it has issued, and which are outstanding ; and it owes its private customers for the sums of money which they have deposited with it in account current. Besides these leading items of indebtedness, it owes other banks and bankers for collections made for their account, and often for direct deposits, which do not essentially differ from the deposits made by individuals. Country



banks habitually keep such deposits with their city correspondents, for convenience, for profit, and in compliance with law. The constant want of city funds for the payment of debts due from the country to the city, requires the maintenance of a large fund to be drawn against for the convenience of country customers. When there is a real rate of exchange between the point of drawing and the city drawn upon, the country banker gets fairly paid for keeping such a fund, and it is often used also as a cover for usurious interest, the bank consenting to lend only on condition that the borrower takes the proceeds of his discount in city drafts which he does not want, at an arbitrary rate of exchange. This fictitious charge for exchange is, however, much less frequently made by the National banks than it used to be by banks working under State laws. City balances are also kept, for the purpose of absorbing a part of the cash funds which safety requires to be always available, and on which a very small rate of interest is better than to have the whole lying idle in the vault.

The National Bank Act encourages the keeping of such deposits, by allowing them to be counted as a part of the cash reserve required under that statute. The history of that allowance is curious, and shows how a practice often continues to prevail long after the reasons which gave rise to it have ceased to exist. When the first specie-reserve law known in American legislation (except the Louisiana Bank Act of 1842), the Massachusetts statute of 1858, was passed, the Suffolk bank system was in full operation throughout New England. Under that system the bills of all New England banks were daily redeemed in specie in Boston, and returned to the issuers. To meet this redemption, every bank kept a special redemption fund at the Suffolk, Mutual Redemption, or some other Boston bank, which drew no interest, and performed for it the functions of specie. When the law of 1858 was passed, the country banks, expecting that the old system of redemption would continue, (as it did so long as the State banks remained in existence), not unreasonably insisted that their city funds "kept for the redemption of their bills," should be allowed to count as specie up to a certain proportion, and this claim was acceded to. After the crisis of 1857, Ohio, and perhaps some other States, in which a central system of redeeming bank notes prevailed, passed specie reserve laws containing a similar concession. The National Bank Act was the creation of Mr. Secretary Chase, a citizen of Ohio, assisted by Mr. Hooper, a member of Congress, from Massachusetts, and one of the authors of the law of 1858. The banking legislation of those States was, accordingly, largely incorporated into its framework. Among other provisions so incorporated, was that allowing balances due to a National bank from any other

National bank, approved by the Comptroller, in either of a large list of cities, *available for the redemption of its circulating notes*, to be counted as a part of the required reserve of lawful money. This concession as originally made, was entirely unjustifiable, inasmuch as very few of the fourteen cities first enumerated (since enlarged to seventeen), ever had been, or were ever likely to become, natural centres for the redemption of a paper circulation. The attempt to erect them into money centres was the offspring of a foolish State pride, which finds a historical parallel in the loyalty of the country member in Connecticut, who, when New Haven was made a city, insisted that his town should be made a city also; to which the New Haven representative readily assented, on condition that it should at the same time be declared a seaport. The only ostensible purpose of the city reserve fund was for the redemption of circulating notes, and that purpose was rendered inoperative by the passage of the act of 1874 which substituted a deposit of legal tenders to the amount of five per cent. on the circulation, in the Federal Treasury, in place of the larger reserve required to be kept by the bank itself. As the law now stands, therefore, the city reserve fund is a reserve against deposits only, and as deposits can only be demanded at the counter, it is no reserve at all, illustrating the Latin law maxim, *cessante ratione, cessat ita lex*. The provision ought to be repealed, and whatever reserve is required to be kept against deposits, should be kept in the vaults of the banks owing them.

The only other items which figure on the debit side of a National bank account are public deposits (in case the institution is a Government depository), re-discounted paper—of which there is very little in this country—and surplus earnings, due to stockholders.

On the credit side of the account, or among its resources, the bank holds its cash, its loans and discounts, its bonds deposited for circulation, or as security for public deposits, its claims against other banks and bankers, its bank premises and other real estate, furniture and fixtures, and its current expenses not yet charged up. These are the principal classes among which its assets are usually distributed. They are often considerably subdivided, so as to show more accurately what they consist of. The Comptroller of the Currency is authorized, under the National law, to prescribe the form of bank returns, and there is nowhere else so full and satisfactory a bank statement published as that of the National banks of the United States. We ought, perhaps, to except the excellent statement of the bank of France, which is published weekly, in the London *Economist*. That statement contains thirty-six items on both sides of the account, and gives a great variety of information not usually found in a bank return. The weekly statement of the Bank of England, on

the contrary, contains only fourteen items, covering both the Issue and Banking Departments. The bank statement proper contains only nine, and some of these items are expressed in such terms that an American bank officer, not familiar with the operations of the Bank of England, would not readily understand them. Thus, the word "rest," meaning "surplus earnings," is extremely technical; and we doubt if many foreigners can explain the meaning of "seven-day and other bills," meaning, we believe, certificates of deposit payable on time. Even the words "other securities," meaning "loans and discounts," have to be read in the light of their position in the account, in order to be intelligible. A copy, now before us, of the statement made by National banks of the United States, contains thirty-eight items, and is therefore numerically fuller than that of the Bank of France, and, if we mistake not, it has been considerably enlarged, under the administration of the present Comptroller.

The Joint-Stock banks of Great Britain make no uniform statements, though the regularity and fullness of their published returns seem to be increasing. Great credit is due to the *Economist* for the care with which these half-yearly returns have, for many years, been republished, collected, and tabulated in that paper. The compiler of the latest of these reports, published on the 18th of May, last, complains, however, of their want of uniformity. "All Joint-Stock banks do not arrange their balance sheets on one uniform plan. Some publish no statement of accounts whatever. . . . From the circumstance that the banks do not all follow the same plan complete uniformity cannot be attained. . . . From the causes which have just been mentioned, it has been impossible to draw up this statement with the complete accuracy which might otherwise have been attained; and for the same reasons it affords but an imperfect idea of the amount of capital wielded by the banks of England and Wales, as a whole. While some, indeed many, English Joint-Stock banks, are not in the practice of publishing their accounts, no Private banks in England ever publish their accounts at all. This remark will hardly be needed by the readers of the *Economist* in this country, but it is desirable to make it for the service of our readers in foreign countries who are not likely to be conversant with the custom of English bankers. This fact must also be borne in mind when comparing the position of the banks of England collectively with those of Scotland and Ireland."

Having thus indicated the leading items which go to make up the two sides of a bank account, let us now consider the inferences which are to be drawn from them. The first glance at the footings of the account shows the magnitude of the bank's current business. Comparing it with the capital stock, we learn how large a volume of capital is availa-

ble for the earning of a dividend. Comparing one bank with another in the same city or town, and assuming other things to be equal, this is a rough-and-ready way of judging as to the comparative profitableness of their business. But it is by no means conclusive, for a further examination of the two accounts may disclose elements of great dissimilarity appearing on the surface; and behind the figures there may lurk skeletons which disturb the peace of managers, and which would still more disturb the confidence of the public, if they were unveiled.

The next glance should be at the surplus fund; for this shows whether the past operations of the bank have been profitable, and whether its present position is fortified by a sufficient reserve to ensure uniformity of dividends, and to make good exceptional losses. But even the surplus fund is not conclusive evidence of present strength. It may only show that at some past time a surplus was honestly earned: it is not proof that the amount of it now represents substantial property. Like the capital stock, it may have been eaten up by specific losses, or by a general deterioration of assets. It takes a courageous, as well as clear sighted and honest, board of directors to charge off bad debts as soon as their collection is hopelessly apparent. Hardly any bank fails without showing a surplus fund on its books.

Having thus far looked only at the amount of the bank's resources, let us next see what information we can gather as to the character and quality of them. First, as to its ability to meet its immediate indebtedness. We have seen that it owes large sums to the public for circulation, and to its particular customers for deposits. Both these are demand debts, but neither of them is capable of being immediately demanded in full, and therefore a bank need only keep a fair percentage of them in cash, or in other means immediately convertible into it. Less cash is needed under the National system, from the fact that the circulation is specifically secured beyond the possibility of loss, and depends in nowise on the solvency of the bank issuing it. Indeed, the difficulty of assorting the notes and gathering a sufficient number of them to present to one institution or its agent, is so great that there is more danger that the circulation will become inert and sluggish from excess, than that the banks can be inconveniently run upon. Whether or not the five-per-cent. deposit with the Treasury will be a sufficient redemption fund, can only be proved by experience after resumption of specie payments. The old and prudent rule of one-third cash to immediate liabilities will probably prove unnecessarily conservative. Nor has there ever been any established rule applicable to deposits alone. It may, however, safely be said, that the requirement of the law is within the rule of prudent banking, and those institutions will always be entitled to the

highest confidence, which keep themselves strong in cash means; and that what they may lose in interest on idle capital, will be more than made up to them in the popularity and patronage which a bank is sure to receive, which is always in a condition to help its customers, and is never distressed by a sudden stringency in the money market.

While the possession of ample cash means is, therefore, a sign of prudent banking, it must be remembered that cash is idle capital, and must be deducted from the assets, when trying to arrive at the earning capacity of a bank. So also must Current Expenses, Premiums, Real Estate (bank premises), furniture and fixtures, and such bank balances as draw no interest. In estimating bank balances, it is well to deduct the amount on one side of the account from that on the other, and to allow or charge a very small rate of interest on the difference. When the productive assets are finally eliminated, it remains only to make the best estimate possible of their rate of earning. This, in the case of United States bonds can be pretty closely arrived at; but on Loans and Discounts, it is impossible to estimate it with any exactness. This is the blind and secret account—the dead wall which stops the way of further research. But before we get to it, we have acquired a great deal of valuable information. The habitual study of bank statements, will rapidly develop the capacity of turning them to advantage, and this is especially true of aggregated accounts, like those of the whole country, or of particular cities or towns in which the inquirer has a business interest.

We cannot more appropriately sum up the advantages, as well as the limitations of bank statements, than by quoting the following passages from the preface to the *Tabular statement of accounts of Banks*, published in the supplement to the *Economist*, for May 18, 1878: "Accounts of this description, do not, and cannot, give any information as to the inner working of a bank. The higher qualities of banking, the skill, the care, the caution with which a business is carried on, these points cannot be shown on paper in a mere statistical form. Still there is a great deal which may be learned from statements of accounts. They tell us what deposits a bank holds; and though they cannot tell us completely how those deposits have been employed, they enable an estimate to be formed, in a rough way, of the amount of the floating capital of the country, and of the reserve available to meet any sudden emergency. The maintenance of a suitable reserve is one of the points which should continually be borne in mind. It is essential to ensure stability, which is the first consideration in banking business."

## EFFECT UPON PRICES, OF WAR BETWEEN RUSSIA AND GREAT BRITAIN.

A war between Russia and Great Britain would affect, mainly, prices of articles of Russian produce consumed by Great Britain, and of war material. We might naturally look forward to such a war to increase prices of our principal articles of export, inasmuch as we rival Russia in the production of her chief commodities, and are manufacturers of war material. Let us, however, examine this question.

The British Statistical Society, at Glasgow, published in 1855 a paper relative to "the effect of the war in Russia and England upon the principal articles of Russian produce." The results of the inquiry were—in summary :

(1.) That previous to the war, Russia exported her principal Baltic produce chiefly to England, and England imported such productions chiefly from Russia.

(2.) That since the outbreak of the war, the exports of produce from Russia have diminished to a greater proportionate extent than the general imports of such articles into England.

(3.) That there has not been an increase of value of produce in Russia to compensate the producer for the decrease in exports, whilst supplies from other countries than Russia, and the use of substitutes, will prevent the consumer in England suffering from very high prices.

(4.) That the difficulties, and consequent expense, of transport by land, in Russia, under the injuries of the blockade, necessarily were very severe.

Since the war between Russia and Great Britain, here alluded to, we have changed places with Russia in the import trade of Great Britain; hence the dependence upon Russia is less, and the effect of a war at this time, upon articles produced by Russia, would be less than at the time of the last war.

Prices of almost every article of export, except wheat, are now abnormally low; with peace assured, we can expect greater consumption of cotton and many other articles, and even with articles produced by Russia, it is a question whether assured peace will not bring as great an improvement in trade as active war. Certainly, in permanent benefit, we can expect nothing from a war, and as Napoleon III epigrammatically said, "The Empire is Peace," we may assert that Commerce is Peace.

## NEW YORK CITY TAXATION.

One of the questions certain to attract a lively attention for a long time in this city, is that of the most expedient and the most equitable methods of raising, by annual taxation, the sums needed for municipal purposes. Without doubt, there may be reductions of the sums now raised, without pushing economy to any injurious extent, but in any event they must be large, so long as the annual interest upon the municipal debt remains at the present figure of nine millions.

The tendency, in recent years, of public opinion, as well as of official practice and judicial decisions in this city, has been to diminish the proportion of personal property assessed for taxation, and to throw more and more of the public burdens upon real estate. The fact is recognized that, with the exception of such personal property as is visible and tangible, the attempt to tax it must be in the main a failure. Some forms of personal taxation, which are still pertinaciously adhered to in many parts of this country, as notably that of taxing money at interest, are justly objected to as taxing the same property twice, and the case is made worse by the fact that the double tax is really paid by the same party. A borrower on the pledge of real estate, or of such descriptions of personal property as are susceptible of being pledged, pays directly the tax on the thing pledged, and indirectly the tax on the money loaned on it, in the shape of an increased rate of interest on the loan. To some other forms of personal taxation there is the not less serious objection that their efficiency is principally dependent upon the tenderness of the conscience of the tax payers, and that they are easily escaped by concealments and prevarications. These and other considerations have greatly narrowed the range of personal taxation here and elsewhere, and made the burdens upon real estate proportionately more severe.

Of course the owners of unproductive real estate feel these burdens most keenly, and are inclined to insist that the taxation of real estate should be a percentage of its income, and not a percentage of its assumed value. An Englishman's idea of a tax on lands is so many pence or shillings in the pound of their annual income, which he expresses by the word "*rate*." If the owners of up-town unoccupied lots in this city could have their own way, they would conform taxation to the English practice. They are naturally unable to see the justice of imposing any taxes at all upon property which yields no income. To the suggestion that, if annual

income is not received from lots held for a rise, the income for many years is received in a lump when sales are made, they reply that remote and uncertain gains furnish neither the means nor any fair basis for paying present taxes. Their condition is undoubtedly a hard one, when selling prices are rather falling than rising, and it must be admitted that, taking all contingencies into the account, they have much ground for insisting that in valuations for the purpose of taxation, unproductive real estate should be rated low.

A much wider, and so far as this country is concerned, a much newer field of discussion, is presented in the question of the possibility of relieving the real estate of cities by indirect taxes upon occupations and upon consumption. The best known case of that kind is found in the *octroi* duties, which supply a large part of the revenues of Paris. They are a tax upon the privilege of selling provisions, wines, fuel, &c., in the markets of that city, and it is by no means clear that a part of the burden is not borne by the sellers. It is said that many and important interior cities in British India, derive all their revenues from that source. London has an ancient and not inconsiderable revenue of that kind from coals. An income really of that class in substance, although not in name, is drawn by cities in all parts of the world, and in many cases in the United States, not by taxing the introduction of certain articles of consumption, but by taxes, in the shape of high rents, upon designated public places or markets, in which alone the sale of such articles is permitted.

License taxes upon occupations are familiarly known, and they may be so imposed as to produce little or no injury. Such taxes, if considerable, upon the business of selling goods, might drive merchants to other places to some extent, but it is difficult to fix the limit, beyond which taxes would perceptibly diminish the business of hotel-keeping in such a city as New York. This is true in a less degree of taxes upon theaters. The argument urged in favor of taxes of these descriptions is that they are levied upon occupations which are only rendered profitable, or even possible, by the existence of cities, and which can therefore be fairly called upon to make special and extraordinary contributions towards the public charges of cities.

A tax upon indulgence in exhilarating drinks, enforced by the contrivance of a bell-punch, is just now attracting much attention and a good deal of favor, as well for its supposed moral as for its financial benefits. Doubtless other applications of the same principle will be suggested.

The simplicity of direct taxes upon property is so attractive to theorists that they condemn all other forms, but habits and experience count for quite as much with mankind as (so-called) scientific systems. It is by no means so clear as the



*doctrinaires* would have us believe, that the levying of direct taxes exclusively upon property, does not discourage its accumulation, nor is it by any means so clear as they think it is, that within proper limits taxes upon consumption have any worse effect than the enforcement of economy. Wisdom is not the monopoly of the present day. There was a wisdom of the ancients. Book-makers for a century have been decrying sumptuary laws, but, for all that, the present generation may see their substantial revival and upon a large scale. The great public revenues required by modern systems of administration, and especially by modern systems of debt and financiering, will compel an inquiry into all the possible sources of public income.

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### THE CAUSES AND THE CURE OF INDUSTRIAL DEPRESSION.

A report is to be presented to Congress at its December session upon the causes of the depression of labor, with the appropriate remedies for the evil. The special Committee on this subject are Mr. Hewitt, of New York; Mr. Riddle, of Tennessee; Mr. Dickey, of Ohio; Mr. Tucker, of Virginia; Mr. Thompson, of Pennsylvania; Mr. Rice of Massachusetts; and Mr. Boyd, of Illinois. These gentlemen will begin the investigation of the difficult problems of the depression of industry at a critical period of our national history, and their report will be made under a grave responsibility. The public will have a right to look to Congress and to this Committee for a clear, comprehensive elucidation of facts, and for a refutation of the worst of those mischievous sophisms on the stagnation of business, the rights of labor, the causes and the cure of industrial distress which spread discontent among the masses, disturb private credit and public confidence, and thrive on popular ignorance and mistrust.

Several corrections of prevailing opinions on this subject were attempted during the recent discussion on the tariff by Mr. H. C. Burchard, of Illinois. The first point was as to the high wages of labor in the United States. It is generally believed that the heavy cost of labor in this country enhances the cost of our manufactures so as to shut us out of foreign markets and to check exportation. Mr. Burchard declares that the injury is less than is supposed, and that if American manufacturers pay higher wages, an adequate return is given them in greater efficiency of labor. He points to the fact that we are able, in many articles, such as boots and shoes or cotton fabrics, to export more and more every year and to compete in the markets of the world. As a

member for several years of the Committee of Ways and Means, Mr. Burchard has had singular facilities for investigating commercial questions of this sort, but we suggest that the statistics of this part of our trade and industry should receive a more complete examination and that the present time seems singularly favorable for the purpose. We believe there is no dispute that at present very few descriptions of manufactured goods are exported from this country into the prices of which wages enter as the chief factor. It is true that goods for which wages form a small part of the cost such as coarse cotton fabrics, boots and shoes, and some other commodities are exportable, but does this fact sufficiently sustain the sweeping conclusion that high wages are fully compensated by greater efficiency of labor? Mr. Hewitt's Committee should prepare a list of the manufactured commodities which are exported with the yearly returns as to the prices of each, the quantities sent abroad, the rates of wages paid, the proportion of wages to cost, and the evidence for and against the theory that our manufacturing superiority in certain specified articles is due to the greater efficiency of labor in the United States. Of course we do not wish now to challenge or to call in question the theory that the greater efficiency of American labor is in all departments equal to its greater cost, but further proof in support of it is certainly desired and it will doubtless be in the power of the Committee to give Congress and the country valuable information upon this and similar questions.

The next point referred to is the relative rates of taxation here and in other countries. Mr. Burchard says that the market for our products abroad is not necessarily curtailed by our taxes because our manufacturers are not burdened more than those of other countries. This opinion is contrary to that generally held. But it derives some support from statistical facts which are elaborately set forth and are well worthy of consideration. "Taxation here," says Mr. Burchard, "is not higher than the taxation in England. Our national, local and municipal taxation added together does not equal that of England, either *per capita*, or per dollar of its wealth; but, to the contrary, the taxation is much greater in England than in this country. I have figures here that I have taken from the *American Almanac*, and I find that the taxation in this country, national, State, local and municipal, as given by the census and latest returns, is much less than the national, municipal and local taxation in England. The true value of the real and personal property of the United States in 1870 was reported by the Superintendent of the Census to amount to \$30,068,518,507."

The taxation of the United States for the last year obtainable is, according to the *American Almanac for 1878*, as follows:

National revenue.....	\$ 279,000,587
State taxes.....	49,700,934
Local taxes (census, 1870).....	212,540,223
Total.....	\$ 531,301,744
Per capita (population, 44,000,000).....	\$ 12.10
Per cent. on wealth.....	.013½

A paper read by Mr. Ernest Seyd before the British Society of Arts, presents the following statement of the wealth of the United Kingdom :

AMOUNT OF WEALTH IN GREAT BRITAIN.

1. Lands, say.....	£ 2,000,000,000
2. Houses, say.....	1,200,000,000
3. Movable household goods, say.....	600,000,000
4. National debt, £ 800,000,000 (not to be added).....	—
5. Railways, public works, &c.....	800,000,000
6. Active capital of £ 900,000,000, of which in goods.....	400,000,000
7. Currency, £ 170,000,000 (less bank-notes current, £ 22,000,000)	148,000,000
8. International wealth.....	1,100,000,000
Total.....	£ 6,248,000,000

This equals \$ 31,240,000,000. The national taxation of the United Kingdom is \$ 392,825,180. The local taxation reported for England in 1873 was \$ 121,475,665 on a population of 23,860,000 or \$ 5.09 each equal on the total population of the United Kingdom to \$ 172,000,000. *Per capita* on 34,000,000, \$ 16.60. Per cent. on wealth, .014. The burden of taxation is therefore in favor of the American as against an English manufacturer.

The rate of interest is the next point referred to. If our producers have to pay more for the use of the capital required in their business, it is obvious that they cannot produce as cheaply as their rivals in other countries, who have to pay less for the use of capital. Mr. Burchard argues, however, that this obstacle is not so great as it has been represented. He says the burden imposed on productive industry by heavy payments for interest is not much more severe than that which prevails in Europe. The rate of interest is higher here than abroad. Measured by national credit, as American four-per-cent. bonds are at par and British three-per-cent. consols are at a discount, the difference would be less than one per cent. The difference in bank discounts is probably three or four per cent. Since the capital in manufacturing is only two-thirds of the value of its annual product, two-thirds as much additional duty as the difference in interest would make up for the higher rate of interest in this country. If \$ 100,000 of capital produces \$ 150,000 of manufactures, two per cent. duty imposed on the \$ 150,000 of manufactures will give \$ 3,000—the same amount as three per cent. on the \$ 100,000 capital. It is claimed that a larger capital is required in this country for production. Admit that prices of all articles are twenty-five or fifty per cent.

higher here, and that it requires that percentage more capital, the duty increased one-half on this account need not at the utmost be over four per cent. to make up for difference in interest and difference in capital.

Another set of facts presented by Mr. Burchard are such as show the continued advance in the production of agricultural wealth. From the statistics of the census report he argues that there is not only an increased production, but also a corresponding increase in the transportation business of the country. He illustrates this as follows:

During the last five years there has been an increased tonnage on railroads and on the sea. The increased exchanges in five years are seen in a comparison of the tonnage of some of the leading railroads and of the canals and shipping of the country at different years. During that period the tonnage on the New York canals and Erie Central railroads, have increased 1,104,575 tons, and all the railroads in the States of Massachusetts, New York, and Ohio, 21,905,441 tons. Our trade with foreign nations, our merchandise exports and imports, continually increase. The total amount in 1870 was \$812,574,881; in 1875, \$1,116,300,020; in 1876, \$1,108,839,603; in 1877, \$1,172,599,949. Our foreign trade has, in seven years, grown in value \$340,025,064, or more than forty per cent. Our merchandise exports, which amounted in the fiscal year 1870, to \$376,958,408, had swollen in the calendar year 1877, to \$668,615,079. As values have diminished, the products measured in tons or units of quantity must have proportionally increased. The dividends of railroad corporations have increased. Their net earnings, which were only \$141,000,000 in 1871, were \$185,000,000 in 1876. With such increase in agricultural and manufacturing products, and reliable evidence of their transportation and exchange, greater tonnage on the ocean, the lakes, and the rivers and railroads of the country, it is impossible to believe that business is stagnated; that the great body of workers are idle, and the wheels of industry have stopped. There has been no lack of markets abroad for agricultural products, cotton, tobacco, breadstuffs, and provisions, which constituted, in 1877, with petroleum and wood, all but \$67,000,000 of the merchandise exports. To hold and enlarge our markets for the residue consisting chiefly of manufactured articles, has been the thoughtful theme for discussion and legislation. The encouragement of ship-building, the establishment of commercial lines of transportation upon the ocean, their maintenance by subsidies, have been favorably considered by Congress, and have been favorably reported upon by a committee of this House. They are recommended not to increase or cheapen imports, nor to extend the market for agricultural products, but to enable American manufacturers to sell their goods to other nations of the earth. In vain will be these efforts. Iron steamships may be built, and launched amid waving of flags, and supported by contributions from the public Treasury, but while legislation forces the prices of manufactured articles at home above the price of similar commodities in the markets of the world, manufacturers cannot sell, merchants cannot trade, and the nations cannot export their goods while demanding higher prices than their competitors. We have establishments constructed, sufficient to supply our own country with double the quantity of iron, steel, cotton, and woolen goods, that it can consume. Production is limited, and works are often put on half time so as to keep up prices to the cost of import of a similar article. There were last year 716 iron-furnaces in the country, yet only 270 were operated. Why were 446 of them idle? The home market was abundantly supplied by the establishments operated. At lower prices consumption would increase at home, foreign markets would be opened for the surplus, and employment would be furnished to labor now idle, and manufacturers' profits would, though reduced, continue remunerative.

We do not wish unduly to enlarge the field of investigation upon which Mr. Hewitt's Committee have entered. But

their report will disappoint the public expectation, if it does not lay a broad basis of facts as the foundation of all enquiry as to the best remedies for the industrial troubles from which this country is suffering in common with other nations.

### BANK NOTE CIRCULATION OF GREAT BRITAIN.

There is no fact connected with the monetary history of Great Britain more remarkable than the slow growth of the paper-money circulation, as compared with the progress of the country in wealth, in production, and in trade. The following table shows the circulations of the banks of England, Ireland, and Scotland, on the 30th of March, 1844, just prior to the passage of the English Bank Act, and at the same date in 1878. The coin and bullion in the Bank of England at the same date, is also given :

<i>Circulation.</i>	1844, March 30.	1878, March 30.
Bank of England.....	£ 20,842,000	.. £ 27,407,074
English private banks.....	4,983,646	.. 2,301,646
English joint-stock banks.....	3,502,363	.. 2,334,648
Scotch banks.....	2,610,712	.. 5,499,971
Irish banks.....	5,997,172	.. 6,945,823
<b>Totals.....</b>	<b>£ 37,935,893</b>	<b>.. £ 44,489,162</b>
Coin and Bullion in Bank of England....	16,322,000	.. 22,922,990
	(43%)	(54%)

Increase of circulation in thirty-four years, £ 6,553,269, or 17 $\frac{1}{8}$ %. The changes have been a gain by the Bank of England of £ 6,365,074 (being a little more than the total aggregate gain), a loss by the English private banks of £ 2,682,000; a loss by the English joint-stock banks of £ 1,167,715; a gain by the Scotch banks of £ 2,889,259; and a gain by the Irish banks of £ 948,651.

The English Bank Act of 1844, prohibited any increase in the circulation of bank notes, by the private and joint-stock banks of England, and requires all additions to the amount of Bank of England notes then outstanding, to be covered by specie. But to the extent of two-thirds of all circulation surrendered by private banks after the passage of the act, the Bank of England might increase its circulation on securities above £ 14,000,000, with the consent of the Privy Council. The actual increase of its circulation on securities since 1844, has been only one million sterling—the amount of securities held by the Issue Department being now £ 15,000,000. A much larger amount has probably been surrendered, as the decline in the circulation by private banks has been £ 2,682,000, but it is probable that the actual circulation of those institutions is below their authorized issue. We have seen that the increase in the Bank of England's

circulation has been £ 6,565,074. This, under the act, should be covered by bullion; and, accordingly, we find that the bullion held in the Issue Department, is now £ 6,600,990, more than that held by the bank on the 30th March, 1844, showing a slight excess above the legal requirement, which we are unable to explain. It will be seen that the circulation of the Scotch banks is more than doubled, and that of the Irish banks increased about twenty per cent. This fact requires a word of explanation. The English Bank Act of 1844 did not extend to Ireland and Scotland. Separate acts were passed in 1845 affecting the banks of those countries respectively: these are 8 and 9 Victoria, chapters 37 (Ireland) and 38 (Scotland). The provisions of those statutes are not in all respects the same, but on one point they agree, namely, that while no English joint-stock or private bank could increase its issues under any circumstances, the Scotch and Irish banks are allowed to exceed their limit, provided they hold in their coffers at the head office an amount of gold and silver equal to such excess; not more than one-fourth of such holding to be silver. Thus it appears that the Acts of 1845 carried out the fundamental principle of the Act of '44, that there should be no increase of circulating-credit money in Great Britain.

Has that country suffered by the restriction? This is the important question which commends the foregoing figures to American bankers. Congress is constantly importuned to authorize more paper money—that is more circulating credit. A large and popular school of economists insists that the resumption act strikes a blow at prosperity because it demands the restoration of the convertible note, the reintroduction of international money; and that no country can be prosperous without an expansion of paper credit, to keep pace with the expansion of business. England is at this moment under the cloud of an industrial depression, but the enormous increase of wealth in that country within thirty-four years, would seem to prove conclusively that the obligation to use honest and solid money, not only does not interfere with the accumulation of wealth, but that the wheels of industry move more steadily, and with less friction and loss, when the credit paper in circulation is moderate in quantity, and the money generally in use largely metallic. Neither have the poorer classes suffered, for their condition is, without doubt, better now than it ever was before.

The facts to keep in mind are, that while British wealth has increased four-fold, involving a four-fold increase of production, and of domestic and foreign trade, and a great increase of wages—the several absorbents of circulating money—the *paper* circulation of the United Kingdom has increased only seventeen and a half per cent. Will the inflationists explain?

GEORGE WALKER.

## ELEMENTARY TEACHING OF POLITICAL ECONOMY.

BY M. FREDERIC PASSY.\*

[ *Translated from L'Economiste Français for the Banker's Magazine.* ]

The first step in the study of Political Economy is to get a *general idea* of the science, and of its objects. This may be obtained without having recourse to abstract and insufficient definitions, if the attention of the beginner be drawn to the universal fact of *Labor*, and to the necessity of it for maintaining and ameliorating human existence. It will be shown how man, impelled by the necessities which he can satisfy only by laying hold on, and making use of, the objects which surround him, applies himself first, for this end, to isolated efforts, then to efforts more or less fortunately shared with his fellow creatures.

The learner will thus understand at the outset, the fact of *Production*, a fact belonging to man, since man alone, among animals, not only utilizes the resources which nature furnishes, but by intelligent activity provides for their reproduction and increase. He will, by this means, also grasp the fact, equally peculiar to man, of *Exchange*, which makes men at all times, and in a thousand ways, the servants of each other, and which, through the wonderful mechanism of divided labor, converts the impotence of each into the omnipotence of all; and with this, the correlative fact of *Property*, a consequence of the appropriation of things to man's use, and the reward of his efforts in appropriating them. It will be important here to indicate clearly, how this appropriation, instead of taking any thing away from the primitive community, is on the contrary the necessary condition of that active and productive industry by which the common patrimony is gradually gathered together. *Inheritance*, without which this beneficent work would constantly have to be begun over again, and by means of which man alone is enabled to survive himself, by transmitting to other lives the fruits of his own life, will throw light on and supplement these fundamental truths.

The elements of production are various; it will be well to indicate them. There is *matter* which man did not create, and whose substance he cannot change, but which he can

\* This outline of a course of elementary study in Political Economy, has been prepared by M. Passy, with a view to the introduction of this science into the Primary Normal Schools of France. There are many of our readers, especially the younger ones, who are so immersed in the daily cares of business as to have little time for an extended plan of reading. To these, particularly, the paper of M. Passy will be acceptable and useful.—Ed. B. M.

mould to many forms by the application of the strength which is implanted in him. There is *science*, which by studying the properties of matter, and penetrating its laws, learns to avail itself of its known utilities, and to discover others hitherto unknown. There are *tools*, necessary complements to the human hand, which are but first products, destined to produce others, and without which man would be the most destitute and exposed of animals. Finally, there is *will*, the impulse of all the rest, and *moral force*, indispensable spring of all progress, even material. The will is free; labor should be so also, and just in proportion as it is so, does its fruitfulness increase with its energy. A glance backward to the past, and out upon the misery of slave countries, and afterwards upon the restraints and trammels put upon industry under the *régime* of close corporations, will naturally follow these earlier instructions.

*Machines* are nothing but tools, more complicated or more powerful; whatever be their nature, their function is the same; to do the work better and more quickly, and with less expense and trouble. They are therefore the chief auxiliaries of labor, which they tend to develop by varying its forms and multiplying its results. Examples drawn from the industries known to all, and borrowed from everyday life, will make this beneficial influence easily understood, and will put the learner on his guard, without wearying him with general reasoning, against appearances too often deceptive, which may seem, in the progress of machinery, to threaten danger to labor and to wages.

And so with *capital*, which must be examined alternately in its origin and its effects, alike from the standpoint of him who possesses it and him who is still deprived of it. It must be shown how this Capital which is too often restricted to a few only of the forms of which it is capable, exists in fact everywhere, where there is a resource available for the use of mankind, and how, in order to constitute it, two conditions are necessary: First, *Labor*, which is its primal law, and then *Saving*, which is its necessary sequence. In this connection some observations may be made on the different aspects of saving, on the potency of the lesser economies, and in particular on academic savings banks. It must equally be explained how capital once formed becomes the nutriment of labor and the fountain of wages, and the pupil must be made to understand, by illustrations, always drawn from facts, that every destruction of capital, whatever form it may assume, entails as a necessary consequence, a withdrawal of employment, a decline in production, and a lowering of wages.

Neither wages, properly speaking, which are the remuneration of labor, nor interest or profit, which are the rewards of capital or of intelligence, are the results of chance. They



depend, as does the price of products themselves, on their due proportion to each other, and on the conditions of demand and supply affecting them. A precise and clear idea must be given of this law of supply and demand, a law as inflexible in the economic world which it entirely dominates, as is in the physical world the law of the equilibrium of liquids under the force of gravity. This apparent fatality must be shown to be in harmony with justice and the general prosperity, which equally require that the strongest necessities shall be first satisfied, and the services most in demand, be the best rewarded. Every interference by force, whether it be the act of private violence or the intervention of law, as it can only disturb this natural equilibrium, is fatally prejudicial, and it is for this reason that the power of Government should not interfere with exchanges, nor with contracts, except to protect and guaranty their integrity and their freedom.

On this subject a few words might be said as to the old regulations respecting prices and wages, as well as to strikes and other attempts made to modify artificially the rate of the former. It should be also stated within what limits and under what forms the demands of collective organizations may be permissible and efficacious, and at what point they become unjust and inoperative. Pains must also be taken to define carefully the character of wages, and while duly recognizing the principle of association, it must be firmly maintained on the one hand, that wages, being the voluntary substitution of a fixed sum in place of the contingent dividend due to labor, are neither degrading nor oppressive, and on the other hand, that the extension of the principle of association, properly so called, subject as it is to diverse and sometimes unrealizable conditions, is not adapted to all industries nor to all situations. It can, at any rate, never be the result of general and imperative laws. A few words as to the various modes of *coöperation* and *participation*, might here, according to the amount of instruction, be appropriate. Examples will illustrate how small capitals, by uniting, like drops of water to form a stream, may acquire the strength which they lack in isolation, and how, also, when they surrender themselves imprudently to exaggerated schemes, they are only running to destruction.

This exposé, unpretending as the attempt may be, would not be complete without the addition of a few words giving a correct idea of some of the most ordinary, yet least comprehended, phenomena.

In the first rank is *Money*, of which it is essential that the nature and function should be clearly defined, by showing that it is neither an arbitrary sign and a conventional value, nor the principal wealth and chief form of capital; but simply one of those forms, as genuine as it is limited; a

kind of merchandise having in it itself a value recognized by all, and possessing, by reason of this intrinsic value, certain special qualities which render it peculiarly fitted to be used as the customary instrument of exchanges, and the measure of value between other sorts of merchandise. Whence it follows that, beyond certain limits, we cannot dispense with money, nor can we sacrifice to an unlimited acquisition of money, the possession of other riches more directly useful and consumable. If we can, in order to facilitate transactions, replace to a greater or less extent, actual payments in specie, by promises, these promises are only worth in amount, as much as can be realized for them in products or services. Paper which represents money, cannot suppress the use of it, as has been at various times vainly attempted.

The same observation is applicable to *Credit*, which, while it may possess the virtue of stimulating the circulation of products, and, consequently, the remunerations of labor, can be neither unlimited because we can lend only that which exists, nor gratuitous, because we cannot deprive ourselves of one advantage, except in view of another at least equivalent. Every loan in order to be possible, presupposes the existence of the object loaned, and all borrowing which is not senseless, presupposes on the part of the borrower, the intention of applying to the object borrowed, labor which will assure its reproduction with increase.

But no labor, and with still more reason, no exchange, is possible without the existence of certain conditions of *security*, of *regularity*, of *circulation*, which can be procured and guaranteed in no other way than under the form of *collective services*. To insure these services, which are the more numerous and considerable in proportion as societies are more advanced, expenditures, in like manner collective, are indispensable and must be provided for. This is the object of *contributions* often called *taxes*, a word which erroneously suggests a different idea. It would be out of place in a course of elementary instruction, to discuss in detail the various forms of taxation, or to engage in a comparative review of their respective merits, and of the systems proposed as substitutes. But it is of the greatest importance to put beyond all doubt the essential nature and the true principle of public charges, by making it clearly understood that they are not, as Turgot expresses it: "A burden imposed by the strong on the weak," but the cost of, and compensation for, equivalent advantages. In other words, it is each one's share in defraying the general expenses of society; an assessment, in short, which the progress of civilization should tend to render, as much as possible, proportional to the share of those benefits which each one, by reason of his interests, receives. Therein as in the position occupied by labor, there is a gulf, between the institutions of the past and those of the present,

howsoever imperfect they may still be, and it will not be unprofitable to bring out this fact, and to show by a few observations at least, what taxation formerly was.

Before ending, and in order to meet any erroneous impressions, it will be well to give a rapid but steady glance at the sufferings from which modern societies are not exempt, and to dwell a moment upon the painful fact of *poverty*.

It should be remembered, in the first place, that on this point, as on others, the past has been no better than the present, and without manifesting injustice towards preceding ages, without disguising in any way either the evils or the sins of the present time, a comparison may be drawn from the simplest and most familiar data, between the condition of our fathers and our own. It will be shown, for instance, what the conditions of life were in former times, and what they are in our day, in respect to lodging, food, clothing, means of communication and of travel, of education, health and personal security. The various causes of misery, either public or private, should then be enumerated, and in contrast with them, there should be indicated the most efficient remedies. On one side are disorder, misconduct, improvidence, needless and thoughtless expenditure, the dram-shop with its fatal influences, idleness with its temptations, and also circumstances which appear at first sight independent of the action of the individual will, but which in reality are not exempt from its control; domestic and foreign crises, changes in machines, stoppages of work, accidents, sickness, and above all ignorance, the source of the greater part of failures, and of errors. On the other side there are education and morality, which, by giving man more real worth and more command over himself, make him more capable of self-direction and of judicious self-employment; order, economy, moderation in desires, by means of which, other things being equal, one gets more out of his resources; finally, provident institutions of all sorts, insurances on life or against accidents, societies for mutual aid, superannuation funds, libraries, associations for instruction, etc., which, although they do not necessarily always protect from evil, serve at least to lessen the consequences of it, and procure, in a measure incomplete but increasing, the most valuable of all blessings, security.

That this security may not be imperiled two conditions are before all necessary; *domestic order* and *foreign peace*. The first is only possible when habits of mutual respect and of obedience to the laws prevail, and the second can only be obtained by more just ideas of the duties of nations towards each other and of the true conditions of their grandeur and power. Neither revolutions nor wars, whatever may be their first apparent results, return what they cost, and they do more to arrest progress than to promote it. The spirit of concord, henceforward so discernible, which binds together not

only the members of the same society, but the separate parts of the civilized world, tends to demonstrate better, from day to day, the common interests of humanity; and the extension of international exchanges, by interweaving continually the destinies of the most distant nations, is becoming one of the most powerful barriers against the still too frequent impulses of the spirit of adventure. Without touching at all on pending questions, the high importance of this purely economic evolution may be shown, and the true character demonstrated of those doctrines of *commercial liberty* which tend to make of the whole world, by a larger application of the division of labor, one workshop and one family.

All that is essential in Economic Science is, I believe, comprehended in this rapid summary. I venture to offer it, in virtue of a somewhat long experience, to those who may be called on to extend the teaching of this science; and I entertain the hope that it may be of some service to them.

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## ADAM SMITH ON MONEY AND BOUNTIES.

BY CHARLES H. CARROLL.

I wish to direct the attention of readers who take a scientific interest in the money question, to the following extract from the chapter on Bounties, book 4, chapter 5, of Adam Smith's *Wealth of Nations*:

"That degradation in the value of silver, which is the effect of the fertility of the mines, and which operates equally, or very nearly equally, through the greater part of the commercial world, is a matter of very little consequence to any particular country. The consequent rise of all money prices, though it does not make those who receive them really richer, does not make them really poorer. A service of plate becomes really cheaper, and every thing else remains precisely of the same real value as before.

"But that degradation in the value of silver, which, being the effect either of the peculiar situation, or of the political institutions of a particular country, takes place only in that country, is a matter of very great consequence, which, far from tending to make anybody really richer, tends to make everybody really poorer. The rise in the money price of all commodities, which is in this case peculiar to that country, tends to discourage more or less, every sort of industry which is carried on within it, and to enable foreign nations, by furnishing almost all sorts of goods for a smaller quantity of silver than its own workmen can afford to do, to undersell them, not only in the foreign, but even in the home market."

It would be difficult, if not impossible, I think, to make a

more undeniable and perspicuous statement of the effect of paper money in international commerce than this; yet it had no apparent reference to that abuse in the mind of Adam Smith; he does not appear to have seen this bearing of his argument, for among the British economists he is the conspicuous leader of the heresy, that the use of paper money is an economy of the precious metals. Nevertheless, there is no other political institution so effectual in the degradation of silver (that is to say, of money), as his pet institution, the Bank of England, which is founded on the principle and for the purpose of making paper money—the principle and purpose of discounting an evidence of debt out of itself. The bounty, which he very properly condemns, is a bagatelle in comparison. A duty on imports has the same effect on the value of money, as a bounty on exports, and so in fact has every method of taxation which raises prices. Until the degradation of its value, from the fertility of the mines, or from some abnormal interference, takes place, or until it is imported in excess, money will not leave the country any more than water will run up hill. Absolute non-interference by banks and government, would speedily fill the money channel in this country with one thousand millions of dollars of solid capital in gold and silver through an active commerce. This is the true policy with respect to all commodities. Government should be supported by an *ad valorem* tax, to be paid equally out of profits, leaving all prices unaffected thereby.

In the foregoing extract Doctor Smith exhibits the effect of a bounty on corn, having previously said: "The real effect of the bounty is not so much to raise the real value of corn, as to degrade the real value of silver, or to make an equal quantity of it exchange for a smaller quantity, not only of corn, but of all other home-made commodities." I do not take much interest in his notion that corn is more of an equivalent or regulator of the value of other things than any other equally desirable commodity except money; but with regard to the money question he teaches thus, unwittingly as it seems, the plain truth, that a local rise of prices by political action is a degradation of silver, that is, of money, and a loss to the country.

Now, why did he not see this before, or, why did he not say it in his chapter on *Money* in reference to the political institution of the Bank of England? The answer is that he had laid down a fallacy as the ground work of his theory of money and banking, a fallacy that, as a question of science, originated with that Mephistopheles of finance, John Law, and which Law expresses in these words: "Money is not the value for which goods are exchanged, but the value by which they are exchanged; the use of money is to buy goods, and silver while money, is of no other use;" to which Smith

added another, an invention of his own, as follows: "The whole paper money of every kind which can easily circulate in any country, never can exceed the value of the gold and silver of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. . . . Should the circulating paper at any time exceed that sum, as the excess would neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks, to be exchanged for gold and silver." And he finally lays it down as an axiom, that with paper promises, convertible on demand, the currency cannot be increased at all.

With these premises in view, of course he was blind to the effect of a paper currency in degrading the value of money; but these premises are false in the light of all experience, and according to his own philosophy, as set forth in the extract which is the text of this article.

The former of these fallacies, the "medium of exchange," is the stalking horse of political economy; it served to build up the Bank of England; it deluded France into the support of John Law's Mississippi Scheme, and afterwards of the assignats; and it is trotted out whenever and wherever a swindle in the circulation of false money is attempted. Of course, it is the figure we in this country are invited to follow in the greenback heresy, and, if we follow it perseveringly, we shall land where France landed with the Mississippi Scheme, and with her assignats; where our fathers landed with the Continental money, and the late rebellion with its Confederate currency; that is, in general bankruptcy. But sharp men and speculators whose business it is, as Bastiat says, to watch the market, escape the ruin, and the loss falls ultimately where confidence and credulity abound and cunning and caution are scarce, upon little tradesmen, countrymen and workmen, who are the great majority in the community.

But is not money the medium of exchange? Not especially. It is *a* medium of exchange, and so is every other commodity, that is, every thing which is bought to be sold again. Money is a commodity, solid capital in trade, an object of exchange, the most significant and desirable object of exchange in the catalogue of commerce. It is the value for which goods are exchanged, as well as the value by which they are exchanged. The use of money is to pay for goods, not simply to buy them. Credit will buy goods but will not pay for them. Credit never pays for anything. But credit is a good medium of exchange, and so is a worthwhile token, so long as it is acceptable to the public.

If money is, as Law and Smith aver, but a medium and measure, and not a substantial value in exchange, the greenback theorists are justified. Then bank notes are money, and

the specie in bank, which I say is loaned in the notes and current deposits and earning interest, is, as Smith asserts, dead stock earning nothing; then the promise to deliver a thing becomes the thing to be delivered, and debt is money in violation of the plainest dictates of reason and common sense.

The other fallacy, which is Smith's own, that paper convertible on demand cannot be issued in excess, was officially exposed, and one would think sufficiently disposed of, by the famous bullion committee of the British Parliament, in 1810. That a currency of bank debt can be expanded without reference to the specie it displaces, and yet continue "convertible," until the business of the country is in utter confusion, we know by frequent and bitter experience; but the surprising thing about Adam Smith's doctrine on this point is, that the expansion of John Law's scheme continued four years, 1716 to 1720, until general prices had risen four-fold in France, before the bank stopped payment in specie. No one could have known this better than Adam Smith.

I appeal to those who look below the surface of words that conceal ideas, to witness that the reputed father of political economy stultifies himself in the paper money doctrine, of which, after John Law, he is the great teacher. His great work, the *Wealth of Nations*, is a series or collection of lectures delivered at wide distances of time. It is charitable to suppose that he may have altered his opinion between the lecture on *Money* and the lecture on *Bounties*; otherwise, it seems to me, his partisanship and blind advocacy of the Bank of England, in which again he is the follower of John Law, must have clouded his understanding or corrupted his honesty.

The significance of this matter just now lies in the threatening political aspect of the currency question. If the essential function of money is merely that of a medium of exchange, the greenback fanatics have the inside track, and they will push their advantage to the destruction of the present system of bank currency undoubtedly. As against them there is no argument in favor of a bank currency. They can make a currency for nothing in place of that which, made through banking, now costs needlessly many millions of dollars per annum in taxes and interest, and they can change the method of doing business from individual credit, which is necessary to make notes for bank discount, to government credit in greenbacks as "cash." But will they stop there? Undoubtedly not. The great affair is always to get money, and, having satisfied themselves that a greenback is money, they will push the production to the capacity of the printing press, until capital is utterly disorganized, and the business of the country in chaos.

## THE REDEMPTION OF COUNTERFEIT NOTES BY THE BANK OF FRANCE.

On several occasions, within a few years, the Bank of France has had to warn the public to be on their guard against forged 100-franc notes. The police had never, however, been able to obtain any clue to the criminals until recently, when through the vigilance of an assistant in one of the large Paris drapery shops, one of the utterers was detected, and this arrest led to that of the entire gang. The chief reason why discovery had been so difficult hitherto, was then found to be because the secret of the fraud was confined to a single family. The prime mover was a skillful artist and engraver, and the notes were put into circulation by his own relatives. The quantity passed off must have been enormous, for a woman of the band has confessed that when the Bank published the numbers of the forged notes, she became alarmed, and burnt a pile of them a foot high.

The loss by forged notes has of late years formed a considerable item in the expenses of the Bank, as, in order to prevent alarm, it always accepted them when convinced that they had been honestly received in trade. This loss in some years is said to have been as high as 200,000 francs (\$40,000). The number of forged notes was largest when those of 20f. and 25f. were in circulation, these having been hastily gotten up and not equal to the old notes in either engraving or paper. The present gang of forgers appear to have begun their work some years back, with 20-franc notes, but when these were called in, they had to abandon them and manufacture others of 100f., which are of larger size and of which the engraving is more elaborate.

The practice of the Bank of France in redeeming notes purporting to be of its own issue but known to be forged, will appear strange to bankers in this country and in England. The reason assigned for this course of action, in the foregoing account, strikingly illustrates how far from being wedded to paper currency the general French public are, and how slight a circumstance would induce them to prefer metallic money. In this country, the popular preference for paper, founded upon long habit, is too strong to be affected by the risk of forgeries, which is certainly not less in the United States than it is in France. If bank notes and government notes are of the same value as gold and silver, almost anybody here would choose the notes, and this choice is too decided to be affected by any real or supposed greater liability of paper to be forged, than of coin to be counterfeited.



In France, on the contrary, it would seem that the general circulation of paper has so slight a hold upon popular favor, that the Bank of France judges it to be expedient to incur considerable loss in redeeming forged notes, rather than to disturb public confidence in the genuineness of its issues. It is to be borne in mind, however, that in France the crime of counterfeiting is fraught with great risks and its perpetrators are pursued and punished with relentless energy and severity. The number of such forgeries is thus kept at a lower average than it would otherwise be.

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### SEYD'S VIEWS OF BRITISH WEALTH.

A paper read April 3, 1878, before the British Society of Arts, by Ernst Seyd, is attracting a good deal of attention. The very large balances against Great Britain, in its foreign trade during the past three or four years, have naturally raised the question whether its wealth may not now be declining after a long period of uninterrupted advance. No question could be more interesting to the British people, and the most eminent British financial writers are discussing it from various points of view. It is the topic of the paper of Seyd referred to.

He distinguishes what he calls the "external" or "international" wealth of a country, from its home, or internal wealth. His definition of the first species of wealth will be understood from the following estimate of the amounts of that character owned by Great Britain in 1872-4:

Foreign and colonial public stocks.....	£ 650,000,000
Shares and bonds of foreign and colonial railways and other public works.....	210,000,000
Estates, industrial enterprises, and stock in banks in foreign countries and in British colonies.....	80,000,000
Shipping (six million tons).....	75,000,000
Balances of goods afloat and abroad.....	85,000,000
Total.....	£ 1,100,000,000

The last item is presumed to include balances due for goods sold abroad.

He estimates that during the three years, 1875-7, this was reduced at least £ 105,000,000 by the excess of the adverse balances of foreign trade beyond the amount received as income upon British investments in foreign countries and in the colonies. He also estimates a reduction during the same time, of £ 55,000,000, by the defaults of Turkey and certain South and Central American nations, on their public obligations. He computes this loss on the actual former market rates of these obligations. If computed on their nominal amounts, it would be much larger. He

adds that the total reduction may be £200,000,000, if there be included in it "shipowners', merchants' and other losses." Upon the whole, his conclusion is, that in round numbers, the external wealth of Great Britain has in three years sunk from £1,100,000,000 to somewhere from £900,000,000 to £950,000,000.

It is well known that London banks and bankers always owe large debts abroad, in the shape of acceptances and balances subject to call. Seyd estimates this average amount at from fifty to sixty millions sterling. He says :

England is the chief international banker still, and foreigners hold large amounts of English accepted bills. Several millions are held by the German, Belgium, Austrian and Dutch State banks, but French bankers, especially, hold heavy amounts.

In respect to all these figures of Seyd, they must be taken as estimates merely, but as he is practically engaged in the business of banking, in London, they must be supposed to correspond with the opinions which are accepted there. But the principal item of British "external" wealth, £650,000,000, in 1872-4, in foreign National debts, reduced now, by defaults, to about £600,000,000, can be judged of quite as well here, as in London. It is true that Englishmen may be supposed to understand better than we can, the fiscal resources of the nations whose stocks they hold, but there is such a thing as a local mania, under which intelligent communities do things, and believe things, altogether incomprehensible to lookers on. The Dutch are a staid and sensible people, yet they once had a Tulip mania, the history of which still amuses and instructs mankind. There is no question that the London banker, Goschen, who was the Chairman of the British Parliamentary Commission of 1876 upon Silver, possesses a remarkably clear and sound judgment in matters of finance. It was the confidence justly reposed in him, which caused him to be recently selected as the Commissioner to adjust the Egyptian debt, on a basis which would promise a reasonable degree of safety and permanency. Yet, with all his acumen, he performed that task in such a manner, that, if he was before an American Chancery Court on a commission *de lunatico inquirendo*, he would be fortunate if he escaped confinement as a madman. The Egyptian arrangement which he made was utterly preposterous, and is now everywhere admitted to be so. But it was the local mania of London bankers on the subject of National debts, rather than the individual aberration of judgment of Goschen, which led him to suppose it to be possible that Egypt could pay an annual interest of six per cent. on a debt of £90,000,000, held wholly by foreigners.

The character of the £650,000,000 of foreign and colonial public debts, supposed to have been owned in Great Britain, in 1872-4, will be seen from the following statement of Seyd :

The total of the State debts of all nations amounts to about £4,500,000,000. Of these, the following with State debts, England, £785,000,000, France, £750,000,000, Germany, £165,000,000, Holland, £80,000,000, Belgium, £36,000,000, Denmark, £14,000,000, total, £1,830,000,000, are not only themselves the holders, but in addition to this are owners of part of the State debts of the following nations: United States, £450,000,000, Russia, £375,000,000, Austria-Hungary, £346,000,000, Italy, £251,000,000, Spain, £269,000,000, Turkey, £215,000,000, India, £136,000,000, Egypt, £95,000,000, Mexico, £79,000,000, Brazils, £68,000,000, Portugal, £66,000,000, British Colonies, £63,000,000, South America and other small States, £295,000,000, total, £2,708,000,000. The correct proportion of debts held by the nations themselves is not known, but some of them have placed their entire debt abroad; in any case the greater bulk is held chiefly in England, France, and Germany. From the last estimates to be obtained, and under reserve, it may be that England thus holds about £650,000,000, France, £450,000,000, Germany, £400,000,000, Belgium, Holland, Switzerland, etc., £100,000,000, total, £1,600,000,000. England's share is much enhanced by holding the greater part of the debts of her colonies.

From the second list of National debts given above, aggregating £2,708,000,000, there may now be struck out the £450,000,000 set down as the debt of this country, as only a small portion of it is held in Europe at the present time, and as the amount so held is steadily diminishing. This leaves £2,250,000,000, worth, on an average, from twenty-five to fifty per cent., according to future circumstances. If they are rated at fifty per cent., the aggregate value is £1,125,000,000, of which, according to Seyd's figures,  $\frac{1}{4}$ , or £458,333,332, is held in the debtor countries themselves. If the remainder is held in the capitalist countries in the proportion estimated by Seyd, their holdings would be of the following real values:

Great Britain.....	£ 270,833,339
France.....	187,499,997
Germany.....	166,666,664
Belgium, Holland, Switzerland, etc.....	41,666,678
	<hr/>
	£ 666,666,668

As those nations which "have placed their entire debt abroad" are the poorest of all, the proportion of value assigned above to the capitalist countries, must be somewhat beyond the fact. On the other hand, the debts of India and the British colonies, are much more secure than the average, and none of these debts are supposed to be held in Europe, outside of Great Britain. Taking all circumstances into account, it is not improbable that British holdings of foreign and colonial public stocks may be worth £300,000,000, or about half what Seyd computes them to be now worth.

Upon the same view of values on which he fixes the "international" wealth of Great Britain at £900 or £950,000,000, Seyd says of that species of wealth in Germany and France—

France and Germany besides holding foreign State debts, also hold railway and other bonds, are interested in goods, and have their shipping, but the aggregate is not so large as ours, although that of France is rapidly increasing, and in its total may not now fall short of £700,000,000.

And again he says :

France has lost largely on account of her payments [to Germany] of £ 200,000,000, but is recovering herself and increasing her international wealth more rapidly at this moment than ever, while Germany, with its small internal debt, has always had more room for foreign debts, and the power of the German financial centres of Berlin, Frankfort, and other towns, is far greater than is currently supposed.

If these views of Seyd are correct, France is very much nearer than has been commonly supposed in this country, to an equality with Great Britain, in the possession of the forms of wealth, defined as "*international*." And if it is also true that France is "*increasing her international wealth more rapidly at this moment than ever before*," while Great Britain is losing hers at something like a rate of five per cent. per annum, it cannot be long before France will be decidedly in the lead.

It does not necessarily follow that the aggregate wealth of Great Britain, including home wealth, is declining, because her international wealth may be so. A land-owner is not necessarily the poorer because he calls in a given sum of money which he had loaned out at interest. He has become poorer if he has used up the money in his personal expenditures for living, or if he has expended it in improvements on his land which fail to increase the income of it, by an amount equal to the interest formerly received for the money which the improvements cost. There are certain classes of facts, notably the increasing productiveness of the income tax, which tend to show that the home wealth of Great Britain is making quite as rapid an advance as ever. Much the larger portion of British writers take that favorable view of the case, but it is quite evident that Seyd does not, although he rather avoids any categorical expression of his opinion.

For the present, we make only two additional observations on the case.

If Seyd's figures are correct, while they show a nominal decrease, they prove an increase in the real value of the international wealth of Great Britain. Whether the fall in general prices throughout the world within four or five years, is attributable chiefly to demonetizations of silver, as Seyd and those who agree with him believe, or whatever may have been the cause, or causes of it, there is no doubt of the fact that the fall has been great. In this country we familiarly recognize it as true, that a person who deposited one hundred dollars in a Savings bank five years ago, and receives seventy-five dollars for it to-day, is better off than when he made the deposit, and better off, on the average, than if he had purchased any species of property with his money. If Great Britain really has the £ 900 or £ 950,000,000 of the kinds of international wealth described by Seyd, it is

undoubtedly worth more than her £1,100,000,000 of four years ago.

If Seyd is correct in arguing that the adverse balances of the foreign trade of Great Britain in the three years, 1875-7, were so great, as to demonstrate a steady loss of British international wealth, the loss still continues, and on a scale little, if at all, diminishing. During the first four months of 1878, the adverse balance was reduced only £1,965,123, or at the rate of an annual reduction of £5,895,369, as compared with 1877, when the adverse balance was £142,200,000. But while there is thus a very slight improvement, comparing 1878 with the single year 1877, the results, so far, of the commercial movement of 1878, are very much worse, compared with the entire term of the three years 1875-7, when the average annual adverse balance was £117,846,000. This year it will be £136,304,631, if the last eight months correspond with the first four. And it is to be considered, that, on Seyd's view of the case, the annual British income from foreign investments is constantly lessening, so that if the adverse balances of trade remain only the same, the draft upon British international wealth will become constantly greater.

The struggles and sacrifices made in British trade during the first four months of this year, in the way of reducing prices so as to keep up exports, have been so great, while they have produced so little improvement in the balance of trade, that the prospect for the future does not seem encouraging. Bad as things were last year, they are worse this year. For the month of last April [see London *Economist* of May 11], compared with April, 1877, British exports of cotton yarn were twenty-one and three-quarter per cent. more in quantity, but produced only about fifteen per cent. more in money; exports of cotton piece goods were thirteen and a quarter more in quantity, but only produced six per cent. more in money; while exports of woolen cloths, which were five and a half per cent. more in quantity, produced six per cent. less in money. There is oftentimes in lowest depths a lower deep, but bottom in this case is being rapidly approached. It is nearly a year since the London *Times* thought that British production and exports were only kept up by a constant sinking of the capital engaged in them. The language of Seyd is still more gloomy. He says:

It may fairly be pointed out, that the "dullness of trade" does not only mean our making little profit in the international trade, but that heavy losses have been made by merchants—losses which they do not care to publish. The number and importance of our export traders have sensibly diminished during the last three years. I need not refer to the slackness of our industry in important departments, and the losses of capital engaged therein. It is computed that in Sheffield alone, the capital of certain firms has depreciated by five millions, and I am afraid that throughout the manufacturing districts, the aggregate of losses must be counted by tens of millions.

GEO. M. WESTON.

## ON COMMERCIAL CRISES.

THE GILBART LECTURES ON BANKING, LECTURE II,

DELIVERED AT KING'S COLLEGE, LONDON (SESSION 1878),

BY PROF. LEONE LEVI.

There is an old saying, that money makes money, the antithesis of which, apart from the power of labor and industry to create money, would be, that without money you cannot make money, and that if you attempt it the chances are that you will break down. Take money in the popular sense as meaning capital, and apply the saying to the action of large numbers of merchants, bankers, or speculators, whether acting collectively or as individuals, and you have in such attempt the substantive and ultimate cause of almost every commercial crisis. It is, indeed, a fact of common experience, that no sooner good fortune seconds commerce and industry—no sooner capital begins to accumulate somewhat faster than usual, than there are always not a few ready to rush into all kinds of operations, either without any capital, or with capital utterly disproportionate to the undertaking.

Nor is it easy to estimate what amount of capital is available at any time, or what proportion it bears to individual or national commitments, for accustomed by credit to trade with the capital of others, we are too apt to delude ourselves that there is no absolute limit to the amount of capital either already created, or capable, as by magic, to come into existence. Study the circumstances which attended every one of the commercial crises from which England and other countries have so much suffered, and you will find that, whatever the nature of the investment—whether solid or ephemeral—the great evil lay in having undertaken operations involving a larger investment of capital than was at the time available. Other causes may have their influence. Speculation may take one shape or another, and may be more or less erratic or extravagant; but the main cause is the sudden realization of the fact of the disproportion between the supply and demand of capital. But if the cause be so simple and direct, why is it not foreseen in time? What hinders our preventing the mischief altogether? And why are crises recurring at almost stated periods?

Alas, it is the same in the natural as in the economic world? Days and months of beautiful sunshine are sure to be succeeded by a sultry atmosphere—the forerunner of a stormy blast; times of prosperity are sure to be succeeded by

times of adversity. Under the influence of steady success years glide on, and we are flushed with prosperity. A crisis comes, and we must recede. Experience, then, teaches caution, and under its wise guidance courage revives; but we speedily return to a state of indiscretion, and a fall is the certain consequence. Excitement, collapse, depression; activity, excitement, collapse, and depression; these are the constant phases of all commercial crises.

The great revolution which secured to the British people national freedom and civil rights, brought with it a prolonged war with France, which necessitated a much enlarged national expenditure. Fortunately, for many years the wealth of the nation had been largely increasing, and the people were, on the whole, prosperous. Sir Josiah Child, in his *Discourse on Trade*, tells us that in 1694 England shipped one-third more of manufactures and minerals than she did twenty years before; that houses in London yielded twice the rent; and houses generally about one-fourth more than they did before the fire. That she had double the tonnage of shipping; that trade payments were made for ready money instead of by bills; and that generally the increase of money in the country was very perspicuous. And strong evidence of this was given in the facility with which the Bank of England was founded with a large capital lent to the State, and in the many other companies for banking and other purposes then started. But it was overdone. The Bank of England itself did not sufficiently measure its own power, and the result was a general crash.

From the peace of Ryswick, in 1697, to the accession of George I, in 1714, English industry flourished. There was great demand for labor; foreign trade and navigation doubled in amount; private confidence was strengthened; the spirit of the people was better; and a greater amount of capital was employed in trade than in any prior age; whilst the union of England and Scotland, and the provident laws passed under Queen Anne, could not fail to encourage trade and invigorate the industries of the people. And the sequel was, that with a certain accumulation of capital and a want of sufficient outlets for the same at home, the people rushed to invest their money far, far away. The South Sea Company, originally founded for trading on the South Sea or Coast of Peru, in Spanish America, succeeded, by dint of artifices, to acquire an unprecedented popularity. Imaginary advantages, mysterious reports of hidden treasures, and dividends declared, if not realized, of 10, 20, and even 50, per cent. had their wonted effect. The public became intoxicated. The South Sea stock, which, at Christmas, 1719, was 126, rose in April, 1720, to 325, and step by step to 1,000. Nor did it end there. The whole nation

was infatuated by a rage for speculation. It was a time of absolute frenzy. Companies for most extraordinary purposes were formed, and the nation, or better still, the actors in the great economic drama, had undertaken infinitely more than they could fulfill. Suddenly, however, the bubble burst; the public awoke from the delirious dream. There was no money for such undertakings, wild or reasonable as they might have been. Consternation and despondency became universal; and whilst the directors of the South Sea Company were held up to public execration, the traders and investors on such trumpety objects—those who were beguiled to become responsible for what they did not possess—had to pay the penalty for their follies.

Whilst English traders committed themselves to such investments, trusting on a certain amount of substantial prosperity, French traders followed the same course at about the same time, without any such foundation. Utterly exhausted by the luxuries, wars, and wasteful administration of Louis XIV, France listened with delight to a scheme projected by an adventurous Scotchman, John Law, for remedying all her difficulties by the creation of ephemeral capital. His plan consisted in the establishment of a bank with a capital of 6,000,000 fr., payable in four installments,  $\frac{1}{4}$  in specie and  $\frac{3}{4}$  in State notes, then at 70 to 80 per cent. discount. The bank was formed with royal favor, and Law's notes were ordered to be received as cash in payment of the revenue. Soon after this, the colonization of Louisiana, or of the territory watered by the Mississippi, having taken place, Law's bank engaged to sustain, or to *finance*, a large mercantile company intended to stretch its operations in Asia, Africa, and America; and by skillful management, the Indian Company, as it was called, put in circulation 624,000 shares of 500 livres each, representing 312,000,000 livres, which, in consequence of the rise, were valued in the market at 1,797,500,000 livres. All Paris was in a state of infatuation—fêtes, spectacles, and pleasures of all kinds multiplied. Law was declared a demigod, and as he passed along the people cried out "God save the King and Monsigneur Law." But events speedily changed their course. The famous notes, which constituted the fortunes of the Mississippians, did not obtain in exchange the natural quantity of bread and meat—faith in the paper was fast disappearing. What was to be done? Law, the comptroller of the exchequer, caused the coinage to be debased in proportion as the value of the notes fell. But all in vain—the lower the coin the smaller the loaf. It was quite clear, in truth, that France had been indulging in a vain show; and no sooner the eyes of the people were opened, than the hitherto illustrious Law, hated by everyone, was too successful in escaping in a post-chaise to Brussels.



During the greater part of the eighteenth century, whilst religious wars, and wars of conquest, endangered the existence of States, and thwarted the course of commerce, there was but little accumulation of capital. And so it continued during the whole period of the war from 1793 to 1815. During the latter period production continued almost uninterrupted, and the credit of the State, never shaken, permitted a sufficient capital to remain productively employed; but with the uncertainty which reigned in all manner of business, by sea as well as by land, there was little spirit to embark in commercial speculations, and though occasionally commerce was active and exciting, it never reached the condition of a crisis.

Soon after the war ended, the Bank of England was ready to resume cash payments, and, with an increasing demand for produce and manufactures, commerce immediately revived. For a time the alternation of revival and depression continued; but from 1820 to 1824 trade was in a prosperous condition; the crops were abundant, and with an addition in the amount of bullion in the Bank of England from £1,746,000 in February, 1820, to £6,092,000 in February, 1824, and a large addition to its deposits of from £5,000,000 in 1820, to £11,000,000 in 1824, speculation began to set in in earnest. Other circumstances contributed to this end. Government came forward in 1823 with a measure for the reduction of the rate of interest from five to four per cent. upon consols to the amount of £135,000,000, and in 1824 for the reduction of four to three per cent. on £80,000,000. The acknowledgment of the South American Republic introduced a new kind of commerce in loans and mining in foreign countries. A large number of companies were started for railroads, mining, canals, insurance, banking, gas, &c., 624 in number, requiring a nominal capital of £372,000,000, for which, however, no more than £17,600,000 were actually advanced; and prices of all commodities, and of securities of all kinds, rose enormously, but the fall was as precipitous as the rise was unjustified, and to unbounded credit and confidence there soon succeeded a general distrust, during which the best securities could not be converted, and goods were rendered unsalable. The failure of Sir Peter Pole was the first to produce alarm, and the Bank of England, which had increased its issues from £19,390,000 in August, 1825, to £25,067,000 in February, 1826, with a continually decreasing amount of bullion in hand, suddenly resolved to refuse discounting any more. The sudden contraction of notes intensified the alarm; sixty-three banks suspended payment, and it was only when the bank changed its policy, by discounting freely, that confidence returned.

The following is a synopsis of the principal facts connected with the crisis of 1826:

## SYNOPSIS OF THE CRISIS, 1826.

Date.	Bank of England Circulation.—			Bills discounted.	
	Notes under £ 5.	Notes of £ 5, and bank post bills.	Total circulation.	Quarters, 31 March to 30 September.	Bullion.
1822—Aug. 31	£ 855,330,000	£ 16,609,000	£ 17,464,000	£ 3,388,000	£ 10,100,000
1823—Feb. 28	681,500,000	17,716,000	18,392,000	4,107,000	10,400,000
1823—Aug. 30	548,500,000	18,683,000	19,231,000	2,801,000	12,600,000
1824—Feb. 28	486,130,000	19,251,000	19,736,000	2,227,000	13,800,000
1824—Aug. 31	443,140,000	19,689,000	20,132,000	2,449,000	11,700,000
1825—Feb. 28	416,730,000	20,337,000	20,754,000	2,466,000	8,700,000
1825—Aug. 31	396,340,000	19,002,000	19,398,000	5,486,000	3,600,000
1826—Feb. 28	1,375,250,000	24,092,000	25,467,000	9,597,000	2,400,000
1826—Aug. 31	1,101,000,000	20,402,000	21,500,000	2,950,000	6,700,000

Another ten years elapsed. The sufferings of 1825 were nigh forgotten, and new animation everywhere reappeared. The deposits at the bank increased largely. In 1835 they amounted to £12,500,000; in 1836 to £19,200,000. The spring of 1836 was marked by the display of a spirit of speculation and general excitement, which presented some resemblance to the spring of 1825, although far short of that period in extravagance, and attended with the important difference that whereas in 1824-25 a considerable part of the speculation ran on investments in foreign loans and foreign mines, those of 1836 were chiefly, if not exclusively, directed to undertakings within the United Kingdom. The Bank of England was charged with having enlarged its issues in the autumn of 1835, and with having forcibly kept down the rate of interest, and thereby not only promoted the formation and extension of joint-stock banks, and encouraged and facilitated the system of discount and re-discount in this country, but also with having indirectly favored the financial operations of the United States Bank in negotiating a loan in this country, and created thus a demand of gold from this country to America. There was, indeed, an increase in the Bank of England note circulation from £17,005,000 in the week ending 6th January, 1835, to £19,014,000 in the week ending January 13; but it was not maintained, and in 1836 the circulation was less than in 1835. In truth, the facilities of the money market were not greater in 1835 than in 1833, though the motives for the use of them were considerably greater. But, if the note circulation did not increase, the bullion did decrease, and, therefore, the amount of fiduciary circulation was greatly enlarged. The origin of the crisis was not indeed over-issue, but speculation. If there was any blunder on the part of the bank it was at the end, not at the beginning.

## SYNOPSIS OF THE CRISIS, 1837.

<i>Date.</i>	<i>Circulation.</i>	<i>Bullion.</i>	<i>Bills discounted.</i>
1834—25th February...	£19,050,000	.. £9,225,000	.. £1,800,000
1834—26th August ....	19,195,000	.. 7,303,000	.. 2,500,000
1835—24th February...	18,510,000	.. 6,289,000	.. 2,100,000
1835—25th August ....	18,085,000	.. 6,255,000	.. 2,600,000
1836—20th February...	18,181,000	.. 7,787,000	.. 2,900,000
1836—30th August ....	18,018,000	.. 5,250,000	.. 4,400,000
1837—28th February...	18,165,000	.. 4,077,000	.. 11,200,000
1837—20th August ....	18,827,000	.. 6,548,000	.. 5,100,000
1838—27th February...	18,925,000	.. 10,471,000	.. 3,200,000
1838—28th August ....	19,488,000	.. 9,540,000	.. 2,900,000

(*To be concluded in next number.*)

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### THE BANK OF ENGLAND AND THE RESERVES.

Attention has from time to time been called in the pages of this magazine, to the precarious position of the English banking system in its dependence upon the reserves held by the Bank of England. The late Mr. Walter Bagehot was one of the first to proclaim the danger of this inadequate foundation, and now his warning is taken up and reëchoed by some of the London financial journals. One of these points out in plain language that whenever there is from any cause a sudden demand for money for the Continent or the Provinces, there is an instant drain upon the bill brokers and bankers of the metropolis, who in turn fall back upon the Bank of England. In an emergency, such as might be caused by a war with Russia, the Bank Act would have to be suspended, and there would be heavy risk of the whole delicately-interwoven network of credit collapsing like a house of cards. It is to be remembered that things are not as they were in 1797, when the Bank was more isolated than it is now, or even as they were in 1847, 1857 and 1866, at each of which dates the Bank Act had to be suspended. At these several periods what are called "transfer credits" by telegraphic wire and transatlantic cable were unknown.

The London *World* says in this connection: "It is obvious that the suddenness with which demands for cash can now be made does not leave the time there was formerly to organize means of meeting sudden strains upon our system of credit. No doubt the telegraph facilitates ready action on the part of the bankers in self-defense as well; but in a case in which time is absolutely necessary to stave off danger it vastly adds to the difficulty of pulling through. The Bank of England has virtually ceased to be the people's bank; and, while there is seeming safety in its re-discounting the paper of the bill brokers, credit companies, and joint-stock banks, there is actual danger. At one time the Bank refused even to allow the London and Westminster Bank a drawing

account. There ought to be entire dissociation of the Old Lady from the other banks, else all may go down together. Until there is, the Bank of England cannot become better than it is at present, or show itself more worthy of its quasi-national position and privileges. It has lost its old control over the money market and yet has to bear all the burdens that are involved in its position as the center of our banking system. The consequence is, that week by week the reserve is dwindling away, and yet the Bank Directors are afraid to put up the rate to protect it, because the outside market would not follow them, and they might lose even the small discount business they have."

The extent of the dependence of the London bankers upon the Bank, and the growth of their balances in its hands, are shown by the following statement from the London *Economist*, and its comments thereupon :

"A return recently published by order of the House of Commons, in continuation of similar statements made in former years, gives the particulars, week by week, of the amounts kept by the London bankers with the Bank of England during the year 1877. The previous returns carry the statement back to the year 1844, and, by combining the series, the history of the progress and development of these amounts can be clearly traced. In 1844, the average of these balances was only £900,000 for the year; an increase was observable in 1845, when they amounted to £1,200,000; and from this date onward the increase in these balances was almost continuous. But it was not till 1866 that they generally amounted to more than £6,000,000. The figures since that date have been as follows :

ANNUAL AVERAGES OF LONDON BANKERS' BALANCES WITH THE  
BANK OF ENGLAND.

Year.	Amount.	Year.	Amount.
1866	£ 6,200,000	1872	£ 7,600,000
1867	6,700,000	1873	8,500,000
1868	6,800,000	1874	8,300,000
1869	6,500,000	1875	10,300,000
1870	6,600,000	1876	11,800,000
1871	8,400,000	1877	9,500,000

"The continual increase in these amounts, taking them broadly, is really remarkable. During the course of the last year under consideration there has, it is true, been a diminution in the amount, which may be accounted for by the extreme depression of business perhaps more than by any other cause; but if the experience of the last three years may be taken as a guide, it appears that a balance of about £10,000,000 may be assumed to be something like the amount continually needed to be held in this manner. For several recent years the bankers' balances have equaled, on an average, three-quarters of the amount held in reserve by

the Bank of England. There were even two occasions during the last year in which the bankers' balances exceeded the reserve. The dates when this occurred are as follows:

## RESERVE OF BANK OF ENGLAND.

<i>Date, 1877.</i>	<i>Notes and Coin.</i>	<i>Bankers' Balances.</i>
October 24.....	£ 10,003,000	.. £ 10,630,000
October 31.....	9,678,000	.. 10,069,000

“At first sight it might seem to be a great additional risk to the Bank of England that the balances of the bankers should equal at all times so large a proportion of its reserve, and should occasionally even exceed it. The balances of the bankers are the reserve they keep to meet any sudden demand, and it might be expected that they would be liable to vast and sudden fluctuations in consequence. But an examination of the return before us leads rather to a contrary conclusion. During the year under consideration the bankers' balances were never allowed to drop below £ 8,000,000. This fact appears to point to the conclusion that there is a fixed limit below which the bankers, in the aggregate, cannot allow their balances to sink. And the reason for this is obvious. These balances form the resources from which the Clearing-House charges are met, and a consideration of the returns of the Clearing House, which we publish weekly, shows what enormous amounts are being continually transferred from one hand to another through the medium of that establishment. The settlement of these heavy claims must necessitate the holding of very large sums in readiness to meet them, and these sums must practically be continually in circulation from one bank to another, and cannot really be removed from the circle in which they are continually moving. This is the case as far as the demands between one bank and another are concerned; these are met without any alteration in the aggregate amounts. But when a demand takes place for specie, either for the internal requirements of the country or for export purposes, then the question arises, how far resources, which cannot be touched, and can never be allowed to drop below a certain level, can be really regarded as working reserves to their possessors. When a demand arises which would carry money out of the circle of the clearing banks, they have to call in first supplies to replenish their balances. In any time of pressure the bankers' balances are the first to increase in amount, and this, though it involves a further liability, yet is not without some advantages to the Bank of England. The rapid increase in bankers' balances which took place during the course of the panic of 1866 is well known, and a similar power of immediately augmenting those amounts was shown in 1875, on the occasion of the perturbation in the money market which accompanied the Collie failure. A. Collie & Co. sus-

pending payment June 15, 1875, and an immediate movement appeared in the amounts held in this manner, as the following statement shows:

## BANKERS' BALANCES.

June 16, 1875.....	£ 9,902,000
June 23, 1875.....	12,399,000
June 30, 1875.....	14,202,000

"Had the uneasiness on that occasion continued longer, or been greater, a far greater increase in these amounts would doubtless have taken place. It should, however, be remembered that the demands which may be made on the balances of the clearing banks are almost illimitable, being bounded only by the extent of the deposits which not only they, but all the banks in the country, collectively hold. We gave recently some information—the most recent it was in our power to obtain—on the extent of these deposits. Large as the balances constantly maintained by the bankers with the Bank of England appear to be when viewed by themselves, no one who considers the extent of the deposits can consider the amounts held at the banks as unnecessarily large in proportion to them.

"The facts thus brought under our notice indicate in a very clear manner the extreme delicacy of the English money market and how closely everything is worked and economized in it. This economy is an advantage to the public, but it is not without its dangers. We would put it very strongly to the heads of the banking community whether, since the figures which supply the text to the comments we have made are now published annually, and are generally accessible, they will not sanction the anticipation of this official statement, and authorize those authorities who now supply these figures to the Government once a year, to supply the same information to the public, week by week, to be published with the statement of the Clearing House. In any time of anxiety, the publication of these figures, giving authentic information as to the amounts thus held, would assist in allaying popular apprehensions; the knowledge thus obtained would likewise tend to the maintenance of a stronger reserve, and would thus be a step in the right direction."

To those who are accustomed to the frequent publication of bank statements, as required by the clearing-House associations of our own leading cities, the tardiness of the English in this regard appears unaccountable. The sensitiveness of the London money market would seem to demand imperatively the adoption of a measure which obviously would be an advantage as well as a safeguard.

## NATIONAL BANKS AND STATE USURY LAWS.

## I.

UNITED STATES CIRCUIT COURT—WESTERN DISTRICT OF PENN.

[FROM THE PITTSBURGH LEGAL JOURNAL.]

*The First National Bank of Mount Pleasant vs. William Duncan and Brother.*  
*Error to the District Court.*

Before STRONG, Circuit Justice, and MCKENNAN, Circuit Judge.

Opinion by STRONG, J. Filed June 3, 1878.

In the Court below, this was an action brought by Duncan and Brother, partners, to recover the penalties prescribed by the Acts of Congress relating to National banks, for charging and taking usurious interest on loans made by the First National Bank of Mount Pleasant to the plaintiffs. At the trial in the District Court, evidence was given tending to prove that at different times the bank had made sundry loans to the plaintiffs, reserving and charging therefor interest at the rate of nine per cent. The plaintiffs claimed that interest had been paid at that rate, and that in consequence thereof they were entitled to recover from the banking association twice the amount thus paid. Numerous grounds of defense were taken by the bank, none of which were sustained by the Court, and the jury was instructed to return a verdict for the plaintiffs. The record having been removed into this Court, and errors having been assigned to the rulings of the District Judge, we are brought to a consideration of the defenses set up, and overruled. It is however unnecessary to refer to more than one of them, for if it should have been sustained, as we think it ought to have been, if proved, it is fatal to the plaintiffs' right of recovery.

It appears by the record that at the trial the defendants offered to prove that since the year 1869, and prior to January 1st, 1873, many State banks of issue had been organized in the State of Pennsylvania under the law of the State; that they had carried on business under such organization ever since, and that the rate of interest limited by the laws of the State for these several banks, at the time of their organization and ever since, was, "such an amount of interest as should be agreed upon between the bank and the borrower, or customer." This offer was made in connection with evidence already given, and other to be offered, showing that the First National Bank of Mt. Pleasant is located in Pennsylvania, and that all the interest charged the plaintiffs for which this action was brought, was at a rate agreed upon between the plaintiffs and the defendant bank. The offer was overruled, and it was then renewed in different forms. Among others, the defendants offered to prove "that there is no general statute in Pennsylvania, limiting the rate of interest specifically, but that there had been organized under the laws of the State, in the State since 1869, at least sixteen State banks of issue, which since 1871 have carried on and still carry on business under the said organization and laws, and that by the laws of the State of Pennsylvania, all of the said banks are allowed, and have been since 1871, and still are, allowed to charge a rate of interest and discount of ten per centum per annum." All these renewed offers were also overruled, and the Court charged the jury as follows: "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 that there are some banks that, by special Acts of Assembly, are allowed to charge more, but these are exceptions to the general laws 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 banks created by them, or permitted by them to take more than six

per cent., and these laws are laws unto these banks only. The general banking laws of Pennsylvania prohibit the taking more than six per cent. discount. The National banking law prohibits a National bank in Pennsylvania from taking more."

This instruction given to the jury, and the rulings of the District Court by which the evidence offered was excluded were erroneous. They were founded upon a misconception of the provisions of the Acts of Congress under which National banking associations are organized, and exist. The limitations of the rates of interest which such associations may charge and take, are such only as are prescribed in those acts. The associations derive no power from the States and they are not subject to restrictions imposed by the States. The rates of interest prescribed by the States for their own institutions or for the public generally, are rules for National banks only so far as they are made such by Congress, and only in force of the Acts of Congress. The National Banking Act has enacted that any banking 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*" (*Revised Statutes*, section 5,197). The purpose sought to be accomplished by this exception is very evident. It was fully stated in *Tiffany vs. National Bank of Missouri*, 18 Wall., 409, to which it may be well to recur. The Supreme Court of the United States there said: "It cannot be doubted, in view of the purpose of Congress in providing for the organization of National banking associations, that it was intended to give them a firm footing in the different States where they might be located. It was expected they would come into competition with 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 those rates might be, which were allowed to similar State institutions. This was considered indispensable to protect them against possible unfriendly State legislation. Obviously, if State statutes should allow to their banks of issue, a rate of interest greater than the ordinary rate allowed to natural persons, National banking associations could not compete with them unless allowed the same. . . . The only mode of guarding against such contingencies was that which, we think, Congress adopted. It was to allow to National associations the rate allowed by the State to natural persons generally, and a higher rate, if State banks of issue were authorized to charge a higher rate. This construction accords with the purpose of Congress, and carries it out. It accords with the spirit of all the legislation of Congress. National banks have been National favorites. They were established for the purpose, in part, of providing a currency for the whole country, and in part to create a market for the loans of the general Government. It could not have been intended, therefore, to expose them to the hazard of unfriendly legislation by the States, or to ruinous competition with State banks. On the contrary much has been done to insure their taking the place of State banks. The latter have been substantially taxed out of existence." Certainly their circulation has been. We have quoted thus fully from the language of the Supreme Court, because it bears directly upon the present case, and shows the meaning of the act of Congress. It shows what indeed seems very plain on the face of the act itself, that National banks are authorized to reserve and take interest on loans made by them at such rates as are allowed by State law to State banks of issue in the States where the National banks are located. In reserving and taking interest at such rates they act within the authority given them, violate no law, and render themselves liable to no penalties.

The learned judge of the District Court was of opinion that because it was not shown, or offered to be shown, that the State banks of issue incorporated under the State laws, and severally authorized to reserve and take interest at the rate of ten per cent., or at any rate agreed upon with the borrowers, are authorized, by general law, to charge more than six per centum, therefore National banks are not. His charge to the jury was, as has been stated, "Con-



gress 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 this opinion we do not concur. It interpolates in the statute words which are not there, and it disregards the plain purpose for which the excepting clause was inserted. The Act of Congress declares that where, by the laws of any State, a rate of interest different from the general rate shall be limited, or allowed for State banks of issue, National banks shall be allowed the same. It says not a word of allowance to the banks by general law. Charters offered by special law, granting special privileges to those who accept the offer, are as clearly laws of the State as are the most general enactments. Until recently in Pennsylvania, State banks were always organized under special laws applicable solely to each bank. There was no general banking law, and no rate of interest limited by general enactment for banks as such, and as a class. Each bank had its own peculiar privileges, though prior to 1869, generally restricted to charging the rates of interest allowed for natural persons. And, in many other States, all State banking institutions are organized under such laws, and they derive all their powers from such legislation. Whatever authority they exercise under their charters is limited or accorded to them by the law of the State.

And if we look to the purpose of Congress exhibited in the National Banking Act (the purpose of which we have spoken), what difference does it make whether State banks are authorized to take more than the interest allowed to natural persons, by special, or by general laws? In either case they would encounter favored rivals, and a destructive competition, against which they could not stand, if they are not permitted to reserve and take interest at the rate accorded to the State institutions. In either case the unfriendly State legislation, and the ruinous competition, against which Congress intended to guard, would be equally possible. States might establish banks along side of every National bank, and give them powers against which the National banking associations could not compete. A construction of the Act of Congress that opens the door to such results cannot be accepted as the true one. It is inconsistent with the letter of the act, and still more with its purpose and spirit.

We hold, therefore, that the evidence offered by the defendants should have been received. If there are State banks of issue in Pennsylvania, authorized either by general or special law to take interest on loans made by them at such rates as may be agreed upon between them and the borrowers, the defendants have transgressed no Act of Congress, by taking nine per cent. from the plaintiffs (that having been the rate agreed upon), and they are not liable in this action.

The judgment of the District Court is reversed, and a new trial is ordered.  
MCKENNAN, Cir. Judge, concurs.

## II.

SUPREME COURT OF OHIO, DECEMBER, 1877.

*Hade, Receiver vs. McVay.\**

JURISDICTION OF STATE COURTS—SET-OFF AGAINST RECEIVER—PENALTY CANNOT BE SET OFF.

State Courts have jurisdiction of actions against National banks for penalties and forfeiture prescribed by act of Congress for exacting usurious interest.†

A right of set-off, perfect and available against a bank at the time of the appointment of a receiver, may be pleaded in an action by the receiver.

In an action on a note discounted by a National bank, the defendant cannot set off the penalty of twice the amount of interest paid on other loans.‡

\*Furnished to the *Albany Law Journal* by E. L. DeWitt, Esq., reporter, and to appear in vol. 31, Ohio State Reports.

†See, also, *Ordway vs. Cent. Nat. Bank*, Thomps. Nat. Bank Cas. 559, *sed quare*; *Missouri River Telegraph Co. vs. First Nat. Bank*, id., 401; *Newell vs. Nat. Bank*, id., 501.

‡See *Hintermister vs. First Nat. Bank*, Thomps. Nat. Bank Cas. 741; *Brown vs. Sec. Nat. Bank*, id., 849; *Wiley vs. Starbuck*, id., 436.

Action by the plaintiff, as receiver of the First National Bank of Mansfield, against the defendants, McVay, Allison & Co., drawers, and Walter Gledhill, acceptor, of a bill of exchange. The bill was drawn for \$3,000, and indorsed by the drawers to the bank. Before the commencement of the action, \$1,500 had been paid thereon. The answer, among other things, alleged that McVay, Allison & Co., desirous of obtaining a loan of money, drew said bill, secured its acceptance by Gledhill for their accommodation merely, and then procured its discount by the bank; the officers of the bank having full knowledge that Gledhill was only an accommodation acceptor; that in discounting the bill the bank reserved, in advance, \$93 as interest for ninety days, a rate exceeding that allowed by law.

The answer further alleged, that during the two years then next preceding, McVay, Allison & Co. had borrowed from the bank divers other sums of money, the bank in each case knowingly reserving and receiving a rate of interest greater than that allowed by law, which the borrowers had paid. These alleged usurious transactions were particularly set out in the answer. The defendants prayed that the interest agreed to be paid on the bill in suit be adjudged forfeited, and that they recover by reason of such other usurious loans, twice the amount of the interest paid thereon, and that that sum be applied by way of set-off to the plaintiff's claim.

To the matter set up as a set-off the plaintiff demurred. The demurrer was overruled, the interest agreed to be paid on the bill was adjudged forfeited, and the amount of interest paid on said independent loans was ascertained, and twice its amount set-off against the plaintiff's claim. The case was taken to the District Court on error, and by that Court reserved for decision here.

BOYNTON, J. The rights of the parties became fixed before the approval of the *Revised Statutes* of the United States; and in so far as the case is affected by the National Banking Act, it is governed by the Act of 1864.

Section 30 of that act, among other things, provided that the banking association might take and reserve, on any loan or discount made, . . . interest at the rate allowed by the laws of the State where the bank was located, and that "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. In case a greater rate of 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 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."

The position of the plaintiff is, that the liability created by the provisions of this section was strictly penal, and that an action to enforce it is cognizable only in the Courts of the United States. This claim is founded on the provisions of the act of Congress of 1789 (*1 Stats. at Large*, 77, § 10; see U. S. R. S., § 711), which declares, that the jurisdiction vested in the Courts of the United States, in suits for penalties and forfeitures incurred under the laws of the United States, shall be exclusive of the Courts of the several States.

If the question of jurisdiction depended for its solution on this provision alone, the position contended for would seem to be well founded. But since its enactment, Congress has, in many instances, professed in direct terms to invest State tribunals with power to enforce penalties incurred exclusively in the violation of the laws of the United States. *Chiffin vs. Houseman*, 93 U. S. 130. By section 57 of said National Banking Act, it was provided, "that suits, actions and proceedings against any association, under this act, may be had in any Circuit, District, or Territorial Court of the United States, held within the district in which such association may be established; or in any State, county, or municipal Court in the county or city in which such association is located, having jurisdiction in similar cases."

By this provision, the impediment to the exercise of jurisdiction by the State tribunals, created by the Act of 1789, was removed, and the consent of Congress expressly given to the exercise of jurisdiction by the State Courts, if com-

petent to receive it, concurrent with that of the Federal Courts, in suits, actions and proceedings arising under the Banking Act. Whether the same assent was given by section 8, it is unnecessary to consider. But, it is said, if it be held to have been the purpose of Congress to clothe the judicial tribunals of the States with jurisdiction to hear and determine causes arising under the Banking Act, that there still remains lying back of the fact of jurisdiction and upon which the fact depends, the question of capacity or power to take. And many cases are cited affirming the incapacity of State Courts to receive and exercise jurisdiction to enforce a forfeiture or penalty imposed for a violation of the laws of the United States. But the doctrine of these cases has been repeatedly disapproved and rejected. *Gilman vs. Philadelphia*, 3 Wall., 713; *Ex parte Niel*, 13 *id.* 240, and *Clafin vs. Houseman*, *supra*.

In the last case cited it was held that the statutes of the United States are as much the law of the land in any State as are those of the State, and although exclusive jurisdiction may be given to the Federal Courts, yet where it is not so given, either expressly or by necessary implication, the State Courts, having competent jurisdiction in other respects, may be resorted to.

In delivering the opinion in that case, Mr. Justice Bradley says: "Legal or equitable rights, acquired under either system of laws, may be enforced in any Court of either sovereignty competent to hear and determine such kind of rights, and not restrained by its constitution in the exercise of such jurisdiction. Thus, a legal or equitable right acquired under State laws, may be prosecuted in the State Courts, and, also, if the parties reside in different States, in the Federal Courts. So rights, whether legal or equitable, acquired under the laws of the United States, may be prosecuted in the United States Courts, or in the State Courts competent to decide rights of the like character and class; subject, however, to this qualification, that where a right arises under a law of the United States, Congress may, if it see fit, give to the Federal Courts exclusive jurisdiction. See remarks of Mr. Justice Field, in *The Moses Taylor*, 4 Wall., 429; and Story, J., in *Martin vs. Hunter's Lessee*, 1 Wheat., 334; and Mr. Justice Swayne, in *Ex parte Niel*, 13 Wall., 236. This jurisdiction is sometimes exclusive by express enactment and sometimes by implication. If an act of Congress gives a penalty to a party aggrieved, without specifying a remedy for its enforcement, there is no reason why it should not be enforced, if not provided otherwise by some act of Congress, by a proper action in a State Court." See, also, *Bank of Bethel vs. Pahquioque Bank*, 14 Wall., 383; *Farmers and Mechanics' National Bank vs. Dearing*, 91 U. S., 34.

These cases resolve the question of jurisdiction to enforce the forfeiture, against the plaintiff, and fully settle the right of the State tribunals to entertain the action to recover the penalty given by the Act of Congress, if competent by their own Constitution to hear and determine like questions or causes arising under State laws.

It is urged, in the second place, that the Court below wrongfully entertained the cross-action of the defendants to recover the penalty, the principal action being brought by a receiver and not by the bank; that the act of Congress, authorizing actions to be brought in State Courts under the Banking Act, limits the right to actions against the bank, and that the alleged set-off, if available in action by the bank, is not, and cannot be made available in an action brought by a receiver appointed by the Comptroller of the Currency to wind up its affairs.

This objection is not well founded. "When cross-demands have existed between persons under such circumstances, that if one had brought an action against the other a counter-claim or set-off could have been set up, neither can be deprived of the benefit thereof by the assignment or death of the other, but the two demands must be deemed compensated so far as they equal each other." Civil Code, § 99. The receiver holds to the bank and its creditors the relation, substantially, of a statutory assignee. A right of set-off, perfect and available against the bank at the time of his appointment as receiver, is not affected by the bank's insolvency. He succeeds only to the rights of the bank existing at the time it goes into liquidation. *American Bank vs. Wall*, 56 Me., 167; *Miller vs. Receiver of Franklin Bank*, 1 Paige, 444; *Colt vs. Brown*, 12 Gray, 233.

This question, however, is relieved of importance in the present controversy by the disposition made of the question relating to set-off. Was the cause of action to recover back twice the interest paid, one arising upon contract within the meaning of that term as employed in § 97 of the *Code of Civil Procedure*?

That section is as follows: "A set-off can only be pleaded in an action founded on contract, and must be a cause of action arising upon contract or ascertained by the decision of the Court."

The action to enforce the forfeiture was, by the act authorizing it, denominated "an action of debt."

By the *Revised Statutes*, § 5.198, it is now denominated "an action in the nature of an action of debt." In the division of forms of actions at common law into actions *ex contractu* and *ex delicto*, debt was included in the former class; and, therefore, it is contended that an action of debt is an action necessarily arising upon contract. But this does not follow. Debt was almost uniformly the remedy on statutes, either at the suit of the party aggrieved or of a common informer, and in many actions confessedly not sounding in contract. 1 Chitty's Pl., 125-8, *et seq.*; *C. and A. R. R. Co. vs. Howard*, 38 Ill., 414.

It is quite manifest, in the case at bar, that there was no express promise by the bank to pay back any part of the interest received. That express assent was given to pay double the interest is not pretended. If, therefore, a contract or promise exists at all, it is because the law implies it from the circumstances, or imperatively presumes it from the relation shown between the parties. *Hertsog vs. Hertsog*, 29 Penn. St., 465; 2 Greenl. Ev., § 102.

It is not denied that there is a large class of contracts which rest merely on construction of law and in which there is, strictly speaking, no agreement of the parties to the terms by which they are bound. 1 Chitty on Cont., 79.

But it is said in *Metcalf on Contracts*, 5, that, "in sound sense, divested of fiction and technicality, the only true ground on which an action upon what is called an implied contract can be maintained is that of justice, duty, and legal obligation;" and it is further said, as an instance of the application of the rule, that, "if one has another's money, which in equity and good conscience he ought to restore, the law is said to imply a promise to restore it." *Ibid.*

In many of the States and in England, a borrower having paid usurious interest, can maintain an action to recover it back. The cases holding that such action is founded on an implied promise of the lender to restore the sum illegally exacted. The principle asserted is, that the title to the excess of interest paid never vested in the lender. And having another's money, which he ought in equity to restore, an action for money had and received will lie to recover it. *Williar vs. Baltimore Butchers' Loan Association*, 45 Md., 546; *Wheelock vs. Lee*, 64 N. Y., 242; *Thomas vs. Shoemaker*, 6 W. & S., 179; *Ewing vs. Griswold*, 43 Vt., 400; *Basanquette vs. Dashwood*, Cas. Temp. Talbot, 38; *Walker vs. Chapman*, Loft., 342; *Jones vs. Barkley*, Doug., 696; *Browning vs. Morris*, Cowp., 792; *Williams vs. Hedley*, 8 East, 377.

It is claimed that these cases, in principle, settle the question, that the several causes of action interposed below, as set-offs, respectively arise upon contract. But it is quite obvious that they do not have the effect contended for.

In the first place, the rule thus recognized does not go to the extent claimed, and secondly, it does not prevail in this State. *Shelton vs. Gill*, 11 Ohio, 417; *Commercial Bank of Cincinnati vs. Reed*, *id.*, 498; *Baggs vs. Loudenback*, 12 *id.*, 153; *Spalding vs. The Bank of Muskingum*, *id.*, 545; *Rains vs. Scott*, 13 *id.*, 107; *Graham vs. Cooper*, 17 *id.*, 605. Whether well or ill-founded, the rule is firmly settled that the party paying is *in pari delicto* with the party receiving, and hence is denied an action at common law to recover back the interest paid in excess of the legal rate.

It may be said, that the rule denying the action in such case does not go to the extent of denying the existence of a cause of action arising upon contract, in favor of the borrower against the lender, but that it merely affects or cuts off the remedy as a punishment of the borrower for participating in the illegal transaction. But if we grant this, the proposition cannot be successfully maintained upon any sound principle, nor is it sanctioned by any authority known to us, that an action upon a statute for twice the entire interest paid is an

action arising upon contract. No one of the cases above cited sustains or supports the alleged right to recover upon a promise, implied in law, more than the amount paid in excess of the legal rate. They rest upon the ground that such excess is the money of the borrower in the hands of the lender; but that the borrower's equity, which gives rise to the implication of a promise, is fully satisfied when that sum is restored to him, which was wrongfully taken from him, is clearly deducible from the principle adjudged.

The original act of February, 1863 (12 U. S. Stat., 678, § 46), in case illegal interest was taken or reserved, forfeited the entire debt. The Act of 1864 reduced the sum to be forfeited to double the interest received. Both provisions were penal, differing only in the sum declared forfeited. Numerous decided cases hold, that the repeal of a statute creating a penalty or forfeiture, takes away the right to enforce it. *Oriental Bank vs. Freese*, 6 Shep. (Me), 109; *Eaton vs. Graham*, 11 Ill., 619; *Sumner vs. Cummings*, 23 Vt., 427; *Washburn vs. Franklin*, 35 Barb., 599; *Engel vs. Schuritz*, 1 Mich., 150; *Cummings vs. Chandler*, 26 Me., 453.

That this would not be the result from a repeal of the statute creating the liability, if the cause of action arose upon contract, is established by a like uniform current of authorities. *Williar vs. Baltimore Butchers' Loan Association*, 45 Md., 546; *Dash vs. Van Kleeck*, 7 Johns., 477; *Wright vs. Hawkins*, 28 Texas, 452.

The principle is clearly illustrated in *Williar vs. Baltimore Butchers' Loan Association*. The plaintiff brought an action to recover back usurious interest paid, the statute declaring that a person contracting for usury should forfeit the excess above the legal rate. While the action was pending, an act was passed by the Legislature taking away the right of action for usury in all cases where the same had been paid. It was contended by the defendant, that this act took away the right of the pending action; but the Court held that the plaintiff's right in such cause of action was a vested one, which the Legislature was wholly incompetent to take away. The decision was placed on the ground that the excess of interest which the act first mentioned authorized to be recovered back, was not a forfeiture or penalty, but was money belonging to the plaintiff, in the hands of the defendant, the right to recover which existed independently of the statute, and could not be impaired or affected by its repeal. "A vested right of action is property in the same sense in which tangible things are property, and is equally protected from arbitrary interference. Where it springs from contract, or from the principles of the common law, it is not competent for the Legislature to take it away." *Cooley's Const. Lim.*, 362, and note.

In *Oriental Bank vs. Freese*, *supra*, it is said: "Where a party, by statute provisions, becomes entitled to recover a judgment, in the nature of a penalty, for a sum greater than that which is justly due to him, the right to the amount which may be recovered, does not become vested until after judgment." In *Lucas vs. Government National Bank*, 78 Penn. St., 228, a case quite nearly in point, where the penalty given by the act, creating it was sought to be used as a set-off, the Court says: "Technically the latter part of the affidavit of defence is bad, for it claims as a set-off that which the act of Congress imposes as a penalty on the usurious transaction, to wit, double the amount of the interest paid. In this the defendants had no such interest as would enable them to use it by way of defalcation, for it could be acquired only through an action of debt, under the statute, and until the forfeiture was pronounced in their favor, by judgment of the Court, they had nothing therein which would be the subject of set-off." To the same effect is *Overholt vs. National Bank of Mt. Pleasant*, 82 Penn. St., 490. In *Bank of Chambersburg vs. Commonwealth*, 2 Grant, 384, it was held that "a penalty for breach of a statute is not, when sued for, within the defalcation acts, nor subject to any manner of set-off." Without pursuing the subject further, in our opinion the Court properly adjudged the interest reserved on the bill in suit forfeited, and improperly held that the penalty imposed by the act of Congress for receiving usurious interest on other and independent loans, was available as a set-off.

Judgment reversed, demurrer to the set-off sustained, and judgment for the plaintiff.

## III.

U. S. SUPREME COURT, OCTOBER TERM, 1877.

*George M. Wheeler, Plaintiff in Error, vs. The Union National Bank of Pittsburgh.—In Error to the Superior Court of the City and County of New York.*

*Held*, That in order to work a forfeiture under the National Currency Act, it should appear affirmatively that the bank knowingly received or reserved an amount in excess of the statutory rate of interest, and the current exchange for sight drafts.

HARLAN, J.—The controlling question presented in this case for our determination, involves the construction of the National Currency Act of June 3, 1864, which declares that “the knowingly taking, receiving, reserving, or charging a rate of interest greater” than that “allowed by the laws of the State or Territory where the bank is located,” shall be “held and adjudged a forfeiture of the entire interest which the bill, note, or other evidence of debt carries with it, or which has been agreed to be paid thereon.” 13 *Stat.*, 108. The same section also declares: “But 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.” 13 *Stat.*, 108.

Wheeler, the plaintiff in error, was sued as indorser upon two bills of exchange, drawn at Brady's Bend, Pennsylvania, payable sixty days after date, at the American Exchange Bank, in New York, and discounted by the Union National Bank, of Pittsburgh, for the benefit of the Brady's Bend Iron Company, a corporation created under the laws of Pennsylvania. Wheeler claims that the bank, under the provisions of the statute, forfeited the entire interest which the bills carried, or which was agreed to be paid. This claim was denied, first in the Superior Court for the city and county of New York, where this action was commenced, and subsequently, in the Court of Appeals of that State.

No question having been raised as to the *bona fide* character of the bills, the bank had, by the express words of the statute, the right to charge and receive the current rate of exchange for sight drafts in addition to interest at the rate of six per cent. per annum, which is the rate fixed by general statute in the State of Pennsylvania. But upon examining the special finding of facts upon which the Court based its judgment, we discover no evidence of the current rate of exchange at the date of discount. That exchange was, in fact, charged, cannot be gainsaid by Wheeler, since he avers, in his answer, that the bills were discounted under an usurious agreement that the bank should receive, in addition to certain interest, in excess of the statutory rate, commissions or exchange of one-quarter of one per cent. No such agreement was, however, proven. Indeed, the record furnishes no evidence of any distinct agreement either as to the amount of interest or exchange to be reserved by the bank upon discounting the bills. Nothing seems to have been said at the time of discount as to the amount to be reserved by way of interest, or upon the subject of exchange, and the Court refused, upon the request of Wheeler, to find it as a fact in the case, that “no exchange was charged.” While it may be inferred that exchange was charged by the bank, we are uninformed by the record whether it exceeded the current rate for sight drafts.

The statute should be liberally construed to effect the ends for which it was passed, but a forfeiture under its provisions should not be declared unless the facts upon which it must rest are clearly established. It should appear affirmatively that the bank knowingly received or reserved an amount in excess of the statutory rate of interest, and the current exchange for sight drafts. There is no proof of the rate of exchange, and since the courts uniformly incline against the declaration of a forfeiture, the party seeking such declaration should be held to make convincing proof of every fact essential to forfeiture.

It is unnecessary to consider any other question in the case. The judgment must be affirmed.

## LEGAL MISCELLANY

*Abstract of Recent Decisions of the New York Court of Appeals.*

[FROM THE ALBANY LAW JOURNAL.]

**CONTINUANCE OF SPECIAL RATE OF INTEREST.**—When a note is given on time, with interest at the rate of twelve per cent., the holder after maturity receiving interest by operation of law and not under the contract, is entitled to six per cent. only. *Duran vs. Ayer*, 67 Mer.

**BILLS OF LADING.**—When fraudulent bills by general owner of cargo give no title: estoppel: fraudulent delivery by owner wrongfully in possession. Fraudulent bills of lading of wheat purporting to have been shipped by N at Buffalo by certain canal boats and consigned to defendants at New York, were made and transferred to defendants, and defendants paid certain drafts drawn by N against the supposed cargoes. At the time the wheat described was on board a vessel in transit between Milwaukee and Buffalo, under a bill of lading which had been transferred to plaintiff as security for the payment of a note of N discounted to enable him to pay a draft drawn on plaintiff for the purchase price of the wheat. Subsequently, without authority of plaintiff, or any act on its part enabling him to do so, N fraudulently shipped the wheat by the canal boats mentioned, and delivered it to defendants, they not parting with any value at the time on the faith of such delivery. *Held*, that at the time of the making of the false bills of lading, plaintiff was the pledgee and special owner of the wheat in possession; that N has no authority to transfer title to the same; that N's unauthorized interference with the wheat and delivery to defendants did not relate back so as to make valid the transfer by the false bills; that plaintiff was not estopped from asserting title to the wheat by the interference of N, and that after demand of the wheat and refusal to re-deliver it, was entitled to maintain an action for the same against defendants. Judgment below affirmed. *Marine Bank of Buffalo vs. Fisk*. Opinion by Allen, J. [Decided December 4, 1877.]

**NEGOTIABLE INSTRUMENT.**—1. *Instrument given on agreement in contravention of Section 45 of Bankrupt Law, valid in hands of innocent holder.* A check given upon an agreement in contravention of section 45 of the Bankrupt Law, to an assignee in bankruptcy, for compensation for his services beyond the fees allowed by law, while void in the hands of the payee, is valid in the hands of a *bona fide* holder for value without notice. Judgment reversed and new trial granted. *Cowing vs. Altman*. Opinion by Andrews, J.

2. *What sufficient to put on inquiry: check transferred fourteen months after date.* A check was dated March 8, 1871, and placed by the maker in the hands of another person to remain until the happening of a specified event. On the happening of that event, on May 2, 1872, it was given by the third party to C, upon the order of the payee. On the same day it was delivered by C to a bank, in payment of a note held by it against a firm of which C was a member, and the note surrendered. In an action against the maker of the check by the assignee of the bank, the defense was that the instrument was given in contravention of the bankrupt law and was void. *Held*, (1) that the bank was a holder for value; (2) that while the date of the check was such as to put a purchaser on inquiry whether it had been discredited, the fact that it was not delivered to the payee until the 2d of May, 1872, would remove that objection, and the check was not overdue or dishonored, and the bank was bound to make no further inquiry, and the maker was liable to plaintiff upon the check, and could not avail himself of the defense interposed. *Boehm vs. Sterling*, 7 Term R. 423, followed. *Id.* [Decided December 18, 1877.]

**BANK CHECK.**—*Not an equitable assignment of the fund drawn on; check in payment of insurance policy.* An insurance company gave petitioner a check upon a banking institution where it had funds sufficient to meet the check, in settlement of a policy upon the life of petitioner's husband. Before the check was presented to the institution on which it was drawn, a receiver of the company was appointed who withdrew the funds from the banking institution. *Held*, that the check did not operate as an equitable assignment of the fund upon which it was drawn *pro tanto*, and that petitioner was only entitled to the rights of a general creditor. (*Haines vs. Clark*, 3 N. Y. 119; *Lunt vs. Bank of North America*, 49 Barb. 221.) Judgment below reversed. *Attorney-General vs. Continental Life Insurance Co. In re Petition of Merrill*, opinion by Church, C. J. [Decided November 27, 1877.]

**CORPORATION.**—*Liability of stockholder: stockholder also creditor when not liable.* An action by a creditor of an incorporated company against a stockholder, under Section 10, Laws 1848, chapter 40, cannot be maintained when the stockholder is also a creditor to an amount equal to his stock. The debt due the stockholder is a defense to this form of action in the nature of an equitable offset. Accordingly when defendant, who was a stockholder, had purchased notes against the company and advanced moneys for its use to an amount in excess of his stock, *held*, that he was not liable in an action brought against him individually by a creditor of the company. Judgment below affirmed. *Matthews vs. Neideg*. Opinion by Church, C. J. [Decided January 15, 1878.]

**ESTOPPEL.**—*When principal bound by representation of agent.* B, a note broker, was the agent of plaintiff to sell certain notes made by him. Defendant applied to B to purchase business paper. B sold him at twelve per cent. discount the notes made by plaintiff, representing them to be business paper. *Held*, that plaintiff was bound by the representations of his agents and was estopped from claiming that the notes were usurious. Judgment below affirmed. *Ahern vs. Goodspeed*. Opinion by Folger, J.

*Ratification of act done by agent before agency commenced.* A representation as to the character of one of the notes was made by the broker before the note was in existence. *Held*, that while plaintiff was not originally bound by such representation, a subsequent ratification with a knowledge of the facts would bind him. *Ib.* [Decided January 15, 1878.]

**EVIDENCE.**—*When parol, admissible to explain writing.* Defendant sent to the cashier of a bank a letter reading thus: "Please discount for Mr. Cummer to the extent of four thousand dollars. He will give you customers' paper as collateral. You can also consider me responsible to the bank for the same." *Held*, that parol evidence of surrounding circumstances was admissible, to show whether this was intended to be a single credit for \$4,000, or a continuing guaranty to that extent. Judgment below affirmed. *White's Bank of Buffalo vs. Myles*. Opinion by Earl, J.

*Construction of instrument of guaranty: continuing guaranty.* In this case, Cummer was carrying on a continuous business in Buffalo, and doing his banking business with plaintiff. Defendant was his father-in-law, residing in Canada, and was desirous to aid him. Cummer had already a large line of discount, but needed more to enable him to continue business. *Held*, that under the circumstances the letter was intended as a continuing guaranty. *Ib.* [Decided April 16, 1878.]

**CHANGE OF STATE BANKS TO NATIONAL.**—National banks, as Federal agencies, are only exempted from State legislation so far as may impair their efficiency in performing the functions by which they are designed to serve the Government of the United States. It is only when a State law incapacitates them from discharging these duties that it becomes unconstitutional. *Thomas vs. Farmers' Bank of Maryland*, 46 Md.

Under the Maryland Act of 1865, ch. 144, a State bank becoming a National bank under a new name may still sue, in its old name, a *scire facias* on an old judgment obtained under its first organization. Such a privilege is not in conflict with the Act of Congress. *Ibid.*





**STOLEN SECURITIES.**—*When purchaser of, protected.* The purchaser for value of stolen negotiable bonds, will be protected unless the circumstances are such that an inference could be fairly and legitimately drawn, that the purchase was made with a notice of a defective title in the seller, or in bad faith. It is not sufficient that a prudent man would be put upon inquiry, nor that the purchaser was negligent. Judgment below reversed. *Dutchess Co Mut Ins. Co. vs. Hatchfield.* Opinion by Church, C. J.

*Evidence to show intent admissible.* It was shown in an action to recover stolen negotiable bonds purchased by defendant, that he had before purchased of the person from whom he purchased these bonds, a bond stolen at the same time. After stating as a witness, the circumstances of the purchase of that bond, and the explanation made by the seller, he was asked this: "Were you satisfied with the explanation given by Mr. Kendrick, of this other stolen bond transaction?" *Held,* that the question was proper. *Id.* [Decided April 9, 1878.]

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## THE LAW OF BANK CHECKS.

A recent decision of the Hamilton County (Ohio) District Court affirms the principle that on default of payment of sight drafts placed to credit of a depositor, the right of the bank to recall the credit is superior to the right of the depositor to check against the fund.

The following is a report of the decision:

*Charles Jacob, Jr., vs. The First National Bank of Cincinnati.* Judge Avery delivered the opinion in this case. Goettle Bros. gave their check to Jacob for \$1,323, in payment for beef, and the next day the check was presented for payment through the clearing house. When the check was drawn Goettle Bros. had a balance to their credit of more than enough to pay the check, but this balance was made up of sight drafts, which they had deposited, on Charleston and New York, and which had been received as cash on deposit. When the check was presented three of the drafts, to an amount much larger than the balance, having been protested, payment was refused. The drafts had bills of lading attached, and it required all the balance on deposit, except \$190, to make up the deficiency between the proceeds of the bills of lading and the face of the drafts. The \$190 was afterward applied to other drafts of the same series which subsequently became due. Jacob brought suit on the check against the bank, and there was a judgment against him in the Court of Common Pleas, to reverse which he files this petition in error.

*Court*—As between the payee and drawer a check is an absolute appropriation of the fund, and on notice to the bank binds the fund. This is because of the common understanding between the bank and its depositors, that money deposited is there for the purpose of being drawn out by check. But when sight drafts of depositors are received as cash, there is an implied condition that they shall be paid, and on default of payment the right of the bank to recall the credit is superior to the right of the depositor to check against the fund. Nor in the event of the bank resorting to bills of lading securing the drafts, would the holder of the check have the right to maintain an action against the bank for any balance that might be left, because a check is not in its nature an assignment of what ultimately may be due as between the bank and its depositor, but is confined to a particular fund. Where there is no such fund on which as against the bank the depositors would have the right to draw, there can not be any privity between the holder of the check and the bank, enabling him to maintain an action against the bank. Judgment affirmed.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. NATIONAL BANKS AND MORTGAGE BONDS.

Do you consider there is anything in the law preventing a National bank buying first-class R. R. mortgage bonds—even in excess of ten per cent. of its capital? Would not such bonds rank as commercial paper?

REPLY.—National banks have only such powers as are expressly given, or result by necessary implication from the language of the Bank Act. There is nothing in the act expressly authorizing the purchase of railroad mortgage bonds, nor can the authority be inferred from the provision giving banks "all such incidental powers as shall be necessary to carry on the business of banking, etc., etc." Buying railroad mortgage bonds cannot be necessary to the business of banking, even if the bonds are "first-class;" and the act establishes no criterion by which their character can be tested. We think, therefore, as a general proposition, that National banks have no right to invest in such bonds, and this, in effect, was the decision in *Weckler vs. The First National Bank of Hagerstown*, 42 Maryland Rep., 581. This was an action for deceit in the sale of Northern Pacifics, which bonds the bank was engaged in selling on commission.

There is, however, this exception to the rule, which was established by the Supreme Court of the United States, in case of *First National Bank of Charlotte vs. National Exchange Bank of Baltimore*, 92 U. S., 122, viz., that a bank may take stock, bonds, or similar securities, in payment or compromise of a doubtful debt, in order to avoid loss and with a view to convert the securities into money. It is also generally understood, and has been so decided, that a bank may receive a deposit of such bonds, of stocks (not its own), and of any other personal chattels, as security for loans. Railroad bonds are negotiable instruments, but they are not commercial paper.

### II. RESERVES OF NATIONAL BANKS.

If a National bank owes another National bank, say \$10,000, and has on hand National bank notes \$10,000, why are they not a lawful reserve so far as the balance or debt is concerned, when they are virtually lawful money in the hands of the debtor bank? See sec. 74 or 5,196.

REPLY.—We think not. By sec. 5,191 of the *U. S. Revised Statutes*, the reserves of National banks must be kept in lawful money, *i. e.*, gold, silver coin, and Treasury notes, and by sec. 5,192, three-fifths of said reserves may be kept in certain balances and Clearing-House certificates, which are deemed "lawful money" for that purpose. These reserves are held against their aggregate deposits and notes in circulation, and not for the payment of any one creditor especially. Even if the \$10,000 debt to the other National bank were the only liability, we doubt whether the provisions of sec. 5,196 would then be so inconsistent with secs. 5,191 and 5,192, as to overrule the positive requirements of those sections. Sec. 5,196 only makes the National bank notes on hand a legal tender to discharge this particular debt.

### III. THE RELATION OF A BANK TO PAYEE OF A LOST CHECK.

*First proposition.*—A delivers his check on the Bank of B to C, payable to the order of the latter, and before indorsing same, C loses it. *Query.* Should the bank, upon being notified by C, of such loss, and the tender by him of an indemnifying bond, pay the amount of the lost check to C?

*Second proposition.*—A delivers his check on the Bank of B to C, which check is made payable to the order of D; C remits the same to D, but it is lost in the transmission.

*Query 2.* Should the Bank of B, upon being notified of the above facts, and being tendered an indemnifying bond by D, pay the amount of such check to him?

3. Would the duty of the bank, or the rights of parties under the foregoing statement of facts, be any different if checks had been sold by the drawer, instead of being delivered by him for a previous indebtedness?

4. Upon the first statement of facts, what course should C pursue to recover the money? and what course should C or D pursue upon the second statement of facts?

If it be concluded that delivery of check amounts to an equitable assignment of money in drawer's hands as between drawer and payee, but not as to bank until presentment of check, can it be claimed, or has it been held, that secondary evidence of contents of check, identity of parties, proof of issuance and loss, and tender of bond of indemnity, would amount to *presentment* so as to charge the bank?

REPLY.—The answers to these questions must depend upon whether a check is an assignment of funds in the bank. There are decisions by the Courts of some of the States that a check, as between drawer and payee, works such an assignment of the funds upon which it is drawn, and that this assignment is binding upon the bank, as soon as it has notice of the check, so that it may be sued thereon by the payee. This view is maintained in *Daniel on Negotiable Instruments*, where our correspondent will find the cases cited and the arguments in support of it well stated. We think, however, the better doctrine to be that a check is not such an assignment (see the authorities cited in last March number, page 736), and answer the queries upon that theory.

1. No. The bank could not be sued upon the check, were it in existence, still less can it be compelled to pay upon a bond of indemnity.

2. No; for the same reason.

3. We do not see how the duty of the bank towards C and D, or their rights against the bank, would differ in either case, except as stated hereafter.

4. Upon the first state of facts C should notify the bank and A of the loss, tender A an indemnity, and demand a new check, or sue him upon the lost check, and upon the consideration given for it.

Upon the second state of facts, D may tender A an indemnity, and sue him upon the lost check, and D must do this if the check, when lost, was at his risk. If the check was not at the risk of D, we think C, tendering an indemnity, might sue A for the amount paid for the check, if it was sold to him, or upon the original indebtedness, if it was given to C in payment of such indebtedness. C, of course, could not sue on the check itself, because that was drawn to the order of D.

Upon the last part of the query, we have seen no decision, but have no doubt, upon general principles, that, in any jurisdiction where a check, upon presentation, is held to be an assignment binding upon the bank, the facts stated would amount to a sufficient presentment to charge the bank.

## IV. THE TRANSFER OF STOCK HELD AS COLLATERAL.

In transferring stock pledged as collateral security, is it necessary in this State [Massachusetts] to mention *what* it is collateral for, and if so, to what extent must the note be described? If the lender simply holds the certificate, taking only a power of attorney, the stock may be attached for debts of borrower; while if it be *absolutely* transferred to the lender, he assumes the liability of a stockholder. To escape such a dilemma, the shares must be transferred "as collateral security." What further is essential?

REPLY.—We find in the *General Statutes of Massachusetts*, chap. 68, sec. 13, the following provision:

"In transfers of stock as collateral security, the debt or duty which such transfer is intended to secure shall be substantially described in the deed or instrument of transfer. A certificate of stock issued to a pledgee, or holder of such collateral security, shall express on the face of it that the same is so holden; and the name of the pledger shall be stated therein, who alone shall be responsible as a stockholder."

This is a substantial re-enactment of a statute of 1838, before the passage of which it is understood to have been decided that one who accepted a transfer of stock in a corporation, upon the books thereof, though as collateral security, became a stockholder, and liable as such. This being the law, the statute was passed to enable a pledgee to hold stock without liability; but in order to avoid that liability, we think the course prescribed by the statute must be strictly followed. What is a "substantial description" of a debt or duty, in this connection, has not been decided, but we do not think that any description of a debt is "substantial" which does not include the name of the debtor, amount of the debt, the time when it is due, and the rate of interest, if it bears interest.

Since the statute, it has been frequently held that one who takes a transfer of stock absolute, in form, and has a corresponding certificate issued to him, is a stockholder, though the transfer between him and the person making it was a mere pledge. And we do not think a simple statement in the transfer that it is made as collateral, without saying to what, can be enough to free the pledgee from liability.

The necessity for taking a transfer upon the books of the corporation, arises from the fact that in Massachusetts stock may be attached on mesne process, and such attachment would take precedence of a pledge, of which no notice has been given to the corporation.

## V. REMITTANCES FOR COLLECTIONS.

A bank at Jefferson, Texas, sends us a collection drawn "With exchange on St. Louis or New York. Have we a right to remit in exchange on Jefferson, Texas, for face of the collection?"

REPLY.—You may adopt for yourself such rates of charge for collecting and remitting as may seem proper; but if you announce that you remit "without charge beyond current rates of exchange," it would not be consistent therewith to remit a check of less value than the exchange called for on *face of the collection*.

## VI. RESPONSIBILITY OF BANKS FOR COLLECTIONS.

A bank receives for collection a draft on a distant point, and employs a bank at that point, in good standing, as per Commercial Agency Reports. The bank collects, delivers up the draft, remits its check on New York in payment, which is at once forwarded for payment, the customer receives credit for collection paid. The bank check is returned protested, and on same day the drawer fails. Is the collection completed when credit is given customer, or is that an entry subject to payment of check, or only to be a legal transfer of funds to customers' use, when the check is duly honored? And can the customer be called on to refund in equity, or by law, or does the bank lose the amount credited the customer, which was not current funds till paid to said bank's New York correspondent?

REPLY.—We do not think the receipt of the check on New York, if due diligence was used in presenting it for payment before the failure of the drawer, would amount to a receipt of the proceeds of the collection; and the fact that the customer received credit for, or was allowed to draw the amount of the check, was, at that time, a mere gratuitous accommodation to him which ought not to affect the legal rights of the parties. Your right, therefore, to cancel the credit given for the collection, or to recover back the amount thereof, if the customer was allowed to draw it out of the bank, must depend upon your responsibility for the failure of the collecting bank. If you are responsible for its solvency you are liable to your customer for this collection.

Upon this question, viz., whether, when a bank receives, for collection, a deposit of negotiable paper, payable at a distant place, it is responsible for the acts, or defaults, of the agents, or correspondents to whom it commits the paper for presentment upon the parties liable thereon, the law differs in different States. In New York and Ohio the receiving bank is responsible, while in Massachusetts, Connecticut, Maryland, Louisiana, Pennsylvania, Missouri, Illinois, and Wisconsin, it is not responsible, if it has used reasonable and proper care in the selection of its agents or correspondents. It has been supposed that the Courts of the United States followed the Massachusetts rule, but it has been recently decided by Judge Wallace in the Circuit Court for the Second Circuit, in *Kent vs. Dawson Bank*, 13 Blatchford's Reports, 237, that the New York rule is the correct one. This, however, was, in a New York district, and other Circuit Judges may decide differently.

The New York rule follows strictly the doctrine of the law of agency, that when one, as principal, contracts to fulfill a duty towards another, he is liable for any default, whether on his own part or that of those to whom he delegates the duty; and this receives the commendation of Daniel, in his work on *Negotiable Instruments*, who says:

“Any other rule opens the door to carelessness in the conduct of banking business, which should be conducted with every safeguard to the customer who intrusts his interests to the keeping of such agents. If they are averse to dealing with distant and unknown parties they should decline undertaking the collection or handling of the paper, and if they assume it they should do so for sufficient compensation, and be held responsible. If unwilling to take charge of the collection under this implied understanding, they should insist on a special contract, or refuse it.”

On the other side it is said, that, the whole duty of a bank receiving a note for collection is, seasonably to transmit the same to a suitable bank or other agent at the place of payment; that the customer knows perfectly well the bank in the usual course of business will have to employ an agent in a distant

place, and expects it to do so, and as matter of law, wherever the business of an agent is such that the employment of a sub-agent is necessary, and is so understood by the party employing him, the agent is not responsible provided he makes a fit and proper selection. Further, that collections are either made gratuitously, or for a very small commission, and the consideration received is too small to sustain the inference of an agreement to be responsible for the solvency and good conduct of all subsequent banks and agents whom it may be necessary to employ; that such an insurance should call for a large premium, and can only arise from an express contract.

Upon the whole, we think the latter rule the better, and it certainly seems to be the more popular throughout the United States.

It should be added that these rules are only applied in cases which are unaffected by any general usage prevailing among banks where the note is deposited, or any special contract, or understanding between the parties. It is always open for the bank to show that there is a general usage, or understanding, that it shall not be liable, or that the paper was received "for transmission" merely. In fact where the New York rule prevails, we suppose the banks, generally, protect themselves by a special agreement or understanding that the paper is received "for transmission," or something of that sort. This inquiry comes from Iowa, where the question appears to be still an open one, and it is consequently impossible for us to guess which of the preceding rules the Courts of Iowa will adopt. Our correspondent will find an interesting discussion of the question in *Morse on Banking*.

#### VII. IS A WAIVER OF PROTEST AN INDORSEMENT?

Does the fact of a party signing a waiver of protest on the back of a note before maturity, make him holden on the note the same as though he had previously indorsed it? In the case in question the party's name only appears under the waiver.

REPLY.—We assume that, after the delivery of the note, and while it is in the hands of the holder, a person not previously liable on the note, puts his name on the back thereof, under a waiver of protest. It is impossible to suppose that a mere waiver of protest is intended by this signature, because the writer thereof has no authority to waive protest for any one liable. On the contrary it must be taken to be an *indorsement* waiving protest. The effect of such an indorsement is well settled. It amounts to a guaranty of the payment of the note when it becomes due; and authorizes the holder to write such contract of guaranty over the signature of the indorser, in case it becomes necessary to bring a suit against him. This guaranty, however, is a new contract, collateral to that of the maker of the note, and can only be enforced against the guarantor upon proof of a new and separate consideration given for his signature; and this consideration must be averred and proved. In this respect it differs from an ordinary indorsement, or from an indorsement similar to this, but made *before* the delivery of the note. In the latter case the contract is supported by the original consideration, because the payee is supposed to have parted with something valuable upon the strength of the liability of the party who puts his name on the note. For remarks upon that contract see reply and decision of Supreme Court of the U. S., in our last May and December numbers.

## THE BANKERS' CONVENTION OF 1878.

At a meeting of the Executive Council of the American Bankers' Association, held on June 8th, at their office in this city, it was decided that the annual convention required by the constitution shall be held at Saratoga, on the 7th, 8th, and 9th of August next. The following circular to banks and bankers has been issued :

"You are earnestly invited to attend the various sessions of the convention, and to take part in the proceedings. The objects which the convention has in view are numerous, and some of them are of such importance that every individual connected with the banking business, either as an officer, a shareholder, a director, or a dealer, is personally interested. For obvious reasons, it is this year particularly desirable that a large delegation should attend from all parts of the United States. The time has arrived when our banks and bankers must recognize the necessity of acting together, and of cultivating a closer union for great common objects, conducive alike to the revival of business, the improvement of public and private credit, the stability of our financial system, and the general prosperity of the country. We intend to send you, in a few days, a copy of the addresses and proceedings of this Association before the Committee of Ways and Means, and its Sub-Committee, at Washington, during the session which is now closing. The subjects of this report have so close a relation to the financial and industrial, the agricultural and manufacturing, interests of the country, that a conspicuous place will, no doubt, be given to them in the programme of our annual convention.

"You will receive further information as to the topics and the speakers, when our Committee of Arrangements have perfected their plans. Since the war the banks have been singled out for heavy, invidious and mischievous taxation. In 1865, when the corresponding war taxes on other interests were removed, the war taxes of the banks ought also to have been taken off. We are informed by Congressmen of influence, that if we had appealed to Congress with the other suffering interests, we should, with them, have obtained relief. We neglected to do so; and the Federal taxes on the banks, which, through them, do the business community so much harm, are almost the only surviving relics of those special taxes which an enlightened fiscal reform designed to sweep away at the close of the war.

"Besides this question of tax-repeal, which is so vital to the prosperity of business and to the very existence of many banks in certain parts of the country, there are other practical subjects which have been suggested for the attention of the convention. Among these is the unrestricted power to issue municipal, county, and other bonds, by which heavy burdens of taxation are being foisted upon the people. These burdens are now so galling as to be a frequent menace to our public credit at home and abroad. It is to be feared that unless judicious restrictions stop the reckless issue of bonds, the outcry for repudiation may gain strength; although it is evident that the issuers of such bonds are the men who should be punished, and not the honest holders who have given their money in good faith for them.

"In introducing the various discussions during our three days' sessions, addresses will probably be given on the history of our banking system in the United States, with a comparison of its chief features with those of foreign banking systems; on the agency of the banks here and abroad in negotiating Government bonds, and in the refunding of public debts; on the relations of our banks to the Treasury, under the existing laws of the United States; and on other subjects illustrating the present economic state and prospects of the nation, the growth or decadence of wealth and productive power, the influence of banks upon public and private credit, the true principles of currency reform, and the financial evils which, by weakening the foundations of the banking

system, inflict weakness upon all kinds of industry, commerce and material progress throughout the country.

"We shall be glad to hear from you on any of the foregoing topics, at your earliest convenience. The present circular is chiefly intended as a preliminary announcement of matters upon which we wish to consult you, and other representatives of the State and National banks, the Saving institutions, the private banks, and the trust companies, throughout the United States.—Yours truly,

"JAMES BUELL, *Secretary.*"

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USURY LAWS AND NATIONAL BANKS.—Besides the cases reported in this number of the BANKER'S MAGAZINE, another suit has recently been decided which involved an important question in usury law. This was in the Court of Common Pleas of Philadelphia, being that of *Charles P. Meloney vs. The Third National Bank*, and was an action to recover back excessive interest alleged to have been paid upon notes extending over a period of several years. Suit was not brought, however, until after six months had elapsed from the last alleged payment of interest.

Counsel for the bank thereupon put in a special plea, reciting the Act of Assembly of May 28th, 1858, fixing the rate of interest in this State at six per cent., and limiting the time in which actions to recover back usurious payments may be brought to six months. The plaintiff demurred to this plea, on the ground that, as the bank was the creature of an Act of Congress, the State law of 1858 was not applicable to it. To this demurrer the bank made answer that, as the remedy invoked by the plaintiff was given by the State law and not by the Act of Congress, such remedy was clearly subject to the restrictions of the law giving it. The Court sustained the plea of the bank and overruled the demurrer.

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HENRY CERNUCHI.—The remarkable career of M. Cernuschi as a successful speculator is thus described in a recent Paris letter:

"M. Cernuschi is a very extraordinary man. He and Alessandro Castellani fought side by side behind barricades in the old Italian revolution. Cernuschi left Italy and came to France after political events had rendered an Italian residence temporarily distasteful to him. He lived modestly here for some time, but was soon employed by M. Arago in the Bureau of Longitudes, and his remarkably versatile talent soon displayed itself in many ways. His views on paper money brought him into relations with the administration of the Bank of France, and he was soon allowed to become the agent for a loan. At this business he accumulated several millions of francs, the foundation of his present colossal fortune. Then he went rapidly forward. A Republican of Republicans, of course, he became embroiled with the Empire, which expelled him from the country. He came back after Sedan and naturalized himself a French citizen, saying that he had not the right of doing so when France was great and glorious, but that he gladly joined his fate to hers when she needed help. Then came the Commune, and Cernuschi had an extraordinary escape. He was put up against a wall to be shot by the Versailles troops, when an officer who had seen him in Rome—an officer who had been on duty to protect the Papal power—recognized and saved him.

"He is wonderfully acute in business. Shortly before the Franco-Prussian war came on, he bought up all the cognac in the market of Bordeaux and sent it to London. Meeting M. Castellani in that city, he invited him to dinner, and in the course of the repast remarked, 'Oh, I made 800,000 francs to-day out of that little speculation in cognac.' When he started on his journey round the world, Castellani advised him to keep a sharp lookout for fine Japanese bronzes. Cernuschi organized a caravan in Japan, went far into the interior, and brought back the materials for this splendid museum, which we had the pleasure of seeing last month. There are few parks, if any, in the world, which have, like the Parc Monceau, a palace like that of M. Menier at one end, and a mansion like that of M. Henri Cernuschi at the other of its rich and verdurous lawn."



## BANKING AND FINANCIAL ITEMS.

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**Notice.**—The Second Edition of the *BANKER'S ALMANAC AND REGISTER* for 1878, will be issued early in July. Copies of the new volume forwarded to any address for Three Dollars. The "Cashier's Supplement," comprising the Bank Lists of the United States and Canada, with the Alphabetical List of Cashiers, &c., will be issued at the same time, and forwarded without charge to all subscribers to the First Edition. I. S. HOMANS, *Publisher.*

**CONGRESS**—Among the bills which failed to pass, that of the repeal of the Resumption Act was happily one. The amended bill which the Senate converted into a bill making greenbacks receivable at par for subscriptions to the new four-per-cent. loan, and also, after October 1st, for customs duties, was finally defeated in the House, on May 19th. A two-thirds majority was necessary to pass it, and the vote was 140 for, to 105 against it, less than the required number.

One of the later bills passed by Congress, was that for the government of the District of Columbia. The bill provides that hereafter the Secretary of the Treasury shall pay the interest on the 3.65 bonds of the District of Columbia, issued in pursuance of the Act of Congress approved June 20, 1874, when the same shall become due, and all amounts so paid shall be credited as a part of the appropriation for the year, by the United States, towards the expenses of the District of Columbia.

**THE CANCELLATION OF LEGAL-TENDERS** to the extent of eighty per cent. of new National bank circulation issued, was stopped on May 28th. The following bill passed the Senate on that day by a vote of 41 to 18: "*Be it enacted, etc.,* That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officers under him to cancel or retire any more of the United States legal-tender notes, and when any of said notes may be redeemed or be received into the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, cancelled or destroyed, but they shall be reissued and paid out again and kept in circulation, provided that nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law. All acts or parts of acts in conflict herewith are hereby repealed."

The bill having already passed the House was approved by the President. The Secretary of the Treasury therefore cancelled no legal-tender notes for the month of May, although the increase of National bank notes during the month called for the withdrawal of over \$1,600,000. The amount of legal tenders left outstanding is, therefore, \$346,681,016, and all hope is abandoned of reducing the total to \$300,000,000.

**THE INTERNATIONAL SILVER CONFERENCE**—The third section of the Silver bill directed the President "to invite the countries composing the Latin Union, and such other European nations as he might deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver, for the purpose of establishing, internationally, the use of bi-metallic money." The conference is to be held within six months of the passage of the act (February 21st). Three commissioners, to be paid \$2,500 each and their expenses, are to be appointed by the President. The governments of France, Italy, Russia, Hungary, Holland, Switzerland, and Greece, have accepted the invitation, leaving England and Germany the only important countries to be heard from.

THE BANKRUPT LAW was finally repealed on May 28th, the House of Representatives having concurred in the Senate amendment. The bill was signed by the President May 31st, the text being as follows:

"Be it enacted, &c.

"That the Bankrupt law, approved March 2d, 1867, Title 61, *Revised Statutes*, and an 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 2d, 1867, and for other purposes, approved June 22d, 1874, and all acts in amendment or supplementary thereto, or in explanation thereof, be and the same are hereby repealed.

"Provided, however, that such repeal shall in no manner invalidate or effect any case in bankruptcy instituted and pending in any Court prior to the day when this act shall take effect; but as to all such pending cases, and all future proceedings therein, and in respect of all pains, penalties, and forfeitures which shall have been incurred under any of said acts prior to the day when this act takes effect, or which may be thereafter incurred, under any of those provisions of any of said acts which, for the purposes named in this act are kept in force, and all penal actions and criminal proceedings for a violation of any of said acts, whether then pending or thereafter instituted, and in respect of all rights of debtors and creditors (except the right of commencing original proceedings in bankruptcy), and all rights of and suits by or against assignees under any or all of said acts in any matter or case which shall have arisen prior to the day when this act takes effect (which shall be on the 1st of September, 1878), or in any matter or case which shall arise after this act takes effect, in respect of any matter of bankruptcy authorized by this act, to be proceeded with after said last-named day, the acts hereby repealed shall continue in full force and effect until the law shall be fully disposed of, in the same manner as if said acts had not been repealed."

REDEMPTION OF FIVE-TWENTY BONDS.—The Secretary of the Treasury issued in June, two calls of \$5,000,000 each, for the redemption of five-twenty bonds of 1865, consols of 1865. The following are the descriptions, all numbers being inclusive:

Fifty-ninth call, June 5. Matures September 5.

*Coupon Bonds*.—Dated July 1, 1865, namely: \$50, Nos. 59,001 to 60,000; \$100, Nos. 101,001 to 103,000; \$500, Nos. 69,001 to 72,000; \$1,000, Nos. 125,001 to 130,000. Total coupon, \$2,500,000.

*Registered Bonds*.—"Redeemable at the pleasure of the United States after the 1st of July, 1870," as follows: \$50, Nos. 2,051 to 2,100; \$100, Nos. 16,601 to 17,150; \$500, Nos. 9,701 to 10,000; \$1,000, Nos. 32,201 to 33,100; \$5,000, Nos. 8,701 to 8,900; \$10,000, Nos. 16,251 to 16,750. Total registered, \$2,500. Aggregate, \$5,000,000.

Sixtieth call, June 20. Matures September 20.

*Coupon Bonds*.—Dated July 1, 1865, namely: \$50, Nos. 60,001 to 62,000; \$100, Nos. 103,001 to 105,000; \$500, Nos. 72,001 to 74,000; \$1,000, Nos. 130,001 to 135,000. Total coupon, \$2,500,000.

*Registered Bonds*.—"Redeemable at the pleasure of the United States after the first day of July, 1870," as follows: \$50, Nos. 2,101 to 2,200; \$100, Nos. 17,151 to 17,600; \$500, Nos. 10,001 to 10,200; \$1,000, Nos. 33,101 to 33,700; \$5,000, Nos. 8,901 to 9,100; \$10,000, Nos. 16,751 to 17,100. Total registered, \$2,500,000. Aggregate, \$5,000,000.

The record of calls for redemption of 5-20's since April 11, the date of signing the contract for \$50,000,000 of four and a half per cents, stands as follows: May 1, \$5,000,000; May 6, \$5,000,000; May 22, \$5,000,000; June 5, \$5,000,000; June 20, \$5,000,000. Total, \$25,000,000.

NEW YORK.—The East River National Bank has resolved to reduce its capital stock from \$350,000 to \$250,000. The president of the bank says that the main reason for contracting its capital is the fact that the real estate, which represents much of that capital, has shrunken enough to diminish its actual worth by \$100,000. The method will be to retire 4000 out of its 14,000 shares of capital stock, the same to be divided pro rata among stockholders, and with their full consent.

**THE NATIONAL TRUST COMPANY.**—Mr. William J. Best, the receiver of the National Trust Company, who was appointed December 15, 1877, announced in June the final dividend of twenty-five per cent. to depositors. There had already been paid one dividend of fifty and another of twenty-five per cent., and now the depositors of that institution are receiving the full amount of their claims. Of the \$2,000,000 of securities owned by the company about ninety per cent. or \$1,800,000 had no fixed market value. It is hoped that the stockholders may finally realize twenty-five or thirty per cent.

**DIVIDEND.**—The receiver of the suspended Oriental Savings bank has been authorized by the court to pay the depositors a dividend of twenty per cent., being the first dividend declared.

**DUNCAN, SHERMAN & CO.**—In December, 1875, the Trenton Banking Company obtained judgment for \$136,368 against Duncan, Sherman & Co., bankers, of this city, the debt having accrued in July of that year. Defendants were New York agents of plaintiffs, who, before appointing them, made inquiries and were told that defendants owned the banking house and the adjoining premises. After this the defendants failed and it was ascertained that a deed of the property was given to Alexander Duncan some years before. The plaintiffs then brought suit against Alexander Duncan to set aside the conveyance. On May 27th, Judge Van Brunt, in the Supreme Court, decided that, whatever the public reputation was the record showed that the banking house and the house on Pine Street did not belong to the new but the old firm, but an actual, unrecorded conveyance, not made in fraud of creditors, took precedence of a subsequent judgment. Complaint was, therefore, dismissed.

**MINING STOCK EXCHANGE—ELECTION OF OFFICERS.**—The New York Mining Exchange held on June 3d, its annual election. There were no less than ten tickets in the field, the difference being chiefly as to the Committee on Securities. The only opposition to the general officers as proposed by the regular ticket, was as to the Chairman, for which office there was a close contest between Mr. L. W. Badger and Mr. A. W. Peters, independent. The result of the election was as follows:

*President*, George B. Satterlee; *Vice-President*, H. C. Hardy; *Chairman*, A. W. Peters; *Secretary*, J. Wyman Morris; *Treasurer*, John Stanton, Jr.; *Assistant Secretary*, R. H. Gallagher, Jr.

*Committee on Securities.*—S. V. White, John F. Scott, Spencer Trask, Platt K. Dickinson, H. J. Rogers, Frederick Hardy, R. K. Cooke.

*Governing Committee* (three years)—James C. Godfrey, Rufus Hatch, James Francis, R. H. McJimsey, James T. Soutter, D. A. Boody, (two years) R. M. Shaw.

*Finance Committee.*—C. O. Morris, L. B. Newcombe, C. M. Stead, John M. Macpherson, George H. Kennedy.

*Membership Committee.*—J. J. Thomas, A. J. F. Vandeventer, Louis Haight, Gustave Leo, Charles H. Meigs, W. H. Barbour, J. W. Burnham.

**WILLIAM M. VERMILYE**, founder of the well-known banking house of Vermilye & Co., died, June 18th, at his residence in this city. Mr. Vermilye was born in New York, September 30, 1801, and began his business career as a clerk in the office of *The Commercial Advertiser*, and shortly afterward entered the employment of the Chemical Bank. When the Merchants' Exchange Bank was organized, in the Spring of 1830, Mr. Vermilye was chosen cashier, holding that position until 1840, when he became cashier of the Manhattan Banking Association. In 1846 Mr. Vermilye succeeded Newton Perkins as treasurer of the Ohio Life Insurance & Trust Co., and retained that office until 1849, when he entered into partnership with his brother and George Carpenter, as one of the firm of Carpenter & Vermilye. In 1858, Mr. Carpenter retired from business, when the house was reorganized under its present name of Vermilye & Co. In 1868 Mr. Vermilye retired from active participation in business. He held many important offices of trust and honor during his life, being for more than twenty years a director of the Mutual Life Insurance Company; Vice-President, and for several months President, of the Mechanics' Banking Association; treasurer of the University of the City of New York; and for some time president of the St. Nicholas Society.

IOWA.—The suit of the Charter Oak Life Insurance Company, against Hoyt Sherman, assignee of B. F. Allen, involving the ownership of Allen's real estate, amounting to several hundred thousand dollars in value, and known as the "Blanket Mortgage" case, was decided on May 22d, in the United States Circuit Court at Des Moines, in favor of the assignee and general creditors. The Court held the mortgage a fraud upon the creditors at common law, and did not rely upon the provisions of the Bankrupt law to declare it fraudulent and order it cancelled. It also held that the withholding of the mortgage from record, in connection with other facts, was proof of an intended fraud to be committed on the other creditors. The court stated that the firm of Allen, Stephens & Co. was started in New York without a dollar of capital, and even paid for their office furniture with depositors' money. The Cook County National Bank of Chicago was reduced to insolvency in 1873, by Mr. Allen drawing therefrom funds to pay money due the old Mississippi and Missouri Railroad in his hands as receiver. Mr. Allen was commercially bankrupt before he went to Chicago. The Court reviewed the evidence at length, and was emphatically severe and denunciatory on the frauds permeating the whole of this business. The opinion was a long and able one, delivered by Judge Love, Judge Dillon concurring.

MARYLAND.—Felix A. Savin, cashier of the Union Banking Company of Baltimore, and M. D. Savin of New York, were found guilty in March last of conspiracy to defraud the Sargent Bros., of New York, by fraudulent certificates of deposit, issued by the Banking Company. On June 6th, they were each sentenced, by the Criminal Court of Baltimore, to one year's imprisonment in jail, their sentence to date from the day of their conviction.

NEW HAMPSHIRE.—The question as to the right of a City to tax a bank's surplus came up in the New Hampshire Supreme Court in a suit between the City of Dover and the Strafford National bank, and was decided in favor of the City. The disputed tax was assessed in 1875 on a surplus of \$70,000. The difference against the bank is about \$1,200 yearly.

THE EXPENSES OF SAVINGS BANKS.—The following letter has been addressed to the Savings Banks of New York State, by Mr. H. L. Lamb, Acting-Superintendent of the Banking Department.

STATE OF NEW YORK, BANK DEPARTMENT, )  
ALBANY, June 13, 1878. )

I desire to call your attention to the matter of the expenses of your institution. I find, as a general rule, that the expenditures for the conduct of the Savings banks in New York much exceed those of the New England Savings banks. At the present time, in view of the downward tendency in prices and the appreciation in the currency dollar for all buying purposes, a reduction in salaries, fixed during the period of inflation and depreciated currency, seems to be reasonable and equitable as respects the employee. And, in the popular inclination to impute self-seeking to trustees of Savings banks, often with great injustice, immediate reform, wherever it can be properly made, and rigid economy in all cases in Savings institutions, would have a reassuring effect. The depositors have the right to claim this; the theory of Savings banks requires it; and the Savings Bank Act enforces it. (Sec. 33.)

In several cases where special conditions seemed to me to demand decisive action, I have made suggestions to the trustees for economy. Upon reflection, I regard the matter as one of such moment at this time as to be worthy of the early consideration of the trustees in all Savings banks. If there is any class of institutions which may justly be expected to set an example of rational frugality in expenses, it is the Savings banks.

I shall be happy to hear from each Savings bank that its trustees have taken this subject into consideration, and acted in the way, according to its condition and affairs, which are best understood by its trustees, which seems to them most useful and beneficial.

I respectfully request that this letter be presented to the trustees of each Savings bank to which it is sent, as early as possible, by the officers who may receive it.—Very truly yours,

HENRY L. LAMB, *Acting Superintendent.*

NEW YORK.—The Washington County National Bank, Greenwich, was closed on June 6th, by special order from Washington. Investigations show that great rascality has been practised by the officers, and the entire capital of \$200,000 is wiped out. The stock is held by farmers and others, who cannot afford their losses; the proprietors of the Washington Machine Works, and firms connected with them, owe the bank some \$120,000.

Edwin Andrews, cashier of the above mentioned bank, committed suicide, by hanging, on June 19th.

PENNSYLVANIA.—One of the last acts of the Pennsylvania Legislature, before its recent adjournment, was to pass a bill fixing the rate of interest in that State at six per cent. All former usury laws were repealed, and all banking institutions were included in its provisions. It thus attacks the specially chartered organizations. This is in violation of the provisions of the contract between those banks and the State, entered into through their charters, and is an infringement upon the vested rights of the stockholders. As there are about forty specially chartered banks in Pennsylvania which were permitted to charge more than six per cent. interest on loans, it is expected that the constitutionality of the act will be tested in Courts. The bill further provides that where usurious interest is charged, the debtor may have the excess deducted from his debt, and where the whole debt has been paid, the debtor may, any time within six months after such payment, bring a suit to recover the excess. *Bona fide* holders of negotiable paper are exempted from the provisions of the act. It is hardly to be expected that such a law will stand the test of legal examination, but its effects will be no less mischievous and annoying.

AUTHORITY OF CASHIER TO CERTIFY CHECKS.—The Supreme Court of Pennsylvania, by a recent decision in the case of *Dorsey vs. Abrams*, held that where a check on its face shows that it was not drawn in the usual course of business, and is not a commercial check, the cashier of the bank on which it is drawn, has no power to bind the bank by certifying the check as good. Accordingly, where a check payable to bearer, had indorsed upon it the words, "To hold as collateral for 1,000 P. T. oil, etc.," held, that an indorsement by the cashier that it was good when properly indorsed, would not bind the bank.

CANADA.—The banks named below have declared dividends, as follows, for the current half year; the figures in brackets indicating the total dividend for the past year:

Bank of Hamilton, 4 (8); Bank of Toronto, 4 (8); Banque Ville Marie, 3 (6); Banque de St. Jean, 4; Consolidated Bank of Canada, 3 (6½); Eastern Townships Bank, 4 (8); Federal Bank of Canada, 3½ (7); Imperial Bank of Canada, 4 (8); Merchants' Bank of Canada, (7); Ontario Bank, 3 (7); Quebec Bank, 3½ (7).

The Toronto *Monetary Times*, which furnishes the full reports of the annual meetings, points out that the tone of all the reports, or of the speakers at the meetings, is conservative, but withal, hopeful of better times. Respecting the future profits of banking in the Dominion, that journal remarks:

"We have not found anywhere else so frank recognition of the excessive amount of banking capital amongst us, and the difficulty of employing it profitably, as is given in the address of the General Manager of the Bank of Montreal. That gentleman, in deprecating any sanguine views as to the near future by the shareholders he addressed, gave it as his opinion that the excess in the number of banks and in the amount of banking capital in Canada, was as great as the excess in number of persons and of the means employed in any other business. This being the case—and these were words not lightly spoken, we may be sure—we might infer, if indeed we were not already quite well aware, that this helps to stimulate unsafe trading, for banking capital going a-begging generally means cheap and easy credit, which in turn results in slow pay and frequent loss. Our larger banks, which have been accustomed to use much of their money in the United States, have now to compete, says Mr. Angus, with money offered at low interest in that country, and on this side of the lines, with the cheap money of Great Britain, which is finding its way amongst us more and more. These causes are at work to bring down the rate of dividend from the higher figures which our banks have been accustomed to pay."

## 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 June 1, 1878, 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.....	\$1,289,880	41,200	\$600,000	\$641,200	\$56,410
New Hampshire.....	497,665	27,400	10,800	38,200	2,920
Vermont.....	1,455,770	151,097	862,340	1,013,437	397,955
Massachusetts.....	11,521,075	185,800	597,500	5,783,300	249,191
Rhode Island.....	473,700	32,350	617,385	649,735	32,350
Connecticut.....	1,538,660	65,350	1,249,490	1,314,840	29,443
New York.....	12,825,965	1,692,841	16,552,400	18,245,241	1,658,062
New Jersey.....	1,390,465	30,060	973,940	1,004,000	24,410
Pennsylvania.....	5,857,720	838,491	5,507,506	6,345,997	980,786
Delaware.....	143,575	—	—	—	—
Maryland.....	211,210	166,600	1,327,580	1,494,180	197,816
Dist. of Columbia.....	417,400	393,164	427,500	820,664	127,396
Virginia.....	408,100	706,864	778,915	1,485,779	149,616
West Virginia.....	44,370	731,060	204,300	935,360	145,741
North Carolina.....	490,460	—	827,185	827,185	143,327
South Carolina.....	45,700	—	953,380	953,380	85,268
Georgia.....	253,480	287,725	392,675	680,400	139,118
Florida.....	45,000	—	—	—	—
Alabama.....	198,000	—	94,500	94,500	34,468
Mississippi.....	—	—	—	—	1,116
Louisiana.....	802,630	645,750	2,099,250	2,745,000	581,173
Texas.....	116,100	—	229,340	229,340	4,575
Arkansas.....	135,000	—	135,000	135,000	38,560
Kentucky.....	2,528,740	575,867	1,243,633	1,819,500	461,562
Tennessee.....	356,910	235,901	488,959	724,860	100,272
Missouri.....	162,570	602,200	3,566,520	4,168,720	795,513
Ohio.....	1,311,740	1,347,856	2,318,225	3,366,081	1,194,122
Indiana.....	2,198,950	896,526	3,941,143	4,837,669	964,468
Illinois.....	1,255,535	1,203,474	6,085,406	7,288,880	1,276,754
Michigan.....	585,160	303,100	1,716,490	2,019,590	281,005
Wisconsin.....	205,700	436,999	804,400	1,241,399	253,758
Iowa.....	867,300	562,969	1,536,955	2,099,924	414,017
Minnesota.....	703,720	310,676	1,213,545	1,529,221	245,955
Kansas.....	30,600	692,421	190,550	882,971	338,427
Nebraska.....	45,000	45,000	188,080	233,080	72,944
Nevada.....	—	—	—	—	2,789
Dakota.....	27,000	—	—	—	—
Colorado.....	365,400	94,783	149,400	244,183	31,699
Utah.....	—	161,191	196,800	357,991	36,007
Washington.....	45,000	—	—	—	—
Montana.....	39,600	—	45,000	45,000	1,910
Totals.....	\$50,890,850	\$13,464,715	\$63,131,092		\$11,550,903
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....				3,813,675	
Total deposits.....					\$80,409,482

J. S. LANGWORTHY, Acting Comptroller of the Currency.

## NATIONAL BANK AND LEGAL-TENDER NOTES.

STATEMENT of the Comptroller of the Currency, showing Issue and Retirement of NATIONAL BANK NOTES and LEGAL-TENDER NOTES, June 1, 1878.

### 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.....	<u>1,967,268</u>
Outstanding January 14, 1875.....	351,861,450
Redeemed and retired from Jan. 14, 1875, to date. \$	66,091,347
Surrendered between same dates.....	9,370,488
Total redeemed and surrendered	75,461,835
Issued between same dates.....	46,156,350
Decrease from January 14, 1875, to date.....	29,305,485
Outstanding at date.....	<u>\$ 322,555,965</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.....	76,595,807
Total deposits.....	<u>80,409,482</u>
National bank Circulation redeemed by Treasurer between same dates without re-issue.....	68,858,579
Greenbacks on deposit at date.....	<u>11,550,903</u>
Greenbacks retired under act of January 14, 1875.....	\$ 35,318,984
Greenbacks outstanding at date.....	<u>346,681,016</u>

J. S. LANGWORTHY, *Acting Comptroller of the Currency.*

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THE VALUE OF A LIFE.—An estimate of the value to this country of the addition to our population by emigration, is shown by the *Supplement to the Thirty-Fifth Annual Report of the Registrar-General of Great Britain*, in which Dr. Farr has an interesting chapter on the pecuniary value of life. A certain amount of expense has to be incurred in any class before a child can attain such an age and such strength that it can earn its own livelihood. It is very difficult to estimate what the expenses of even a careful man, who passes though the ordinary University career, must have been before he is able to earn anything for himself. Among the lower ranks the problem is simpler, though the facts and the general course of events have, making due allowance for difference in station, a considerable similarity. "The value of any class of lives is determined by valuing first, at birth, or at any age, the cost of future maintenance, and then the value of the future earnings. Thus proceeding, I found the value of a Norfolk agricultural laborer to be £ 246 at the age of twenty-five: the child is, by this method, worth only £ 5 at birth; £ 56 at the age of five; £ 117 at the age of ten; the youth £ 192 at the age of fifteen; the young man £ 234 at the age of twenty; the man, £ 246 at the age of twenty-five, £ 241 at the age of thirty, when the value goes on declining to £ 136 at the age of fifty-five, and only £ 1 at the age of seventy; the cost of maintenance afterwards exceeding the earnings, the value becomes negative; at eighty the value of the cost of maintenance exceeds the value of the earnings by £ 41.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from June No., page 991.)*

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
CONN.	Wilimantic....	First National Bank. (2388)	Continental National Bank.
	\$ 100,000	William C. Jillson, Pr.	Oliver H. K. Risley, Cas.
ILL.	Bloomington....	National State Bank. (2386)	Metropolitan National Bank.
	\$ 100,000	Frank Hoblit, Pr.	A. B. Hoblit, Cas.
"	.. Sterling.....	Galt Brothers.....	.....
"	.. Streator.....	Wilson & Kuhns.....	Chase National Bank.
IOWA.	Boone.....	City Bank.....	Chase National Bank.
	\$ 50,000	William F. Clark, Pr.	C. J. A. Ericson, Cas.
"	.. Glidden.....	G. H. Stafford.....	Commercial Nat. B'k, Chicago.
MICH.	Cadillac.....	Messmore & Co.....	Winslow, Lanier & Co.
MINN.	Cannon Falls..	First National Bank. (2387)	.....
	\$ 50,000	.....	L. S. Follett, Cas.
"	.. Granite Falls....	Granite Falls B. (J. A. Willard & Co.)	.....
MO.	Carthage.....	Traders' Bank.....	National Bank of Commerce.
	\$ 20,000	Jesse Thacker, Pr.	D. S. Thomas, Cas.
NEB.	Central City....	Central City Bank (Metcalf & Persinger).	Corbin Bkg. Co.
OHIO.	Hubbard.....	Hubbard Nat'l Bank (2389)	.....
	\$ 50,000	Alex. M. Jewell, Pr.	Robert H. Jewell, Cas.
PENN.	Bradford.....	Union Banking Co.....	National Park Bank.
		R. F. Borckman, Pr.	John F. Merrill, Cas.
"	.. Easton.....	Northampton Co. Nat. B'k (2385)	National Park Bank.
	\$ 100,000	Joseph Laubach, Pr.	William H. Hutter, Cas.
"	.. Jersey Shore...	Jersey Shore Banking Co..	National Park Bank.
TEXAS.	Round Rock...	Williamson Co. Bank (W. S. Peters).	Swenson, Son & Co.
WIS.	De Pere.....	Herbert R. Jones.....	Chemical National Bank.
"	.. ".....	Rufus B. Kellogg & Co.....	Chemical National Bank.
"	.. Eau Claire.....	Bank of Eau Claire.....	Central National Bank.
	\$ 30,000	F. W. Woodward, Pr.	George T. Thompson, Cas.

## THE PREMIUM ON GOLD AT NEW YORK.

MAY—JUNE, 1878.

1877.	Lowest.	Highest.	1878.	Lowest.	Highest.	1878.	Lowest.	Highest.
May.....	6¼	7¾	May 25	¾	1	June 11	¾	1
June.....	4¾	6¾	27	¾	1	12	1	1
July.....	5½	6½	28	1	1½	13	¾	1
August.....	3¾	5½	29	1	1¾	14	¾	¾
September..	2¾	4	30	Holiday	.....	15	¾	¾
October.....	2½	3¾	31	1	1½	17	¾	¾
November...	2½	3¾	June 1	¾	1	18	¾	¾
December...	2½	3¾	3	¾	¾	19	¾	¾
1878.			4	¾	¾	20	¾	¾
January.....	1¾	2½	5	¾	¾	21	¾	¾
February....	1½	2¾	6	¾	1	22	¾	¾
March.....	¾	2	7	1	1	24	¾	¾
April.....	¾	1¼	8	¾	1	25	¾	¾
May.....	¾	1¼	10	¾	1	26	¾	¾



## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List, continued from June No., page 992.)*

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	People's Bank	Wm. Milne, Jr., <i>Act'g Cas.</i>	
CAL.	Nevada Bank, San Francisco	H. W. Glenny, <i>Cas.</i>	C. T. Christensen.
COLO.	Bent County Bank, West Las Animas	P. G. Scott, <i>Cas.</i>	A. G. Siddons.
CONN.	Yale Nat. Bank, New Haven	Franklin S. Bradley, <i>Pr.</i>	C. L. English.
GA.	Bank of Augusta, Augusta	William S. Roberts, <i>Pr.</i> E. H. Walton, <i>Cas.</i>	
ILL.	De Witt Co. Nat. B'k, Clinton	William Metzger, <i>Cas.</i>	J. J. Kelly.
IND.	Nat. Bank of Salem, Salem	Dennis McMahan, <i>Cas.</i>	J. Baynes.
KANSAS.	First National Bank, Emporia	E. R. Holderman, <i>Cas.</i>	R. B. Hurst.*
"	Osage City Savings Bank, Osage City	John S. Danford, <i>Pr.</i> T. B. Haslam, <i>Act'g Cas.</i>	A. W. Ellet. J. S. Danford.
MASS.	Clearing House, Worcester	William Cross, <i>Chairman</i>	G. W. Richardson.
N. Y.	First National Bank, Brockport	F. E. Williams, <i>Cas.</i>	F. J. Conant.
"	City Bank, Rochester	Ezra M. Parsons, <i>Pr.</i>	T. Leighton.
"	Citizens' Bank, Waverly	H. Hallet, <i>Cas.</i>	M. Lyman, Jr.
OHIO.	First National Bank, Bucyrus	J. B. Gormly, <i>Pr.</i> George C. Gormly, <i>Cas.</i>	J. A. Gormly.* J. B. Gormly.
"	First Nat'l Bank, Mt. Pleasant	James H. Gill, <i>Pr.</i>	J. T. Updegraff.
PENN.	First National Bank, Allegheny	Edward R. Kramer, <i>Cas.</i>	J. P. Kramer.
"	Miners & Mechanics' Sav. B., Carbondale	Clarence E. Spencer, <i>Cas.</i>	J. R. Lathrop.
"	Harmony Sav. B'k., Harmony	Henry M. Wise, <i>Cas.</i>	
TEXAS.	Island City Sav. B., Galveston	N. B. Sligh, <i>Cas.</i>	J. G. Michailoffsky.*
"	Nat. B. of Jefferson, Jefferson	A. B. Smith, <i>Cas.</i>	J. H. Parsons.
"	Citizens' Savings Bank,	J. H. Parsons, <i>Cas.</i>	J. M. Lewis.

\* Deceased.

## DISSOLVED OR DISCONTINUED.

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

CONN.	Willimantic	Willimantic Trust Co.; failed.
GA.	Macon	Cubbedge, Hazlehurst & Co.; failed.
IND.	Lima	National State Bank; in liquidation.
KANSAS.	Council Grove	J. W. Simcock & Co.; closed. Emporia National Bank assumes liabilities.
"	Topeka	State Savings Bank; closed.
KY.	Paducah	Commercial Bank; in liquidation.
MAINE.	Newport	Newport Savings Bank; deposits scaled down forty per cent.
"	Saccarappa	Saccarappa Savings Bank; closed and settling.
MASS.	Hyde Park	Hyde Park Savings Bank; paying ten per cent. half-yearly.
"	Worcester	Security National Bank; voluntary liquidation.
NEB.	Humboldt	Branch Farmers' State Bank; discontinued.
N. J.	Hudson City	Dime Savings Bank; to pay twenty-five per cent. of deposits.
N. Y.	Greenwich	Washington Co. Nat. Bank; closed by order of Department.
OHIO.	Fremont	Bank of Fremont; closed. Paying liabilities on demand.
"	Waynesburg	Exchange Bank; discontinued.
PENN.	Elizabeth	J. & S. J. Weddell (Elizabeth Savings Bank); failed.
"	Scranton	Second National Bank; suspended.
"	Shenandoah	Shenandoah Valley Bank; closed for the present.
R. I.	Providence	Rhode Island Institution for Savings; closing.
TEXAS.	Dallas	First National Bank; applies for receiver.
"	"	State Savings Bank; assigned.
"	Fort Worth	McCreary & Barlow; closed.
"	Galveston	H. Seeligson & Co.; dissolved.
Wis.	De Pere	Commercial Bank; closed.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to June 26, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2385	Northampton Co. Nat. Bank. Easton, PENN.	Joseph Laubach. William H. Hutter.	\$ 100,000	\$ 100,000
2386	National State Bank Bloomington, ILL.	Frank Hoblit A. B. Hoblit.	100,000	100,000
2387	First National Bank. Cannon Falls, MINN.	L. S. Follett.	50,000	50,000
2388	First National Bank Willimantic, CONN.	W. C. Jillson. O. H. K. Risley.	100,000	50,000
2389	Hubbard National Bank. Hubbard, OHIO.	Alex. M. Jewell. Robert H. Jewell.	50,000	50,000

## RECENT CHANGES OF TITLE, ETC.

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

N. Y. CITY	McTavish & Morris; now D. A. McTavish & Wm. Lawson. Meredith, William T.; removed to 37 William Street.
ALA	Alexander City. Renfro & Co.; now Renfro & Lancaster. Mobile. Thos P. Miller & Co.; admit Charles B. Miller. Style same.
GA	Rome. Hargrove, Hardy & Williams; now Hargrove & Williams.
ILL	Rockford. People's Savings Bank; now People's Bank. Same officers. Sterling. Patterson & Co.; now Galt Brothers. Streator. First National Bank; succeeded by Wilson & Kuhns.
IOWA	Boone. First National Bank; now City Bank. Same officers.
KANSAS	Parsons. Parsons Savings Bank; now Parsons Commercial Bank.
MASS	Boston. Boston National Bank; removed to Mutual Life Building, P. O. Square.
MICH	Cadillac. D. F. Comstock; succeeded by Messmore & Co. Ishpeming. Bigelow, Rood & Wadsworth; now D. F. Wadsworth & Co.
MO	St. Louis. Manufacturers Bank; capital increased \$100,000. Paid capital now \$200,000. Carthage. First National Bank; now Traders' Bank. Same officers. Forest City. Frazer & McDonald; now incorporated as Frazer & McDonald's Bank.
NEB	North Platte. Walker Brothers; now McDonald & Walker.
PENN	Jersey Shore. Gambles, Humes & White; suc. by Jersey Shore Bkg. Co. Reading. First National Bank; capital to be increased to \$200,000.
TENN	Memphis. Manhattan Bank; capital, \$20,600. Surplus, \$89,400.
TEXAS	Round Rock. Exchange Bank (D. M. Miller); now Williamson Co. Bank (W. S. Peters).
WIS	Eau Claire. First Nat'l Bank; now Bank of Eau Claire. Same officers.

## THE NATIONAL BANK ACT.

**Now in Preparation.** A new and revised edition of the *National Bank Act*, with amendments, according to the *Revised Statutes* of the United States. Together with a new abstract of all important *Legal Decisions* in the United States or higher State Courts, relating to National banks. The volume will be issued about September 1st, from the office of the BANKER'S MAGAZINE.

## NOTES ON THE MONEY MARKET.

NEW YORK, JUNE 24, 1878.

*Exchange on London at sixty days' sight, 4.85½ a 4.86 in gold.*

As was anticipated last month, Congress adjourned without completing any new financial legislation of a nature to disturb business. The money market has been easy and loanable funds abundant. Business is dull and the demand for loans falls below the level of the supply of loanable capital. The reserves of the banks are large though the accumulations do not rise so high as is usual at mid-summer. The averages of the New York Clearing-House banks compare as follows :

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
May 25.....	\$ 223,997,200	\$ 19,827,100	\$ 44,023,900	\$ 20,005,800	\$ 198,985,300	\$ 14,104,675
June 1.....	234,049,400	17,001,200	47,248,000	19,941,000	199,867,900	14,282,225
" 8.....	236,132,900	16,801,200	47,816,400	19,979,600	202,271,800	14,049,650
" 15.....	234,639,100	17,105,200	49,502,900	19,984,900	205,785,200	15,161,800
" 22.....	234,713,700	15,069,700	52,456,900	19,909,900	205,384,100	16,190,575

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 25.....	\$ 123,932,500	\$ 3,959,300	\$ 4,260,200	\$ 70,099,000	\$ 25,373,100
June 1.....	123,973,200	3,448,600	5,260,600	71,653,500	25,446,300
" 8.....	125,010,400	3,211,800	5,735,100	72,679,600	25,584,600
" 15.....	125,764,700	2,890,900	6,224,200	71,958,600	25,527,600
" 22.....	127,030,700	2,677,400	6,681,800	73,403,800	25,372,700

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 25.....	\$ 57,106,850	\$ 2,002,175	\$ 12,231,928	\$ 43,830,408	\$ 11,088,797
June 1.....	57,141,428	1,957,813	12,723,700	44,601,979	11,069,120
" 8.....	57,380,687	1,948,551	12,777,652	44,814,241	11,070,141
" 15.....	57,542,325	1,810,592	12,674,595	44,900,053	11,049,673
" 22.....	57,104,069	1,799,585	13,166,808	44,608,901	11,006,979

The stock market is active but feverish and irregular. The abundance of idle money and the low rates of interest do not stimulate speculative transactions on a large scale as formerly. The approach of the time fixed for specie payments has checked the ardor of speculation and the impoverishment of many of the old operators of Wall Street has tended, with other circumstances, to curtail the

volume of business considerably. Government securities are firm, State stocks are dull, railroad bonds are strong and in demand. At present very few seven-per-cent. mortgage bonds of good roads can be bought below par. This will be seen from the subjoined abstract of the chief transactions in the railway mortgages to day: Chicago and Northwestern consolidated gold coupons declined from  $98\frac{7}{8}$  to  $98\frac{3}{8}$ ; Union Pacific sinking funds declined to 101 and recovered to  $101\frac{1}{2}$ ; St. Paul consolidated sinking funds rose to  $102\frac{1}{2}$ ; do., Indianapolis and Milwaukee division, to 104; New Jersey Central consuls, firsts, assented, to  $71\frac{1}{2}$ ; Pacific of Mo. firsts to 104; and New York Elevated firsts to  $89\frac{3}{4}$ ; Alton and Terre Haute income dropped two per cent. to thirty-four; Central Pacific Land Grants declined from 95 to  $94\frac{1}{2}$ ; and New York Central 6s of 1883 from  $104\frac{1}{2}$  to  $104\frac{1}{4}$ ; Central Pacific, San Joaquin branch, rose from 91 to  $91\frac{1}{4}$ ; Chicago, Burlington and Quincy 8s sold at 115; do. consolidated 7s at  $113\frac{1}{2}$ ; New York Central coupon firsts at  $121\frac{1}{2}$ ; Union Pacific firsts at  $107\frac{3}{4}$  @  $107\frac{3}{8}$ ; land grants at  $107\frac{3}{4}$  @  $107\frac{3}{8}$ ; and Fort Wayne firsts at 121. During the afternoon Alton and Terre Haute second preferred and do. incomes declined two per cent., selling down to seventy and twenty-eight respectively; St. Paul consol. sinking funds rose to  $102\frac{3}{8}$ ; Chicago and Alton firsts sold at  $117\frac{1}{2}$ ; Syracuse, Binghamton and New York firsts at  $102\frac{1}{4}$ ; Michigan Centrals 7s at  $110\frac{1}{2}$ ; Union Pacific firsts at  $107\frac{3}{4}$ ; do. sinking funds at  $101\frac{1}{2}$ ; and St. Louis, Jacksonville and Chicago firsts at  $106\frac{1}{2}$ . Pacific Railroad bonds closed as follows: Union Pacific firsts at  $107\frac{3}{4}$  @  $107\frac{3}{8}$ ; do. land grants at  $107\frac{3}{4}$  @  $108$ ; do. sinking funds at  $101\frac{3}{8}$  @  $101\frac{3}{4}$ ; Centrals at  $107\frac{3}{4}$  @  $107\frac{3}{8}$ . There has been considerable activity in railroad shares during the month. The crops are good and the prospects of heavy traffic during the fall months have given an impulse to the stock market. Quotations close with less animation. Subjoined are our usual quotations:

QUOTATIONS:	May 27.	June 3.	June 10.	June 17.	June 24.
Gold .....	101 ..	$100\frac{3}{4}$ ..	$100\frac{7}{8}$ ..	$100\frac{3}{4}$ ..	$100\frac{3}{8}$
U. S. 5-20s, 1867 Coup.	$107\frac{1}{2}$ ..	$107\frac{1}{8}$ ..	$107\frac{3}{4}$ ..	$107\frac{7}{8}$ ..	$108\frac{3}{4}$
U. S. 10-40s Coup. ....	$107\frac{1}{2}$ ..	$107\frac{1}{2}$ ..	$107\frac{1}{2}$ ..	$107\frac{1}{2}$ ..	$108\frac{3}{8}$
West. Union Tel. Co. . .	$83\frac{3}{4}$ ..	$84\frac{1}{2}$ ..	$85\frac{1}{2}$ ..	$85\frac{1}{2}$ ..	87
N. Y. C. & Hudson R- Lake Shore .....	$108\frac{1}{2}$ ..	$110\frac{3}{8}$ ..	$111\frac{3}{8}$ ..	$107\frac{3}{4}$ ..	$108\frac{3}{4}$
Chicago & Rock Island	$62\frac{1}{2}$ ..	$63\frac{1}{2}$ ..	$64\frac{3}{4}$ ..	$59\frac{3}{4}$ ..	$57\frac{3}{8}$
New Jersey Central...	$109\frac{1}{2}$ ..	$115\frac{3}{4}$ ..	$116\frac{3}{4}$ ..	$113\frac{1}{4}$ ..	$117\frac{3}{4}$
Del. Lack. & West....	22 ..	$30\frac{3}{8}$ ..	$29\frac{3}{4}$ ..	$30\frac{1}{2}$ ..	$31\frac{1}{2}$
Delaware & Hudson..	$55\frac{1}{4}$ ..	$56\frac{3}{4}$ ..	$59\frac{1}{2}$ ..	$51\frac{1}{4}$ ..	$57\frac{3}{4}$
North Western.....	$55\frac{3}{8}$ ..	$56\frac{1}{2}$ ..	$58\frac{1}{2}$ ..	$55\frac{1}{2}$ ..	$55\frac{3}{4}$
Pacific Mail.....	$52\frac{1}{2}$ ..	$53\frac{3}{4}$ ..	$52\frac{1}{4}$ ..	$51\frac{1}{4}$ ..	$46\frac{3}{4}$
Erie.....	$19\frac{1}{2}$ ..	$18\frac{1}{2}$ ..	$19\frac{1}{2}$ ..	$13\frac{1}{2}$ ..	$15\frac{3}{4}$
Erie.....	12 ..	$15\frac{3}{8}$ ..	$16\frac{1}{2}$ ..	$16\frac{1}{2}$ ..	$15\frac{3}{4}$
Call Loans.....	3 @ 4 ..	3 @ 5 ..	3 @ 5 ..	3 @ 5 ..	$2\frac{1}{2}$ @ 5
Discounts .....	5 @ 8 ..	5 @ 8 ..	5 @ 8 ..	5 @ 8 ..	5 @ 8
Bills on London.....	$4.84\frac{1}{2}$ - $4.87$ ..	$4.84\frac{1}{2}$ - $4.86\frac{1}{4}$ ..	$4.85\frac{1}{2}$ - $4.87\frac{1}{2}$ ..	$4.85\frac{1}{2}$ - $4.87\frac{1}{2}$ ..	$4.85\frac{1}{2}$ - $4.87\frac{3}{4}$
Treasury balances, cur.	$\$37,557,767$ ..	$\$39,983,095$ ..	$\$41,350,436$ ..	$\$41,583,122$ ..	$\$42,605,719$
Do. do. gold.	$\$104,796,267$ ..	$\$130,488,931$ ..	$\$124,926,693$ ..	$\$125,259,005$ ..	$\$125,647,412$

The coal stocks are better. The Board of Control made the following allotments of coal for the month of July: Philadelphia and Reading Railroad, 429,375 tons; Lehigh Valley Railroad Company, 296,250 tons; Central Railroad N. J., 193,575 tons; Delaware, Lackawanna and Western Railroad, 191,250 tons; Delaware and Hudson Canal Company, 187,200 tons; Pennsylvania Railroad Company, 114,375 tons; Pennsylvania Coal Company, 87,975

tons. It has been doubted how long the union among the companies will hold together. At present it is said there are signs of uneasiness among some of the companies.

The usury question in Wall Street has just been raised into some prominence by two circumstances. The first is a decision in our Marine Court in the case of *Raynor vs. St. John, and others*. It appeared in evidence that one of the defendants applied to the firm of St. John & Co. for an accommodation note of \$379, which St. John & Co. gave to him. He, after indorsing it, sold the note before maturity to Raynor & Co., the plaintiffs, at a discount of two and a half per cent. per month. Raynor & Co. claimed to have purchased the note in good faith, believing it to have been ordinary business paper and without notice of its being accommodation paper or that it was tainted with usury, and accordingly brought suit on the note. The case has been twice tried. On the first trial a verdict was directed for the plaintiffs, which was subsequently set aside and a new trial ordered. On the second trial a verdict was directed for the defendants, which verdict was also set aside and a new trial granted; from this order defendants appealed. On both trials Messrs. Jacobs Brothers, who represented the defendants, requested the Court to direct a verdict for the defendants, on the grounds that the note had no legal inception until it reached Raynor & Co.'s hands; that by discounting it at a greater sum than the rate of seven per cent. per annum the note was void; that no action could be maintained thereon; that even assuming that Raynor & Co. did not know the note to have been accommodation paper, and supposed it to have been business paper, they cannot recover, and last, that the holder is bound to know the character of the paper he is dealing in, and if it turns out to be accommodation paper the transaction is usurious if the same is discounted or purchased at a greater rate of interest than seven per cent. The General Term has now decided that it was error on the part of the Judge to set aside the verdict he had ordered, and that such verdict was properly directed for the defendants, and accordingly reversed the order granting the plaintiffs a new trial. The plaintiffs consequently lose the entire amount, under the usury law of this State.

*Secondly*, there is the case in the U. S. Circuit Court for the Western District of Pennsylvania, discussed in previous pages, and the new usury legislation which it has prompted. The Pennsylvania Legislature at the close of the recent session passed a law repealing the existing usury laws, fixing the general rate of interest at six per cent., and including under the provisions of the new law all the banks in the State, including the forty or fifty State banks, privileged to charge any rate of interest without restriction. As these privileged banks have charters, securing to them the right to charge any rate of interest mutually agreed upon, the constitutionality of the new law is to be tested in the Courts. Prior to November, 1700, the rate of interest, limited by the first colonial statute, was eight per cent., but the Act of that date reduced it to six per cent., and annexed a forfeiture of the money, goods, or other things lent, for taking or reserving more. This Act was repealed in February, 1705, which restored the former rate of interest; but in March, 1723, the penalty was re-enacted; several amendatory Acts have been passed in 1856, 1857, 1858, 1859, and 1878. The Pennsylvania law upon the subject of interest, prior to the new law of 1878, may be

stated as follows: Unless in the cases above noted the rate of interest was six per cent., any excess was not recoverable, but might be deducted from the debt; and where excess had been paid, it might be recovered back, provided the action for that purpose were brought within six months after the time of such payment. Negotiable paper in the hands of *bona fide* holders was not affected, and commission merchants and agents of parties not residing within the Commonwealth might contract to retain interest at seven per cent. upon balances in their hands. The usury penalties did not apply to the bonds of railroad and canal companies.

The British exports for May show a decline of  $7\frac{1}{2}$  per cent. from those for May last year. In cottons it is 16.5, in linens 4.5, in hardware 10.4, in iron and steel 12.1. The total decrease in export values is about £1,100,000—a large sum at a time of depression already extreme in English markets. In imports there is a decrease of  $10\frac{1}{2}$  per cent. against an 18 per cent. increase in the previous May. Raw cotton gains 26.2—not a welcome addition when the country is overstocked with prints, and the demand is falling off. The export of American bacon to England continues. The increase for May was no less than 78.6 per cent., while that of cheese was 41, and of butter 15.4. In wheat there was a decline of 11.7, and in flour of 41.5 per cent.

The operations of the Syndicate, which were substantially ended at our last issue, were formally closed on May 31, when they subscribed for the remaining \$15,000,000 United States four-and-a-half-per-cent. bonds. This makes the entire \$50,000,000 bargained for on April 11, anticipating the options, created by the contract of that date, for the months of October, November and December.

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## DEATHS.

At MIDDLETOWN, OHIO, on Sunday, May 26th, aged fifty-three years, DANIEL HELWIG, Cashier of the First National Bank.

At EMPORIA, KANSAS, on Monday, June 10th, aged forty-seven years, ROBERT B. HURST, Cashier of the First National Bank.

At SALEM, N. C., on Thursday, April 16, aged sixty-seven years, ISRAEL G. LASH, President of the First National Bank.

At PITTSTON, PA., on Saturday, May 11th, aged fifty-six years, MICHAEL REAP, formerly President of the Miners' Savings Bank.

At CHICAGO, ILL., on Wednesday, June 5th, aged sixty-one years, MANCER TALCOTT, President of the Union Stock Yard National Bank.

At NEW YORK, on Tuesday 18th, aged seventy-seven years, WILLAM M. VERMILYE, formerly Cashier of the Manhattan Banking Association, and late of the firm of Vermilye & Co.

At ELIZABETH, N. J., on Friday, June 14th, ARCHIBALD S. WOODRUFF, formerly Cashier of the State Bank.

THE  
**BANKER'S MAGAZINE,**  
AND  
*Statistical Register.*

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ON THE POLICY OF ISSUING UNITED STATES  
GOLD CERTIFICATES.

An almost entire unanimity exists in our country in favor of a resumption of specie payments, provided that permanent resumption is practicable. The only controversy to speak of, is on the question of practicability; whatever, therefore, may increase the chances of success in resumption, on or before January next, is plainly of public benefit. With a view, therefore, to the removal of one obstacle to resumption that may exist, we desire to call attention to the practice of the United States Treasury in receiving gold on deposit, and giving in return, without charge or expense to the owner, a certificate of such deposit, with an agreement to repay the gold on demand.

The form of the gold certificates is as follows:

It is hereby certified that \_\_\_\_\_ dollars have been deposited with the Assistant Treasurer of the United States, payable in gold, at his office, to the order of \_\_\_\_\_. New York (here follow the date and signatures of the proper officers).

The Act of Congress giving the Secretary of the Treasury power to issue such certificates, was passed, March 3, 1863, and the section of the act referring to the issuing of gold certificates reads as follows:

“That the Secretary of the Treasury is hereby authorized to receive deposits of gold coin and bullion with the Treasurer, or any Assistant Treasurer, of the United States, in sums not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars

each, corresponding with the denominations of the United States notes. The coin and bullion deposited for, or representing the certificates of deposit, shall be retained in the Treasury for the payment of the same on demand. And certificates representing coin in the Treasury; may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed twenty per centum beyond the amount of coin and bullion in the Treasury; and the certificates for coin or bullion in the Treasury shall be received at par in payment for duties on imports."

The law provides that the coin and bullion deposited shall be retained in the Treasury until the certificates are redeemed, and also that certificates *representing* coin in the Treasury, may be issued in payment of interest on the public debt. There is an inconsistency between the provisions for retaining in the Treasury the coin for which certificates have been issued, and the provision allowing certificates to be issued for not over twenty per centum in excess of the coin and bullion in the Treasury. This practice is certainly without direct benefit to the United States Treasury, and its discontinuance would reduce the gold premium before specie resumption, and tend to prevent any unusual demand for gold after that event.

To illustrate this, we have only to consider what would be the result of a refusal of the Treasury to keep or receive gold on deposit, payable at the pleasure of the Treasury, in coin? What would be done by the owners of the fifty millions of gold now safely and without expense kept by the United States for the benefit of the owners? If, in addition to this, the banks and bankers should decline to receive gold on special deposit, the premium on gold would probably immediately disappear. The expense and risk of owning idle gold would be greater than the promised profit. As it is, the United States Treasury, by making gold the one kind of property possible to own without risk or expense, really keeps up the premium, and when resumption of specie payments takes place, offers an inducement to demand gold for less favored legal-tender notes.

It would be thought not within its province for the Government to build warehouses for receiving grain or other merchandise, to give certificates for the same, and to deliver, without cost or risk, the same merchandise to the holder on demand; and yet, as an inducement to the export trade, such a proceeding would be of greater public benefit than the existing one of receiving gold by the United States Treasury, and giving a certificate therefor.

To receive gold or silver with the privilege of repaying in gold, silver, or greenbacks, at the option of the Treasury, might be of sufficient benefit to warrant the expense, but to receive gold on deposit, and agree to return gold on demand only tends to keep up the gold premium, and to make it at



public expense practicable and easy to demand gold for legal tenders after resumption. With a refusal on the part of the United States Treasury and the banks, to receive special deposits of gold, it would scarcely be possible that a demand for ten million dollars of gold should exist at the time of resumption of specie payments next January, or that the gold premium should survive for one month the inconvenience of holding gold at risk and expense.

Undoubtedly, the practice of the Treasury of the United States to receive deposits of gold or silver and to issue therefor certificates of deposit, is a great commercial convenience, but it is first to be considered, whether this is not a part of the business proper of banks and bankers. Admitting, however, that the great convenience of the practice warrants a departure from correct principles, we present the argument that to receive special deposits of gold and to issue gold certificates therefor, is an obstacle to successful resumption of specie payments, and creates an artificial difference in the money of the country. If legal-tender notes are to be of equal value with gold and silver money, a deposit of gold or silver in the United States Treasury should be received only as money, and any certificates should be payable in money of any kind that is a legal tender. There should be no distinction in gold, silver, or paper money of the United States, by the United States Treasury, after resumption of specie payments.

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### AGGREGATES OF OUTSTANDING CURRENCY.

A controversy has been carried on for more than a century, among writers on finance and economics, upon the effects which sudden changes in the volume of the currency are capable of producing in the course of business, and in the movement of prices. In this country, during the War of Independence, our early political literature is rich in information as to the phases of this controversy which were developed under the issues of continental currency. At a later period, under the United States banks, the same controversy in a new form reappeared, and after a long intermission it was again revived in the early stages of our late civil war and of the greenback issues which it brought in its train. An important contribution to the history of this subject, and of the currency problems connected with it, has just been made by Mr. Secretary Sherman. On page 144, of this magazine, will be found a series of tables, showing from year to year, the aggregate amount of currency of various kinds which were outstanding, with the aggregate value of the whole mass of circulating medium as estimated in paper and also in specie. To show clearly at one view the chief facts of Mr. Sherman's report, we present the following summary:

## AGGREGATE OF PAPER CURRENCY, OUTSTANDING 1860-1878.

	<i>Bank Notes.</i>	<i>Legal-Tender.</i>	<i>Total Paper.</i>	<i>Gold Value.</i>
1860 ..	207,102,477 ..	— ..	207,102,477 ..	207,102,477 ..
1861 ..	202,005,707 ..	— ..	202,005,707 ..	202,005,707 ..
1862 ..	183,792,079 ..	96,620,000 ..	333,452,079 ..	288,760,500 ..
1863 ..	238,677,218 ..	297,767,114 ..	649,867,283 ..	497,798,339 ..
1864 ..	210,392,987 ..	431,178,671 ..	833,718,984 ..	322,649,247 ..
1865 ..	289,057,498 ..	432,687,966 ..	983,318,686 ..	602,256,355 ..
1866 ..	301,476,071 ..	400,619,206 ..	891,904,686 ..	588,657,093 ..
1867 ..	303,109,491 ..	371,783,597 ..	826,927,154 ..	592,906,769 ..
1868 ..	302,926,626 ..	356,000,000 ..	720,412,603 ..	505,009,235 ..
1869 ..	302,488,498 ..	356,000,000 ..	693,946,057 ..	510,050,352 ..
1870 ..	301,989,777 ..	356,000,000 ..	700,375,899 ..	599,521,770 ..
1871 ..	320,229,209 ..	356,000,000 ..	717,875,751 ..	638,909,418 ..
1872 ..	339,365,730 ..	357,500,000 ..	738,570,904 ..	646,249,541 ..
1873 ..	348,561,531 ..	356,000,000 ..	750,062,369 ..	648,053,887 ..
1874 ..	352,990,053 ..	382,000,000 ..	781,490,916 ..	711,156,734 ..
1875 ..	355,194,852 ..	375,771,580 ..	773,646,729 ..	674,619,947 ..
1876 ..	332,657,274 ..	369,772,284 ..	738,376,536 ..	666,847,000 ..
1877 ..	317,570,483 ..	359,764,332 ..	698,194,270 ..	661,180,974 ..
1878 ..	324,940,788 ..	346,681,016 ..	688,597,275 ..	684,465,692 ..

Among the obvious deductions from these figures one of the first is the immense contraction of the currency which was produced during the first year or two of the war. But for this the Legal-Tender Act of 1862, in all probability, would not have been passed as early or as unanimously as it was. Specie disappeared from circulation, and there was nothing substituted to take its place or to supplement the bank note issues, which remained at about the same level, a little above 200 millions of dollars.

The next point is the comparative steadiness in the bank note aggregates from year to year, and the singular absence of violent fluctuation which attended the transition from the State systems or heterogeneous note issues to the uniform secured-note system of the National Currency Acts of 1863 and 1864.

Another fact of importance is the rapidity with which the legal-tender issues were checked. After three years of inflation, the greenback aggregates reached their highest point of \$432,687,966, since which they have gradually declined to the present aggregate of \$346,681,016; the only exception to the steady decline being that brief increase of greenbacks made by Secretary Richardson after the panic of 1873.

Many other deductions will occur to the thoughtful reader on examination of Mr. Sherman's comprehensive table. He has given us the gold value as well as the value in paper of the aggregate currency for each year. Since the close of the war the gold aggregate has preserved a singular stability; the total currency issues, estimated in gold, having been 588 millions in 1866 and declining to 510 millions during the three years of prosperity which ended in 1869. There was an increase in the three or four years of inflation prior to the panic, and in 1874 the gold value of the whole currency issues of the United States culminated at 711 millions of dollars. The liquidation which followed has had

little effect upon the aggregate of the circulating medium which now rests at 684 millions, estimated in coin value. It would be well to supplement these instructive figures by statistics as to the rates of interest, the course of trade, and the fluctuations of values. It has been pointed out that the changes in general prices during and since the war, cannot be wholly accounted for by the fluctuations in the level of the outstanding currency of the country. Many other circumstances modify the demand and supply on which prices depend, just as many subordinate conditions modify the action of the tide in addition to the great force to which the tidal currents are chiefly due. The inflationists, however, will find little in the report before us to sustain their mischievous theories if, as they contend, the country needs an abundant, well-secured circulating medium as a condition of prosperity and business activity. Mr. Sherman proves that these conditions of material well-being are abundantly supplied to the nation under our present currency system, and suggests the certain conclusion that the revolutionary changes in the currency which the inflationists would force on the country, would terminate a system whose beneficent operation has been tested by many years of trial and success, giving us in place of it a new and perilous experiment which has never been adopted by any people without plunging public and private credit into chaos and ruin.

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## THE STRUGGLES OF LABOR AND CAPITAL.

Although the conflict between labor and capital is an old one, it has in our time received some new characteristics which differ from those exhibited in any previous period of the struggle. During the last fifty years, organizations have been created in the industrial world which need to be better understood and are perpetually receiving new forms. There is, for example, the organization of capital. For success in industrial production capital now has to move in larger masses than formerly. The principle of association gathers together in banks and in corporations for manufacturing and distributing commodities vast sums, which are expended in constructing and working steam engines, railroads, telegraphs and a multitude of labor-saving inventions which employ millions of operatives and are owned by the proprietors of the capital invested therein. This organization of capital has been attacked on one side by ignorant demagogues and on others by well-meaning persons misled by error and prejudice. But we might as well quarrel with the law of gravitation, as with this equally resistless law of organization of

capital. Modern nations could not exist without it, and the more freely the organization is allowed to work out its beneficent results, the more rapidly will the good of the community and of the individuals composing it be promoted.

Another principle of organization which has made its appearance very conspicuously during the last half century, is the organization of workmen among themselves. Trades-unions are said to have sprung from the ancient guilds established among mechanics. These guilds, in the middle ages, prevailed and did much good in stimulating among artificers and mechanics the desire to excel, so that to these guilds in part, is no doubt due much of the improvement of the useful arts and of the preservation of methods and mysteries which contributed to the increase of dexterity, skill and progress among the workmen. In our time the modern trades-union has too often had a very different object in view. The concentration of capital in large masses has had the effect of gathering the population of industrial nations into the large cities and of doubling or tripling the power of skilled and unskilled mechanics to earn the necessaries and comforts of life. Luxuries which in Queen Elizabeth's time were exclusively within reach of the opulent classes of society, are now found in every cottage and are so familiar as to be regarded almost necessaries by families of working men. With so much of material comfort and enjoyment, the trades-unions, if they had continued the old work of the guilds of the middle ages, might have done great good. Their appropriate function would have been to stimulate the desires of the working men to rise in the world, to save their earnings, to better their condition, to increase their skill in their work and to improve themselves in intelligence and culture. In the adoption of this course the trades-unions would have occupied a field of great importance and might have been a great benefit to the nations of Christendom. Unfortunately they fell into bad hands. Ambitious men, greedy of power, set up for leaders and taught their ignorant and credulous followers to believe that war was the normal relation between the masters and their men. When this theory began to prevail, the era of strikes became possible, and it seems as if both will thrive or perish together in the future.

The conflict between labor and capital, or, as it should be called, the war between workmen and their employers, has received some elucidation in certain of its more important phases, from an elaborate report lately made to our Government by Mr. Evan R. Jones, U. S. Consul at Newcastle-upon-Tyne. In 1863, a series of causes began to operate which tended mischievously to increase the prevalence of strikes among the workmen. One of the most disastrous strikes which ever took place in England, was that of 8,000 engineers in 1873. With this successful strike, and its immediate

effects, Mr. Jones begins his report. After twenty weeks of resolute perseverance the men gained their object, which was not higher wages, but shorter hours of labor. Previously the engineers had worked ten hours a day. But after the strike eight hours became a day's work, so that eleven per cent., was sacrificed of the productive capacity of all the engines run by these eight thousand men, throughout the United Kingdom. The obvious consequence was that nine hours was the enforced limit of the day's work in all the manufactories worked by steam. At that period trade in Great Britain was at the height of prosperity. The men at various times received advances to their wages, amounting to fifty per cent. during those prosperous days. These advances were then generally secured by arbitration. Coal doubled in price, and coal miners received nine shillings for six hours' labor. Last autumn another strike of eight thousand men occurred, lasting eight weeks, to resist a reduction of twelve and one-half per cent. on their wages. The employers were successful on that occasion, but the workmen were not forced to submit to the reduction until after great losses and sacrifices. During the season of prosperity and high wages, large numbers of agricultural laborers flocked to the mines for work. In 1873 the number of men working underground in the Newcastle district was 16,000. When depression in the trade came on, 4,000 of these men returned to farm work. The number of men working underground in June, 1878, was 12,000, showing a reduction of twenty-five per cent. During the last two years and a half \$75,000 have been distributed among men out of employment by one association of miners.

With regard to the wages of labor, many popular errors have prevailed. It has been supposed that in the small area of England, the wages of unskilled laborers would easily equalize themselves. But this is not the case. The wages of agricultural laborers are thirty per cent. higher in the North of England, than in the South. Thus, in the northern counties, the weekly wages are seventeen shillings, and in the south, eleven shillings and sixpence. In a report to the Department of State, General Badeau, Consul-General at London, gives the exact figures on the above subject. He states that during the past five years wages have increased gradually about ten per cent. while the cost of living has increased about twenty-five per cent. Clothing is about thirty per cent. higher, while fuel has not risen in price. Agricultural laborers get from two to three dollars per week, including beer; building laborers and gardeners from \$4.40 to \$5.10 per week; bricklayers, carpenters, masons and engineers, from \$6.80 to \$11 per week, and cabinetmakers, printers and jewelers, from \$8 to \$12.30 per week, although the best marble masons and jewelers receive \$14.75. Boot-makers and tailors get from \$4.86 to \$7.65 per week; and

bakers from \$4.65 to \$7.26, with partial board. Women servants are paid from \$70 to \$240 per annum. Railway porters and laborers on public works get from \$4.45 to \$12 per week. Rents have risen thirty per cent., and are, for artisans in London, from \$1.20 to \$2.40 per week for one or two rooms. Labor and trade are greatly depressed, no change for the better being yet apparent. The numerous strikes among British workmen, since 1873, are generally recognized among the chief causes of the stagnation. They have not only shaken the confidence of capitalists, but they have enhanced the cost of production.

Such are the main points referred to in the reports we have examined and similar illustrations abound in numerous other reports from our consuls abroad. The future of industry cannot be regarded with much of hope or confidence in any country where so many elements of disorganization are at work. We trust that these mischievous forces will receive due attention from the Committee lately appointed by Congress to investigate the labor question. These points fall clearly within the scope of their inquiry as will be seen from the resolution passed by the House of Representatives June 18th, 1878, which appears as follows in page 35 of the *Congressional Record* for June 18th, 1878.

Whereas, our real and permanent prosperity is founded and dependent upon labor, and suffering severely from causes not yet fully understood; and, whereas, labor and the productive interests of the country are greatly depressed as the source of all wealth, that when labor suffers from any cause which may be removed, or its rigor mitigated, our National harmony and prosperity are thereby imperiled, that it is therefore the solemn duty of Congress to inquire into and ascertain the causes of such prostration, and to devise proper measures for their relief, that labor may be restored to its just rights, to the end that labor and all our varied interests may be encouraged, promoted, and protected by liberal, just, and equal laws; therefore,

*Resolved*, That a committee consisting of seven members of this House be appointed, whose duty it shall be to inquire into and ascertain the causes of general business depression, especially of labor, to devise and propose measures for relief; and that, to enable said committee to perform its important duties hereby conferred, it has leave to sit during the recess, to employ a clerk and such other assistance as may be needed, to examine witnesses, and to report at the next session the result of its investigations, and the measures for relief it may recommend, by bill, or otherwise.

In conformity with this resolution the Speaker *pro tempore*, announced, June 20th, the following Select Committee to inquire into the causes of the present depression of labor: Mr. Hewitt, of New York; Mr. Riddle, of Tennessee; Mr. Dickey, of Ohio; Mr. Tucker, of Virginia; Mr. Thompson, of Pennsylvania; Mr. Rice, of Massachusetts; and Mr. Boyd, of Illinois. The names of this Committee are an assurance that the inquiry will take a broad range and will not be limited to any section of the country. Whether its report will be of much practical value for future legislation remains to be seen.

## THE ENGLISH BANK RATE.

In the *BANKER'S MAGAZINE* for October, 1877, under the title of the "Bank of England's Minimum," we pointed out the remarkable changes in English banking which have taken place since the passage of the Act of 1844, and especially as they concern the position of the Bank of England. A resolution has just been adopted by that institution which proves the correctness of our conclusions. The Bank of England, to use the language of the *Economist*, "has modified its arrangements with regard to the fixed minimum rate for discounting bills." It will continue, as we understand, to publish a nominal minimum, but it will not be bound by it in its own discount operations, reserving to itself the right to charge its regular customers less than the advertised rate if the situation of the outside market shall render it advisable. As the public will have no means of knowing where the base line will actually be drawn, the advertised rate must hereafter be an absolute nullity, so far as regulating the charges of other lenders is concerned.

It has hitherto been a guide rather than a governor to the outside market. There was no absolute rule of divergence from the Bank rate, but the general practice has been to charge a fraction of one per cent. less, in the open market, on the best paper. This divergence had a certain degree of uniformity so long as the Bank of England's metallic reserve was subject only to the ordinary influences; but since the Franco-German war and payment of the indemnity, and especially since the creation of a new monetary system in Germany, the influences acting on the Bank have been so abnormal, and oftentimes obscure, that the open market seems to have lost confidence in the Bank rate as an index of the value of loanable capital, and has begun to act independently on its own judgment.

As we mentioned in our former article, the old rule of allowing interest on deposits at one per cent. below the Bank minimum was practically abandoned by the Joint-Stock banks when, owing to an excessive Bank rate, they found themselves obliged to lend money at the price they were paying for it. When they cut loose from the Bank rate in fixing the rate of payment on deposits, they naturally strayed further and further from it in determining the rate of discount.

But, although no longer a law to other banks, the published minimum has been hitherto supposed to be a law to the Bank of England itself; and the rate at which it was ready to loan to its most favored customers was always an

important factor in the monetary situation. Other lenders knew just how much competition to expect from it, and could confidently rely on getting the largest portion of choice bills when the Bank rate was more than usually above the market. Of course the regular customers of the Bank took its money at its current rates, so far, at least, as might be necessary to maintain their deposit lines, and lay the foundation for claims to discount in a stringent market; but they had good right to complain that they were charged an exorbitant price, for reasons entirely aside from those which elsewhere regulated the value of money.

The Bank, on the other hand, had no better reason to be satisfied. It, of course, gained nothing by maintaining a rate, the very object of which was to curtail discounts. The exigency to which it yielded was one to which no other bank is subject, and yet which has hitherto been regarded as irresistible. This exigency grew out of its obligation to protect the metallic reserve, no matter what became of its banking business. This reserve was not kept for the protection of its own obligations merely, but was the reserve of all England. When, therefore, a drain to foreign countries set in, no matter from what cause, it became the paramount obligation of the Bank to stop it, and this could only be done by restricting its accommodations to customers; in other words by raising the rate of discount.

In ordinary times a drain of gold is indicative of a commercial demand for money in other countries, and of such a state of the international exchanges as justifies the withdrawal of a part of the working capital of the country drained. But when the causes of drains are political, such as the existence of foreign wars, the payment of war fines, or the establishment of new monetary systems, they have no necessary connection with trade, and may run entirely counter to its existing tendencies. The extreme industrial depression of England has, for the last two years, caused a stagnation in the demand for capital which reduced the rates of discount to a point below what has been witnessed by this generation. Concurrently, however, with this commercial depression, there came a drain of gold to Germany for the supply of its new currency system, which, as it was independent of commercial causes, in like manner resisted the usual commercial remedies. The Bank of England could not refuse to pay out the gold which the German Government had in London the means to pay for, and these means had entered so little into the general loan fund, that the withdrawal of them had no effect on the money market. Raising the rate of interest would not stop the drain, nor turn the exchanges in favor of England; for as the open market was surfeited with capital, it did not, as before, follow the Bank rate, and thus invite capital from the continent to London. But rais-



ing the rate did serve to drive English borrowers from the Bank into the open market, and thus notes and gold were allowed to accumulate and fill up the depleted reserve.

The obligation to keep a sufficient reserve against liabilities is a part of the unwritten common law of banking in all commercial countries. But in England it is also a part of the imperative statute law, under which the Bank of England, and all other banks issuing paper money, enjoy and exercise that function. The history of banks in this country shows that, without the restraints of a legal obligation, they cannot be relied on to maintain that degree of strength which is indispensable to their solvency and to the safety of the country. But the recent experience of the Bank of England, especially as contrasted with that of the Bank of France under circumstances still more difficult, goes far to shake our confidence in mere statute regulations, unless they are supported and supplemented by voluntary action on the part of banks themselves.

The Bank of England has been the victim of the Act of 1844, which makes the regulation of the currency its paramount duty at the expense of its banking business. Even before the late exceptional drain of gold to the continent, the rate of interest had for years been so fluctuating as to disturb all mercantile calculations.

"Up to 1844," says the *Economist*, "the Bank rate had been almost always a fixed rate, which for more than a century was never raised above five per cent. or allowed to drop below four. In 1839 a six-per-cent. rate was charged for some little time, but with that exception the old state of matters may be regarded as lasting till 1844, when the establishment of the principle of a rate to fluctuate according to the wants of the market was as great an innovation as the recent decision of the Bank is now. Ancient prestige, actual pre-eminence of capital, and the fact that they are the bankers of the Government and the issuers of the only description of notes which are legal tender in one portion of the kingdom, all these circumstances enabled the Bank to take a position which gave its announcement as to a rate of interest a great if not a preponderating weight. The Bank of England told all the monetary world what it would charge for money, and all the monetary world in degree followed it. Sometimes it has happened that the directors have not been right in their decisions, and have lowered the rate when they should have advanced it, or advanced it or lowered it when they ought to have remained where they were. Sometimes they have *worried* the market by needless alterations. Thus to go back only a period of five years, there were in the year 1873 no fewer than twenty-four changes in the Bank rate in the twelve months, and it is difficult to imagine what events can possibly have occurred to justify an alteration in the price of money once a fortnight for a whole year."

England is suffering from a false economy in the use of actual money, and has carried the use of credit substitutes to such an excess as to rob them of much of their real advantages. The most important commercial nation of the world, the volume of whose exports and imports amounted in 1877 to thirty-two hundred millions of dollars, leans upon the metallic stock of a single institution, which averaged in 1877 only one hundred and twenty-three millions of dollars. France, on the other hand, with exports and imports (1876) of only fifteen hundred millions, had in her National bank a metallic average of four hundred and forty millions, and in the hands of her people an additional supply equal to twice the metallic circulation of Great Britain.

It is worthy of consideration how far this artificial instability of the English money market has contributed to the present depression of business. Of course other and sufficient causes are not wanting, but instability in the price of capital is one of the most discouraging influences upon production and trade, and, on the other hand, the readiest promoter of speculation.

What is to become of the reserve under the new position which the Bank of England has assumed? If customers are to be accommodated at outside market rates, their business will not be turned away, and if business is not turned away, how is the metallic stock, or the reserve of notes to be replenished? There would seem to be no other way than to force the Joint-Stock banks into keeping their own reserves. The *Economist* doubts whether this is practicable: "No doubt a system in which each bank should keep its own reserve is the more natural and has a very great deal to recommend it. A far larger sum in the aggregate would unquestionably be held if this plan were followed, and this would be a very desirable thing. But it is not the custom among us, and it is better to think of improvements which can be made in the existing system than to endeavor to substitute one which would be altogether new." It, however, suggests that in addition to their current balances, the bankers depositing in the Bank of England shall establish besides "a separate reserve, the custody of which should be confided to the Bank, but which should not appear in its accounts. The other banks would still retain the advantages of their present connection with the Bank, while the existence of the proposed further reserve would strengthen their position in every way. It would be desirable to publish the amount thus held every week."

So far as a compliance with the Act of 1844 is concerned, the Bank of England can always protect itself. It might even resort, in a desperate emergency, to the sale of its public securities in order to replenish its metallic stock. This is what M. Pereire recommended for the Bank of France as a

substitute for *any* alteration in the rate of discount. His proposition, however, was for a uniform rate of four per cent. ; a backward step which would be condemned by the united voice of civilized nations. There is a common agreement now reflected in the legislation of the most enlightened countries, that the price of money loaned should not be uniform, but made to follow the natural alterations in the supply of and demand for capital.

While the new departure taken by the Bank of England can occasion no surprise to those who have watched the growing embarrassments of its position, it is none the less a new source of perplexity to London bankers. Not only has the Bank come into direct and full competition with them in the loan market, which has never before been the case, but they have no longer any financial regulator, and it will be difficult to establish a new and authoritative one by voluntary arrangement. There is far less disposition among English than among American bankers to act in concert in the management of their business. This is probably owing to the existence in England, from the earliest period, of a large class of wealthy private banking houses, which were individual property, while in this country, almost the only banking has been that of corporate institutions, managed by persons not largely interested in the capital stock. Whatever may be the cause, the fact is, we think, indisputable, that English banks are jealous of any intrusion upon their independence or their privacy. The *Economist*, therefore, does not recommend any attempt to agree upon a rate of discount, but it ventures to suggest that it might be practicable to fix upon a maximum rate of interest to be paid upon deposits, through the intervention of a committee of the Clearing House.

Since writing the above, we find the following passage in the *London Times* which fully sustains our views respecting the duty of the London banks and bankers to keep their own reserves, and not to depend, as hitherto, on the Bank of England doing it for them. It is gratifying to see that this leading financial authority recognizes the existing system of banking in England as essentially unsound:—

“The Bank directors owe no duty to the nation, except that of being always ready to pay their engagements; and the duty they owe their proprietors is to make as much profit as they can, subject to this same paramount condition. Nor are these truths affected by the fact that other bankers are in the habit of keeping their spare cash at the Bank of England. The Bank directors must be always prepared to reimburse their balances on demand, and if they can do this nothing more can be required of them. The recent action of the Bank will be extremely beneficial if it compels the other bankers of London to recognise these truths. They have been accustomed to think that because they keep balances in Threadneedle Street in easy times, the Bank ought to be able to provide them with as much more as they might require when times are difficult. They have been disposed to insist that the Bank of England must keep a large reserve of cash to make up for their own attenuated reserves. This shifting of obligations may be convenient for a season,

but it is essentially pernicious. Every bank should keep such a reserve of its own as to be able to meet all demands upon it out of its own resources. If it be pleaded that the competition of business will not allow this to be done, the answer must be made that in that case competition has made the banking condition of London altogether unsound, and it is high time that it should be amended."

*Note.*—We recur once more to this interesting subject, in order to add facts which come to our notice in the latest received London newspapers. The Bank of England in the week ending June 26, lost £967,561 from its reserve, reducing it to £10,858,129. The drain was to Paris, and was covered by the withdrawal of a large amount of French capital lately attracted to London by the higher rate prevailing there. On the 30th of May, the English Bank rate was reduced from 3 to 2½ per cent., and the drain began. On the 26th of June it was raised to 3 per cent., but without stopping the drain, which, during the following week, ending July 3, caused a still further reduction in the reserve of £1,776,437, bringing it down to £9,081,692. The Bank rate was consequently raised July 4 to 3½ per cent. The reserve is now only 31⅓ per cent. of immediate liabilities. The specie reserve of the Bank of France at the same date was over sixty-nine per cent.

The *Economist* of July 6 recognizes the anomalous position in which the Bank of England is placed, and virtually confesses the incongruity of the obligations imposed upon it by the Bank act, with the duty which it owes to its customers and shareholders as a banking institution. "The rise in the Bank rate" it says, "is one caused by the demand of gold for export and not by a genuine business demand induced by the requirements of our trade." As showing the futility of a high rate to check a drain, when the causes creating it are foreign and not domestic, it states that "during the last three weeks, with a rate for money continually higher in London than in Paris, fully two millions and a quarter (\$11,250,000) of gold has been taken from us to meet Paris requirements." Under these circumstances it puts this pertinent inquiry: "Is the demand of the customer of the Bank to be put on a level as to charges with the customers of other banks, to take precedence of the duties of the Bank of England as custodian of the sole considerable cash reserve of the country? It seems impossible for the Bank to adopt this view."

It is obvious, however, that the Bank must adopt this view to a certain (and unknown) extent, or it must recede from its new resolution respecting the minimum.

The *Economist* now proposes to counteract the effect of foreign drains resulting from *foreign* causes, by having the Bank of England "always keep in its possession a certain amount of securities which could be employed on the princi-

pal foreign centers of exchange, say on the markets of Paris, Vienna, Berlin, Amsterdam, New York—in those quarters, in fact, from which experience has shown that a demand for bullion is most likely to arise.” This proposition seems to us identical with that of M. Pereire heretofore referred to in the foregoing article. Although the *Economist* claims that it “has no novelty, and was suggested by men who spoke with authority more than a quarter of a century ago,” it seems to us to introduce a very radical and questionable change into the constitution of the assets of the Bank.

### THE SILVER MOVEMENT.

We have thought it might be interesting to our readers to have thrown together the general facts occurring during the past year, which bear upon the relation of the precious metals to each other, or, as it is sometimes expressed, the price of silver when it is exchanged for gold.

#### GERMAN DEMONETIZATION OF SILVER.

The amount of silver actually sold by the German Government to the end of December, 1877, and not including silver in bars ready for sale, was as stated below (one kilogram being equal to 2,205 English pounds avoirdupois) :

Years.	Kilograms.
1873-4-5.....	569,000
1876.....	590,000
1877.....	1,651,000
Total.....	2,810,000

This quantity of silver sold for 413,002,219 marks, or \$103,250,555, reckoning four marks to the dollar. The coins melted down to produce this quantity of silver, were taken in by the German Government at a valuation of 476,511,760 marks, or \$119,127,940. The loss to the German Government was 63,409,541 marks, or \$15,852,385, and results from its taking in the old subsidiary coins at their nominal value, and from taking in all other coins without deduction for their loss of weight by wear (estimated at an average of three per cent.), and at the old rating of fifteen and a half to one of gold, which is equal to a price of sixty and seven eighths pence per ounce in London, whereas, the German sales, so far, have averaged between fifty-four and fifty-five pence per ounce.

At the end of the year 1877, it was the opinion of the German Government that there still remained to be sold, the silver in coins of the old value of 450,000,000 marks, and which, if sold at the same loss as attended the previous sales, would realize about 390,057,651 marks, or \$97,514,413.

In a paper published in Hamburg last February, Söetbeer, the most approved German authority, estimated that after the sales of 2,810,000 kilograms of silver made to December 1, 1877, there still remained to be sold 2,500,000 kilograms. That quantity, if the market remains unchanged, would realize about 375,832,020 marks, or \$93,958,005. This estimate by Söetbeer, of the amount of silver remaining to be sold December 31, 1877, does not materially differ, as will be seen, from that made by the German Government.

German sales of silver are made almost exclusively in the London market. Thus, during 1877 the German sales of silver amounted to about \$61,000,000, and during the same year the imports of silver into Great Britain, from January, were \$68,737,790.

Following is a statement, by months, of the imports of silver since December 31, 1877, into Great Britain, from Germany :

1878.	
January .....	\$ 1,713,475
February .....	6,228,975
March .....	5,255,450
April .....	3,883,400
May .....	173,950

As the monthly average, during 1877, of British imports of silver from Germany, was \$5,728,149, the falling off of the sales in January, 1878, is very marked. It is doubtless attributable to sales then made to the Russian Government, of silver to be coined for war purposes. There were reports at that time, credited in London and Paris, that Russia had actually concluded a negotiation with Germany, for a purchase of silver to the amount of twenty millions of dollars. It is now known that if such a negotiation was attempted, it was not concluded, but European financial journals agree in saying that considerable purchases of silver were then made in Germany, by Russia, and that the Russian mints have struck a large number of silver coins for the use of their armies operating in Turkey.

The nominal value of the silver coins purchased and taken in by the German Government, at different dates, has been officially stated as follows :

Dates.	Marks.
September 30, 1877.....	906,859,900
February 28, 1878.....	967,419,259
March 31, 1878.....	998,727,499
April 30, 1878.....	1,012,997,637

The nominal value of the silver subsidiary coins, struck at the German mints at different dates, has been officially stated as follows :

Dates.	Marks.
September 30, 1877.....	411,435,300
March 9, 1878.....	424,881,479
March 16, 1878.....	425,038,589
April 20, 1878.....	425,514,794

The new subsidiary German silver coinage is underweighted about eleven per cent., whereas, the loss of weight by wear of the old full tender silver is only about three per cent. There is, therefore, silver enough in 920,000 marks of the old coinage, for 1,000,000 marks of the new coinage.

In a paper published in November, 1877, Söetbeer estimated that if the German Government continued to sell silver at the rate of its sales during the three months ending September 30, 1877, the whole operation would be completed perhaps during the year ending 1878, or at any rate, by the end of March, 1879.

But if we take the rate of sales, 1,651,000 kilograms for the whole year 1877, instead of the rate of sales for the particular quarter ending September 30, 1877, it would take eighteen months to dispose of the 2,500,000 kilograms, estimated as remaining, December 31, 1877.

If we take the rate of sales in the London market since January 1, 1878, the operation would take a still longer time, but to the sales since that date, in London, is to be added an unknown quantity disposed of in Russia.

At what rate sales will be actually made hereafter, is a matter of mere conjecture for those who are not in the secret of the German political administrators. They must be influenced from month to month by the course of events, and by their opinions from time to time as to the probabilities of a rise or fall in the silver market. As gold must be purchased to take the place, to some extent at least, of the silver sold, they are also compelled to consider to how rapid a process of depletion they can safely subject the world's gold markets. During 1877, when the German sales of silver in London were \$68,737,790, German purchases of gold in the same market were \$41,717,425. The commercial depression in Germany is already so severe as seriously to menace political and social disturbances.

The amount of silver to be sold by Germany will be largely reduced, if the maximum of ten (10) marks *per capita* of subsidiary silver shall be increased. The proposition of the executive department, submitted to the German Parliament near the end of 1876, to increase the maximum to fifteen (15) marks, was then laid over for further consideration, and to await a practical test of the sufficiency of the ten marks already provided for.

A merchant of this city, who has numerous correspondents in Germany, writes us as follows, under date of April 6, 1878 :

"I have made inquiries, in various parts of Germany, regarding the present circulation of silver, but the replies are very unsatisfactory and contradictory. In one thing, however, they agree, namely, that rather a scarcity of small coins prevails, which, naturally, must make itself more felt, the more thalers become scarce."

The Paris correspondent of the London *Economist* of April 20, 1878, says :

"Parties in the trade expect changes before the end of the year, which will give some activity to the silver market. It is said that the German Government, finding the sum of ten marks per inhabitant, to which the coinage of small change is limited, insufficient, propose to increase it to fifteen marks."

The probability seems to be that the present maximum of ten marks of subsidiary silver coinage *per capita* will be enlarged, although it may not be raised so high as fifteen marks. Any addition which may be made will reduce, by so much, the silver Germany has to dispose of.

Söetbeer reports the out-turn of silver from German veins and refineries from 1872 to 1875, both inclusive, at \$ 27,500,000, and that it is since increasing. The increase is mainly due to the same improved processes of extracting silver from lead, which have so considerably augmented the silver out-turn of British refineries. To whatever extent domestic production of silver supplies the German demand for the arts and for plate, more of the silver coins taken in by the government will be disposable for sale abroad.

On a general review, it has turned out that the silver in Germany remaining to be sold, December 31, 1877, was as great as the maximum estimate made by the British Silver Commission of the quantity remaining in June, 1876. In other words, the old silver of Germany has proved to be very much beyond the accepted calculation of two years ago. The total amount of the old silver coins, struck between 1750 and 1871, was, stated in marks (the mark being about twenty-five cents) as follows :

	<i>Marks.</i>
Thaler coins.....	1,482,000,000
Gulden or Florin.....	204,000,000
House-Town.....	24,000,000
Old subsidiary.....	82,000,000
	<hr/>
	1,792,000,000

The Gulden, or Florin coins, were first called in, and at the period limited for their redemption, which expired more than two years ago, it was found that only sixty-eight per cent. were presented. This led to the belief, on the part of the government officials, that the loss of the thaler coins, which had been much longer in use, would be very large. Some estimates placed the loss as high as sixty per cent. But if the present calculations of the German Government are correct, the loss is not materially different from that of the Florin coins.

Of the Thaler coins, 788,200,228 have been withdrawn to the end of March, 1878.

The gold coinage in Germany has been principally (about five-sixths) for the account of the government, but the following statement of the totals coined to the various dates



named, includes also what has been coined for the account of individuals :

		<i>Marks.</i>
December	31, 1874.....	1,109,344,400
June	30, 1875.....	1,149,273,300
December	31, 1875.....	1,275,765,000
March	31, 1876.....	1,379,467,800
June	30, 1876.....	1,407,131,000
September	30, 1876.....	1,422,109,800
December	31, 1876.....	1,435,189,500
March	31, 1877.....	1,435,230,600
June	30, 1877.....	1,470,272,500
September	30, 1877.....	1,521,303,300
March	16, 1878.....	1,573,080,845
April	20, 1878.....	1,584,113,385

*ASIATIC ABSORPTION OF SILVER.*

Notwithstanding many confident predictions made in 1876, and during the two or three years preceding 1876, that the Asiatic demand for silver would never again resume great proportions, it turns out that the exports of silver during the year 1877, to Eastern Asia (India, Japan, China, and the Straits), were \$105,000,000. The greatest previous export was \$83,650,000, in 1857. The exports of silver were, approximately, from Southampton, \$80,000,000 (in exact figures, £16,970,841); from San Francisco, \$19,000,000; from Marseilles, \$4,000,000; and from Venice, \$2,000,000.

Of the Southampton export of silver, £14,923,156, which (taking the pound at \$4.85) is \$72,377,307, was to India alone, and more than that amount was absorbed in that country, as India had a balance of imports of silver from other Asiatic countries during the same year. In the four years ending in 1866, when India cotton exports were so great in both quantity and price, in consequence of the American civil war, the net Indian balance of silver imports was \$270,000,000, or an annual average of \$67,500,000.

The general cause of this unusual outflow of silver to Asia, was the progress of the German silver demonetization, in connection with the closure against silver of the United States and European mints during 1877. During that year, silver from Germany reached the London market to the amount of \$68,737,790. It went from London to Asia, because there was no other market. If Germany had sent ten times as much silver to London, that city would have sent ten times as much to Asia. Under the circumstances, the uncertainty was not in respect to the direction of the silver, but in respect to the price it would command, and that depended on the quantity. It can never be difficult to foresee the direction which a fluid will take, which has but one outlet, and the silver absorbing capacity of Asia, is equal to any possible quantity which can be thrown upon it. It is only a question of a greater or less rise of Asiatic prices.

Some British authorities ascribe a part of the large exports of silver to India in 1877, to British loans made in conse-

quence of the Indian famine. Some of these loans were only temporary advances, and have been paid off this year, which payments must have had the effect of reducing this year's silver exports. The direct and general effect of the famine in India must be to diminish its power of demanding and retaining silver.

The Madras correspondent (July 4, 1877) of the London *Times*, says :

"It is a fact that hundreds and thousands of the people have already sold their jewels of silver and gold to pay for food. The Master of the Bombay mint has lately published some most significant figures on this subject. The amount of silver bullion in small parcels, resulting from the melting down of personal ornaments, received into the mint in May, was about £ 80,000, and in June, the amount was still higher."

Of the silver coinage of the Bombay mint, during the whole year, 1877, the London *Economist* of April 20, 1878, says that it was "increased by more than a million pounds' worth of silver ornaments received from the sufferers by the famine."

The same poverty resulting from famine, which has induced this delivery into the mints, of silver ornaments, would be felt even more in diminishing expenditures upon new silver ornaments. In all ways, anything which impoverishes India, must impair its power to purchase and retain the precious metals.

Another British explanation of the diminished India demand for silver in 1878, as compared with 1877, is the great fall in the rates of discounting by the India banks.

The London *Economist* of July 6, says :

"The silver market is again decidedly depressed. The cheapness of money in India has, doubtless, contributed to this unfortunate result, and the Bank of Bombay has now lowered its minimum discount quotation to four per cent. A few months back it was nine per cent."

During some portion of 1877, the India banks' rate of discounting was as high as eleven per cent.

The India demand for silver has always been fluctuating; periods of large importing being followed by periods of small importing. But the current always sets one way, and always will, unless silver mines are discovered and worked in India itself to supply its immemorial demand for that metal.

British silver exports to India and China (including Hong Kong), for January, February, March, April, and May, 1878, compared with the same months in 1877, were as follows :

JANUARY.			
	1877.		1878.
To India.....	\$5,882,750	....	\$2,500,000
To China.....	375,075	....	1,174,205
	<hr/>		<hr/>
Total.....	\$6,257,825	....	\$3,674,205

## FEBRUARY.

	1877.	1878.
To India.....	\$ 3,015,500	\$ 6,950,250
To China.....	1,321,750	1,201,635
Total.....	<u>\$ 4,357,250</u>	<u>\$ 8,151,885</u>

## MARCH.

	1877.	1878.
To India.....	\$ 5,692,335	\$ 2,281,000
To China.....	712,850	578,675
Total.....	<u>\$ 6,405,185</u>	<u>\$ 2,859,675</u>

## APRIL.

	1877.	1878.
To India.....	\$ 5,300,000	\$ 303,775
To China.....	931,105	677,530
Total.....	<u>\$ 6,231,105</u>	<u>\$ 981,305</u>

## MAY.

	1877.	1878.
To India.....	\$ 6,472,250	\$ 1,897,200
To China.....	1,024,750	1,117,400
Total.....	<u>\$ 7,497,000</u>	<u>\$ 3,014,600</u>

Comparing the first five months of this year with the corresponding months of last year, the silver exports from San Francisco to the East, were as follows :

	1877.	1878.
To Hong Kong.....	\$ 1,662,744	\$ 2,168,757
To Japan.....	642,843	662,676
To China.....	1,451,713	2,536,713
To British East Indies.....	None.	52,350
Total.....	<u>\$ 3,757,300</u>	<u>\$ 5,420,496</u>

Of these quantities, the part consisting of foreign coin and foreign bullion, was \$ 1,288,528 in 1877, and \$ 726,611 in 1878. For the month of June, the San Francisco silver exports to China were, in bars \$ 1,967,987, in Mexican dollars \$ 376,101, and in trade dollars \$ 148,823, making a total of \$ 2,492,911.

## THE GENERAL EUROPEAN SITUATION.

In Spain, nothing has been done to change the situation established by the Royal Decree issued in the summer of 1876. Silver is only coined on Government account, but no movement has been made to demonetize it.

In Holland, the provisional law of 1875, which expired January 1, 1877, but was extended to January 1, 1878, has been again extended, and, as is supposed, for another year, so that the Dutch attitude remains an expectant one. The provisional law of 1875 restricted the coinage of silver to the account of the Government, while it permitted the free coinage of gold, which, however, has not yet attained any

important proportions. Indeed, the small quantity of gold imported into Holland for coinage purposes under the provisional law of 1875, seems now to be leaving that country. This would be expected, as silver is equally a legal tender and gold is at a premium. The London journals publish the following from the *Frankfurter Zeitung* of May, 1878:

"The gold bullion held by the Bank of the Netherlands has experienced a considerable diminution recently. During the year 1877, £66,000 in Dutch gold coins and £1,767,000 in foreign gold and bars have been exported, and the process is still going on. In April of this year £417,000 has already been taken for the same purpose."

Switzerland seems in recent years to have parted with gold, rather than to have absorbed it from other markets. The following explanation of the fact is found in the Vienna correspondence of the London *Economist* of June 8:

"The circulation of the notes of Swiss banks in 1877 amounted to 83,500,000 francs, whilst it had amounted to but 24,500,000 francs in 1871. This fact is due to the disappearance of gold from the circulation, which is owing to the double standard, and to the fall in the price of silver. The population which has been used to having gold in its hands for a very long time, does not like the silver, and especially the large silver five-franc pieces from Alsatia and France, and prefers using notes, although they were very unpopular in Switzerland at one time."

In Roumania, the circulation of both the metals has been superseded by the issue of \$6,000,000 of government paper, made a tender by law. In Greece, the metals have been expelled by paper of a different kind. Instead of issuing its own notes, the government of Greece has become a borrower from certain banks, one of the terms being, that until the loans are repaid, the notes of these banks, to certain amounts, shall be a tender by law. In Turkey, the issue of government paper money has continued upon a large and increasing scale, and the same thing is true of Russia. In Hungary, additional issues of government paper are urged, but the proposal meets with resistance, and nothing has been decided upon. The political and military events of the past year have thus tended to banish the metals still more completely than before from the eastern half of Europe. The metallic supplies of western Europe have doubtless been somewhat increased in consequence.

Upon the whole, it is apparent that the gold price of silver must rise, as soon as the German stock is disposed of, either by sale or by an enlargement of the German subsidiary coinage, unless there shall be a largely increased production of silver, or unless there shall be further demonetizations of silver in Europe. In respect to the probability of the latter, there are differences of opinion. The pending International Monetary Conference will throw light upon it.

## THE INCREASE OF MERCANTILE FAILURES.

BY DR. GEORGE MARSLAND.

The resumption of specie payments has often been referred to as a fruitful cause of mercantile depression and disaster. The experience of England after the paper-money period, which lasted from 1797 to 1821 has frequently been cited to show that the end of inflation of the currency and the beginning of specie resumption are periods of critical danger to trade and industry. To not a few persons evidence of the same kind seems to be furnished by the report of Messrs. Dun, Barlow & Co., respecting the failures of the last half-year. The figures compare as follows with previous reports:

### MERCANTILE FAILURES IN THE UNITED STATES, 1875-1878.

	<i>No. of Failures.</i>	<i>Amount of Liabilities.</i>	<i>Average Liabilities.</i>
First six months in 1875 ..	3,563 ..	\$6,844,266 ..	\$21,567
First six months in 1876 ..	4,600 ..	108,415,429 ..	23,568
First six months in 1877 ..	4,749 ..	99,606,171 ..	20,974
First six months in 1878 ..	5,825 ..	130,832,766 ..	22,460

Although, as has been said, these figures might seem to confirm the theory that specie payments and the approach of resumption are working mischief for national industry, this inference is not suggested in the circular before us, but several other causes are mentioned as sufficient to account for the trouble. Prominent among them is the agitation caused throughout the country by apprehended legislation at Washington, which has occupied the public mind, impaired confidence and injured trade. Another circumstance referred to is the impulse given to the process of liquidation by the repeal of the bankrupt law, which has "compressed into the space of a few months not only the anticipated troubles of the future, but the revelations of the misfortunes of the past." Finally, there is in this country, as abroad, the downward tendency of prices and the general shrinkage in values which has been more conspicuous during the last six months than in any period since 1873, resulting in numerous misfortunes which, after so long a period of depression, have discouraged business men and made them powerless to withstand the pressure.

On the whole, therefore, it would appear that, in the opinion of Messrs. Dun, Barlow & Co., the increase of failures is not due, as many have supposed, to the approach of resumption, but to other causes, many of which are operating in other countries with equal or greater force. To complete the foregoing statistics, we give the following table, showing the comparative progress of liquidation during the several quarters of the last three years:

Years.	1st Quarter.		2d Quarter.		3d Quarter.		4th Quarter.	
	No. of Failures.	Average Liabilities.	No. of Failures.	Average Liabilities.	No. of Failures.	Average Liabilities.	No. of Failures.	Average Liabilities.
1875	1,982	\$ 21,784	1,581	\$ 21,295	1,771	\$ 30,676	2,405	\$ 29,475
1876	2,806	23,038	1,794	24,398	2,450	19,534	2,042	17,064
1877	2,869	19,010	1,880	23,972	1,816	23,318	2,307	21,117
1878	3,355	24,464	2,470	19,738	—	—	—	—
				No. of Failures.		Amount of Liabilities.		Average Liabilities.
Total for the year 1875	..	..	7,740	..	\$ 201,060,333	..	\$ 25,960	
Total for the year 1876	..	..	9,092	..	191,117,786	..	21,020	
Total for the year 1877	..	..	8,872	..	190,669,936	..	21,491	
Total for the year 1878	..	..	—	..	—	..	—	

Two general causes of mischief are mentioned in addition to those above discussed, which are more specially their nature. There is, first, a lowering of the moral tone of the business community; and secondly, an overcrowding of certain departments of business. On the last of these points the circular has the following valuable suggestions:

"That there are still too many in business in proportion to its volume and profitableness there is no denying, and that failures are likely to occur while this condition lasts is equally certain; but this does not alter the great fact that the country is rapidly recovering itself, and that by the success of agricultural operations great bodies of producers over vast sections of the country are materially increasing their purchasing power. It is true that in numerous manufacturing centres depression still reigns, and no revival is hoped for so long as the capacity to produce so immensely exceeds the probable demand. That this view has become a settled conviction in many minds, even among the operatives themselves, is a hopeful sign, for the necessity will then become apparent that a numerous class should adapt themselves to other industries; and the fact that at Government and other land agencies there have been very frequent applications for farms from those hitherto engaged in other pursuits, is one of the most cheering signs of the times. As a country we are most fortunate in this, that millions of fertile acres are available at a merely nominal price, and that, with very little effort, not only a living, but comfort and eventual independence are possible to families willing to work. In no form could organized philanthropic effort be better shaped than in encouraging by information, direction, and even material aid, a movement from manufacturing centres to the cheap lands of the West and South. If by firmness on the part of wholesale merchants in refusing settlements and compromises in the event of failure, a similar movement could be induced among the large army of unnecessary retailers and middlemen now dividing up between them the limited trade of the hour, an early solution would be found for many difficulties from which the business of the country suffers. That these results will be, of necessity, gradually accomplished, is certain, and the sooner the better for all concerned.

"There are numerous other indications of an encouraging character; the enormous amounts realized from both natural and manufactured products exported, the certainty of magnificent crops, the continued success attending the development of mineral resources—all point to a steady gain in national wealth. The probability of early resumption of specie payments is another most encouraging circumstance, and taken in connection with the likelihood that values have touched their lowest point, will result in begetting a degree of certainty and stability, to which the trade of the country has been a stranger for some time past."

There is nothing new in this complaint of the overcrowding of the avenues of business. In every age of the commercial history of the world periods of depression have occurred from various causes, and one of the most frequent symptoms of such crisis is that there is less demand for various classes of workers from the simple reason that there is less work to be done. Where ten men were required to do the volume of business, five are, perhaps, sufficient if the contraction of business reaches a certain point. This being so, a struggle ensues as to which of the ten shall retain and which shall lose their old places. The result, however, is, of course pretty uniform; a great number of men who formerly had full work at their old employments are driven away to seek other occupation. In a country like our own, so rich in resources, willing hands can always find work by which, in one way or other, an honest laborer can earn subsistence for himself and his family. In the older countries of Europe the problem is more complicated, and when men lose their place in the grand army of industry, they do not find it so easy as in the United States to obtain a new position and start once more upon a fresh career. Hence, the transition, the change of employment which, in times of panic and stagnation is always forced upon a great number of persons in every commercial country, is productive scarcely anywhere else in the world of so little serious disaster and ruin to the individual members of society. Not a few writers have proposed, as a remedy for some of the evils we are discussing, that there should be a smaller number of "middle men" to stand between the producer and the consumer. But these theories cannot be put in practice for many reasons. The "middle-man," as he is called, is as really a producer as the farmer or the manufacturer whose product he buys and sells. As the word itself indicates every man who facilitates the progress of goods to a market is a producer. In the analysis of political economy, there is no place for the "middle-man." Every person is regarded as either a producer or a consumer, and commonly he is both by turns. In confirmation of the general nature and wide-spread influence of the causes which have augmented the number of failures during the last six months, the following table is given:

STATES AND TERRITORIES.	Second Quarter in 1878.		Total for first six months of 1878.		Total for first six months of 1877.	
	No. Fail- ures.	Amount of Liabilities.	No. Fail- ures.	Amount of Liabilities.	No. Fail- ures.	Amount of Liabilities.
Alabama.....	6	\$ 77,094	25	\$ 461,672	33	\$ 526,031
Arizona.....	1	19,000	3	42,107	—	—
Arkansas.....	10	90,500	26	272,600	15	176,325
California.....	59	523,000	139	1,343,341	179	1,456,756
City of San Francisco	61	990,000	116	1,826,747	78	5,802,035
Colorado.....	13	133,769	26	337,373	21	386,400
Connecticut.....	73	1,355,201	150	2,795,640	162	2,930,740
Dakota.....	2	11,000	7	83,000	3	18,500
Delaware.....	9	92,000	11	96,500	8	149,500
District of Columbia.	8	113,702	17	164,202	19	733,600
Florida.....	6	41,138	12	76,638	7	120,500
Georgia.....	39	863,772	88	1,523,562	56	703,696
Idaho.....	—	—	—	—	2	29,500
Illinois.....	78	816,430	282	4,898,131	244	4,113,800
City of Chicago.....	104	3,480,000	215	8,753,300	107	4,710,600
Indiana.....	73	1,133,800	254	3,948,549	178	2,234,885
Iowa.....	85	1,021,900	245	2,140,400	222	1,534,400
Kansas.....	7	105,800	20	424,550	22	136,250
Kentucky.....	81	1,446,880	145	4,759,258	124	3,943,750
Louisiana.....	43	986,306	90	4,080,706	31	434,518
Maine.....	39	144,900	117	803,900	54	571,000
Maryland.....	31	589,080	63	1,246,880	71	1,756,502
Massachusetts.....	180	4,758,422	354	7,817,431	268	4,190,128
City of Boston.....	61	2,061,300	175	6,536,523	41	2,161,200
Michigan.....	91	1,552,554	219	4,008,025	176	4,943,328
Minnesota.....	21	186,834	55	385,963	86	1,096,515
Mississippi.....	36	241,176	70	807,166	58	599,689
Missouri.....	15	177,212	47	738,216	43	461,842
City of St. Louis....	29	239,700	62	861,500	63	3,491,250
Montana.....	—	—	—	—	—	—
Nebraska.....	17	91,300	65	472,200	28	201,300
Nevada.....	—	—	7	107,137	40	460,329
New Hampshire.....	34	134,500	57	276,800	35	220,162
New Jersey.....	40	634,600	77	1,083,800	87	1,950,828
New Mexico.....	2	2,200	2	2,200	—	—
New York.....	207	3,124,725	515	8,538,844	571	9,845,590
City of New York..	151	7,910,900	424	23,395,412	434	16,545,064
North Carolina.....	36	264,500	58	499,400	65	411,965
Ohio.....	112	1,985,084	290	6,831,233	199	3,130,637
City of Cincinnati..	60	1,804,148	106	3,215,080	56	1,813,890
Oregon.....	—	—	—	—	18	175,904
Pennsylvania.....	205	5,488,923	429	11,714,554	300	6,052,957
City of Philadelphia.	70	1,414,122	135	5,402,466	83	2,215,873
Rhode Island.....	34	389,322	67	955,225	54	2,183,587
South Carolina.....	16	100,138	38	513,561	53	924,496
Tennessee.....	49	311,154	123	1,340,474	56	602,450
Texas.....	49	478,490	145	1,873,510	77	1,006,620
Utah.....	3	42,500	4	43,700	5	30,000
Vermont.....	22	395,500	62	1,070,600	49	400,863
Virginia.....	41	316,144	62	612,044	52	439,734
Washington Territ'ry	—	—	—	—	4	45,800
West Virginia.....	10	132,000	23	227,736	36	381,926
Wisconsin.....	49	467,220	99	1,398,916	76	1,143,956
Wyoming.....	2	14,000	4	24,000	—	—
Total.....	2,470	\$ 48,753,940	5,825	\$ 130,832,766	4,749	\$ 99,606,171
Dominion of Canada.	392	4,407,800	947	13,508,729	1,223	15,151,837

It thus appears that in most of our large cities the failures are much greater this year than last, the only exceptions being at St. Louis and San Francisco. In many of the Western States the failures have been heavy, for example,



in Ohio and Indiana. In Texas, Georgia, Tennessee, Kentucky and other Southern States, as well as in Pennsylvania, Massachusetts, Vermont and Maine there has also been an increase of insolvencies. In Canada the prospects appear to be brightening, and the failures are fewer, than last year as well as of smaller magnitude. The general conclusion from the whole of these statistics evidently is, that, notwithstanding the impulse which several rich harvests have given to our national wealth, there are general causes of trouble which are at work in this country, and still more conspicuously in Europe, and that almost every State in the Union is suffering more or less from the consequent stagnation and industrial distress. Secondly, there are not a few promising indications that the tide is turning and that if Congress does not disturb public and private confidence, by the agitation of mischievous schemes of legislation, we may hope for a gradual improvement in commerce and trade.

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## IS ENGLAND SPENDING HER CAPITAL?

BY GEORGE WALKER.

The annual values of property assessed to income tax in Great Britain show a very great increase of wealth in the United Kingdom within the twelve years between 1864-5 and 1876-7. The net annual values so assessed increased from 331 to 490 millions sterling, or nearly fifty per cent.; but as these values are given after the authorized deductions or exemptions from taxation have been made, the gross values must have increased much more, since between 1865 and 1877 the limits both of exemption and abatement were much extended. The figures above given do not, moreover, include the incomes of the working classes, who, as a rule, pay no income tax; it is well known that, within the period designated, the wages of those classes have largely increased; although there has recently been a great falling off, owing to the excessive prostration of industry.

The direction which the development of wealth has taken will be best seen from the increase in certain items of the assessment; thus the assessed revenue from houses increased from sixty-four to ninety-six millions; that from farms from seventeen to thirty-six; that from mines and ironworks from seven to seventeen; that from gas, railways, canals and other property from twenty-three to fifty-one; that from public companies from eleven to twenty-four; and that from trades and professions from 99 to 136.

While the greatly increased wealth of Great Britain in 1876 over 1864 is thus incontestably established, it has been seri-

ously questioned by high authorities in England whether that increase has not received at least a serious check, if a period of decadence has not actually set in. The latter would seem to be the opinion of Mr. Rathbone, the member of Parliament for Liverpool, who, in a letter to the *Economist*, dated November 15, 1877, elaborately reviewed the economic situation, and arrived at the conclusion "that the country, as a whole, has been extravagant, and has overspent to an extent *which is reducing its capital, and eating into its savings.*" Mr. Rathbone is a merchant of inherited wealth and influence, and of large experience, and the grounds of his conclusion above stated may be thus summarized. The excess of imports over exports, which has usually been regarded as the bringing home of the profits derived by England from her foreign commerce, and from her trade and investments in foreign countries, during the fifteen years from 1860 to 1874 inclusive, fluctuated between forty and seventy-two millions sterling, and averaged fifty-six millions. From seventy-two millions in 1874, this excess suddenly rose to ninety-two millions in 1875, to 118 millions in 1876, and to an estimated sum of 142 millions in 1877, the year not being ended at the date of Mr. Rathbone's letter.

Other writers have since endeavored to break the force of these figures—notably Mr. McKay, also a merchant of Liverpool, in a contribution to the *Economist* of December 8th, 1877—by showing that Mr. Rathbone did not make sufficient allowance for the deductions to be made from imports on account of freight in British bottoms, and other charges included in the declared values, but which, being due to British merchants, are not to be charged against the country; and on the other hand, for additions in the way of freight, insurance and profit, which should be made to the declared value of exports, being equally items accruing to the home merchant and shipowner. But Mr. Rathbone did not overlook these necessary corrections of the account. On the contrary, he stated that "in the case of imports, the amount of freight, charges and profits due to British shipowners and merchants, would have to be estimated and *deducted* from the official statement of the aggregate value of our imports, before we could arrive at the amount which, in some form or other, this country has to pay to foreign countries; and in the case of exports, the freight, charges, and profits earned thereon by British shipowners and merchants, would have to be estimated and *added* to the value of our exports as stated by the Board of Trade, if we would wish to ascertain to what extent the amount of our exports could counter-balance the amount we have to pay for our imports."

Whether Mr. Rathbone, or his critic, is nearer right in their estimates of these necessary corrections, his main proposition, that the imports have suddenly and abnormally

increased, cannot be impugned ; inasmuch as precisely the same corrections, and in nearly identical proportions, must be applied to all previous statements of exports and imports, leaving the ratio of that increase the same as if the corrections had not been made.

The methods of paying for imports are thus classified by this writer, "1, by the net proceeds of our exports, plus any freight earned on their transport by British shipowners ; 2, by the profits of trade other than our export trade, carried on for account of this country, to supply the wants of foreigners ; 3, by revenues derived from foreign stocks and investments ; 4, by the sale to foreign countries of stocks or other investments ; and 5, by the export of specie beyond the amount which is merely passing through the country in transitu. Payments by means provided from the first three sources may, I think, be considered to be paid out of income ; from the last two out of capital."

Mr. Rathbone then proceeds to show that there has been a decline and not an increase in exports, growing out of the facts, that in 1872 and 1873, imprudent loans by British capitalists to foreign governments and to private companies, notably to the railways of the United States, gave an unnatural and unhealthy impulse to the export trade. Another impulse was derived from the conclusion of the Franco-German war, which, for nearly a year, suspended even normal operations on the Continent. These exceptional causes have ceased to operate, and in place of them, there has grown up a greater independence of British products in many countries, which formerly depended largely on them. We know how heavily the imports from Great Britain have fallen off in this country, both by reason of the suspension of railway construction, by the checking of municipal and other borrowing in the London market, and by the supremacy which we have acquired in our own markets in the important articles of iron and cotton goods. Although this last result may be attributed to the tariff, there can be little doubt that this is not the true explanation of it ; the fact being, that owing to the reduced cost of all raw materials and of living, and to the greatly multiplied channels of transportation, which have lowered the carriage of products to a third or a quarter of its cost ten years ago, all the conditions of production have been so improved, as to place the United States beyond the reach of foreign competition in the home market. Bessemer rails, which cost \$ 120 a ton in New York in 1872, have, within a few months, been laid down in Illinois, by an Eastern manufacturer, at \$ 46 a ton ; and railways can now be constructed, anywhere in the United States, at from a third to a half of their cost in 1872.

As to the second means of paying for imports, contained in Mr. Rathbone's category, profits derived to British capi-

tal from trade carried on by it to supply the wants of foreigners, his statement is, that these profits are derived from the building of ships for foreigners, from the carrying trade in British ships, and from the exchange and banking profits made out of foreigners, in and out of England, by English merchants and bankers. All these sources of income have declined. Fewer ships are ordered from abroad, and the carrying trade has been greatly curtailed, especially since the completion of the Suez Canal. The opening of that avenue to the East has wrought a complete revolution in European trade, and has benefited the continent at the expense of Great Britain in two ways. It has avoided the passage of the great Asiatic staples through England on their way to France, Germany, Austria and other continental countries, and it has reduced the quantities and multiplied the number of shipments, thus requiring less dependence on the London money market, where the largest portion of Eastern exchanges have always been manipulated. The electric telegraph has, in this instance, as in many previous ones materially contributed to economy in the use of capital. An equally signal instance of it occurred in this country after the opening of the Pacific Railway, and the establishment of the steamship line to Japan and China, events which were speedily followed by the building of a continuous telegraph line to those countries. The tea trade, which was formerly in the hands of a few rich houses and very profitable, became suddenly unprofitable, owing to the ability of German and other houses to do the business on small capital, and to the great abbreviation of the time necessary to the transit of cargoes.

A significant illustration of this revolution in trade came within the writer's knowledge and business experience. The Gold and Stock Telegraph Co., of New York, in the prosecution of its business of a gatherer and vendor of the market quotations of all countries, made arrangements several years ago, at a considerable expense of telegraph tolls, to bring from San Francisco, on the arrival of every China steamer, a carefully prepared tea report, compiled by its China agents. This report was specially procured for one of its customers, the Boston Board of Trade. But the company expected to derive a considerable profit from the sale of the report to the large tea houses of this and other cities; not one of them, however, would take it, much preferring, as they said, that no such report should be brought over.

"Formerly," says Mr. Rathbone, "cotton from Bombay, and silk from China, were shipped to England, and thence distributed to manufacturers on the Continent. A voyage of three or four months was occupied in transmission to England, a much further time was consumed in the sale and retransmission of it to the Continent. Now the Austrian

manufacturer can contract with the merchant of Bombay for so many bales per month or per week, delivered direct from Bombay, *via* Trieste, involving only a month's steaming; while he can make his wants known by telegraph in a few hours. Similarly, much silk goes direct to France. Again, a miller can order his wheat from Chicago by telegraph, and receive it by a through bill of lading, over railway and by steamer, whereas formerly it was sent for sale to New York, thence again for sale to England, and thus now his wants are made known and supplied in a much shorter time than formerly."

The third of M. Rathbone's means of paying for imports, is out of the income derived from investments in foreign countries. The omnipresence of British capital has heretofore made the revenues thus accruing, very large; but there can be no doubt that they have seriously declined within the last five years. The mercantile and industrial investments have suffered from the universal prostration of trade in all countries. The loans to foreign governments and to private companies, and the investments in the railways, mines, and other enterprises abroad, have been generally unfortunate. Great Britain would not touch the Federal securities of the United States until the Germans had made vast fortunes out of them; but it greedily absorbed the stocks of Spain, Austria, Turkey, Egypt, Peru, Honduras, and other States of large promise and small performance. Careful estimates, heretofore published in the *Economist*, show, that much of this capital was hopelessly sunk. Not only must the income from it have fallen off in 1875 and 1876, but the shrinkage has steadily continued to the present time. Even the pre-eminence of Mr. Goschen, as a financier, has failed to put the Viceroy of Egypt on his legs, or to accomplish the security of the British bond-holder.

If Mr. Rathbone is right in his conclusion that from neither of the sources of income, which we have thus enumerated, has there been any increase at all commensurate to the increased excess of imports coming into Great Britain, it must necessarily follow, that that excess has been paid for out of capital, and in one of the two ways which he has indicated. Either the country has largely parted with its stocks and investments in other countries, or it has covered balances by the export of specie. There is much evidence tending to show that this has been the case. The excess of loanable capital in London since 1873-4, which is shown by the deposits in the Joint-Stock banks, and by the prevailing low rates of interest, especially in the open market, has served to conceal a decrease in the National wealth, if such a decrease does, in fact, exist. The causes of this excess of capital are many, but they are principally to be traced in the stoppage of production and trade, and in the reduction in

the amount of capital required to do business, under the quickening of the social exchanges which has been already alluded to. Political complications, and the distrust engendered by bad faith, have weakened the confidence in foreign public debts, to such an extent as to cause the English holdings of them to be largely sold. This was said to have been the case with regard to Russian securities a year ago, and it has doubtless been much increased since the political issue between England and Russia became a direct, instead of an indirect, one. All the great Russian loans are in sterling, and have been negotiated on the London market by the Barings and Rothschilds. The amount of Russian loans now quoted in London, reaches the large figure of \$800,000,000. We know also that there was a large export to this country of Federal bonds from England after the agitation of the Silver Bill and for the repeal of the Resumption Act began.

Mr. Rathbone also shows that bullion has gone abroad to complete the payment for excessive imports. The proof of this is to be found in the returns of the Bank of England. The coin and bullion in the Bank on the first of November 1876, was £33,000,000, on the first of November, 1877, it was only £22,800,000. Between the same dates, the reserve fell from £19,200,000 to £9,680,000. We have in another paper, in this number of the *BANKER'S MAGAZINE*, (The English Bank Rate) pointed out the impaired influence, if we may not venture to say, embarrassed position, of the Bank of England, growing out of its struggle to protect the national stock of the precious metals. We did not, however, in that article impute the drain of bullion to the cause now assigned to it by Mr. Rathbone, namely, to the *domestic* necessity of exporting gold to pay for imports. It is, however, more than probable that this has been one of the causes of that drain. All intervening efforts to better the Bank's position have, so far, signally failed, and the state of the bullion and reserve at the latest received date (July 4th) is even more unfavorable than that stated by Mr. Rathbone as of the first of November last. The coin and bullion are now £21,524,000, and the reserve £9,080,000. The important resolution, lately taken by the Bank, to abandon the guardianship of the national reserves, shows that it is not deemed possible to better the situation without such a coöperation on the part of other banking institutions, as will both increase the metallic stock, and divide it up in such a way as to render it less open to assault. If, however, England is losing gold by reason of extravagant living, shortened production and excessive imports, the disease is so deeply-seated as only to be capable of cure by greater economy of private living and of public expenditure. The results of the Berlin treaty are not favorable to the latter, and it remains to be seen whether the new era of territorial acquisition and military protectorate

inaugurated by Lord Beaconsfield, will not prove subversive of that long-continued commercial supremacy which, since the conclusion of the Peace of 1815, has transferred the seat of power from Downing Street to Manchester.

In concluding the present article, it is, however, necessary to state that other English writers, no less distinguished than Mr. Rathbone, take an opposite view of the situation. Among these are Mr. Giffen, an officer of the Board of Trade, Mr. Newmarch, the eminent banker and statistician. Two valuable papers read by these gentlemen before the Statistical Society, since the beginning of this year, and since published in its journal will form the subject of a future paper.

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### THE 3.65 INTERCONVERTIBLE BOND.

Persons in this country, respectable in numbers and intelligence, recommend the issue by the National Government of a paper currency convertible, at the will of the holder, into bonds bearing what is considered a low rate of interest, the rate of 3.65 being most commonly mentioned, and the bonds to be also reconvertible, at the will of the holder, into paper currency. The fundamental ideas upon which this recommendation rests, are, that a very low rate of interest is the result of a too abundant currency, and would be automatically corrected by the power of converting the currency at will into an interest-paying obligation, and that a very high rate of interest results from a too contracted currency, and would be automatically corrected by the power of converting interest-bearing obligations at will into currency.

When the metallic currency of the world began to be suddenly enlarged twenty-five and thirty years ago, by the California and Australian gold discoveries, and when a much greater enlargement was universally expected than was in fact finally realized, the opinion that the increase of money would reduce the rates of interest, was common, although by no means universal. In England, this opinion was greatly confirmed by the fact that the Bank of England fixed its discount rate at two per cent. per annum, in April, 1852, and did not raise it during the remainder of that year. This fact, being simultaneous with, was readily accepted as the effect of, the new influx of gold, and the general expectation in England and elsewhere was, that this influx would keep money constantly abundant, and the rate of interest constantly low.

Tooke (*History of Prices*, vol. 6, page 278) says of the years 1852-3:

"It was very generally supposed that the rate of interest must be regarded as permanently reduced, in consequence of

the rapid increase of money capital, the immediate result of the importation of gold; and there can be no doubt that large transactions between borrowers and lenders were materially affected by views of this nature."

Tooke also says (vol. 6, page 273):

"The constant arrivals of new gold, and the evidence of a great prosperity on all sides, had produced a moral effect on the public mind, so strong, that the rise of the minimum bank rate in January, 1853 [to two and a half per cent. January 6, and three per cent. January 20], excited very general surprise, and led to some loud expressions of discontent."

The extent of the impression prevailing in England, that the "*new gold*" would work a "*permanent reduction*" in interest rates, is illustrated in the financial *projet* submitted to Parliament in April, 1853, by the then Chancellor of the British Exchequer (Mr. Gladstone), and by one of the objections made to that *projet* by Disraeli (now Lord Beaconsfield), the leader of the opposition.

Mr. Gladstone proposed a rate of interest on Exchequer Bills of one and a half per cent. per annum, which he was obliged in fact to double six months later. But his more important proposition was to attempt to substitute a two and a half per cent. consol for the three per cent. consols, with the aid of a guarantee that the proposed two and a half per cent. consols should not be paid off for a term of at least forty years. Disraeli objected that it was unwise to give such a guarantee, as the "*new gold*" might reduce interest still lower. His language was (*Parliamentary Debates*, vol. 126, pages 350-1):

"What are the prospects of the rate of interest in this country? No one can deny that there are new phenomena in the present day with respect to these subjects. Is there anybody who can calculate the present amount of the precious metals in the world, or what it will be in forty, thirty, twenty, or even ten years hence? The question of terminable annuities has assumed a very different character in the opinion of the most important thinkers, since the metallic discoveries."

We now know, that in point of fact, the increase of money from the Australian and California mines, instead of lowering the rate of interest, so stimulated the activities of business, that loanable capital has rarely enjoyed a period of higher remuneration than during the twenty years following 1848. Ernest Seyd, writing in 1868 (*Bullion*, page 513), says:

"Upon this one point all authorities are agreed, to wit, that the large increase in the supply of gold has given a universal impetus to trade, commerce and industry."

In fact, the consequences, although more suddenly realized, were precisely the same in character as those which followed the abundance and diminished purchasing power of gold and



silver after the first opening of the mines on this continent, in the sixteenth century, of which Mr. R. M. T. Hunter, in a report (1852) to the U. S. Senate, says :

“ Production was stimulated by finding the advantages of a change in the standard, on its side. Capital too, was benefited, for new demands were created for it by the new uses which a general movement in industrial pursuits had developed ; so that if it lost a little by a change in the standard, it gained much more in the greater demand for its use, which added to its capacity for reproduction, and to its real value.”

The experience of mankind has been uniform, not only that an increasing amount of money tends to increase the rates of interest, but that a decreasing amount of money tends to decrease the rates of interest. It is this last condition of things which we are witnessing in this country to-day, and have always witnessed when the currency has undergone contraction. The English witnessed it at the memorable period of their resumption of coin payments, in 1821, when the same diminution of the volume of money which depressed prices, also depressed rates of interest in an equal degree. Alison (*England in 1815 and 1845*) says of it :

“ There can be no doubt that the reduction of interest injured the holders of the available capital of the country nearly as much, in many cases, as the producing classes were injured by the fall in the money prices of their commodities. Probably it reduced the income of creditors forty per cent.”

There is no connection between the volume of money and the rate of interest, if the volume of money be assumed to be steady. It is only prices which depend on the volume of money. Interest depends, in the long run, upon the rate of profit at which capital can be employed. The confusion of ideas on this subject, arises from not distinguishing between the cheapness of money in hiring, and the cheapness of it in procuring it in exchange for property. Money may be very cheap to hire, and very dear in exchange for other things, and *vice versa*. In California, in the first period of the gold discoveries, when lumber commanded \$ 1,000 per M., and flour \$ 100 per barrel, and when, at the same time, money was loanable at ten per cent. per month, money was high in the lending markets and low in the merchandise markets. To-day, in this country and in Europe, it is super-abundant and low in the lending markets, and deficient and high in the merchandise markets ; or, in other words, it is cheap to hire, but dear to buy.

Interest rises, when the volume of money is expanding, because it is then that production is stimulated by advancing markets for merchandise. By the reversed operation of the same principle, interest falls when the volume of money is shrinking, because it is then that production is curtailed by

the lowering prices of merchandise. The operation of the proposed interconvertible bond must, therefore, be, to aggravate, intensify, and prolong the disorders of the currency. In times like the present, when industry is paralyzed by the effect of a shrunken and shrinking volume of money, currency would be invested in a low-interest interconvertible bond, as the best available use to be made of it, and such investments would still further contract the currency. In the opposite condition of things, when prices and interest were both rising by reason of an enlarging volume of money, that volume would be still further enlarged by the re-conversion into currency of the bonds which had been taken and held when the current rate of interest was low. If human ingenuity had been charged with the duty of devising a scheme which should always, under all circumstances, infallibly and automatically, work mischief in its effects upon the currency, and never, by any possibility, work beneficially, the interconvertible 3.65 bond would, of all known schemes, be the one most likely to be hit upon. It is based upon the theory, which is condemned by sound reason, and by uniform experience, that a falling rate of interest indicates a super-abundant volume of money, whereas it indicates a decreasing volume of money. Falling rates of interest and falling prices are inseparable companions, and a diminishing volume of money causes both. Still further to diminish the volume of money in such cases, by the cancellation and destruction of so much of it as can be attracted into interconvertible bonds, aggravates the disturbing cause, instead of being a remedy for it.

In some quarters this inconvertible bond is recommended, not upon the ground that it will regulate and steady the volume of a paper currency, but that it will enable the Government to borrow money more cheaply than upon a bond not interconvertible. That is doubtless a desirable object, inasmuch as the Government is likely to be a debtor and a borrower for a long period to come. Nor does it seem to be an exaggerated claim, that the quality of interconvertibility is so valuable, that a bond possessing it can be negotiated at an annual interest rate one and a half per cent. lower than a bond not possessing it. Indeed, it is quite conceivable that, with an issue of interconvertible bonds kept within certain narrow limits as to aggregate amount, the saving of interest might be even greater than one and a half per cent. per annum.

During the session of Congress just closed, an advocate of convertible bonds, in connection with postal savings banks, said that "*all business men, all business institutions, exposed to unknown and uncertain demands, are compelled to keep a certain amount of idle cash,*" which they would find it "*safe and profitable*" to invest in 3.65 interconvertible bonds. That is undoubtedly true, and in frequent conditions of the money market, even a

two per cent. bond might be found a "*profitable*" employment for funds otherwise idle. But if the Government shall continue to furnish one-half of the paper currency of the country in the form of its own non-interest-bearing notes (greenbacks), and especially if, as is highly probable, it shall decide to furnish the whole of the paper currency in that form, the change of it into bonds bearing any rate of interest, however low, would involve a loss to the Government of so much. Borrowing on the interconvertible bond might be cheap, but nothing is so cheap, in the way of borrowing money, as borrowing without any interest at all.

If interconvertible bonds of as low a denomination of one dollar were issued, the greenbacks would entirely disappear, except possibly a few which might remain in the National banks as a part of their reserve of lawful money. A bond, convertible at will into greenbacks, would be as readily accepted in payments and purchases as a National bank note, which is not a legal tender, and derives its value from the same convertibility into greenbacks, which the proposed bond would possess. The entire paper currency would thus become interest bearing, which would be "*safe and profitable*" to the holders of it, but devolve a heavy burden upon the Treasury, and the holders of the currency could not escape their proportional share of this burden.

The Government does its whole duty, in respect to its paper issues, when it makes them "*safe*." When it makes the holding of them "*profitable*," it not only does more than its duty, but does a most mischievous thing. The true idea of money is, that it is useless when locked up, and can only be made available when it is parted with. To give to the holders of it an extra and gratuitous inducement to hoard it, is precisely the reverse of a sound policy. The holders have the right to keep it idle, but they should not be bribed to keep it idle. So long as they will neither loan it to others, nor employ it themselves in productive industries, they should not be paid an income on it out of the public Treasury.

Of the resources of visionary quackery, as applied to currency, there seems to be no possible exhaustion. The scheme of making paper notes convertible into coin, without keeping an amount of coin on hand equal to the notes, has been condemned by all experience since the days of John Law, and still it flourishes. It has always been a ruinous failure in England, and we know that it was so in this country. Constant convertibility into bonds is possible, because there is no end to the power of fabricating bonds, but the mischiefs of that actual convertibility, although of a different kind, are quite as great as the mischiefs of a pretended, delusive and impossible convertibility into coin.

GEO. M. WESTON.

## ON COMMERCIAL CRISES.

THE GILBART LECTURES ON BANKING, LECTURE II,

DELIVERED AT KING'S COLLEGE, LONDON (SESSION 1878),

BY PROF. LEONE LEVI.

*(Concluded from July No., page 45.)*

Ten years passed away in comparative quietness and prosperity, during which the Bank Charter legislation was adopted, which was to render the recurrence of crises all but impossible, when the crisis of 1846-47 appeared. And what was the primary cause of that crisis? Mr. Cotton, the then Governor of the bank, said: "My impression is that there never was a time when so many parties engaged in operations so much beyond what they ought to have done with reference to their capital, as in the year 1847, and when there was so great a transfer of capital from floating to fixed, and from business to railways by mercantile men." "What really produced a derangement of trade, and stoppage of transactions in 1847, was the loss of capital and the diversion of capital to other than trading purposes." So said Lord Overstone, then Mr. Jones Lloyd. Judging from the bank rate of interest current for some time after the passing of the Bank Charter Act, there must have been great abundance of capital in the country in 1844 and 1845. From the 7th September, 1844, to the 11th October, 1845, that rate was two and a half per cent. From that date to the 1st November, it was three per cent. Then it rose to three and a half, till the 29th August, 1846, when it fell again to three, and it was not till the 2d January 1847, that it rose to four per cent. And the deposits increased from £3,900,000 in 1841, to £9,500,000 in 1845. Unfortunately, however, the year 1845 was a year of great railway, cotton, and iron speculation, followed in 1846 by a bad harvest, and the destruction of the greater part of the potato crop, which required an importation of grain to the extent of £30,000,000. The heavy import of grain in 1846, and the prospect of a good harvest, changed the aspect of Mark Lane, and produced a sudden reaction in prices, which led to many failures, prominent among them being that of an eminent discount house having a large country connection. Other failures followed; credit became affected; large banks stopped payment; money was hoarded to a considerable extent. Never was there such a distrust and prostration in the commercial world as at that period. The Bank of England, seeing its bullion and reserve

diminishing, with extraordinary anxiety, raised the rate of interest to five and five and a half. And when, in the week ended 23d October, the deposits were reduced to £13,347,000, and the note reserve had fallen to £1,547,000, the directors, deluged with demands for accommodation, asked the Government to relieve them from the incubus of the Bank Charter Act. The Government trusting upon receiving the necessary Parliamentary indemnity, did not hesitate to suspend the operation of the Act. Only, as a measure of prudence, they suggested to the directors of the bank that, whilst enlarging the amount of their advances and discounts upon approved security, they should endeavor to restrain the operations within reasonable limits, by charging a higher rate of interest, which, under the circumstances, should not, they thought, be less than eight per cent. The Government letter had considerable influence in removing the apprehension and panic, and thenceforth confidence gradually returned. No infringement of the Act actually took place. What was really wanted was the knowledge that accommodation could, and would, be had, if required, and the letter having proved sufficient to allay any further fear in that direction, trade resumed its wonted course.

## SYNOPSIS OF THE CRISIS, 1847.

Date.	Circulation.	Bullion.	Reserve.	Total amount of bills dis-counted.	Rate of interest per cent.	Am't of export.
Feb. 27, 1841	£16,411,000	£4,400,000	—	—	5	£51.5
Aug. 31, 1841	17,530,000	4,800,000	—	—	5	—
Feb. 28, 1842	17,013,000	6,300,000	—	—	4	47.3
Aug. 31, 1842	20,071,000	9,800,000	—	—	5	—
Feb. 28, 1843	20,284,000	11,100,000	—	—	4	52.2
Aug. 31, 1843	19,339,000	12,300,000	—	—	4	—
Feb. 29, 1844	21,148,000	16,200,000	—	—	4	58.5
Aug. 31, 1844	20,480,000	15,315,000	£7,732,000	£2,141,000	4	—
Feb. 22, 1845	19,802,000	15,253,000	8,889,000	2,422,000	2½	60.1
Aug. 30, 1845	21,059,000	15,592,000	7,959,000	4,445,000	2½	—
Feb. 28, 1846	20,921,000	13,776,000	6,691,000	13,137,000	3½	57.7
Aug. 29, 1846	20,426,000	16,366,000	9,450,000	6,067,000	3	—
Feb. 27, 1847	19,330,000	12,045,000	6,017,000	8,879,000	4	58.8
Aug. 28, 1847	18,236,000	9,146,000	4,330,000	9,103,000	5½	—
Oct. 2, 1847	18,712,000	8,565,000	3,409,000	10,399,000	5	—
Oct. 9, 1847	18,640,000	8,409,000	3,322,000	10,978,000	5	—
Oct. 16, 1847	19,360,000	8,431,000	2,630,000	11,907,000	5½	—
Oct. 23, 1847	20,318,000	8,313,000	1,547,000	12,492,000	8	—

The panic of 1847 gave place to a period of calm and steady revival. The bank rate of interest, which, in October, 1847, was raised to eight per cent., gradually fell to six, four, and three per cent., and at the end of 1849, it was as low as two and a half per cent. Everything was bright in those days. The reserve at the bank was large. The bullion abundant. The deposits rapidly increasing. In 1852 the discovery of gold in California and Australia, caused an immense sensation. The precious metals were never so abundant, and the most extraordinary theories were formed

of the possible effect of such discoveries on the monetary standards, on prices, values, annuities, and on everything valued in gold. The fever was, indeed, at its height, when Mr. Gladstone was encouraged to propose the conversion of a considerable amount of three-per-cent. stock into a two and a half per cent. And we may well imagine that such an overflow of the precious metals would give considerable stimulus to commerce and enterprise. That was evidently the time for action. Undertakings, which had been for years dormant, now awakened to a new life. Extensive lines of railways were projected, and actively commenced. Trade was prospering, and all continued to be in a most promising condition when the apparently unbounded prosperity was suddenly checked by the war with Russia in 1854, which entailed an enormous expenditure, and by a large export of silver to India, the result partly of railway expenditure in that country, and partly also of the adverse balance of trade between England and China. At this juncture a terrific storm approached from the other hemisphere, announcing the wreck of many public companies, and the suspension of many banks, and of some of the largest mercantile houses. And when to these occurrences there were added the mutiny in India, which required a still greater export of treasure, and introduced a new element of disquiet and anxiety, we may well imagine that the condition of commerce and finance became critical in the extreme. Once more the rate of interest rose very high. During the years 1855 and 1856, the rate reached six and seven per cent. But matters were fast approaching towards a crisis. In the week ending 11th November, 1857, the Bank of England accounts became alarming, the reserve of notes having been reduced to £ 1,461,000, the bullion being reduced to £ 7,171,000, and the amount of bills discounted having increased in a very short time from £ 8,000,000 to £ 13,000,000. Under such circumstances, the directors felt themselves under the necessity of once more asking the State to extricate them from the difficulty, and forthwith a Government letter was issued on the 12th November, authorizing the directors to exceed the limits of their circulation, if needful, beyond the prescribed amount. The suspension of the Bank Charter Act, in 1847 and 1857, differed in this, that, whereas, in 1847, it was not found necessary for the directors to avail themselves of the permission, the necessity in this instance actually arose, and an issue to the extent of £ 2,000,000 beyond the legal issue, was made to the Banking Department. (*See Table next page.*)

The crisis over, once more to the storm succeeded a calm, and not a year elapsed when the great majority of traders, having forgotten the sufferings of 1857, were once more basking under the sunshine of a two and a half per cent. interest. The deposits at the chief Joint-Stock Banks which

## SYNOPSIS OF THE CRISIS, 1857.

Date.	Circulation.	Bullion.	Reserve of notes and coin.	Bills discounted.	Rate of interest.	Deposits in chief banks.	Exports.
	£	£	£	£	£	£	£
Feb. 23, 1850	18,902,000	17,120,000	12,233,000	2,388,000	2½	11,900	71.4
Aug. 31, 1850	19,962,000	16,770,000	11,086,000	2,603,000	4	—	—
Feb. 22, 1851	18,713,000	14,436,000	9,722,000	4,115,000	3	14,700	—
Aug. 30, 1851	19,716,000	14,362,000	8,645,000	5,393,000	2	—	74.4
Feb. 28, 1852	20,523,000	19,239,000	12,714,000	3,245,000	2	17,400	78.0
Aug. 28, 1852	27,620,000	21,914,000	13,202,000	2,716,000	3	—	—
Feb. 26, 1853	21,990,000	18,101,000	10,200,000	5,845,000	3½	21,300	99.0
Aug. 27, 1853	22,776,000	16,963,000	8,186,000	5,457,000	5	—	—
Feb. 25, 1854	21,690,000	16,286,000	8,386,000	5,049,000	5	25,000	97.2
Aug. 26, 1854	20,018,000	13,635,000	7,587,000	6,319,000	5	—	—
Feb. 24, 1855	19,062,000	13,045,000	7,982,000	6,066,000	3½	28,300	95.7
Aug. 25, 1855	20,042,000	15,546,000	9,503,000	5,751,000	5½	—	—
Feb. 23, 1856	18,541,000	10,575,000	6,509,000	8,883,000	4½	33,000	115.8
Aug. 30, 1856	20,124,000	12,367,000	6,736,000	4,446,000	6	—	—
Feb. 28, 1857	18,597,000	10,344,000	6,222,000	8,859,000	5½	37,700	122.0
Aug. 29, 1857	19,324,000	11,901,000	6,650,000	7,893,000	8	—	—
Oct. 24, 1857	19,766,000	9,370,000	4,077,000	9,636,000	8	—	—
Oct. 31, 1857	20,372,000	8,732,000	2,804,000	11,105,000	8	—	—
Nov. 4, 1857	20,267,000	8,498,000	2,705,000	11,439,000	10	—	—
Nov. 11, 1857	20,183,000	7,171,000	1,461,000	13,233,000	10	—	—
Nov. 18, 1857	21,406,000	6,484,000	1,552,000	16,003,000	10	—	—
Nov. 25, 1857	21,340,000	7,264,000	2,397,000	17,376,000	10	—	—
Dec. 2, 1857	21,102,000	7,356,000	2,728,000	17,788,000	10	—	—

in 1859 amounted to £ 39,000,000, rose in 1864 to £ 91,000,000, and it was not long, indeed, before trade revived, and commerce increased in an unprecedented ratio. The introduction of limited liability in Joint-Stock Companies in 1856, and still more extensively by subsequent acts, greatly encouraged speculation. In a comparatively short time a large number of companies were formed: seventeen banking companies with a nominal capital of £ 25,000,000; twenty-eight financial and discount companies, with a capital of £ 49,000,000; nine insurance companies, with a capital of £ 7,000,000; twenty-four shipping companies, with a capital of £ 20,000,000; eighteen hotel companies, and many more for miscellaneous purposes, involving a subscribed capital of some £ 140,000,000. The new banks, connected with Italy, Egypt, Austria, Sweden, Brazil, Portugal, Turkey, China, Mexico, Venezuela, India, and other parts, pledged their credit for the promotion of large undertakings all over the world. And finance companies entered into the new business of financing, the working of which was singular. Contractors for all kinds of public works, requiring millions of capital, had only to go to such finance companies, and on payment of a heavy bonus, they were furnished with money in the shape of bills drawn by themselves and accepted by the companies; bills, however, understood not to be paid on maturity, but to be renewed from time to time, for years to come, till the works were completed. Some such finance companies realized, doubtless, large profits by the business, and could declare large dividends, but in time, a mass of bills, bonds, and other documents, was put into circulation which could not fail to pro-

duce disasters. At last the day of reckoning came, the memorable second Friday in May, 1866, when the failure of the long-known and highly-credited house of Overend, Gurney & Co.—only recently converted into a limited-liability company—came to grief. Then many other bankruptcies followed, and credit was, for a time, utterly demolished. The *Times*, of May 12, chronicled the state of matters in the following manner: "The doors of the most respectable banking houses were besieged, more, perhaps, by a mob actuated by the strange sympathy which makes and keeps a mob together than by creditors of the bank; and throngs, heaving and tumbling about Lombard Street, made that narrow thoroughfare impassable. The excitement on all sides was such as has not been witnessed since the great crisis of 1825, if, indeed, the memory of the few survivors who shared that panic, can be trusted, when they compared it with the madness of yesterday. Nothing had happened since the day before to justify such a fear as was everywhere shown. Rumor, however, like the false woman in the Laureate's legend, 'ran riot among the noblest names,' and left no reputation unassailed. Each man exaggerated the suspicion of his neighbor; and until a report, at that time unfounded, was circulated in the afternoon, that the Government had authorized the bank directors to issue to the extent of five millions beyond the limit imposed by the Bank Charter Act, it seemed as if the fear and distrust of the commercial world had suddenly become boundless." The position of the Bank of England, under such circumstances, was difficult and critical in the extreme. In the week ended 16th May, 1866, its reserves being reduced to £731,000, and its discounts having risen beyond all precedents, the directors were once again constrained to resort to Government for power to depart from the stringent regulations of the Bank Charter Act, and once again that power was granted.

## SYNOPSIS OF THE CRISIS, 1866.

Date.	Circulation.	Bullion.	Reserve.	Bills dis- counted.	Interest, in chief per cent.	Deposits in chief banks.	Ex- ports.
	£	£	£	£	£	£	
1862							123.9
1863—Feb. 25	19,117,000	14,614,000	9,253,000	7,066,000	4	54,000	146.6
Aug. 26	20,993,000	15,309,000	8,141,000	6,716,000	4	—	—
1864—Feb. 24	19,075,000	13,819,000	8,028,000	7,807,000	7	67,000	160.4
Aug. 31	20,738,000	12,980,000	6,142,000	9,141,000	8	—	—
1865—Feb. 22	19,659,000	14,600,000	8,254,000	7,950,000	5	67,000	165.8
Aug. 30	21,598,000	14,490,000	6,618,000	9,818,000	4	—	—
1866—Feb. 28	20,768,000	13,967,000	7,345,000	7,253,000	7	69,000	188.9
May 2	22,873,000	13,509,000	4,839,000	8,834,000	6	—	—
May 9	22,345,000	13,156,000	4,950,000	9,249,000	7 8	—	—
May 16	26,121,000	12,324,000	731,000	13,831,000	9 10	—	—
May 23	25,469,000	11,858,000	831,000	14,501,000	10	—	—
May 30	26,019,000	11,879,000	415,000	16,512,000	10	—	—
June 6	25,453,000	13,279,000	2,167,000	16,003,000	10	—	—

Nor did the crisis end on this occasion with the relaxation



of the Act. The wound was deeper and more inveterate. In 1847, the minimum rate of eight per cent. continued for twenty-eight days only. In 1857, the minimum rate of ten per cent. lasted forty-five days. In 1866, the minimum rate of ten per cent. lasted eighty-eight days. The disproportion also between the assets and liabilities of the banking department of the Bank of England was greater in 1866 than ever it was. Taking the public and private deposits, and the seven days' bills as liabilities, and the notes in the banking department and coin reserves as the assets, we find that in the week ended 16th October, 1847, with a liability of £ 15,074,000, the assets were £ 3,071,010, or twenty per cent. In the week ended 12th November, 1857, with liabilities amounting to £ 19,103,000, the assets amounted to £ 1,462,000, or seven and a half per cent. And in the week ended 16th May, 1866, with liabilities amounting to £ 25,090,000, the assets were £ 6,200,000, or only four and three quarters per cent. So intense and extended was the alarm in 1866, that Lord Clarendon, then Minister of Foreign Affairs, felt it proper to send a circular to British Ministers abroad, explaining that the trade of the country was based on sound principles, that the panic was but temporary, and that there was nothing peculiar in the condition of British banking and finance to occasion or justify any reasonable anxiety either in the country or abroad.

Since the crisis of 1866, the increase of capital has been great, and up to 1873, commerce and production made enormous progress. A turn has since taken place, and for some time past we have been suffering from a heavy depression of trade, all the more remarkable after so great excitement. Yet the transition from extreme buoyancy to extreme depression has not, happily, been attended with any crisis, and there is every appearance that we may ere long experience a steady improvement without any further derangement. It has not been so, however, in other countries, for New York had its Black Friday in September, 1869, occasioned by the failure of a powerful combination, the Gold Ring, and also by an excess of railway speculation. Germany and Austria have, as we have seen, experienced a severe crisis in 1873, and other countries have suffered in an equal manner.

Strong opinions have been held and expressed by persons of high eminence, that commercial crises, if not originating, are greatly fed and animated by the abuse of credit, especially in the shape of an over issue of notes; and on this ground, to a large extent, Sir Robert Peel's Bank Charter Act was defended. Now, if the main events connected with the crises of 1826, 1837, 1847, 1857, and 1866, be studied, especially in chronological order, it will be seen that the predisposing cause of every one of them has been a rash spirit of adventure, created under the influence of successful oper-

ations and large accumulations of capital. Here and there abuse of credit, and want of prudential restraints, may have had their evil influence. But only in a few cases any temporary excess of issue of notes can be traced, and then subsequent and not antecedent to the occurrence of the crisis. Admitting, however, that abuse of credit plays a considerable part in such crises, can any remedy be effectual which is directed solely upon the issue of notes? The sudden increase or withdrawal of deposits is of far greater magnitude now than any expansion or contraction of the currency.

Since the Bank Charter Act was passed, the mode of business has been in a great measure altered. But the main cause for the occurrence of commercial crises—the sudden realization of an insufficiency of capital to meet present demands—remains as operative as ever. And any legislation which hinders the easy removal of the panic must prove oppressive and eventually inoperative. Great was the expectation entertained of the working of the Bank Charter Act. Lord Overstone apologized for its introduction, and defended its principles in a most fervent manner. "Under the system which existed before that Act, the bank had the power of making unlimited issues, and that power only ceased when their gold was absolutely exhausted. This being the case, a drain of gold in its earliest stages attracted little or no attention on the part either of the public or of the bankers. All went on notwithstanding; there was no consciousness of decrease in the power of commanding bank notes. Credit, confidence, speculation, remained unaffected, until the gold was reduced to a very low amount. Then arose a sudden alarm for the safety of our specie payments; every strange resource was invoked in the last extremity to obviate the evil; a parcel of old discarded one-pound notes was drawn from a refuse cellar in 1825; the assistance of the Bank of France was ignominiously sought in 1857; and thus the last extremity, the actual failure to pay gold, was narrowly avoided. To prevent the recurrence of this state of things, the bill of 1844 was passed. The uninterrupted continuance of confidence and credit during the continuous drain of gold—the expansion of banking accommodation in the face of decreasing treasure—the only safe measure of that accommodation—the exhaustion of the bullion reserve, unaccompanied by any protective measure—the imminent danger of final insolvency by the bank—the discreditable expedients necessary to obviate the danger—the sudden severe and universal alarm and pressure must not be permitted again to return. Such was the wise and manly decision of the public, and for this purpose the provisions of the bill of 1844 were resorted to." Have these anticipations been fulfilled? Let the events of 1847, 1857, and 1866, answer. In the opinion of the Committee of the House of Lords, the Bank Charter Act did not

prevent the recurrence of cycles of commercial excitement and depression—did not put a check on improvident speculation, did not prove a security against violent fluctuations in the value of money, did not lessen the degree and extent of commercial failures. On the contrary, whilst inoperative in times of prosperity, it has undoubtedly aggravated the evil of panic and alarm in times of difficulty; it has utterly failed to prevent, by early and gradual means, severe and sudden contraction of the currency and the panic and confusion inseparable from it. If it did not prove more mischievous, it is because the present system of payments by cheques, the working of the Clearing House, and the immense expansion of the amount of deposits in all the banks, have completely thrown into the shade the circulation of bank notes, and all the measures regulating their issues; and it is because commerce and banking have altogether outlived the dependence of the nation on the issue of notes.

It is idle to expect that by any law whatever, we can prevent the alternation of buoyancy and depression in trade, the effects of sudden derangements in the natural laws of supply and demand, or of war, or revolutions, or mutinies, or the many changes in the usual methods of investment. What is required, is a sober judgment among mercantile men as to the limits of their own power in matters connected with the investment of capital. Let them see that they do not become the victims of that aberration of mind which from time to time brought the commerce of the country into a vortex of disasters, and all is safe. As to bankers, they ought to feel the responsibility of their acts both in animating foolish trust and contributing to universal alarm. Let them pursue a uniform course, in trusting only those who are worthy of trust. Let them carefully discriminate the character, the real worth, of the parties whom they assist, and have an eye, too, to the nature of the operations which they are called indirectly, it may be, to foster, and they will save themselves a world of criticism as well as much public censure. Gentlemen, a crisis is a serious misfortune. It is the Asiatic cholera of the commercial world, and it is epidemic, contagious. We have found that zymotic diseases are, after all, preventible; that by pure air, pure water, and cleanliness, we can say to this scourge, Depart. Equally so in matters of commercial crises. Let there be proper adherence to sound maxims of economic laws. Let there be due exercise of caution in maintaining a proper balance between the available capital and the amount of commercial investments. And let us not hesitate to abolish any laws which fetter the natural course of trade, and involve the operations of bankers and merchants, and we may be able to say to such crises, Depart; or, in any case, their action will not touch you. Well protected by prudence and caution, you will be able to continue in your

own course of business with calm and imperturbable front, and even if a cloud should for a time obscure your horizon, it will only make the sunshine around you more grateful and enduring.

## THE RAILROADS OF THE UNITED STATES IN 1877.

The *Manual of the Railroads of the United States for 1878* is the eleventh annual number which the Messrs. Poor have presented to the public. It contains some new features which add to its usefulness. For the first time the railroads of each State are grouped together. Preceding these statements are tables, giving the names of the roads, the mileage in each State, and the total mileage of each road. The fullness and value of the reports made by the several companies increase year by year. From the introduction to this standard work, we derive the following summary:

The depression of the three previous years still continues. Not only has there been a considerable decline in the construction of railroads, but the earnings also show a larger relative decrease than at any period since the first publication of the *Manual*. The number of miles of railroad opened during the year 1877 was 2,177, against 2,657 for 1876, 1,758 miles for 1875, and 2,305 miles for 1874. The largest number of miles built has been in New York and Pennsylvania, and in narrow-gauge lines in Ohio, Iowa and Texas. No new lines of any considerable magnitude have been undertaken. The tables which follow will show in what sections there has been any considerable increase.

The gross earnings of all the roads whose operations have been reported, have equaled \$472,909,272 against \$497,257,959 for 1876 and \$503,065,505 for 1875. The general result of the operations of our railroads for the last seven years is shown in the following statement:

### MILES OF RAILROAD, CAPITAL ACCOUNT, EARNINGS, ETC., FOR SEVEN YEARS.

Year.	Miles operated.	Capital and Funded debt.	Earnings.				
			Gross.	Net.	From freight.	From passenger.	Dividends paid.
		\$	\$	\$	\$	\$	\$
1877	74,112	4,568,597,248	472,909,272	170,976,697	342,859,222	130,050,050	58,556,312
1876	73,508	4,468,591,935	497,257,959	186,457,752	301,137,376	136,120,583	68,039,668
1875	71,759	4,415,631,630	503,065,505	185,506,438	303,900,234	139,105,271	74,294,208
1874	69,273	4,221,793,594	520,406,016	189,570,958	379,406,935	140,999,081	67,043,942
1873	66,237	3,784,543,034	545,419,935	183,810,562	389,035,508	137,384,427	67,120,709
1872	57,323	3,159,423,057	463,241,055	165,754,373	340,931,785	132,309,270	64,418,157
1871	44,614	2,664,627,645	403,329,208	141,746,404	294,430,322	108,898,886	50,456,681

It will be seen by the above that the gross earnings have fallen off \$24,348,687, and the net earnings \$15,476,055, as

compared with 1876. The ratio of net to gross earnings was 36.16 per cent., as against 37.5 per cent. for 1876, equal to an increase of 1.36 per cent. in the operating expenses, as compared with the preceding year. The decrease in earnings from freight has amounted to \$18,278,154; and in passenger traffic, \$6,070,533; the per centages of decrease being respectively 9.5 and 9.7 per cent. The dividends have fallen off \$9,483,356; and are less than for any year since 1871. The total amount of capital stock on which dividends were actually paid was \$835,038,896, giving an average rate of 7 per cent. No dividends were paid on any of the railroads in the States of Arkansas, Colorado, Florida, Kansas, Louisiana, Mississippi, Missouri, Nebraska, Oregon, Texas, and Vermont—nor, excepting on leased lines, in Iowa and Minnesota.

The summary of earnings, expenses, etc., given in the tables which follow, shows to what extent the decrease of business has extended over all parts of the country. The reduction in the rates of transportation, noted in 1876, has continued through 1877. It will be seen that the principal decrease in earnings has been in the Middle States, due partly to the depressed condition of the coal trade, and partly to the falling off in passenger earnings as compared with 1876, the Centennial year. In comparing the earnings and expenses of the roads in the Western and Southern States, allowance should be made for a change in the reports for Arkansas and Texas. Prior to 1877, these States were grouped with the Southern States, but for that year are included with the Western States in the statistics presented.

The elaborate tables heretofore printed in the *Manual* are omitted this year; but the final results are given in full detail. There is added a table reducing these results to the unit of 100. From this it appears that for each 100 miles of railroad in the United States there are 22.8 miles of second track, sidings, etc.; 20.1 locomotives; 15.2 passenger cars; 4.7 baggage, mail and express cars; and 495.3 freight cars of all kinds.

The capital stock aggregates \$2,921,507 for each 100 miles; the funded debt, \$2,848,308; the floating debt, \$300,078; and the total cost of construction and equipment, \$6,069,893;—equal to about \$60,699 per mile of completed road.

The gross earnings per mile were, \$6,380.94; operating expenses, (63.85 per cent.), \$4,074; net earnings, \$2,306.90. Interest paid on bonds per mile of road, \$1,248.04; dividends paid on stock, do., \$739.52. The ratio of interest paid to total funded debt was 4.39 per cent.; of dividends to aggregate capital stock, 2.53 per cent. In 1871, with only two-thirds as many miles of railroad in operation, and a little more than one-half the capital stock, the dividends aggregated \$56,456,681; equaling 4.19 per cent. of the capital then invested.

TABLE SHOWING THE MILEAGE, GROSS AND NET EARNINGS, FREIGHT AND PASSENGER EARNINGS, AND DIVIDENDS OF THE RAILROADS OF THE UNITED STATES FOR FIVE YEARS, 1873-1877, ARRANGED BY GEOGRAPHICAL DIVISIONS:

	1877.	1876.	1875.	1874.	1873.
<b>NEW ENGLAND.</b>					
Miles of railroad .....	6,039	5,783	5,732	5,617	5,303
	\$	\$	\$	\$	\$
Earnings from passengers.	20,065,709	20,516,215	21,776,893	22,111,787	22,358,645
"    " freight, etc.	25,524,756	25,244,778	26,552,029	27,952,987	29,310,043
"    " all sources.	44,590,465	45,760,993	48,328,922	50,064,774	51,676,688
Net earnings.....	13,735,746	15,379,072	15,324,654	16,713,183	15,061,777
Dividends.....	6,677,726	7,607,973	8,788,040	8,511,971	9,004,488
<b>MIDDLE STATES.</b>					
Miles of railroad .....	13,607	13,647	13,173	12,874	12,441
	\$	\$	\$	\$	\$
Earnings from passengers.	39,255,780	47,483,865	40,772,967	41,699,871	42,355,230
"    " freight, etc.	116,687,341	130,129,542	134,904,451	144,798,567	151,697,072
"    " all sources.	155,943,121	177,613,407	175,677,418	186,498,438	194,052,302
Net earnings.....	61,033,089	69,382,517	65,609,418	90,188,972	69,280,585
Dividends.....	24,890,480	33,690,111	39,357,196	37,600,154	36,531,343
<b>SOUTHERN STATES.</b>					
Miles of railroad .....	11,272	13,948	13,522	13,505	13,908
	\$	\$	\$	\$	\$
Earnings from passengers.	9,953,090	11,877,901	13,864,915	14,131,291	15,310,989
"    " freight, etc.	29,859,268	38,865,747	39,534,312	38,127,950	38,385,420
"    " all sources.	39,812,358	50,743,648	50,399,227	52,259,241	53,696,409
Net earnings.....	12,664,346	17,119,031	16,741,060	17,269,332	18,133,349
Dividends.....	2,740,793	1,860,351	1,496,900	1,068,455	901,396
<b>WESTERN &amp; S. W. STATES.</b>					
Miles of railroad .....	39,136	36,753	36,058	35,639	32,973
	\$	\$	\$	\$	\$
Earnings from passengers.	44,437,039	43,362,211	54,993,084	56,783,466	51,620,779
"    " freight, etc.	148,707,477	142,880,621	151,224,570	158,086,011	160,097,002
"    " all sources.	193,204,516	186,242,832	206,217,654	214,869,477	211,717,781
Net earnings.....	66,085,243	63,912,968	75,604,104	75,546,695	72,464,212
Dividends.....	14,556,462	17,394,532	19,230,511	16,605,832	19,055,247
<b>PACIFIC STATES.</b>					
Miles of railroad .....	1,896	1,126	1,023	417	390
	\$	\$	\$	\$	\$
Earnings from passengers.	2,330,079	1,727,911	1,843,207	1,223,248	1,175,193
"    " freight, etc.	5,466,845	4,136,405	3,737,239	1,316,124	1,237,603
"    " all sources.	7,766,922	5,864,316	5,580,446	2,539,372	2,412,796
Net earnings.....	2,655,137	2,331,325	2,687,069	1,395,790	1,263,097
Dividends.....	240,099	187,701			
<b>PACIFIC RAILROADS.</b>					
Miles of railroad .....	2,251	2,251	2,251	2,251	2,251
	\$	\$	\$	\$	\$
Earnings from passengers.	9,163,627	10,216,424	10,243,956	9,002,276	8,641,013
"    " freight, etc.	33,006,455	20,817,379	18,770,892	15,792,318	15,568,931
"    " all sources.	22,170,082	31,033,803	29,014,848	24,794,594	24,209,944
Net earnings.....	15,053,582	17,033,517	16,614,855	14,374,742	13,648,195
Dividends.....	7,281,640	7,299,000	7,632,250	3,256,530	1,628,265

The statement following shows the miles of railroad in each group of States at the end of every year from 1866 to 1877:

States.	1877.	1876.	1875.	1874.	1873.	1872.	1871.	1870.	1869.	1868.	1867.	1866.
N. England	5,822	5,691	5,638	5,509	5,374	5,053	4,898	4,494	4,293	4,019	3,938	3,868
Middle ..	15,166	14,754	14,455	14,080	13,643	12,954	12,030	10,961	10,425	9,765	9,555	9,144
Southern ..	13,840	13,660	13,316	13,266	13,006	12,505	12,242	11,192	10,362	10,068	9,549	9,332
Western....	41,224	39,853	38,258	37,304	36,183	33,781	29,562	24,587	20,600	17,488	15,777	14,130
Pacific....	3,156	3,073	2,707	2,487	2,165	1,949	1,790	1,677	1,164	989	431	327
Grand total	79,208	77,031	74,374	72,616	70,311	66,242	60,522	52,914	46,844	42,229	39,250	36,801

### THE USE OF THE MICROSCOPE IN THE DETECTION OF FORGERY.

A recent number of the *London News* contained the report of a suit at law in France, in which the verdict turned upon some curious evidence of a "graphologist," or, as he would be more familiarly known, an expert in handwriting. It was by the testimony of this gentleman that the French tribunal was guided to a decision. The evidence showed that an elderly lady died last Autumn in the neighborhood of Montpellier, leaving behind her a fortune of about a million francs but no will. As she had no direct heirs, her fortune was claimed by ten distant cousins, who were preparing to divide it into ten equal parts, when a certain M. Loujon, who had been a friend of the defunct lady for many years, came forward with a will written, as he said, in her own hand, which bequeathed to him the whole of her money. The disappointed cousins declared that the will was a forgery, but several experts in handwriting who were summoned felt themselves unable to give any positive opinion on the matter. At this juncture the court, much embarrassed how to decide, resolved to call in a M. Michon, who professes to be able to trace character by the handwriting, and to deduce from the curves and flourishes of the writing what are the habits and inclinations of the writer. The tribunal, without telling M. Michon the details of the case, first handed him two or three letters written by the deceased lady shortly before her death, and his verdict was that this was "the writing of a parsimonious and litigious woman." He was then handed the supposed will, which he at once declared to have been written by a "person of an easy-going and open-handed disposition." Being further interrogated as to whether the letters and the will which he had examined could have been written by the same person at different periods in her life, he answered promptly in the negative, and the statement of the "graphologist," whose evidence is likely to be repeated before the Court of Assize when M. Loujon is put on his trial for forgery, was accepted by the tribunal as sufficient to justify them in rejecting the will.

The republication of this account called forth a letter to the *New York Times*, from a writer who points out the distinction existing between "graphology" and mere expertness in handwriting, and describes it as being simply a difference between that which cannot be demonstrated, although it may be true, and that which can be scientifically proved in so far as it pretends to be decisive. The relations of graphology and psychometry to exact science he defines to be the same as those borne by physiognomy and phrenology. That is to say, each contains a factor that cannot be scientifically demonstrated; hence neither is competent evidence before a jury. The personal element—the factor of empirical observation—is too large in each to admit of scientific proof. Depending upon the same kind of data for their certainty, the conclusions of a graphologist from a handwriting cannot be put in evidence as to its genuineness, because so long as the relation between the facts and the inference remains in doubt, there is ground for a reasonable doubt as to the guilt of the prisoner. It is not enough that the witness, whether expert or graphologist, shall be able to say that one signature is forged and another genuine in a test case placed before him; he must, in addition to that, be able to formulate and explain the grounds upon which his conclusion to such effect is based. If he cannot, his evidence is inconclusive, and any member of a jury is at liberty to disregard it.

The conclusions of the ordinary expert, on the contrary, depend upon data that can be explained, in just so far as such conclusions are explicit and decisive. Partly from acquired habit, and partly from an original individuality of muscular organization, a man who writes his signature frequently falls into a certain series of rhythmical movements which are peculiar to himself. He may write smaller to-day, larger to-morrow; his pen may be hard or soft, stiff or elastic; but the muscular rhythm remains comparatively unaltered. He forms his letters in a given way, joins them according to a certain style. His general handwriting may differ materially in style from his signature, because he has had more practice in the latter; but the accentuation remains the same, and there is the same rhythm running through both. It is the business of the expert imitator to reproduce the muscular rhythm of a signature in his own hand and arm, and to the extent that he accomplishes this the testimony of the expert becomes vague and uncertain, and he falls back upon an empirical judgment in the same manner as an anatomist infers the whole structure of an animal from a single bone. Trained optical analysis enables him to detect a difference which he cannot explain. But, in the nature of things, not being susceptible of explanation to the satisfaction of a jury, such evidence, however conclusive to the expert himself, is



not sufficient basis for a verdict of guilty. The more critical the case, therefore, the less the reliance that can be placed upon the testimony of an ordinary expert, and the less intelligible the reasons he is competent to assign for his decision as to the issue of genuineness.

A case was tried in this city only a few weeks ago, in which the forgery of a check was proven to the satisfaction of a jury, by means of the magnified image of both the genuine and the pretended signatures. The value to bankers of this means of detecting fraud must be very great. The gentleman, whose letter we have already quoted, appears to have investigated closely the microscopic relations of the autograph, and the analysis of handwriting. The experience of most bank-tellers, who are trained to acquire a prompt judgment of signatures, will agree with much that is adduced by this writer, whose name does not appear. Referring to the difficulties, which we have cited, of bringing satisfactorily into court the evidence of experts, he shows the power of the microscope in the following language :

"It is just at this point, where the methods of the expert break down, that the more delicate methods of optical analysis represented by the compound microscope, interpose to detect and demonstrate forgery. If you follow the tracing of a letter, however rapidly written, you find, when examined with a power of about ten diameters, and illuminated with a good bull's-eye condensing lens, that, besides the larger rhythm upon which the expert bases his judgment, there is a minute secondary rhythm, which is imperceptible to the naked eye and cannot be accurately developed with a hand lens or a simple microscope, but which comes out forcibly in the optical image furnished by a compound instrument. This secondary rhythm is traceable to the action of the small muscles in maintaining and regulating the amount of pressure upon the pen. The man who supposes that the pen-pressure is uniform in writing, merely because it appears to be so when viewed with the naked eye, will be astonished to learn that its variations are between 200 and 300 to the inch, and that they are regular just in proportion as they are spontaneous and involuntary—that is to say, when a man is writing in his natural manner the variations in pressure upon the pen are perfectly rhythmical; while, on the contrary, when he is consciously imitating the writing of another they are irregular and wanting in rhythmical symmetry, and they remain so just so long as the conscious voluntary movement incident to the act of copying is exercised.

"There is yet another aspect of this secondary rhythm which is worth attending to, and that is the action of the small muscles in guiding the pen. If you follow the margin of a well illuminated letter in a genuine signature with a compound microscope, you will observe that it is wavy—the

result of a rapidly successive series of muscular impulses—and that these impulses are arranged in rhythmically symmetrical order. No matter how cleverly a signature may be imitated, so long as the imitator exercises a vestige of the conscious, voluntary control of the hand essential to the act of imitation in tracing the letters, just so long the margin of the stroke remains irregular in the length and distribution of these impulses, and the forgery can be demonstrated optically to the satisfaction of a jury.

“The scientific basis upon which this demonstration rests is very simple. The contraction of a muscle is not a uniformly continuous process, although it appears to be so to the unassisted perception. On the contrary, it is a process compounded of a rapidly-successive series of separate impulses, the tracings of which have a curious resemblance to pulse-tracings. When, in consequence of age or other infirmity, these impulses are separated by intervals perceptible to the eye, it is customary to say that the hand trembles; but, as a matter of microscopic analysis, the hand always trembles, and it is an inalienable property of muscular contraction that it should. It is upon this law of rhythmical tremor, imperceptible to the unassisted senses, that the availability of the compound microscope in the detection of forgery depends. The instrument steps in and determines the issue at the exact point where the coarser processes of the ordinary expert break down.”

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### THE PAYMENT OF NOTES PAYABLE AT BANK.

Among the recent “Inquiries of Correspondents” published in the *BANKER'S MAGAZINE*, was one as to the duty of a bank to pay its customers' notes when drawn payable at its counter. We replied to this question that it could not be considered as the *duty* of a bank to pay such paper in the absence of general or specific instructions from the maker to do so. The subject is one upon which the ideas of both bankers and their dealers are somewhat indistinct. We find, opportunely, in the *Albany Law Journal*, a summary of the leading decisions upon this question, which go to prove that there rests no obligation whatever upon a bank to pay a note unless ordered verbally or in writing so to do. The summary and comments are as follows:

It is the popular conception that a bank is bound to pay a note made by one of its customers and payable at its counter, provided it have sufficient funds of the drawer on deposit; but this, like a great many other popular notions of law, if in any respect true, is subject to numerous limitations and exceptions.

It is well settled that the deposit of money in a bank generally creates simply the relation of debtor and creditor between the bank and the depositor. *Marsh vs. Oneida Central Bank*, 34 Barb. 298; *Ketchum vs. Stevens*, 6 Duer 463; affirmed, 19 N. Y. 499; *Beckwith vs. Union Bank*, 5 Seld. 211; *Commercial Bank vs. Hughes*, 11 Paige 94; *Dykens vs. Leather Manuf. Bank*, id. 612; *Bank of Republic vs. Millard*, 10 Wall. 152; *First Nat. Bank vs. Whitman*, 94 U. S. 343; *Ætna Nat. Bank vs. Fourth Nat. Bank*, 46 N. Y. 823; S. C., 7 Am. Rep. 314; *Carr vs. Nat. Security Bank*, 9 Am. Rep. 6; *Case vs. Henderson*, 8 id. 590; *Re Bank of Madison*, 5 Biss. 515. And it has been, therefore, frequently held that there is no privity between the holder of a check and the bank on which it is drawn, and that, therefore, such holder has no right of action against the bank for refusing to pay the check on presentation. *Ætna Nat. Bank vs. Fourth Nat. Bank*, *supra*; *Carr vs. Nat. Security Bank*, *supra*; *Case vs. Henderson*, *supra*, and the other cases above cited. It is held otherwise in Illinois and Kentucky, but the unbroken current of authority elsewhere is to the effect above stated. See *Union Nat. Bank vs. Ocean County Bank*, 22 Am. Rep. 185, and note.

If a bank is not bound to pay the checks of its customers it is equally not bound to pay their notes drawn payable at the bank. In *Ætna Nat. Bank vs. Fourth Nat. Bank*, Allen, J., delivering the judgment of the Court, said: "An acceptance or promissory note thus payable (that is payable at the bank) is, if the party is in funds, that is, has the amount to his credit, equivalent to a check; and it is in effect an order or draft on the banker, in favor of the holder for the amount of the note or acceptance."

That case shows very conclusively that a bank is under no legal obligation to a stranger holding a note payable at its counter. The facts were these: The Florence Mills, having a balance of \$694 to its credit with the defendant bank, sent to it on April 2d, by mail, a check on another bank for \$4,895, with a letter containing the direction: "Please credit our account and charge us our note of \$5,000 due the 4th inst." The check was received and credited on the 3d, and on the same day the defendant paid a past due note of \$5,000 of the Florence Mills, payable at defendant's bank and charged it to the account. On the 4th the plaintiff presented the note referred to in the letter, and payment being refused, brought suit. The court held that the plaintiff could not recover. The learned judge remarked *arguendo* that "this payment was valid as against the customer of the defendant, the maker of the note," but there may be room for doubt about that. There was a specific direction accompanying the deposit as to its application, and it is generally held that where moneys are deposited for a specific purpose with notice to the bank, or where it is accompanied by specific directions

as to its application, the bank is bound to follow such directions, and cannot even apply the deposit to a debt due it. *Bank of the United States vs. Macalester*, 9 Penn. St. 475; *Smuller vs. Union Canal Co.*, 37 id. 68; *Farley vs. Turner*, 26 L. J. Ch. 710. Thus, in *Wilson vs. Dawson*, 52 Ind. 513, the principal on a promissory note due a bank, after maturity of the note, deposited and checked out more money than was sufficient to pay the note, but under a special agreement with the bank when the deposits were made that they were to be used to pay checks, and it was held that the moneys could not have been applied on the note, and that a surety thereon was not discharged. So if a depositor notify a bank not to pay a note drawn payable at its counter, it is bound to comply. *Egerton vs. Fulton Nat. Bank*, 43 How. Pr. 216.

But the depositor only can sue a bank for failing to follow his directions as to the application of a deposit; no right of action exists in the holder of a note. And it may be doubted whether a bank would be liable to a depositor for failing to pay a note or check in the absence of a specific agreement so to do. In *Thatcher vs. Bank*, 5 Sandf. 121, it was held that such an agreement would be implied between a bank and its customers, but must be proved as between the bank and those not regularly dealing with it.

It may be stated as a general rule that a bank has a right, in the absence of instructions to the contrary, to apply moneys on deposit, to the payment of notes and checks drawn upon it, or payable by it. *Mandeville vs. Union Bank*, 9 Cranch, 9; *Griffin vs. Rice*, 1 Hilt. 184. But the Supreme Court of Illinois seems to hold a different view.

In *Wood vs. Merchants' Saving Co.*, 41 Ill. 267, the position seems to have been taken that a bank has no right to pay a note payable at its counter out of funds on general deposit without some special authority or direction so to do. The action was on a note payable at the banking-house of one Conrad, and the defense was that the maker had money on deposit with Conrad when the note was due; that the holder without procuring such money, as he had "the right and opportunity" to do, had the note marked "good" and departed, and that afterward the banker failed. The court said:

Had the holder this right, and had Conrad any authority whatever to pay the note out of the funds on deposit in his bank to the credit of the makers? The custom sought to be established among bankers has nothing, in our judgment, to do with the question. What is the effect of making a note payable at a particular place? Was it ever before heard, that the effect was to transfer, *ipso facto*, the money at the place belonging to the makers, absolutely to the holder, on his presenting the note at the place of payment? There is no such rule, in any commercial country, of which we have any knowledge. It is well-settled doctrine, in the courts of England and of this country, and of this court, that the holder of such paper is not under any obligation, even to present the note for payment when payable. The maker, in an action against him

on such note, may plead, in bar of damages and costs, a readiness to pay at the time and place.

We do not understand that the fact of making a note payable at a particular place amounts to an agreement that the maker may make a deposit at the bank of the amount of the note, and thus discharge his obligation, and that the money deposited is at the risk of the holder of the note. It is a mere designation of the place where the note is to be paid, not of the person to whom the money is to be paid. By the terms of the note, the money was to be paid by the makers to the payee, not to Conrad, but at Conrad's banking-house. As put by appellee's counsel: "If the holder of the note was present, at the time and place of payment of the note, and the maker was there, and tendered the amount, and the holder refused to accept it," this would be no bar to a recovery by suit; and unless the tender was kept good, by bringing the money into court, it would not bar a recovery for damages and costs. The position is sustained by the case of *Butterfield vs. Kinzie*, 1 Scam. 445, where the court cite *Woolcott vs. Van Stantvoord*, 17 Johns. 278; *Caldwell vs. Cassidy*, 8 Cow. 271; *Stanton vs. Bishop*, 3 Wend. 30; *Bailey on Bills*, 203; 4 Litt. 225; 11 Wheat. 171; and *Wallace vs. McConnell*, 13 Pet. 136, is referred to in note by reporter, to the same effect. To the same point is the case of *New Hope and Delaware Bridge Co. vs. Perry et al.*, 11 Ill. 471, citing the same cases.

The money on deposit with Conrad belonged to the maker of the note; it was his money, and under his control. If this be so, if the holders of this note were under no obligation to present this note at Conrad's counter, does the fact that it was presented change the liability of the parties in any way?

Wherein consisted the 'right and opportunity' of the holder to receive this money from Conrad, except by the actual payment of the money by the maker, by himself or Conrad? Conrad had no right to pay it, nor could the money be taken to pay it, except by means of the verbal order, check or draft of the maker and depositor. No one taking such paper has ever supposed the bank, at which it was made payable, was bound to pay the note on presentation, or that any obligation was imposed upon it so to do. It is not according to the usage of banks to pay out money except upon checks or drafts drawn by its creditors having funds in the bank. No case can be found, where, in such case, a bank has been considered as authorized to pay a note made payable at its banking-house, without the express direction of the maker, or in the absence of any check or draft by him, appropriating his money deposited there to such purpose. Nor is there any obligation resting on the bank to pay, for the bank may have claims against the deposit superior to those of the holder of the note. Holding, as we do, that neither 'the right nor opportunity' existed to the holder to receive this money at Conrad's bank, the makers of the note are not released.

An interesting question arose in *Nat. Bank vs. Smith*, 66 N. Y. 271. The plaintiff, the bank, discounted and held a note drawn by a customer, payable at the bank and on which the defendant was an indorser. The note was dishonored and duly protested, and notice given to the indorser. Afterward the maker made a deposit with plaintiff of the same amount as the note but without any direction as to its application. The money so deposited was used in payment of a note of the same maker's falling due at the bank two days after the deposit. The court held that the bank was not bound to apply the money to the payment of the note held by it, and that the indorser was not discharged.

Had the bank held funds of the maker sufficient to pay the note when it fell due, it would probably have been bound, so far as the indorser was concerned, to apply them to the note. *Wright vs. Austin*, 56 Bark. 13; *Gary vs. Cannon*, 3 Ired. Eq. 64.

Where funds in a banker's hands have been applied to the payment of notes and acceptances made payable at the banker's, though without any further authority, that is a defense to an action by the depositor for dishonoring his checks. *Keymer vs. Laurie*, 18 L. J. Q. B. 218.

The certificate of a bank where a note is payable, that it is "good," is merely information that the maker has funds in the bank. *Irving Bank vs. Wetherald*, 36 N. Y. 335.

As to the right of a bank to retain and apply a deposit to a demand held by the bank against the depositor, see *Dawson vs. Real Estate Bank*, 5 Ark. 283; *Ford vs. Thornton*, 3 Leigh 695; *State Bank vs. Armstrong*, 3 Dev. 519; *McDowell vs. Bank*, 1 Harr. 369; *Whittington vs. Bank*, 5 Harr. & J. 489.

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### CONVENTION OF SAVINGS BANKS.

A Convention of managers of the Savings banks of the State met at Saratoga, on July 24th.

The Hon. C. P. Lee, of the Erie County Savings Bank, of Buffalo, presided at the meeting, and E. S. Dawson, of the Onondaga Savings Bank, of Syracuse, acted as Secretary. Bradford Rhodes, of New York, made a report as secretary of the original committee, which had this movement in charge. The report was principally in regard to the prevailing feeling on the subject of Savings bank organization. Mr. Rhodes claimed that all the banks were desirous of some form of co-operation, though they might differ as to methods. It was decided that the Constitution and by-laws, already prepared, be submitted to the Savings banks of the State for their approval. When a majority of the banks shall have expressed approval, a meeting will be called to adopt the constitution and by-laws formally. Addresses were made by Governor Hartranft, of Pennsylvania, Stewart L. Woodford, of New York, and ex-Senator Sprague, of Buffalo. A committee was appointed to prepare a plan of permanent organization, to be submitted to every Savings bank in the State.

The Conference closed in the afternoon, and adjourned to meet on call of the Committee on Organization. A letter from George Walker, late Bank Commissioner of Massachusetts, was read, discussing the general management of Savings banks in New York and Massachusetts. Bradford Rhodes read a paper on the past record and present requirements of banks in New York. Ex-Mayor Hunter, of Brooklyn, read a paper on Savings-bank legislation. An informal interchange of views on bank management closed the session, which discussion was participated in by several bankers from other States.

Mr. Walker's paper, for which only we have space, is as follows:

BRADFORD RHODES, Esq.,

NEW YORK, July 22, 1878.

*Secretary Savings Bank Association,*

DEAR SIR: I beg to acknowledge receipt of your letter of the 15th instant, inviting me, on behalf of your Committee, to give an expression of my views relative to Savings banks, before the meeting to be held at Saratoga on Wednesday next, either by letter, paper, or an address, if I should find it convenient to be present.

I regret that business engagements will not permit me to be present, and to participate in the discussions of a meeting which I regard, as in the highest degree, timely and important.

The recent history and experience of Savings banks in this country, has been such as to awaken the gravest apprehensions with regard to the future influence and usefulness of the system; and it seems to me very desirable that those who hold in trust this vast pecuniary interest, should confer together as to the best means of restoring its prestige, and guarding it against a recurrence of the dangers which have lately menaced it.

In a table contained in Mr. Keyes' valuable History of Savings Banks, I find that the aggregate deposits held by those institutions in the six New England States, New York, New Jersey and California, in 1876, were nine hundred and forty-one millions of dollars, of which one-third was held in the State of New York alone; nearly one-half in New England and the remainder in New Jersey and California. The combined capital and surplus of the National banks of the whole Union, in the same year, amounted to only six hundred and thirty-two millions, and their deposits to six hundred and fifty-one millions, making an aggregate of twelve hundred and eighty-three millions. The Savings banks of the six New England States, of New York, New Jersey and California (which are the banks of the people), hold a larger amount of capital at their command than the combined capital and deposits of all other banks, State and National, in those States, upon the resources of which the commerce and industry of the most important section of this country depend. The condition and conduct of the National banks is watched over by the entire mercantile community. Frequent examinations are required to be made by skillful public officers, and annually, quarterly, and in the larger cities, weekly statements of their condition are published. Experienced financial writers discuss these reports in the newspapers and financial magazines, and the public has the best means of knowing how the banks actually stand. The Savings banks have, hitherto, been much less jealously guarded. Their constituents are among the poorer classes; the power of their trustees and managers is much greater and less responsible. Their published reports appear not oftener than once a year, and attract little notice, because the most intelligent classes have no considerable interest or stake in them.

The many failures which have occurred among Savings banks within the last three years painfully attest the shortcomings of the system and the need of reform. Many of the failures have been corrupt and scandalous, but probably a larger number have been brought about by events and causes which were partly, at least, beyond the control of those by whom the institutions were managed. Of these events and causes I shall say something further on. There is no doubt that the original purposes of Savings banks have been widely departed from since the days of Oberlin and Priscilla Wakefield, and the establishment of the Philadelphia Savings Fund Society, the Provident Institution for Savings in the Town of Boston, and the Bank for Savings in the City of New York. In the inception of the system, all Savings institutions were of a charitable character, and all the depositors were of the poorer classes. The founders and trustees were philanthropic persons who gave their services for the benefit of the poor; the investments were made solely with an eye to safety, and the expenses were kept down to the lowest point consistent with efficient management. I am far from

believing that these characteristics have ceased to exist, especially in the older banks. Remarkable instances to the contrary are within my personal knowledge; one of them is worth recording here. The Provident Institution for Savings, in Boston, the oldest incorporated Savings bank in the United States, now holding deposits of nearly twenty millions, is managed by a board of trustees selected from among the best business men and most esteemed citizens of that city. Two of these trustees attend weekly at the bank, and verify every entry of deposit and withdrawal on the original books. The audit thus made, and which I know to have been constantly kept up for twenty years past, and probably much longer, is a protection to the depositor of the highest order, and is a gratuitous service involving great labor, rendered by men whose time is of the highest pecuniary value. I have no doubt that cases showing an equally generous fidelity could be cited from the experience of New York, Philadelphia, and other cities.

In contrast with this, however, we have witnessed, in many of the newer institutions, a very different style of management. Banks have been established for the purpose of making salaried positions for needy, and often incapable men, and what is infinitely worse, in order to give politicians, adventurers and speculators, control of the savings of the poor, for selfish and corrupt uses. Rings have been established within and around these institutions, as wicked and unscrupulous as that which, for years, robbed the taxpayers of New York. Not a few Savings banks were the direct creation of that gigantic conspiracy.

As one after another of these, base-born counterfeits has been exposed, and its fraudulent practices visited upon a prostrate and suffering people, the popular faith in the integrity of the system, in the honesty of men, in the guardianship of governments, has been rudely shaken, and the innocent as well as the guilty have been put under the ban of public suspicion.

It is of the gravest consequence to society, for many reasons, that the grounds of this suspicion should be removed. Looking at the question from a merely financial stand-point, a vast moneyed capital is imperiled, upon the maintenance of which the country has come to depend, and the dissipation of which would be injurious to all classes. It is the absorbent of large masses of property which could not readily be sold, and of public and private debts which could not speedily be transferred or paid. From a social point of view the maintenance of the Savings fund is still more important. It is the aggregated capital of the poor; the thin partition which separates hundreds of thousands of households from suffering and destitution. If, owing to a deeply-seated distrust, the deposits should be withdrawn, or if similar deposits should not continue to be made in future, there would be no hope of accumulation among the poorer classes. Even if they could resist the spending of money constantly in hand, they have no safe place to keep it, and anything like investment of their inconsiderable savings would be impossible. The moral evil of thus destroying habits of economy and providence can hardly be over-estimated. They are the springs from which have arisen that national tendency to social improvement, which has been so marked a characteristic of the American people; and at a time when the conditions of respectable living are becoming more and more difficult, the guardians of the public welfare should spare no efforts to uphold and cultivate them.

I do not regard the managers of Savings banks as wholly



responsible for their present unsatisfactory condition. They are restricted by law to certain classes of investment, and although these are such as experience has shown to be the most secure, many of them have shared the general unsoundness which has involved nearly all the *property* of the country. Singularly enough, the safest investments have been in *debts*; National, State, Municipal, and even personal. All kinds of property, upon the security of which debts have been created, rose in price with the inflation caused by unlimited paper money. Shrinkage has fallen upon all, absolute destruction upon many. It was not to be expected that the trustees of Savings banks should be wiser or more cautious, in respect to the investment of trust funds, than in respect of their own property; it is a gratifying fact that the decline in value of Savings bank assets, as a whole, is trifling, as compared with those of equal amounts of private fortunes. The guardianship of the law has proved to be wiser, in this instance, than the self-government of its makers and executors. Probably the largest losses of Savings banks have been from loans on mortgages. The reasons for this are not difficult to find. Although real estate was the last property touched by the magic wand of paper money, it felt the influence of inflation more markedly than property of any other species. Expensive homes are the crowning luxury of successful speculation, and on the other hand, they are the first luxury surrendered on the loss of fortune. Unimproved land suffers still more in a general revulsion, having no revenue to sustain it. Stores, factories, warehouses, mills, mines, and railways, reflect, in market value, the condition of the several kinds of business to which they are put. Unlike houses, they had great intrinsic value so long as they contributed to great earnings, but now that the earnings are gone, the value has largely gone with them. But the Savings banks had not the power to reject mortgages. There was no other investment within the range of law, adequate to absorb their rapidly accumulating funds. I think there is no doubt that the necessity of investing those and similar trust funds gave a factitious value to real estate in the Eastern States, over and above that which was imparted to other property during the period of inflation. No doubt this might partly have been avoided, if the Savings banks had been content to make small dividends, and to hold on to their Federal and State bonds, after they attained a high premium. But the mania for large dividends seized upon depositors and managers alike, and it became a controlling influence just in proportion as the banks fell away from the original purpose of their creation. Deposits were stimulated by the promise of large returns, and the money of the rich, or at least the independent classes, solicited. I have always believed that the Massachusetts law was a wise one, which permitted no deposit of more than one thousand dollars, from the same depositor, to draw interest. And this rule should be also imperative, that Savings-bank funds should not be employed in loans and discounts, such as are made by the business banks. The functions of the two are wholly dissimilar; the one being created to assist production, and the exchange and movement of commodities on the road from producer to consumer, and the other to gather together, invest safely, and hold, with as little change as is consistent with a ready convertibility, the petty savings which in their aggregate alone can constitute wealth, and diffuse its blessings.

If I may be permitted to repeat the language of a report which I

made, as a Bank Commissioner of Massachusetts, to its Legislature seventeen years ago, I would offer these general suggestions regarding the office and duty of Savings banks. "It is to be borne in mind, in the first place, that *safety* and not *profit* is the consideration mainly to be regarded in the investment of trust funds. There must be no ambition to make large dividends; no alluring of depositors by promise of extraordinary interest; no trenching on the ground reserved for banks of discount; and above all no rivalry between Savings banks themselves. All have not equal advantages of locality or association, and some will necessarily be more profitable than others. The location of a Savings bank is not selected with reference to the opportunities for investment, but solely with a view to facilitate and encourage the savings of those earnings which might otherwise be wasted. A great diversity does, and must, on this account, exist in the kinds of investments most favored by trustees in different parts of the country."

I attach great importance to examinations of banks—of Savings banks not less than banks of discount. They should be made periodically and thoroughly by the trustees themselves; but it should be also done at frequent intervals by Government officials. With no disposition to criticise the laws of any State, in this regard, I am impressed with the belief that these examinations should, if possible, be made by the highest officers of the banking departments, and not by deputy. The examiner should go into a bank clothed with such large authority as to command respect, and enforce compliance with his decisions, and his compensation should come wholly from the Government which employs him. On no other condition can his examinations be impartial. As taxes are paid in proportion to the funds held, the largest bank is entitled to just as thorough an examination as the smallest. Again, the examiner, if clothed with power, should not hesitate to use it. He will often find officers and trustees older and more experienced than himself, and to whom the highest personal respect is due. But if it should unfortunately happen that a difference arises with such officers, the duty of the examiner is perfectly plain: he must assert and maintain the dignity and authority of his office, since his authority is not personal but official. Such an exercise of authority is always respected by those whose respect is worth securing.

The altered condition of the country will doubtless call for new legislation respecting Savings banks, and it will necessarily differ in different States. But aside from all laws, the future of the system will largely depend on the voluntary action of those who are entrusted with its administration. I cannot doubt that the Convention which you are about to hold will contribute very much to harmony of opinion and to effective co-operation between the Savings-bank officers of different States and sections. Though no longer holding any relation to the system, I shall always feel the deepest interest in its perpetuation, and rejoice to witness, and in any manner to contribute to, its reform and improvement.

With high respect, I have the honor to be,

Your obedient servant,

GEORGE WALKER.

## COLLATERAL SECURITIES AND THE LAW OF GUARANTY.

UNITED STATES CIRCUIT COURT, N. D. ILLINOIS.

*Fourth National Bank of Chicago vs. Walker et al.—Transfer of Securities.—  
Rights of Guarantor.—Estoppel.*

*Held*, That a guarantor of commercial paper has the right, as guarantor, to take up such paper and transfer his claim as guarantor, to the parties from whom he obtained the means with which to take up the paper. The court states how the parties in this case would be estopped by their acts.—ED. LEGAL NEWS.

STATEMENT.—On the tenth day of August, A. D. 1869, S. J. Walker borrowed of Sarah Maher, wife of Hugh Maher, \$50,000, and secured the same by causing Henry H. Walker, his brother, to execute two promissory notes, of that date, each for \$25,000, and falling due three years after date, respectively.

He also caused H. H. Walker to execute two certain trust deeds to John G. Rogers, as trustee, each of said trust deeds securing one of said notes. It does not clearly appear whether said two trust deeds were altogether upon the same premises, or upon different pieces of property.

The premises which were conveyed by the trust deed, although standing of record in the name of H. H. Walker, were, in fact, the property of S. J. Walker, and the indebtedness so secured was, in fact, the indebtedness of S. J. Walker, the former holding the title and executing the papers for the convenience of the latter. Both the notes in question were indorsed by Sarah Maher and Hugh Maher, her husband, and guaranteed in writing by S. J. Walker. Hugh Maher pledged both of said notes, secured as aforesaid—one with the Fourth National Bank, and the other with J. Irving Pearce, President of the Third National Bank, in his individual capacity.

The note held by Pearce, falling due August 10, 1872, was taken up in the following manner within ten days after maturity.

Pearce urged Maher and Maher urged S. J. Walker, to take it up. On the day of its maturity or thereabouts, S. J. Walker paid thereon to Pearce, \$10,000, and being unable to pay the balance, made the following arrangement with Greenebaum and Foreman, Bankers, with whom he had been doing a very large business.

He was then largely indebted to Greenebaum and Foreman, which indebtedness still remains unpaid, and for the security of which, among other collaterals, they held what was known as the Price note, originally for the sum of \$12,000, but reduced \$10,000, by payment or otherwise. S. J. Walker represented to Greenebaum and Foreman, that he desired the Price note upon which to raise money elsewhere, with which to aid in payment of the note held by Pearce, and that if they would surrender it to him, he would with the proceeds thereof, and other means, take up the note so secured, out of the hands of Pearce, and would in consideration thereof, deliver to them the Walker note and the security held by Pearce, in lieu of the Price note.

He also represented to them that it would be a valid binding security in their hands, and that he had a right so to pledge it; and upon the faith of such representations they agreed to surrender to Walker the Price note for the purpose aforesaid, upon condition that they should receive the note held by Pearce, as well as the trust security therefor.

S. J. Walker then, on August 19, 1872, gave Pearce his check upon some bank—what particular bank the evidence does not show—with the understanding that it should go through the Clearing House, and be paid the next day.

On August the 20th, Greenebaum and Foreman, under the agreement stated,

surrendered the Price note to Walker, who pledged or sold same to raise money thereon, and on that day Pearce sent Walker's check through the Clearing House, with the \$25,000 note reduced to \$15,000, pinned thereto.

The check was paid and the note surrendered to S. J. Walker, who delivered it, with the trust deed securing it, to Greenebaum and Foreman, who still hold and claim it as a security for the indebtedness due them from Walker, which is much larger than the amount due upon the Walker note.

Neither Pearce nor Mr. nor Mrs. Maher knew how Walker had raised the money with which to pay that note. Pearce told Maher the note had been paid, and both of them so regarded it.

As to the other \$25,000 note so pledged with the Fourth National Bank, it fell due at the same time, but was not paid or taken up until about November 5, 1872. It was taken up and satisfied in some way by Walker, and on November 5, 1872, in satisfaction of the old note or for some other indebtedness, S. J. Walker delivered to the Fourth National Bank another promissory note for \$25,000 due in two years and executed by H. H. Walker, and secured by a new trust deed. This was likewise guaranteed by S. J. Walker.

The new trust deed ran to Samuel M. Moore, and covered the same property contained or described in the trust deed transferred to, and held by, Greenebaum and Foreman. The new trust deed taken by the Fourth National Bank was filed for record December 31, 1872, several months after Greenebaum and Foreman had obtained the one held by Pearce.

The Fourth National Bank filed a bill to foreclose the trust deed securing the note of November 5, 1872, alleging that the security held by Greenebaum and Foreman had been paid and satisfied, and that the trust deed securing the same had consequently ceased to be a lien for the security of that note.

It prayed that that deed might be declared a cloud upon the title, and as such, removed by decree, and that the premises be sold to satisfy the indebtedness so due to it.

HARLAN, J.—That as to Maher and wife and Pearce, the note for \$25,000, held by Greenebaum and Foreman, was paid. As between Greenebaum and Foreman and Samuel J. Walker, the latter was estopped by his representations to the former from alleging that it had been paid. H. H. Walker was equally estopped in view of his relations in this matter to Samuel J. Walker. But if Samuel J. Walker and H. H. Walker are to be regarded as having distinct, separate rights, then the lien claimed by Greenebaum and Foreman can be sustained upon the ground that S. J. Walker had the right, as guarantor, to take up the \$25,000 note and transfer his claim as guarantor to the parties from whom he obtained the means with which to take up the note. In a suit by Greenebaum and Foreman, against the Walkers, to enforce the lien given by the trust deed, the latter would be estopped from saying that the debt had been fully paid, or from disputing the lien. The rights of Greenebaum and Foreman are none the less in this action, since the debt and lien asserted by the complainants were both created subsequent to the delivery to Greenebaum and Foreman of the Walker note and deed of trust.

Greenebaum and Foreman are entitled to the benefit of the security received from S. J. Walker for such amount as was due upon the Price note surrendered to Walker.

Monroe, Bisbee and Ball, solicitors for complainant; Rosenthal and Pence, solicitors for Greenebaum and Foreman.

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BANK OF ENGLAND NOTES.—It is stated that the average time of circulation of a £ 5 note of the Bank of England is only seventy-two days; a £ 10 note, seventy-seven days; £ 20, fifty-seven days; £ 30, nineteen days; £ 40, fourteen days; £ 50, thirty-nine days; £ 100, twenty-eight days; £ 200, thirteen days; £ 1,000, eleven days. A century sometimes elapses before some of these notes are again presented at the bank. On the 27th of September, 1846, a £ 50 note was handed over the counter, bearing date January 20, 1743.

## THE LAW OF LOCATION.

U. S. CIRCUIT COURT, E. D. OF PA., APRIL 23, 1878.

*National State Bank of Camden vs. Pierce.—Hearing on Bill and Answer.*

A National bank located in one State, having an office in another State for the purpose of receiving deposits to be transmitted to the bank, does not become thereby located in the second State so as to be liable to taxation by it.

The bill set forth that the plaintiff was a National bank engaged in business in New Jersey; that for the convenience of persons in Philadelphia desiring to deposit money therein, it kept a clerk in an office in that city, to receive deposits and to deliver them to the bank in Camden, N. J., at the close of each day; that the defendants, who were the bank assessors of the State of Pennsylvania, had served on the plaintiff a notice of an assessment of a tax upon the entire capital stock of the bank; that said assessment, which was made under acts of the Assembly of Pennsylvania of April 12, 1867, April 2, 1868, and December 22, 1869, was contrary to law and void; that the plaintiff had taken an appeal from the assessment in due time, but the assessors refused to vacate or alter the assessment. An injunction was prayed restraining the assessors from returning the assessment to the auditor general of Pennsylvania, and a decree that the assessment was illegal and contrary to law. The answer admitted the facts of the bill so far as within the defendant's knowledge, but claimed that the tax was properly assessed.

John Goforth (with him C. S. Carson), for the plaintiff was not called upon.

S. G. Thompson, contra. The simple question is, is this a bank located in Pennsylvania? A bank may be either of discount or deposit. If it performs the function of either, in a place, it becomes located there. If it do business in two places, it must be taxed in both.

[CADWALADER, J. It is a criminal offence to carry on banking business in the way suggested in Pennsylvania without a license obtained in a particular manner, but that does not make the offender a bank located in Pennsylvania.]

This is not an assessment upon a stockholder, as such, but upon the bank.

McKENNAN, J. (CADWALADER, J., concurring). We have decided, after full discussion, that even when a corporation carries on business in a State, it does not thereby become an inhabitant of it, and we cannot go farther and say that by similar conduct a corporation becomes located therein.

Injunction granted.

J. W. GILBERT ON BANKING IN SCOTLAND.—“The Act of 1845, has not been successful in imparting to the people of Scotland a taste for gold. The bankers are too wise to issue the gold unless when it is demanded; and the public are too wise to make such a demand. Hence when the increase of the currency requires a further importation, the gold is quietly brought from London to Edinburgh, is quietly locked up in the vaults of the bank, and when no longer required, is quietly sent back again. Of course this is a loss to the banks, of interest, and of the expenses of these transmissions. But in this way it is less injurious than if put into circulation. Disastrous for Scotland will be the day when the people shall become inoculated with the love of a gold currency. The effect of such a desire in England is strikingly exhibited in seasons of pressure. When such pressures occur in Scotland, the banks can employ their whole resources to assist their customers and to support public credit. But when they occur in England, the banks have, in the first instance, to take care of themselves. The banks of issue have to find gold to meet their notes, and at a time too when the gold is leaving the country, and causing a corresponding contraction of Bank of England notes.

**STATEMENT**  
**SHOWING THE AMOUNT OF STATE-BANK, NATIONAL-BANK, AND UNITED STATES NOTES,**  
**ETC., OUTSTANDING AT THE CLOSE OF EACH YEAR FROM 1860 TO 1878, INCLUSIVE.**  
**PREPARED AT THE TREASURY DEPARTMENT, JULY 18, 1878.**

<i>Title.</i>	<i>Amount authorized.</i>	<i>Amount issued.</i>	<i>Amount outstanding June 30, '60.</i>	<i>Amount outstanding June 30, '61.</i>	<i>Amount outstanding June 30, '62.</i>	<i>Amount outstanding June 30, '63.</i>	<i>Amount outstanding June 30, '64.</i>	<i>Amount outstanding June 30, '65.</i>	<i>Amount outstanding June 30, '66.</i>	<i>Amount outstanding June 30, '67.</i>
State-bank circulation.....	\$ —	\$ —	\$ 207,102,477	\$ 202,005,767	\$ 183,792,079	\$ 238,677,218	\$ 179,157,717	\$ 142,919,638	\$ 19,966,163	\$ 4,484,112
National-bank circulation.....	—	—	—	—	—	—	—	—	—	—
Demand notes, acts of July 17 and August 5, 1861.....	60,000,000	60,000,000	—	—	—	—	31,335,270	146,137,860	281,479,998	298,625,379
Legal-tender notes, act of February 25, 1862.....	150,000,000	—	—	53,040,000	—	3,351,019	780,999	472,603	272,162	208,432
Legal-tender notes, act of July 11, 1862.....	150,000,000	—	—	—	—	—	—	—	—	—
Legal-tender notes, act of July 3, 1863.....	150,000,000	447,300,203	—	96,620,000	—	297,767,114	431,178,670	432,687,966	400,619,206	371,783,597
One and two-year notes of 1863, act of March 3, 1863, bearing five per cent. interest.....	400,000,000	211,000,000	—	—	—	89,879,475	153,471,450	42,338,710	3,454,230	1,123,630
Compound-interest notes, acts of March 3, 1863, and June 30, 1864, bearing six per cent. interest.....	400,000,000	266,595,440	—	—	—	—	15,000,000	193,756,080	159,012,140	122,394,480
Fractional currency, act of June 17, 1862.....	50,000,000	49,102,660	—	—	—	20,192,456	22,894,877	25,005,828	27,070,876	28,367,523
Total amount in currency.....	—	—	207,102,477	202,005,767	333,452,079	649,867,282	833,218,984	983,318,685	891,904,685	826,927,153
Value of the paper dollar as compared with coin July 1 of each year.....	—	—	—	—	\$ 86.6	\$ 76.6	\$ 38.7	\$ 70.4	\$ 66	\$ 71.7
Value of currency in gold.....	—	—	—	288,769,500	497,798,338	322,649,246	692,256,354	588,657,092	592,906,769	—

Title.	Amount outstanding June 30, 68.	Amount outstanding June 30, 69.	Amount outstanding June 30, 70.	Amount outstanding June 30, 71.	Amount outstanding June 30, 72.	Amount outstanding June 30, 73.	Amount outstanding June 30, 74.	Amount outstanding June 30, 75.	Amount outstanding June 30, 76.	Amount outstanding June 30, 77.	Amount outstanding June 30, 78.
State-bank circulation	\$ 3,163,771	2,359,874	2,222,793	1,968,048	1,700,935	1,394,470	1,009,021	786,844	658,938	521,611	426,504
National-bank circulation	299,762,855	299,929,624	299,766,984	318,261,241	337,664,795	347,267,061	351,981,032	354,468,008	332,998,336	317,048,872	324,514,284
Demand notes	141,723	123,739	106,256	96,505	88,296	79,967	76,732	70,107	66,917	63,963	63,297
Legal-tender notes	356,000,000	356,000,000	356,000,000	356,000,000	357,500,000	356,000,000	382,000,000	375,771,586	369,772,284	359,764,322	346,681,016
One and two-year notes of 1863	555,492	347,772	248,272	198,572	167,522	142,105	127,625	113,375	104,705	95,725	90,485
Compound-interest notes	28,161,810	2,871,410	2,152,910	768,500	593,520	479,400	415,210	367,390	328,760	296,630	274,920
Fractional currency	31,626,931	32,114,637	39,878,684	40,522,874	40,835,835	44,799,365	45,881,295	42,129,424	34,446,595	20,463,137	16,547,768
Total amount in currency	720,412,602	693,946,056	700,375,899	717,875,751	738,570,993	750,052,368	781,490,916	773,646,728	738,376,535	698,194,269	688,597,275
Value of the paper dollar as compared with coin, July 1 of each year	\$ 0 70.1	\$ 0 73.5	\$ 0 85.6	\$ 0 89	\$ 0 8.75	\$ 0 86.4	\$ 0 91	\$ 0 87.2	\$ 0 89.5	\$ 0 94.7	\$ 0 99.4
Value of currency in gold	503,009,234	510,050,351	599,521,769	638,909,418	646,249,540	648,053,886	711,156,733	674,619,947	666,846,999	661,186,973	684,465,691

(NOTE 1.)—On the 28th of February, 1862, the date of reports nearest to the passage of the "Legal-Tender Act," there were outstanding:  
Demand notes..... \$ 57,390,000

(NOTE 2.)—(In the 30th of June, 1862, the date of reports nearest to the passage of the "Fractional-Currency Act," and the Act authorizing an additional issue of \$ 150,000,000 legal-tender notes, there were outstanding:  
Demand notes..... \$ 149,660,000  
Legal-tender notes..... \$ 53,040,000  
96,600,000

(NOTE 3.)—On the 28th of February, 1863, the date of reports nearest to the passage of the Act authorizing the issue of One and Two-year, and Compound-interest notes, and an additional issue of \$ 150,000,000 legal-tender notes, there were outstanding:  
Demand notes..... \$ 6,460,105  
Legal-tender notes..... 291,850,000  
Fractional currency..... 15,920,000  
\$ 314,231,105

(NOTE 4.)—The amount of State-bank and National-bank circulation is compiled from the reports of the Comptroller of the Currency, at the nearest dates obtainable, to the end of each fiscal year; the other amounts are taken from the official printed reports of the Secretary of the Treasury.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. THE NATIONAL-BANK REDEMPTION FUND.

Will you please make the suggestion, through the Magazine, to National Banks, that they select, from each day's work, *mutilated* National-bank notes for remittance to the U. S. Redemption Agency at Washington to make good their "Five-per-cent. Fund," and thus save the expense of express charges *on good money both ways?*

For example, a bank receives notice from the Treasurer, that of its issue \$3,000 has been redeemed, one-half fit for circulation and one-half unfit. It, at once, remits \$3,000 currency. In a few days, it receives of its notes \$1,500, fit for circulation, which have been sent to the Treasurer at expense, selected and handled by the Redemption Agent at expense, and on which the bank again pays express charges. This occurs perhaps once in ten days to each bank.

Now, if, when sending the \$3,000 to make good its five per cent. fund, none but *mutilated* notes were sent, at least one-half the present expense would be saved, beside considerable labor.

REPLY.—The suggestion of our correspondent points to a plan which is apparently so advantageous to need no recommendation. We call to it, however, the attention of any National banks whose custom may be different. There is a public benefit in the withdrawal from circulation of mutilated and defaced currency, and there is also some advantage in the fact that in forwarding National bank notes the freight is charged by the agency to the banks whose notes are received; while the express charges on U. S. legal tender notes must be prepaid by the remitting bank. The notification of the Redemption Agency states that the amount due must be remitted, as required by the National-Bank Act, in one of the following ways:

1. By a deposit of United States notes with the Assistant Treasurer U. S. in New York, Boston, Philadelphia, or New Orleans, to the credit of the Currency-Transfer Account of the Treasurer U. S., or with the Assistant Treasurer U. S. in Baltimore, Chicago, Cincinnati, or St. Louis, to the credit of the General Account of the Treasurer U. S. Banks not situated in one of the above-named cities, should make the deposit through their correspondents. The original Certificate of Deposit must be forwarded directly to the Treasurer U. S. by the bank making the deposit, as credit cannot be given until it is received.

2. By a remittance of National-bank notes, addressed to the Treasurer U. S., under the contract with Adams Express Company, marked "National-Bank Notes for credit of Five-per-cent. Fund."

### II. DISCREPANCY BETWEEN FIGURES AND BODY OF CHECK.

A check, similar to the enclosed, was presented for payment. The amount of cents (both in figures) do not correspond. Which amount should I pay?

REPLY.—The rule among banks is either to refuse a check when a discrepancy exists, or to pay by the *body* of the check. This is the real instrument, —the figures in margin being rather a memorandum to guide the eye and to make plainer the amount.



## BANKING AND FINANCIAL ITEMS.

**Notice.**—The Second Edition of the **BANKER'S ALMANAC AND REGISTER** for 1878, with Lists of Banks and Bankers corrected to July, is now ready. Copies forwarded to any address for Three Dollars. I. S. HOMANS, *Publisher.*

**REDEMPTION OF FIVE-TWENTY BONDS.**—The Secretary of the Treasury issued in July, three calls of \$5,000,000 each, for the redemption of five-twenty bonds of 1865, consols of 1865. The following are the descriptions, all numbers being inclusive :

Sixty-first call, dated July 11. Matures October 11.

*Coupon Bonds.*—Dated July 1, 1865, namely: \$50, Nos. 62,001 to 65,000; \$100, Nos. 106,001 to 110,000; \$500, Nos. 74,001 to 76,200; \$1,000, Nos. 135,001 to 140,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$50, Nos. 2,201 to 2,250; \$100, Nos. 17,601 to 17,850; \$500, Nos. 10,201 to 10,450; \$1,000, Nos. 33,701 to 34,400; \$5,000, Nos. 9,101 to 9,250; \$10,000, Nos. 17,101 to 17,730. Total registered, \$2,500,000.

Sixty-second call, dated July 17. Matures October 17.

*Coupon Bonds.*—\$50, Nos. 65,001 to 68,000; \$100, Nos. 110,001 to 114,000; \$500, Nos. 76,201 to 79,500; \$1,000, Nos. 140,001 to 145,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$50, Nos. 2,251 to 2,300; \$100, Nos. 17,851 to 18,250; \$500, Nos. 10,451 to 10,550; \$1,000, Nos. 34,401 to 35,200; \$5,000, Nos. 9,251 to 9,651; \$10,000, Nos. 17,731 to 18,463. Total registered, \$2,500,000.

Sixty-third call, dated July 23. Matures October 23.

*Coupon Bonds.*—\$50, Nos. 68,001 to 69,000; \$100, Nos. 114,001 to 117,000; \$500, Nos. 79,501 to 82,000; \$1,000, Nos. 145,001 to 151,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$50, Nos. 2,301 to 2,350; \$100, Nos. 18,251 to 18,350; \$500, Nos. 10,551 to 10,600; \$1,000, Nos. 35,201 to 35,450; \$5,000, Nos. 9,651 to 9,900; \$10,000, Nos. 18,464 to 19,050. Total registered, \$2,500,000.

**THE NATIONAL REDEMPTION BUREAU.**—The following is a statement of the operations of the National-Bank Redemption Agency for the month of June, and for the fiscal year, as compared with the corresponding periods of last year :

## NATIONAL-BANK NOTES DISPOSED OF.

	<i>For June.</i>	<i>For the year.</i>
Notes fit for circulation, assorted and returned to the banks of issue.....	\$17,679,100	\$152,437,300
Notes unfit for circulation, assorted and delivered to the Comptroller of the Currency for destruction and replacement with new notes.....	5,928,509	51,585,400
Notes of failed, liquidating, and reducing banks, deposited in the U. S. Treasury.....	1,373,400	11,852,100
Totals for 1878.....	\$24,981,000	\$215,874,800
Totals for 1877.....	28,380,600	238,028,600
Decrease.....	3,399,600	22,153,800

**MR. WILLIAM A. BOOTH** has been elected President of the Third National Bank, in place of Mr. J. F. D. Lanier, who retires on account of ill health. Mr. Booth is a welcome accession to the bankers of this city. In times past his counsel and direction have contributed materially to the success of our State banking system. And when, at a critical period in our financial history he was placed at the head of the American Exchange Bank, his influence was a wide one, and valuable to the whole banking fraternity.

**REDUCTION OF CAPITAL.**—A meeting of the stockholders of the Merchants' National Bank of this city, was held on July 19th, to act upon a proposition to reduce its capital stock from \$3,000,000 to \$2,000,000. Out of the total stock of 60,000 shares, 43,000 were represented at the meeting, and the proposed reduction was voted without dissent. This action is taken by the bank in consequence of the heavy burden of taxation on its capital and surplus. About \$140,000 were paid in taxes during the past year, or nearly five per cent. of the capital stock. The change goes into effect August 1.

**AN ABSCONDING CASHIER CAPTURED.**—E. J. Oakley, formerly cashier of the Merchants' Exchange National Bank of this city, who is charged with embezzling \$350,000 of the funds of the bank, was arrested on July 18th, in this city, after many years' search. The thefts were committed in 1870. Oakley left the city in July, 1871, after giving \$10,000 bail, and has not been seen here since. He was connected with the bank for twenty-five years. Oakley is fifty-six years old, and says that for the past seven years he has lived in Montreal, where he has worked as a common laborer, and has suffered greatly. He was locked up in Ludlow Street Jail.

**MASSACHUSETTS.**—At its last session, the Legislature of Massachusetts enacted a law for the benefit of Savings banks, called the "Stay Law." Objection was made to the injustice which this law would cause to a man having money on deposit in a bank which held also a mortgage upon his property, and an Act was passed allowing the deposit to be set off to satisfy the mortgage, after the bank had been placed under restriction of injunction. It is now claimed that this law is unconstitutional, on the ground that it gives one depositor an unfair advantage over another, whose property does not chance to be mortgaged to the bank, inasmuch as the one receives the privilege of the practical withdrawal of his entire deposit, while the other can only withdraw ten per cent. In view of this opinion, the Attorney-General has advised the banks that are under injunction to delay action under the new law for the present.

**MICHIGAN.**—The Second National Bank of Bay City, with which was consolidated, on May 1st, the State Bank of that place, has a capital of \$200,000 instead of \$100,000, as formerly. Mr. Wm. Westover is President, and Mr. Orrin Bump, Cashier.

**OHIO.**—In Cincinnati, on July 16th, a well-dressed stranger called at the bank of Espy, Heidelbach & Co., for two drafts on New York for the sums of \$10 and \$12 respectively. Tickets were made out by the clerk, who, being very busy, sent the man to the exchange clerk's desk with them, instead of taking them himself, as is customary. The stranger seized the opportunity to prefix a figure 9 before the 10 in one ticket, and a 7 before the 12 in the other, and then presented them to the exchange clerk. The latter made out drafts for \$910 and \$712, and handed them to the swindler, who disappeared. The fraud was discovered upon the teller's return from dinner. The drafts are on the Hanover National Bank of New York, and are numbered—for the \$910, 89,656; for the \$712, 89,655. The perpetrator was arrested in Louisville, on the next day.

**PETER BLACK**, President of the First National Bank of Zanesville, Ohio, died at his home in that city on July 7th. In 1863 Mr. Black organized the First National Bank, and was elected its first President, a position he continued to fill with entire satisfaction to the stockholders until his death. In 1871 the First National and the Muskingum National were consolidated, and under the guidance of its late President it has become one of the most successful institutions in Ohio. The integrity and honesty of Mr. Black, and his financial ability, were such as to inspire unlimited confidence. He was the largest owner of real estate in Zanesville, and it was always his pleasure to improve property as soon as it had passed into his hands.

**HENRY B. BISSELL**, Cashier of the National Bank of Commerce of Cincinnati, died at his residence at Clifton, on July 20th. Mr. Bissell was a native of New York State, and began his financial experience in Cincinnati as a teller

in the Ohio Life Insurance and Trust Co. He was afterwards cashier of the Ohio Valley Bank, leaving that institution in 1868 to form one of the private banking firm of Andrews, Bissell & Co., which house subsequently became the National Bank of Commerce. Mr. Bissell was a banker of marked sagacity and intelligence, and a gentleman of strict integrity, courteous manners and kindly nature. The Clearing-House Association of Cincinnati passed a series of resolutions expressive of high respect for his memory.

PENNSYLVANIA.—Another usury case has just been tried in this State, that of *Driesbach vs The Second National Bank of Scranton*. The hearing was in the United States Court at Williamsport, and a verdict was obtained in favor of the bank. The recent decision of Judges Strong and McKenna, published in the July number of the *BANKER'S MAGAZINE*, held that National banks have the right to charge as high a rate of interest as State banks, and, though six per cent. is the legal rate in this State, a number of State banks have the right, under special charters, to charge ten per cent. Under the above decision, National banks could also charge that amount. The case was, therefore, decided in favor of the bank. The case, it is said, will not stop at this point, but be taken to the Supreme Court for their action. The case of D. F. Seybert, of Salem, against the First National Bank of Berwick, on the same charge, was adjourned. In this latter case penalty and all is claimed, and if the decision above referred to is sustained by the Supreme Court, this bank will also be successful.

RHODE ISLAND.—The assignee of Messrs. Green & Cranston, bankers of Providence, who failed about two years ago, announces his readiness to pay all claims in full, principal and interest.

TEXAS.—Mr. J. D. Giddings, senior partner of the well-known banking firm of Giddings & Giddings, at Brenham, died on June 25th, in consequence of injuries received by being thrown from his buggy a few days previously. The business of the firm goes on as heretofore without change of style.

CANADA.—From the annual report of the Merchants' Bank of Canada it appears that the capital has been reduced one-third, and now stands at \$5,461,790 paid-up; the contingent fund at \$530,000, and the Rest at \$475,000. The profits of the bank during the past year have been \$462,208, or 8½ per cent. on the capital, out of which a dividend of seven per cent. has just been paid. The balance of contingent fund will probably be transferred to rest or reserve, and raise this to nearly \$1,000,000.

## THE PREMIUM ON GOLD AT NEW YORK.

JUNE—JULY, 1878.

1877.	Lowest.	Highest.	1878.	Lowest.	Highest.	1878.	Lowest.	Highest.	
July .....	5¾	6¾	June 27 ..	¾	¾	July 12 ..	½	½	
August .....	3¾	5½	28 ..	¾	¾	13 ..	½	½	
September ...	2¾	4	29 ..	¾	¾	15 ..	½	½	
October .....	2½	3¾	July 1 ..	¾	¾	16 ..	½	½	
November ...	2¾	3¾	2 ..	¾	¾	17 ..	½	½	
December ...	2¾	3¾	3 ..	¾	¾	18 ..	½	½	
1878.			4 ..			Holiday ..	19 ..	½	½
January .....	1¾	2¾	5 ..	¾	¾	20 ..	½	½	
February ....	1¾	2¾	6 ..	¾	¾	22 ..	½	½	
March .....	¾	2	8 ..	¾	¾	23 ..	½	½	
April .....	¾	1¾	9 ..	½	½	24 ..	½	½	
May .....	¾	1¾	10 ..	½	½	25 ..	½	½	
June .....	¾	1	11 ..	½	½	26 ..	½	½	

THE NATIONAL BANK ACT.—A new and revised edition of the *National Bank Act* with amendments, according to the *Revised Statutes* of the United States, will be issued in August, from the office of the *BANKER'S MAGAZINE*. Price, \$1.25. In paper covers, 75 cents.

## MEXICAN AND TRADE DOLLARS.

TREASURY DEPARTMENT,  
OFFICE OF THE DIRECTOR OF THE MINT, }  
WASHINGTON, July 25, 1878. }

In consequence of the number of inquiries received relative to the value of the Mexican silver dollar and the terms on which it is received at the mints, the following information is furnished:

Section 3,584 of the *Revised Statutes* of the United States declares that "no foreign gold or silver coin shall be a legal tender in the payment of debts." The Mexican dollar, therefore, has only a value as bullion, which depends upon the price of silver. At the present price of silver bullion it is worth 90.8 cents in gold per piece. Its circulation in the United States is optional, and at whatever value may be agreed upon. The United States trade dollar, also, is not a legal tender, and, therefore, has only a bullion value.

The standard silver dollar, being a legal tender for all debts, public and private, is received at par at all Government offices in payment of dues, differing in this respect from the Mexican and trade dollar, which are not received. Mexican dollars, as well as all other foreign silver coins, and United States trade dollars are purchased at the mint at Philadelphia and at the Assay Office at New York at the equivalent of the London rate for silver bullion on the day of the purchase, less one-half cent per ounce of fine silver contained. All silver coins so purchased are melted and assayed, and the seller paid for the fine silver contained in standard silver dollars.

All parties desiring to sell foreign silver coins or trade dollars to the Government on the above terms will send them at their own expense to the Superintendent of the Mint at Philadelphia, or of the Assay Office at New York. The express charges on the silver dollars sent in return also to be paid by the seller. All correspondence relative to silver coins so sent to be addressed to the Superintendent of the Mint or Assay Office to which they are forwarded. The following table shows the bullion value in cents and tenths of a cent, United States legal-tender coin, of a Mexican silver dollar of full legal weight and fineness, at various London quotations for silver bullion, calculated at the par of exchange, 486 65-100 to the pound sterling:

London quotation in pence.	Value of Mexican dollar in cents.	London quotation in pence.	Value of Mexican dollar in cents.
50	86.1	53 $\frac{3}{4}$	92.5
50 $\frac{1}{4}$	86.5	54	93
50 $\frac{1}{2}$	86.9	54 $\frac{1}{4}$	93.4
50 $\frac{3}{4}$	87.4	54 $\frac{1}{2}$	93.8
51	87.8	54 $\frac{3}{4}$	94.3
51 $\frac{1}{4}$	88.2	55	94.7
51 $\frac{1}{2}$	88.7	55 $\frac{1}{4}$	95.1
51 $\frac{3}{4}$	89.1	55 $\frac{1}{2}$	95.6
52	89.5	55 $\frac{3}{4}$	96
52 $\frac{1}{4}$	89.9	56	96.4
52 $\frac{1}{2}$	90.4	56 $\frac{1}{4}$	96.9
52 $\frac{3}{4}$	90.8	56 $\frac{1}{2}$	97.3
53	91.2	56 $\frac{3}{4}$	97.7
53 $\frac{1}{4}$	91.6	57	98.2
53 $\frac{1}{2}$	92.1		

The trade dollar is worth two-tenths of a cent more than the Mexican dollar at the respective quotations furnished. The deduction at the mint of one-half cent per ounce of fine silver contained amounts to about four mills on the dollar.

H. R. LINDERMAN,  
Director of the Mint.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to July 25, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2390	Greene County National Bank. Carrollton, ILL.	John I. Thomas..... Robert Pierson	\$ 100,000	\$ 100,000

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from July No., page 74.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ILL....	Carrollton..... \$ 100,000	Greene County N. B. (2390) John I. Thomas, <i>Pr.</i>	Importers & Traders' Nat'l Bk. Robert Pierson, <i>Cas.</i>
"	Edinburg.....	George F. Harrington.....	American Exchange Nat'l Bank.
IND....	Roanoke.....	Windle & Wasmuth.....	Geo. Opdyke & Co.
IOWA...	Des Moines....	Bank of Iowa, (Ira W. Anderson.)	.....
KANSAS.	Lincoln Centre.	Bank of Lincoln County...	Kountze Brothers.
NEB....	Lincoln.....	Marsh Bros. & Mosher.....	Commercial Nat. B'k, Chicago
OHIO...	Wash'gton C. H.	Peoples & Drivers' Bank... \$ 283,000	Importers & Traders' Nat'l B'k Daniel McLean, <i>Pr.</i> R. A. Robinson, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

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

	Bank and Place.	Elected.	In place of
N. Y. CITY.	Third National Bank.....	William A. Booth, <i>Pr.</i> ...	J. F. D. Lanier.
"	Eleventh Ward Bank.....	Henry Steers, <i>Pr.</i> .....	J. Englis.
"	Manhattan Savings Inst'n..	Edward Schell, <i>Pr.</i> .....	E. J. Brown.*
ALA....	City National Bank, Selma....	A. G. Parrish, <i>A. C.</i> .....	.....
ILL....	First National Bank, Mattoon..	Mark Kahn, <i>Pr.</i> .....	C. M. Dole.
"	Second Nat'l Bank, Monmouth.	Fred E. Harding, <i>Cas.</i> ...	F. W. Harding.
"	Centennial Nat'l B'k, Virginia.	James B. Black, <i>Cas.</i> .....	J. H. Wood.
IND....	First National Bank, Auburn..	William McIntyre, <i>Cas.</i> ...	J. V. Hazzard.
MD....	Bank of Commerce, Baltimore	{ Eugene Levering, <i>Pr.</i> ... G. O. Manning, <i>C. pro tem.</i>	{ J. W. Alnutt. E. J. Church, <i>Act'g.</i>
"	Kent Nat'l Bank, Chestertown.	Thomas T. Smith, <i>Cas.</i> ...	G. O. Manning. C. T. Westcott.
MASS...	Clearing House, Lowell.....	A. A. Coburn, <i>Manager.</i>	C. W. Eaton.
MICH...	First Nat'l Bank, Houghton...	Z. W. Wright, <i>Pr.</i> .....	R. Shelden.
MO....	Merchants' Nat. B'k., St. Louis.	James C. Moore, <i>Cas.</i> ...	R. Eagle.
N. Y....	Westchester Co. N. B., Peekskill	D. F. Clapp, <i>Pr.</i> .....	C. A. G. Depew.
OHIO...	First National Bank, Middletown	{ William S. Marshall, <i>Cas.</i> D. Helwig.* Arthur Helwig, <i>A. C.</i> ...	{ W. S. Marshall. P. P. Black.*
"	First National Bank, Zanesville.	William A. Graham, <i>Pr.</i>	P. P. Black.*
PENN...	Third National Bank, Philadelphia	{ Benj. G. Godfrey, <i>Cas.</i> ... Fred H. Souder, <i>A. C.</i> ...	{ A. Thorn. .....
"	Mount Carmel Savings Bank...	H. J. Meixell, <i>Cas.</i> .....	H. D. Rothermel.*
WIS....	First National Bank, Kenosha	{ L. G. Merrill, <i>Cas.</i> ..... James H. Tyler, <i>A. C.</i> ...	{ J. H. Vermilye. L. G. Merrill.
N. B....	Bank of Montreal, Moncton....	F. M. Cotton, <i>Agent.</i> .....	J. Robertson.
QUEBEC	Union Bank, Quebec.....	{ Andrew Thomson, <i>Pr.</i> ... George Irvine, <i>V. P.</i> .....	{ ..... .....

\*D:ceased.

## DISSOLVED OR DISCONTINUED.

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

- N. Y. CITY**..... Ketchum & Belknap; suspended.  
 " " ..... W. H. Gladwin; suspended.
- ARK**.... Pine Bluffs.... Trulock Brothers; out of business.
- COL**.... Lake City.... First National Bank; in liquidation.
- CONN**.... Middletown.... Dime Savings Bank; reported suspended.
- ILL**.... Dwight..... Dwight Bank (Zophar Tuttle); retired July 22.  
 " .. Quincy ..... German Savings Bank (H. A. Geise & Son); failed.  
 " .. St. Charles .... Kane County National Bank; in liquidation.
- IND**.... Brazil ..... Brighton, Hubbard & Teter; now Brighton & Teter.
- IOWA**.. Dyersville..... Bank of Dyersville (H. Koch); assigned.
- KANSAS**. Lawrence ..... Exchange Bank; closing.  
 " .. Wyandotte .... First National Bank; in liquidation
- MAINE**.. Auburn ..... Auburn Savings Bank; deposits scaled down 15 per cent.
- N. Y.**.... Wapp'gers Falls Bank of Wappingers Falls; retired July 13.  
 " .. Wellsville..... York & Chamberlain; suspended.
- N. C.**.... Greensboro .... Wilson & Shoher; failed.
- OHIO**... Wash'gton C.H. First National Bank; insolvent. Succeeded by Peoples & Drivers' Bank; with same officers.
- PENN**... Philadelphia... White, Powell & Co.; in bankruptcy.  
 " .. Lewisburg..... Union National Bank; report of closing erroneous.  
 " .. Uniontown .... Dollar Savings Bank; suspended.
- ONT**.... Trenton ..... Canadian Bank of Commerce; closed.
- N. S.**.... Halifax..... Almon & Mackintosh; resumed control of their business.

## RECENT CHANGES OF TITLE, ETC.

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

- N. Y. CITY**..... East River National Bank; capital reduced to \$250,000.  
 " " ..... Merchants' National Bank; capital reduced to \$2,000,000.  
 " " ..... German-American Bank; removed to 50 Wall Street.  
 " " ..... Kelley & Alexander; now L. D. Alexander & Co.  
 " " ..... Lawrence & Morgan; now F. N. Lawrence.
- ARK**... Hot Springs.... Valley Exchange Bank; N. Y. Corr., Chase National Bank.
- ILL**.... Carrollton .... David Pierson & Sons; now Greene County National Bank.  
 " .. Galva..... Lynd & Yocum; now L. M. Yocum & Co.
- KANSAS**. Peabody..... Sterling & Morse; now Whitehill & Morse.
- MASS**... Boston ..... Fenno & Homer; now N. F. Fenno & Co. and Fred Homer.
- MICH**... Bay City ..... Second National Bank; capital should be \$200,000.
- MO**.... Carthage ..... Miners & Merchants' B'k (M. L. Reid); now Jasper Co. B'k.
- N. Y.**.... Monticello .... National Union Bank; capital reduced to \$100,000.
- OHIO**... Cincinnati .... German Savings Institution (C. F. Adae & Co.); removed to N. W. corner Fifth and Vine Streets.  
 " .. " .. Hughes, Wright & Co.; now H. W. Hughes & Co.  
 " .. Hubbard ..... Hubbards Sav. B'k; now Hubbard Nat. B'k. Same officers.
- TEXAS**.. McKinney..... Thomas H. Emerson & Bro.; now F. Emerson & Co.

LIABILITIES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, JUNE 29, 1878.

Name of Banks.	Capital.	Net profits.	Circulation.	Due Banks.	Due Depositors.	Unpaid Dividends.	Totals.	Certified checks.
Bank of New York National Banking Association.	\$ 3,000,000	\$ 747,000	\$ 40,000	\$ 443,000	\$ 9,285,000	\$ 5,700	\$ 14,517,700	\$ 3,315,500
Mechanics' National Bank.....	3,000,000	684,300	161,100	2,975,400	5,041,000	84,700	8,597,000	1,738,000
Mechanics' National Bank.....	2,000,000	865,700	174,000	1,476,000	3,771,000	4,100	5,257,000	1,223,000
Union National Bank.....	2,000,000	694,500	135,000	58,200	2,573,000	3,100	3,188,000	5,825,800
Phoenix National Bank.....	1,600,000	414,700	234,500	794,000	1,794,000	31,700	2,638,700	3,555,400
National City Bank.....	1,600,000	1,564,400	565,000	1,650,000	7,941,300	2,100	10,191,700	1,172,500
Tradesmen's National Bank.....	1,600,000	374,800	776,800	470,900	1,621,200	39,000	4,332,200	50,400
Fulton National Bank.....	600,000	349,800	1,100	1,185,200	1,185,200	3,400	3,355,800	1,400
Chemical National Bank.....	600,000	3,100,500	11,500	1,566,600	8,037,800	46,300	13,982,200	225,900
Mechanical Exchange National Bank.....	1,000,000	217,600	602,300	1,381,100	1,381,100	2,600	4,974,700	40,600
Galath National Bank.....	1,000,000	672,100	497,500	313,400	1,381,100	2,600	4,276,600	1,004,500
National Bankers and Dryers' Bank.....	500,000	38,600	300,800	37,600	997,100	2,100	1,812,700	35,400
Mechanics' National Bank.....	500,000	80,200	105,300	85,600	791,500	2,100	1,783,700	76,800
Leather Manufacturers' National Bank.....	600,000	415,700	254,400	490,100	1,673,800	31,000	3,465,000	762,300
Seventh Ward National Bank.....	800,000	40,100	31,800	855,700	9,000	9,000	1,246,500	6,300
National Bank State of New York.....	800,000	105,000	45,000	241,500	1,569,000	8,200	2,839,600	5,438,100
American Exchange National Bank.....	5,000,000	1,285,600	202,500	3,359,000	6,519,600	11,700	16,378,400	960,300
National Bank of Commerce.....	5,000,000	2,723,300	1,826,700	2,430,900	10,973,800	9,100	22,074,000	1,836,300
National Broadway Bank.....	1,000,000	1,100,700	967,000	265,400	3,191,500	80,000	6,544,600	30,800
Mercantile National Bank.....	1,000,000	172,600	146,000	1,584,100	1,200,200	500	4,224,200	57,300
Chatham National Bank.....	1,000,000	316,100	460,200	932,500	1,109,200	8,200	4,312,000	1,761,600
Hanover National Bank.....	1,000,000	156,000	487,000	345,500	2,325,800	13,800	3,694,000	91,000
Irving National Bank.....	1,000,000	145,800	401,000	2,449,900	2,325,800	35,700	6,434,900	351,300
National Citizens' Bank.....	1,000,000	108,300	82,200	393,800	1,768,900	20,700	2,783,900	75,400
Metropolitan National Bank.....	3,000,000	871,500	2,186,300	5,707,400	5,759,200	153,000	17,677,400	1,524,200
National City Bank.....	600,000	150,800	248,100	182,600	1,936,700	18,500	3,136,700	90,900
Market National Bank.....	1,000,000	297,100	279,600	60,000	1,632,507	34,700	3,273,000	79,200
St. Nicholas National Bank.....	1,000,000	209,500	584,000	1,202,000	1,565,200	57,100	4,587,800	86,100
National Shoe and Leather Bank.....	1,000,000	297,100	750,900	945,500	2,133,900	3,900	5,381,300	192,600
Continental National Bank.....	1,250,000	77,200	327,300	169,700	1,020,000	300	2,881,500	151,200
Importers and Traders' National Bank.....	3,000,000	1,685,300	1,118,800	10,911,900	5,949,600	106,000	21,272,500	168,600
National Park Bank.....	2,500,000	243,000	540,000	7,511,300	6,069,600	56,200	16,422,300	551,000
National Park Bank.....	500,000	81,200	368,200	300	345,200	1,400	1,236,300	1,333,900
East River National Bank.....	250,000	52,600	98,000	595,500	595,500	10,500	1,006,600	8,100
Fourth National Bank.....	3,500,000	985,000	1,030,400	7,073,800	5,133,400	11,400	17,732,000	4,160,200
Central National Bank.....	2,000,000	395,800	1,343,700	2,768,400	3,133,300	75,500	9,631,700	201,700
Second National Bank.....	700,000	66,100	269,900	1,866,000	1,966,000	12,000	2,614,000	36,200
Ninth National Bank.....	350,000	24,100	568,700	2,427,600	10,749,000	—	19,072,000	330,900
First National Bank.....	500,000	1,244,000	450,000	4,373,400	2,275,900	—	8,441,300	243,400
Third National Bank.....	1,000,000	—	794,000	687,400	687,400	400	1,512,700	50,700
New York National Exchange Bank.....	300,000	79,200	264,000	840,400	840,400	12,700	1,509,500	21,300
Bowery National Bank.....	250,000	86,400	126,000	—	1,105,800	8,200	1,574,400	16,000
New York County National Bank.....	200,000	150,000	181,000	—	507,000	200	811,800	16,500
Fifth National Bank.....	150,000	49,000	191,000	—	6,000	6,000	1,216,800	—
Sixth National Bank.....	300,000	46,800	118,500	620,400	773,000	—	1,674,100	—
Chase National Bank.....	300,000	17,000	118,500	620,400	773,000	—	1,674,100	—
Totals (47 Banks), June 30, 1878.....	\$ 55,800,000	\$ 23,417,800	\$ 20,272,100	\$ 74,016,500	\$ 137,518,300	\$ 1,114,600	\$ 312,159,300	—
Totals, May 1, 1878.....	\$ 55,950,000	\$ 21,934,900	\$ 20,456,200	\$ 71,179,000	\$ 125,600,000	\$ 412,600	\$ 297,444,600	—
Increase.....	\$ 100,000	\$ 482,900	\$ 184,100	\$ 2,846,500	\$ 11,918,300	\$ 702,000	\$ 14,714,700	—



RESOURCES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, JUNE 29, 1878.

Names of Banks	Loans & Discounts	U. S. Bonds on hand, to secure citr. stocks, &c., on stocks.	Other Premiums	Real Estate	Due from banks	Cash items	Specie	Legal tenders, drafts	Over-
Bank of New York National Banking Association	\$ 10,853,400	\$ 50,000	\$ 3,100	\$ 350,000	\$ 450,000	\$ 832,300	\$ 1,128,000	\$ 1,635,000	\$ 11,700
Merchants' National Bank	4,867,600	175,000	35,000	250,000	250,000	259,700	766,000	2,085,000	8,000
Mechanics' National Bank	2,826,300	200,000	—	400,000	450,000	186,400	90,300	1,050,300	1,100
Union National Bank	2,821,800	300,000	—	400,000	27,800	6,800	354,500	1,000,300	—
Phoenix National Bank	1,974,300	300,000	30,000	175,700	293,700	97,200	191,000	300,800	1,200
National City Bank	3,214,300	—	63,900	445,300	251,500	50,400	354,000	3,800,300	1,000
Traders' National Bank	1,664,700	50,000	—	531,100	292,000	85,700	303,700	134,000	—
Fulton National Bank	1,373,600	50,000	—	283,200	824,000	181,000	631,000	574,200	100
Chemical National Bank	7,997,000	100,000	—	24,000	869,600	497,500	653,700	2,273,900	3,600
Merchants' Exchange National Bank	2,462,300	700,000	48,000	3,000	243,700	59,400	209,200	559,300	700
Gallatin National Bank	2,884,100	500,000	306,100	3,000	99,500	35,100	101,100	144,000	2,600
National Butchers and Drovers' Bank	635,300	100,000	2,300	29,600	145,500	50,300	23,600	91,900	131,300
Mechanics and Traders' National Bank	1,143,500	200,000	405,100	12,200	72,200	3,000	26,700	199,200	800
Leather Manufacturers' National Bank	1,412,600	300,000	253,900	44,000	170,000	38,300	263,400	518,600	800
Seventh Ward National Bank	745,300	50,000	55,600	4,900	50,000	27,300	63,000	41,000	—
National Bank State of New York	1,706,400	50,000	40,100	—	214,300	36,900	130,900	418,000	27,800
American Exchange National Bank	10,961,100	500,000	410,200	—	336,500	699,500	1,175,100	1,067,500	900
National Bank of Commerce	7,914,500	36,000	4,152,000	—	530,000	913,300	1,790,700	4,043,700	—
National Broadway Bank	3,125,300	1,000,000	125,900	37,500	250,000	392,500	124,500	1,058,300	400
Mercantile National Bank	3,053,300	200,000	14,000	170,000	170,000	67,100	192,300	398,000	1,800
National National Bank	2,711,700	300,000	11,900	324,500	204,600	77,700	193,500	239,900	—
Chatham National Bank	2,063,600	450,000	201,100	40,600	297,700	49,900	110,800	862,900	1,000
Hanover National Bank	4,500,000	500,000	251,700	32,500	250,000	4,600	28,000	388,000	1,000
Irving National Bank	1,321,200	100,000	20,500	50,000	100,000	26,000	38,000	278,000	—
Metropolitan National Bank	8,215,800	2,950,000	98,400	70,600	70,600	428,100	695,800	2,718,100	6,000
National Citizens' Bank	1,375,800	275,000	18,700	14,000	250,000	258,300	40,600	404,300	700
Market National Bank	1,846,300	200,000	66,000	37,600	180,800	46,000	69,400	404,300	100
St. Nicholas National Bank	1,133,100	357,000	153,900	81,700	55,000	36,400	15,200	271,200	3,800
National Shoe and Leather Bank	2,686,500	650,000	37,400	10,400	582,000	104,800	31,500	691,200	1,700
Continental National Bank	2,997,400	3,500	10,400	211,200	114,000	33,500	143,000	207,700	1,600
Marine National Bank	1,511,200	400,000	131,400	17,300	200,000	596,000	181,700	2,020,700	2,400
Importers and Traders' National Bank	14,929,100	1,100,000	1,028,500	823,200	823,200	24,600	575,000	2,728,700	—
National Park Bank	9,336,600	304,000	16,200	21,400	314,600	4,200	20,600	87,200	1,000
East River National Bank	584,100	165,000	16,200	2,500	15,900	24,600	68,300	51,200	300
Fourth National Bank	3,867,700	1,170,000	34,500	2,500	76,000	34,600	86,400	84,000	1,000
Central National Bank	10,381,600	370,000	1,173,000	10,700	657,400	817,600	1,317,800	2,561,600	16,200
National National Bank	4,416,200	753,000	438,800	179,300	333,100	34,900	47,700	1,020,600	600
South National Bank	1,443,000	300,000	492,000	23,200	34,900	88,800	4,900	477,600	700
Ninth National Bank	2,493,100	81,000	19,500	50,400	354,500	597,700	166,700	1,164,300	200
Third National Bank	4,079,600	600,000	8,904,600	24,500	800,000	106,600	116,000	3,151,000	900
First National Bank	3,214,600	1,400,000	448,000	83,400	—	1,205,900	238,800	2,332,400	1,000
New York National Exchange Bank	782,000	300,000	423,500	1,100	61,500	126,900	41,000	139,400	300
Rosary National Bank	406,800	200,000	494,400	300	41,300	38,900	14,000	125,600	1,000
New York County National Bank	310,600	117,500	28,500	—	113,800	30,600	13,500	23,000	1,400
Fifth National Bank	252,600	217,500	318,700	9,300	40,300	54,200	2,000	163,800	500
Sixth National Bank	673,300	145,000	318,700	18,000	4,000	14,900	220,100	135,000	—
Third National Bank	673,300	35,000	344,900	10,000	4,000	14,900	220,100	135,000	—
Totals (47 Banks), June 29, 1878	164,252,400	24,300,000	\$2,422,100	1,484,400	9,455,100	16,100,000	47,712,600	80,800,400	46,945,300
Total, May 1, 1878	102,478,200	24,400,000	14,491,900	1,012,000	9,490,900	15,187,900	34,717,800	28,085,900	29,283,700
Increase	1,774,300	610,300	7,920,000	472,400	913,000	3,470,800	14,225,700	17,664,500	16,600
Decrease	—	100,500	—	127,600	35,800	—	—	—	—

## NOTES ON THE MONEY MARKET.

NEW YORK, JULY 25, 1878.

*Exchange on London at sixty days' sight, 4.85½ a 4.86 in gold.*

The rates for loans continue easy, and the supply of money on call exceeds the demand. It has been supposed that the advance in the London money market would be followed by a responsive movement here. No indication of this result has, at present, appeared; and not a few persons have argued that the rates in London would be more likely to recede in conformity with those prevalent in other markets, than that an opposite movement should carry up to the British level the rates for loans in the plethoric money markets elsewhere. Considerable discussion on this subject has prevailed both in Europe and here. The belief is growing more general, that some radical changes will very soon have to be made in the arrangements of the Bank of England, and of the other British banks, so that the depletion of the banking reserves by an outflow of bullion will not, as heretofore, require to be met by a rise in the rate of discount, except the demand and supply in the money market itself shall necessitate an advance. However this controversy may be adjusted, it is a fortunate circumstance that the discussion has arisen at a time when, from the tranquility and ease which everywhere prevails, the difficulties incident to the application of a remedy are much less formidable than they would be in time of activity or strain in the monetary situation. For these and other reasons it is not anticipated that the English money market, even if it should continue somewhat irregular, will have much direct influence upon the financial movements here. Call loans now range from 1½ to 3 per cent., and prime mercantile paper, of short dates, sells readily at 3 to 5 per cent. As usual at this time of the year, the increase in the legal reserve of the banks is kept up, as will be seen from the following statistics of the averages 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>
1878.						
June 29.....	\$ 232,720,200	\$ 16,311,900	\$ 53,996,300	\$ 19,934,200	\$ 205,065,600	\$ 18,816,800
July 6.....	236,516,000	20,420,000	53,606,300	19,823,900	213,816,700	20,572,125
" 13.....	234,120,100	22,048,600	55,556,300	19,522,100	217,411,500	23,252,025
" 20.....	236,195,500	22,001,600	57,543,900	19,405,100	221,252,100	24,232,475

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>
1878.					
June 29.....	\$ 128,621,700	\$ 2,633,800	\$ 6,875,100	\$ 75,057,700	\$ 25,048,400
July 6.....	129,849,000	2,451,900	5,917,800	77,100,300	25,361,400
" 13.....	130,700,900	3,488,000	5,466,400	76,679,400	25,339,200
" 20.....	131,136,200	3,353,400	5,282,600	76,153,700	25,297,600

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>
1878.					
June 29.....	\$ 56,906,372	\$ 1,898,257	\$ 13,726,831	\$ 45,647,430	\$ 11,001,126
July 6.....	57,417,581	2,165,605	13,647,763	45,931,792	11,055,863
" 13.....	57,540,336	2,131,277	13,600,496	46,419,105	11,075,563
" 20.....	57,701,352	2,058,968	13,413,067	46,032,038	11,118,080

In the stock market there has been considerable activity, though the volume of business has been contracted by the torrid severity of the heat, and by the absence of many prominent capitalists from Wall Street. In Government bonds a fair business has been done, in consequence, partly, of the outflow and reinvestment of the money disbursed for quarterly and semi-annual dividends. This movement has been particularly directed to the Government securities which have the longest probable time to run, such as the five-twenties, the new fives, and similar bonds. In State securities there is little doing, and the movement in prices is small. Railroad bonds are not so briskly in demand from investors, as their price operates to discourage the choice of these securities, except where the roads have an undoubted status in the public confidence. Railroad shares are feverish and irregular, with little demand except from speculative operations. Gold is quiet, with no disposition in the premium to advance. The general impression is that the arrangements of the Treasury for resumption, have been so adjusted and managed as to render the transition to specie payments possible, at the time appointed by law, without the slightest danger of shock or injury to business. In foreign exchange there is very little doing, and the rates favor the buyer. Subjoined are our usual comparative quotations of the stock market :

QUOTATIONS :	June 25.	July 2.	July 9.	July 16.	July 23.
Gold.....	100½	100½	100½	100½	100½
U. S. 5-20s, 1867 Coup.	108½	105½	105½	106	105½
U. S. 10-40s Coup.....	108½	109½	109	109½	108½
West. Union Tel. Co..	86½	87½	89½	90½	93½
N. Y. C. & Hudson R.	108½	108½	109½	109½	109½
Lake Shore.....	57½	58½	61½	62½	64½
Chicago & Rock Island	117½	117½	115	114½	114½
New Jersey Central....	31½	38½	43½	47½	39
Del. Lack. & West....	58½	59½	61½	61½	61½
Delaware & Hudson..	56½	57	59	8½	58½
North Western.....	47	48½	51½	51½	48½
Pacific Mail.....	14½	17½	17	17½	17½
Erie.....	15½	15½	15½	16½	17
Call Loans.....	2 @ 4	2 @ 4	1½ @ 3	1½ @ 3	1½ @ 3
Discounts.....	3 @ 5	3 @ 5	3 @ 5	3 @ 5	3 @ 5
Bills on London.....	4.85-4.87	4.85-4.87	4.83½-4.86½	4.83½-4.86½	4.83-4.86
Treasury balances, cur.	\$ 43,004,362	\$ 41,902,359	\$ 43,145,328	\$ 44,745,948	\$ 47,001,481
Do. do. gold.	\$ 126,081,365	\$ 122,226,779	\$ 118,402,618	\$ 118,230,215	\$ 117,919,174

The Convention of the American Bankers' Association, which is to be held at the Town Hall, Saratoga, on the 7th, 8th and 9th of August, is attracting considerable attention. Among the speakers whose names appear upon the programme we observe that Mr. George Walker will deliver an address upon the comparative advantages of the National Banking System, over the banking systems in operation in foreign countries. We presume that a considerable part of the address will be given to the question of the security of bank-note issues. This is one of the strong points of our National Banking system. In no other commercial country is the double security required, which the banks are compelled to give in the United States. No notes can be issued by any bank without first, a deposit of bonds at Washington, and secondly, a guarantee for their redemption on demand by a lawful money deposit in the Redemption Bureau at the Treasury. In France, England, Scotland, Switzerland, Germany, and other countries, the systems in use are very different, and the security to the holder of the notes is less efficient, especially in view of those panics which are not at all unlikely to be conspicuous and frequent in the early future of the financial history of commercial countries. Mr. Walker will do good service if he will direct attention to the prevailing mistakes in regard to the best methods of securing the solvency and usefulness of bank-note issues. Mr. B. F. Nourse, of Boston, General Echols, of Virginia, Gov. Baldwin, of Michigan, and other eminent banking authorities in the South and West are announced to address the Convention. Among the features of the programme this year, is the report of our Clearing-House system, including a sketch of the rise, the defects, the history and the merits of the various methods in use in the Clearing Houses of the United States. Several speakers are also announced on the usury question.

The Savings banks in the United States have had a singularly prosperous history. A report lately prepared, shows that at the end of the year 1876, there were 781 Savings banks in the United States, divided among nineteen States and the District of Columbia. The number of "open accounts" in these institutions was 2,368,630, and the aggregate amount of money on deposit was nearly one thousand million dollars. The depositors in the Savings banks of this country, a year and a half ago, represented a total of 11,743,150 persons, or, in round numbers, one-quarter of the whole American people. This shows that the growth of the Savings-bank system in this country has not only been steady, but that, singular as it may seem, the number of open accounts and the aggregate deposits have increased, despite of the panic of 1873, down to the close of 1876. The regular increase of depositors proves that although many persons have been compelled by stress of circumstances to draw out their small savings to meet the demands of hard times, there have been others to take their place, who have swelled the general aggregate to its present figures. In 1820, there were only ten Savings banks in the United States, where there are now nearly 800, and the total of deposits at that time, fifty-eight years ago, was only a trifle over \$1,000,000. As late as twenty years ago, the number of Savings banks was only 245, and the line of deposits was a little over \$100,000,000, against nearly \$1,000,000,000 now. Of this great sum, New York State has \$312,823,058 deposits in 136 banks. The number of Savings banks has increased three-fold during the past twenty years, the open accounts

have multiplied more than four times in the same period, and the amount on deposit has risen from \$108,000,000 to nearly ten times that sum.

The foreign imports at the port of New York for the month of June were only twenty-three and a half millions, being about thirty per cent. below the average for the last six years. In June, 1871, the imports at this port were \$31,598,417; in June, 1872, \$30,653,552; in 1873, \$29,147,536; in 1874, \$32,987,776, and in 1875, \$28,107,782. The succeeding three years are as below:

FOREIGN IMPORTS AT NEW YORK FOR THE MONTH OF JUNE.

	1876.	1877.	1878.
Entered for consumption.....	\$ 8,065,972	\$ 10,448,147	\$ 8,712,976
Entered for warehousing.....	6,861,930	12,360,639	6,881,470
Free goods.....	5,682,205	7,438,494	6,822,850
Specie and bullion.....	498,880	508,777	1,149,765
Total entered at port.....	\$ 21,108,987	\$ 30,756,057	\$ 23,567,061
Withdrawn from warehouse..	6,518,509	4,821,330	4,745,176

For the year ending with June, 1873, the total imports at this port were \$420,374,032; in 1874, \$396,090,852, and in 1875 \$367,363,126. The decline from the corresponding date of 1873 is 114 million dollars, and the total is nearly the same as that of 1876:

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

	1876.	1877.	1878.
Entered for consumption....	\$ 132,027,678	\$ 132,142,796	\$ 127,243,204
Entered for warehousing.....	81,902,121	77,541,453	74,962,245
Free goods.....	84,635,051	83,064,674	83,552,006
Specie and bullion.....	8,148,865	31,321,590	20,690,945
Total entered at port.....	\$ 306,713,715	\$ 324,070,513	\$ 306,448,400
Withdrawn from warehouse..	89,667,453	72,400,990	80,765,471

The shipments of produce and merchandise for June have exceeded by three millions the corresponding month of last year, and by four and a half millions the same month of 1876, as will be seen by the following comparative summary:

EXPORTS FROM NEW YORK TO FOREIGN PORTS IN THE MONTH OF JUNE.

	1876.	1877.	1878.
Domestic produce.....	\$ 22,060,231	\$ 23,970,315	\$ 26,864,469
Foreign free goods.....	97,494	136,140	269,832
Foreign dutiable.....	1,013,637	340,882	527,750
Specie and bullion.....	4,839,205	5,225,337	778,988
Total exports.....	\$ 28,010,567	\$ 29,672,674	\$ 28,441,039
Total, exclusive of specie.	23,171,362	24,447,337	27,662,051

The total for the first six months of 1878, exclusive of specie, is thirty-eight millions above the first six months of last year, and nearly forty-eight millions above the same months of 1876. For the first half of 1875 the returns were \$121,517,568, over fifty millions less than the aggregate for the first six months of this year.

The exports for the last fiscal year present the largest total ever given at this port:

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

	1876.	1877.	1878.
Domestic produce.....	\$ 249,303,527	\$ 277,344,660	\$ 327,542,948
Foreign free goods.....	2,171,677	3,119,748	2,743,251
Foreign dutiable.....	7,326,725	5,014,665	6,520,576
Specie and bullion.....	45,827,645	36,022,267	15,242,864
Total exports.....	\$ 304,829,574	\$ 321,501,340	\$ 352,049,639
Total, exclusive of specie.	258,001,929	285,479,073	336,806,775

These figures are of exceeding interest and importance. Estimating at the usual average the proportions which the total imports and exports of the entire country bear to those of New York, we may assume the balance of trade in favor of the United States, to be fully 320 millions of dollars. Well may we be thankful and take courage as to the future!

The bank returns and other leading items in the London money market are shown in comparison with corresponding dates of 1877, by the following from the London *Economist*;

	July 10, 1878.	July 11, 1877.
Circulation, excluding bank post bills.....	£ 28,365,765	£ 28,767,460
Public deposits.....	4,757,974	3,761,325
Other deposits.....	22,900,386	26,371,322
Government securities.....	17,673,519	16,089,088
Other securities.....	18,842,837	18,289,670
Reserve of notes and coin.....	9,328,126	13,911,797
Coin and bullion.....	22,693,891	27,679,257
Bank rate of discount.....	3½ p. c.	2 p. c.
Price of consols.....	96½ ad.	94½
Average price of wheat.....	46s. od.	61s. 5d.
Exchange on Paris (short).....	25 10 15	25 15 20
— Amsterdam do.....	12 0½ 1½	12 0½ 1½
— Hamburg (3 months).....	2,059	2,063
Clearing-House returns.....	101,805,000	81,800,000

## DEATHS.

At CLIFTON, (near Cincinnati) OHIO, on Saturday, July 20th, aged forty-three years, HENRY B. BISSELL, Cashier of the National Bank of Commerce, Cincinnati.

At ZANESVILLE, OHIO, on Sunday, July 7th, aged fifty-nine years, PETER BLACK, President of the First National Bank.

At OXFORD, N. Y., on Sunday, June 20th, aged sixty-three years, JAMES W. CLARKE, President of the First National Bank.

At BOSTON, on Saturday, July 6th, aged fifty-five years, HON. FRANCIS M. JOHNSON, late President of the Boston Safe Deposit and Trust Company.

At Mt. CARMEL, PA., on Tuesday, July 2d, H. D. ROTHERMEL, Cashier of the Mount Carmel Savings Bank.

At NEW YORK, on Wednesday, June 26th, aged seventy-two years, GEORGE W. YOULE, Cashier of the Mechanics and Traders' National Bank.

THE  
**BANKER'S MAGAZINE,**  
AND  
**Statistical Register.**

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WHAT BANKS DO FOR LABOR.

BY GEORGE WALKER.

The Bankers' Convention at Saratoga separated with grave apprehensions as to the future of the banking system of the United States. The popular hostility towards banks has probably never been so wide-spread since the organization of the Government. It pervades not only the whole communistic body which wars on all property, but also the more respectable and intelligent, and, therefore, more dangerous, class of people, who have espoused the cause of the greenback, with or without convertibility. The political friends of the National banking system are timid and cowed by the popular hostility, and they are either silent in its defense, or give it a half-hearted support.

The Government of the United States has the highest interest in maintaining the financial machinery upon which public as well as private business depends for its orderly and successful prosecution. In England, France, Germany, Austria, Russia, Holland, Belgium and Italy, a single bank performs all the fiscal duties of the Government. The fact is thus recognized, that there is an inter-dependence between public and private financial operations which can be best satisfied by putting the administration of both into the same hands. This has not been done in the countries mentioned out of any deference to private interests, but to promote the public economy and welfare. Nations and governments represent the aggregated interests of the people which compose them, and

are not a distinct and separate entity. Taxes, by which governments are supported, come, in the last result, out of the income of their citizens, and this income is the fruit of some business operation. Whether it be a tax on land, on mines, on manufactures, on railways or ships, on property produced at home or imported from abroad, or on the exercise of a calling or profession, it is equally predicated on a real or supposed production, or productive capacity of the property taxed. The money with which taxes are paid comes out of the general loan fund, which is made up of the uninvested profits of past business. The instruments by which this loan fund is brought together and made serviceable to society, are banks and other kindred institutions of credit. Every individual depends, in some degree, upon the keeping this fund together for the ready satisfying of his own wants. Civilization has advanced almost in the degree in which the surplus earnings of each individual have been gathered into a fund available for the promotion of enterprises which could only be carried on by the use of large capital. Whatever discourages the aggregation of such funds is a blow struck at the progress of society. The expenditures of governments, equally with private disbursements, enter into the general fund of loose capital and find their way rapidly into bank deposits. Thus the public finances, as well as those of individuals, are closely linked to the banking system of all countries. I do not overlook the fact, that in a period of political hostility to the banks, justified by the wide-spread insolvency which overtook the State banks in the crisis of 1837, the Treasury of the United States was divorced from all immediate connection with the banking system. Viewed in the light of the past dangers of such a connection, the system of an independent sub-treasury was, perhaps, a wise one. But when compared with the relation which subsists between the governments of Europe and their banks in modern times, and which existed between our own Government and the National banks during and after the war, it seems like an unnecessary and costly severance of two systems which ought to be united. All the functions of the independent sub-Treasury of the United States are carried on with equal safety, greater convenience, and far greater economy, by the Bank of England, the Bank of France, and the Bank of Germany, for their respective governments.

When the United States, during the civil war, found itself in the presence of great and ramified financial operations, such as selling the public loans, collecting the internal revenue, and disbursing money in every part of its vast domain, its treasury machinery proved wholly inadequate for these purposes, and it was compelled to employ the National banks as fiscal agents charged with the various operations indicated.



The work was well done, and done cheaply and safely. The convenience of every neighborhood was subserved, and immense sums of money, which, under the treasury system must have lain idle, were allowed to remain in the custody of the banks, ameliorating the burdens of the taxpayers by whom they were contributed, and fructifying the industries of every section of the country until the time for their actual use arrived. Without the banks, the fiscal operations of the war would have been much more difficult, if not impossible.

I do not recur to the services thus rendered by the National banking system to the country for the purpose of founding upon them a claim to gratitude on their behalf, either from the Government or the people. The service was fairly, but not unduly, paid for at the time it was rendered. I have cited this illustration merely to show that a well-devised and regulated banking system is a necessary part of the financial machinery of all countries, and that if capitalists had no interest in maintaining it, the people cannot do without it. Capitalists do not suffer from a disordered state of the finances of a country; on the contrary they batten on it. It is the poor man, the small trader, the mechanic, the farmer and the laborer, who have the deepest interest in having the floating capital—the loan fund and the wages fund—brought together in many centres, and maintained under conditions of the greatest uniformity attainable. The “cry” of the National greenback labor party is, that, under the existing financial and monetary system, “the rich are growing richer and the poor poorer.” This was doubtless true of the highly inflated paper-money system which the war brought upon us; and it was the immediate and necessary result of such a system. What is wanted by the poor, more even than by the rich, is stability of values; neither a rapidly rising nor a rapidly falling market—prices for commodities and labor such as will result from natural causes incident to the progress of civilization; slowly moving causes these should also be, so that each class in society can adapt itself to them without the pain incident to sudden and violent changes. The laboring class would doubtless like to see a rising price for labor and a falling price for food, clothing and house rent; but these two things are incompatible. It clamors for an eight-hour law so as to shorten production and raise prices, expecting a consequent rise in wages, but the very reverse of this would happen, since in reducing the time of human labor it would restrict equally the time for the operation of machinery, and thus largely increase the cost of production as compared with that attained in other countries exercising greater diligence. To maintain a successful competition, therefore, the cost of production must in some way be reduced. The two elements of cost are materials and labor. The price of materials is determined

largely by foreign competition; the price of labor is only remotely affected by a similar competition, being chiefly a matter of domestic regulation. The downward pressure, therefore, must always be brought to bear on wages. In like manner, reduction in the hours of labor increases the cost of living, in the same proportion as it increases the cost of the other products to which labor is applied; thus the eight-hour laborer first and most severely suffers by his own attempted measure of relief.

If the currency were to be again augmented, prices would undoubtedly rise, and perhaps a few of the stranded hulks of 1873 would be floated off, but they are mostly too much strained to be ever again seaworthy. Precisely, however, as in the last inflation period, the rise in prices would affect commodities sooner than labor. The price of commodities may change daily, or even hourly, under the influence of repeated sales, but the rates of wages and salaries change very slowly, and never attain the high points which are marked by commodities in the rapid progress of speculation. The greater, therefore, the surcharging of the circulation with irredeemable paper, the worse will be the condition of that portion of the people which lives by labor, and not by the profits of capital.

As I have already remarked, capitalists batten on disorder, be it financial, political or social. The great fortunes in this country and in Europe have been made during wars and periods of irredeemable currency. It was so in England pending the general European war which lasted, with intervals of rest, from 1797 to 1815. It was so during the privateering period of our own war with Great Britain in 1812; it was so during our late civil war. It will always be so in similar emergencies, when there is a political and social upheaval cooperating with a disordered circulation and the existence of extreme and exceptional financial measures. Capital, political power, and social influence snatch the golden opportunities which are never within reach of the less fortunate classes. Individuals grow rapidly rich and powerful; but society at large—the whole community of citizens of all classes—suffers. It is for the highest human welfare that all the elements composing the body social and the body politic should move on and up together, and if ever the millenium is reached it will be when differences of wealth, and influence, and power, and culture, and social condition are obliterated.

The place occupied by banks in the economy of production and distribution is perfectly well understood by those who make that economy a subject of thought and examination; but it is not properly comprehended by the laboring classes, which look upon banking as a business merely of money-lending and usury. One of the speakers at the late

Bankers' Convention at Saratoga, Mr. Roots, of Arkansas, put the relation of banks to labor in a very clear and forcible light. At a time when the mills of his neighborhood could find no sale for their products, the owners of those establishments depended wholly upon discounts at the local bank for the means of paying the weekly wages of their men. These very men when the day's work was over, would gather in the village and listen to the harangues of demagogues, denouncing the banks and the money power, without which they would, at the very time, have been out of employment. The laborers were doubtless sincere, but they were the victims of an utter perversion of facts respecting the nature and function of organized capital. Let us consider this matter from an elementary point. Capital, it will be conceded, gives employment to labor, because labor cannot be employed except upon some object, and that object cannot be procured without the use of money. The agricultural laborer must have land and tools, and he must have food, clothing and shelter, long before his labor can produce any return. The mechanic or mill hand, in like manner, must have a shop or a factory to work in, raw materials to work upon, and tools and machinery to work with before his labor can bring money's worth. All these pre-existing conditions can only be supplied by capital. This capital is the realized fruit of former labor applied to the objects provided by former capital. This realized fruit is profit; and profit, in its inception, is widely distributed among individual capitalists. If it remained in that state, it would very imperfectly serve the great purpose of reproduction and increase, of which, when supplemented by labor, it is capable. There are very few individuals (as compared with the whole mass of capitalists) who possess enough of it to carry on any great operations. It is only by the aggregation of individual means that sums sufficient for that purpose can be obtained. It is only by this aggregation that small capitalists, making small profits can come into competition with great capitalists making great profits, and get as good a rate of return for their hundreds as the rich get for their thousands. If each rivulet pursued its separate journey to the sea, large numbers of them would be absorbed from below and evaporated from above; but when the rivulets unite in brooks, and the brooks in rivers, scarcely a drop of water is lost, and the united volume is sufficient to turn the wheels of machinery, or to float the products of the interior to great central markets. This figure perfectly illustrates the protection which results to small savings from their aggregation. Each in the hands of its owner would earn little or nothing, being too small a sum to meet any demand for capital, or to accomplish any result. The time occupied in looking for an investment and the cost of making it separately, would absorb all the

immediate profit. In the face of such obstacles, much capital would be unemployed, and, being in hand and idle, it would be squandered. The French public loans are a good illustration of this. The peasant or laboring man in France puts his money into a stocking until the Government announces a loan for popular subscription, then the whole population flocks to the Ministry of Finance, often sleeping for a night in the court-yard while waiting for the doors to open, and subscribes and pays for petty portions of the new inscription in sums as small as five francs. Thus a vast mass of inert capital becomes vivified and adapted to reproductive uses.

In precisely the same manner banks and all great moneyed institutions in this country are the aggregations of small savings belonging to the poor far oftener than to the rich. If we take the case of Savings banks, this will not be denied, and consequently we hear no outcry against them as bloated monopolies. The poor man knows that these institutions are owned by himself and other men and women as poor as he is, and he has no jealousy of them, though he has an anxiety, which is often too well grounded, as to the prudence as well as the integrity of those who manage them. He knows also that if he wants to borrow money on mortgage, in order to secure a home for his family and to pay for it out of gradual savings, that the Savings bank is the place to apply to. All this is familiarly understood. Now, in his willingness to create, and his anxiety to avail himself of this species of aggregated capital, the laboring man admits the whole case in favor of all organized moneyed institutions, the purposes of which are the same, although the fields occupied and the methods employed may considerably differ.

Banks of discount and deposit do not essentially differ from Savings banks either in their origin or in their ultimate purpose. It is a wholly ungrounded popular impression, that they are owned by large capitalists. Such is not the fact. Hon. Elliott C. Cowdin, in a speech before the New York Assembly in 1876, gave an instructive analysis of the stock lists of the National banks of the State of New York. Mr. Hayes, of Detroit, in his valuable paper read before the Bankers' Association at Saratoga at their recent meeting, reproduced a part of these figures. They show that the whole number of shares of bank stock of the banks of the State of New York is 1,482,746 owned by 34,181 persons, or an average of forty-three shares, (\$4,300) to each. But 12,784 persons owned ten shares, (\$1,000) or less each, and 6,963 persons twenty shares, (\$2,000) or less each, and all the bank shares in the United States are owned by 208,468 persons.

These statistics show that the National banks are eminently the property of people of moderate means, and not of

capitalists. When they are well managed, the distribution of their stock becomes wider and wider, as time goes on. Every small parcel of shares is bought up by those having a few hundreds or thousands of dollars to invest. The distribution is largely increased by the death of stockholders, and the division of their estates, so that in time widows and children, and executors and trustees, constitute a large element in the holding. Now these small property holders are not able, if they had any desire so to do, to conspire against the interests of the laboring classes. The interest of each is small, and their sympathies run much more with than against those who live by the work of their own hands. On the other hand, the directors and managers of banks have no interest adverse to labor. They are seldom controlling owners of the capital stock, and I am well persuaded that, in a great majority of cases, they are not large borrowers. All the money they make inures equally to the benefit of every share of the stock, and their real constituents, the shareholders, are persons, as I have shown, of moderate means. The salaried officers, also, have no motive but to make the business successful so as to keep their places. Unless there is fraud, or perversion of trusts, there is no reason why a National bank should not be just as friendly to the interests of labor as a Savings bank, and when fraud is practiced, it is much more easy to practice it in a Savings bank than in a bank of discount, because the managers are much less closely watched, and less under the supervision of the law and of public officers. For one corrupt and insolvent National bank, within the last five years, there have been ten corrupt and insolvent Savings banks.

I have stated that in their purposes as well as in their origin, the National banks are instituted for the benefit of the people, and not of capitalists. To prove this I proceed to show what they do. The predominant business of banks is to discount negotiable paper. What, then, is negotiable paper, and what is discounting? Negotiable paper is the notes or promises to pay, which a buyer of merchandise or produce, gives to the seller; by the terms of which he agrees to pay to the seller, or his order, the stipulated price of the goods at a certain future date. Discounting this paper is giving the cash value of it in money, that is, the amount expressed on the face of the note less the interest on that sum for the time the note has to run. The transaction is thus a very simple one, but how does it help the laborer? It helps him in this way. He is employed in some kind of work which yields salable products; harvesting wheat, it may be, or mining coal, or making iron, or cotton cloth, or getting out lumber. His employer has, we will suppose, a fair capital for his business, but by no means enough to carry it on without credit. If he sells his produce on credit, his

capital will soon be exhausted unless he can get credit in turn, and his business must for the time stop. In the case of farm products, he has to pay out the entire cost of his year's production before he can get back a dollar by sale of his crops. In case of production which does not depend upon the seasons, he produces and sells continuously. In all cases, if he has to wait for receipt of the price of his commodity before he can pay for the labor expended on it, the laborer necessarily suffers, because he has to buy his food and clothing, or what is still worse, take them out of his employer's store on credit, at prices much higher than would be asked for cash, and he has equally to run in debt for house rent. In case of the miner, or iron worker, or manufacturer, he would have frequently to stop his works altogether and throw his workmen out of employ till the notes given for his products fell due and were paid.

The banks save the employers this burdensome necessity. They advance him money on his crops before they are harvested, and they discount the notes given for his merchandise the moment it is sold. Thus he is all the time getting his capital back with a profit added, and he is able to pay cash for his materials and cash for his labor. The laborer receiving cash, buys his food and his clothing at the lowest prices, because he can take his money to whomsoever will sell cheapest, and may be always out of debt, and putting by something against a rainy day. Constant regular employment at steady wages, and sure pay, at short intervals, in good money, are the best possible conditions for laboring men. These conditions could not be secured if there were no banks, and they would be imperfectly secured if the banks did not pay out good money. Under the old State bank system, much of the money paid out was bad, and cheated the laborer out of his honest dues. Under the National banking system, it is good beyond a possibility of loss, because it is secured by specific bonds of the Government, at much below their market, or even their face, value, and by a further pledge of all the capital and property of the bank, and the private property of its shareholders.

No loss to a bill-holder ever did occur, or ever can occur while this system continues. The man who has earned a dollar in Texas can carry it to Maine, and it is equally good money all the journey through; he may put it between the leaves of his Bible and leave it there till he dies, and it will come out good money after any lapse of years, for the benefit of his widow and his children.

Such a system of banking and of currency, it has taken nearly a century of the National life to establish, and it will be a sad day for the laboring classes when it shall be overthrown.

## GOLD CERTIFICATES.

In our August number we called attention to the inexpediency of issuing certificates of deposit for gold without charge by the Government. We again allude to this subject in the hope that it may have careful consideration, especially by those who have the regulation of a practice so detrimental to the cause of resumption.

The premium on gold, when it is of any considerable amount, substantially measures the difference in value between gold and currency. When that premium is one-half of one per cent. it is mainly from the superiority of gold to currency, according to our present laws, rather than from any difference in value. And, paradoxical as it may seem, we hazard the statement, that it was easier, with our favorable balance of trade, to reduce the premium on gold from thirty to twenty per cent. than it will be with our unwise practice of issuing gold certificates to reduce it from one-half of one per centum to par. The larger reduction followed naturally the reduction of prices in this country, as compared with prices in Europe. The permanent reduction of the last half of one per cent. must come from putting our paper money on an equality with gold as money, after, as is now the case, paper has been made in value equal to gold. To illustrate this, gold has all the functions of paper money now, while, besides its availability for use abroad, it has the additional advantage of paying custom duties, and, by the practice of the Treasury Department, the valuable right to be kept free of expense in the vaults of the United States Treasury, and represented by certificates.

When resumption shall take place what will be the natural action of holders of idle money, or more properly, reserves of money? It will be to present the money (if in National bank notes first changing into greenbacks) for redemption, then obtaining for the acquired gold, certificates from the United States Treasury. By law these certificates can be used as a reserve by the banks, or to pay custom duties. In other words a gold certificate will have all the value possessed by greenbacks and other values, including a possible profit from a future premium on gold. It will be folly to expect that the holder of any currency held for a reserve will not demand gold so long as there is in such demand a possible advantage and no contingent disadvantage. How plainly unwise then to allow to gold an advantage given by law when we are trying to resume specie payments? A discontinuance of the present system of issuing gold certificates, and the

adoption of a system which will allow the deposit of gold or silver money in the Treasury, and a certificate given payable in money of the United States, would give to the mercantile community all of the benefit arising from the great convenience of Treasury certificates, and yet would not be any bar to resumption, or an undue advantage afforded to gold by law.

If we are to keep our greenbacks at par with gold it would seem wise to give to them all the legal value that is given to gold. The Resumption Act provides that "on and after the first day of January, A. D. 1879, the Secretary of the Treasury shall 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."

If the United States is not willing to give to its own paper money all of the functions and value that gold has, how is it to be expected that continuous resumption with a minimum demand for gold will be possible?

The United States Treasury can very properly, as a commercial convenience, receive on deposit money, gold, silver and greenbacks and issue certificates therefor, to be used in paying customs duties or any other debt due to the Government. The holding of money with or without charge for ordinary commercial purposes is not a proper function of the United States Treasury, and a distinction in favor of one kind of money is a wrong, and an impediment in the way of the resumption of specie payments. We have had and are now enduring all of the evils coming from a preparation for resumption, and we long for some of the benefits which will surely come from a return to actual specie payments. Any obstacle to resumption is a general injury; and the advantage given to gold by the law is now the greatest obstacle.

Secretary Sherman, in his speech at Toledo, Ohio, August 26th, 1878, says:

"No distinction should be made between coin money and paper money, or between the noteholder and the bondholder. The money provided by the Government should pay all debts and be used for all debts. Subject to these conditions I am for the largest amount of each kind of money demanded for the wants of business."

If the Secretary of the Treasury will immediately insist, as he has the power to do, that there shall be no distinction between the different kinds of money of the United States, he will issue no more gold certificates and thereby do away with the legal superiority of gold which mainly keeps up the small gold premium now existing.



## THE SARATOGA CONVENTION OF THE BANKS.

Two important points appear to have been gained from the annual convention, just held at Saratoga, by the American Bankers' Association. The banks showed themselves in earnest for specie payments, and for renewed action looking to their liberation from excessive taxation. A full report of the various sessions is given elsewhere in this issue. Several of the papers are of so much interest that we may hereafter publish them in a revised form. In former conventions the National character of the organization has not always been sufficiently patent. Hence the association has been supposed sometimes to represent the interests of the East and North rather than those of the West and South. It is true that the evidence was easy of access which showed that the association has, for some years, been rapidly growing in strength in the Western and Southern States, and this we presume has tended with other circumstances to suggest certain changes which we observe in the list of officers for the current year. Among the most important is the election of the Hon. Alexander Mitchell, of Milwaukee, as President. He is well known, and his reputation as a statesman, a bank president and a railway officer stands high. The appointment reflects honor alike upon the association and its new executive chief. The work which has to be done during the coming year will task the energies and put to their utmost strain the resources of all conservative organizations that attempt in this country to stem the tide of fiscal and financial legislation. The resolutions on specie payments which were passed by the Convention, give a gratifying response to the question whether the banks of this country are resolute in their determination to uphold the treasury in the effort to restore, at the time appointed by law, the safeguard of a coin basis to the currency system of the United States. The conservative tone of these and the other resolutions of the Convention was as noteworthy as the sound principles, and the clear definite precision of their statements. The association has carried one step further the declaration for specie payments which it made last year, and it has earned a new title to the public confidence and respect.

This important movement has claimed so much of our space that we must omit all comments on the promise for the early future which is given by the hearty coöperation, the closer union, and the friendly sympathy of the banks which were fostered by the social amenities of the late Convention. The remark has been generally made that at no

previous meeting has it seemed that the banks and their officers from all sections of the country were drawn together so intimately, or showed so much of a common desire and resolve to stand shoulder to shoulder in opposition to the overwhelming multitude of mischievous heresies which threaten the financial stability and public credit of the country. On bank taxation less was said than might have been expected, but the subject has been so thoroughly discussed of late that little that is new remains to be presented, and the duty of the Association and of the banks throughout the country is to act and to act at once. Both in and out of Congress they must labor with redoubled energy if they would rid our banking system from its ruinous load of war taxation.

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### THE PROPOSED CHANGES IN THE BANKING SYSTEM.

It is reported that the efforts of the enemies of the National banking system will be renewed next winter to repeal the ten-per-cent. Federal tax on State-bank notes, in the hope to revive the old system of State-bank issues throughout the country. The project is said to be favored by a considerable number of the southern members of Congress as well as by some prominent members from the East. The laudable desire to aid the revival of business throughout the country has led not a few thoughtful and earnest men in and out of Congress to look upon this State-bank agitation with more favor than it deserves. In previous numbers of the *BANKER'S MAGAZINE* we have examined some of the chief reasons which appear in various parts of the country to be operating on the minds of many sincere advocates of this mischievous change. These reasons are more or less connected with the hope of reviving trade, stimulating confidence, and imparting a new activity to our industry and finance, and we need not recapitulate them here in detail. Our present purpose is rather to present a single suggestion, which appears to have been somewhat undervalued in some of the recent discussions, while in others it has been overlooked altogether. We refer to the fact that the State-bank scheme, if it should ever be carried through Congress, will owe its success in part to the greenback inflationists. Without their help it will fail, and by not a few persons it is regarded as neither more nor less than a thinly disguised greenback scheme. The belief is that the paper-money men, recognizing that they are not strong enough by themselves to control and secure the legislation they require, have

adroitly hit upon the expedient of attaching to themselves a large vote from the South and West for their contemplated attack upon the currency and banking system now established. Like skillful generals they have divided their work so as to combine from all sides and all parties the available means for success. Their first objective point is to assault the currency system of National banks, and for this purpose their State-bank allies are to be called into full force and activity. Should they succeed and win the victory over the National banks, so as to accomplish the destruction of the existing system, the question will arise what shall be substituted in place of the National-bank currency when destroyed? Nor is it difficult to foretell the answer. The greenback men, having no further use for their late allies of the State banking system, will, no doubt, throw them overboard and will concentrate their forces on their own schemes of fiat money and currency expansion without the hindrance and the delay which have been caused by the conservative influence of the National banks and their well compacted organization.

Such appears to thoughtful observers to be the plan of campaign that is agitating the minds of many of the leaders in the movements which are now preparing and which have for some time past been directed against the National banking law. If those efforts succeed, the important point for the country to know is whether the fall of the National banking system would really promote the revival of business and the improvement of the currency, or whether, on the contrary, general confidence, which is the main-spring of commercial and industrial prosperity, would not receive a severe blow, and whether the whole fabric of our currency system would not be shaken to its foundations. Let our people be convinced that the recuperation of business is hindered in proportion as currency and banking stability is destroyed, and the mischievous agitation for such changes as are above referred to will lose much of its force as an element of disorganization and danger in our coming elections this autumn. The specific point, however, which we desire now to urge is, that there is little sincerity and less truth in the pretence put forth as to the destruction of the National banks and their issues, that their overthrow would revive the State banks and would give them their old control over the note circulation of the country.

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## THE LABOR QUESTION AND THE CONGRESSIONAL INQUIRY.

The Congressional Committee appointed to inquire into the depression of labor are actively proceeding with their work. They have already examined a number of witnesses representing great diversity of views and opinions. It has been suggested that if the committee desire to report to Congress at an early date, and to comprehend in their work as much useful information as possible, they would further this good object by adopting some methods which have been found of great advantage in similar investigations here and abroad.

Prominent among these expedients is the announcement that the committee are in search of definite facts rather than of mere opinions. What Congress and the nation wish to know about the depression of labor might be indicated in a series of questions. For example, we should compare the present state of labor in this country with its condition formerly, selecting fixed dates for our investigation; this done we might extend the comparison to other countries, and ask how far labor in this country is depressed in comparison with that of France, Germany, Russia, Belgium, and other countries of continental Europe. If convenient the investigation might even be extended to Australia. At least this has been suggested with perhaps doubtful promise of practical usefulness.

The rates of wages, the hours of work, the standard of comfort, the habits of saving and frugality, and other topics too numerous to mention, will suggest themselves to the reader as tending to give a practical turn to these inquiries into the facts which the committee are appointed to explore. The second branch of inquiry, that of the causes of the existing depression, can obviously be better carried on when the depression itself has been accurately surveyed and measured.

Similarly the third task confided by Congress to the committee—that of suggesting a remedy—is manifestly to be deferred until the causes and the facts have been well explored. It is, however, noteworthy that many of the suggestions offered to the committee partake too much of remedial character.

Among the proposed remedies those of the socialists seem to have attracted the most conspicuous public notice, and the committee can hardly fail to include them in its report. Very imperfect sketches have appeared in our news-

papers of the socialist remedy for the existing depression. In Germany the following exposition has lately appeared from one of their leaders:

"1. Labor is the source of all wealth and all culture, and, as in general, productive labor is only possible through society, it follows that to society, that is, to the whole of its members belongs the aggregate product of labor, and that the universal duty of labor according to equal right is incumbent on each person according to his reasonable wants. In nations as at present constituted, the means of labor are a monopoly of the capitalist class; the dependent position thus inflicted upon the laborer class is the cause of misery and slavery in all their forms. In order to liberate labor we must convert the means of labor into the common property of society and the community must regulate the aggregate labor so that its results may be spent for the common benefit, and an equitable distribution may be secured of the product of labor. The liberation of labor must be the work of the laborer class, in opposition to which all other classes are only a reactionary mass.

"2. Starting from these principles, the socialist laborer party of Germany, strives by all legal means to set up the free state and the socialist society, to destroy the law of wages by the abolition of the system of labor for wages, with the abolition of plunder in every shape, and by the removal of every social and political inequality. The socialist laborer party in Germany, through working within the organized frame-work of the nation, is conscious of the international character of the laborer movement, and determined to fulfill all the duties which this movement imposes on the laborers in order to make the brotherhood of all men a reality. The socialist laborer party of Germany demands for the solution of the social question, that socialist producing associations shall be established with State help, under the domestic control of the laboring people, such producing associations to be for manufactures and agriculture, so that out of them the socialist organization of the aggregate labor may arise."

Such are the remedial suggestions offered by the socialists in Germany and throughout the old world. Precisely the same revolutionary disturbance is aimed at here. Perhaps the Congressional committee have already given so much prominence to some of the pseudo-reformers, because it was evident that they could not well be excluded, and the desire was to dispose of their testimony as early as possible. We repeat that the facts as to the depression of labor in this country ought to stand first; that the investigation of the facts should be followed by an inquiry into their causes; and that afterwards, the discussion can be profitably made of any remedies which may seem from history and experience to promise to remove or mitigate the ascertained evils.

## UNIFICATION OF THE COINAGE OF FRANCE AND AMERICA.

BY C. F. MCCOY.

The distinguished economist who recently visited this country for the disinterested purpose of presenting to our silver commission the importance of united action among those countries who use both the precious metals for lawful money strongly favored the ratio of  $15\frac{1}{2}$  to one. This has been the legal relation for so long a period and among so many nations, and is so near the market price which has prevailed during the whole of this century before 1873 (never deviating as much as five per cent. above or below), that there will doubtless be found a strong feeling in Paris in favor of making this the universal mint price for the future as for the past. The difficulties in the way of any change in the countries of the old world are numerous, and the conservative habits of the people are opposed to any alterations in their customs or laws. In our new country where nothing is consecrated by time, it will be much easier to bring our people to the French standard than it would be to bring the several nations of the Latin Union to ours.

If, therefore, the Commission should find it impossible to raise the legal ratio of the Latin Union any nearer to the market price than it now is, it will be necessary to have a close and cordial unity of action between the different nations to establish and maintain this ratio. The nations that constitute this Union, assisted by Spain and Holland and the United States who are in full accord with them, would constitute an International Union of such commercial influence that they can establish and maintain any standard they may agree upon, by opening their mints to the free coinage of gold and silver, and parting with a larger or smaller portion of their gold to the countries which use this metal exclusively, until the abundance of this precious metal in these countries shall reduce its market price to the established mint rate and keep it at that limit. But to effect this the Union between them must be close, cordial and firmly established, so as not to be dissolved by the caprice of legislators or theorists. France alone could at the present time reduce the ratio of gold and silver from  $17\frac{3}{4}$  where it now is to  $15\frac{1}{2}$ , and maintain it there for many years to come, by absorbing annually the excess of production over the wants of the Western world for the arts, and for the abrasion of the silver coinage, and for the exports to the East, and by purchasing the extra supplies now coming on

the market from the changes in Germany. In the course of time she might fail to maintain the double standard, by her annual exports of gold and imports of silver continuing so long as to exhaust her stock of gold and reduce her currency to silver alone.

But if she were aided by the United States which are already more populous than France or Germany, and are growing in wealth and population with a rapidity never before equaled, and aided also by Switzerland, and Greece, and Belgium, and soon also it may be hoped by Italy, and probably by Spain and Holland, this period of exhaustion would be postponed indefinitely. So strong a union, firmly banded together, would create so large a demand for silver and release so much gold for the use of the rest of Europe that the circulation of both metals would be sustained perpetually.

If, then, the deliberations of the Congress should result in the decision to continue the ratio of  $15\frac{1}{2}$ , it would be of great importance to secure a close and permanent concert of action, having common coins in all the countries of the Union, multiples of the same unit, with the same fineness and everywhere a legal tender for the weight of the precious metal they might contain. If this unit were a gramme of silver, nine-tenths fine and  $\frac{2}{31}$  of a gramme of gold, of the same fineness, no alteration would be needed in Europe, and the only change required here would be to make our silver dollar of the same weight as two of our subsidiary half dollars, and to reduce the eagle from 258 grains to  $\frac{830}{31}$  grammes, and to require that all debts and contracts made after the time when the new coin should become a legal tender should be paid in the new coin, and all previous debts in the old coin, or if in the new with such an additional percentage as would make the new eagle equal to the old. This change would be a temporary inconvenience that would be readily assumed by our people on account of the great commercial and economical benefits which would hereafter result from the unification of our currency with that of a great population in Europe with whom we have large business relations constantly increasing from year to year.

Such an agreement secured by treaty, with a provision that no other money shall be lawful unless immediately convertible into this common coinage, would ensure an intimate union, which would perpetuate the double standard of gold and silver, preserving an invariable equality between the precious metals, preventing the increased value of gold or silver when the mines of either should fall off in their annual supplies, and stopping the decline in value which might come from the discovery of new deposits, like that of California and Nevada. The Union would have to part with some of its

gold; they would be compelled to purchase the balance of silver that Germany shall not have disposed of when the agreement should go into practical operation; they would be required to absorb the annual supplies from the mines after providing for the wants of the East, and the consumption in the arts and the continual abrasion of the circulation; but this addition to their silver would be far less than the annual addition of the gold to the stock of the gold countries, and the whole amount would be needed to perform the increasing exchanges of the people, and if not the increase of prices in the gold and in the bi-metallic countries would go in with equal steps so as to require the annual increase of the silver and the gold to meet the wants of commerce. The production of silver is less than that of gold; the demand of silver in the arts and for abrasion is greater than of gold; the annual absorption of silver for the East, not only for circulation but for investments, is immensely greater than that of gold, and therefore the annual addition to the gold circulation would be far greater than to the silver, not only in amount, but in percentage of the actual circulation. The annual supplies of silver would therefore be taken by the bi-metallic countries as readily as the annual supplies of gold by the single-standard countries, and no transfers of gold would be required to make the annual purchases of silver by the Union.

If, however, the Congress should decide, that the present market price of silver is so far below the rate before 1873, that it would embarrass the double-standard countries to increase their stores of silver so much as would be sufficient to restore and maintain the ancient price, and that the mint rate of sixteen to one would more nearly accord with the future market price after the surplus of Germany shall have been absorbed by the rest of the world, the close and intimate union already suggested would be equally desirable. It would be probably best for the European countries to effect this change by an increase in the fineness of the silver franc without any change in its weight, and a corresponding change in the weight and fineness of the gold preserving the present value of the gold coins. This would require the fineness to be .929 instead of .900 and the gold franc to be the sixteenth part of the weight of the silver. The charge in our coins would be to make a new dollar of the weight of our two half dollars, and a fineness of .929 and our gold dollar one sixteenth lighter. The old debts to be payable as before in the old coin, or in the new with a percentage added of  $3\frac{1}{10}\%$ , the same as in the former change. To enable the European countries to recoin their silver without any loss because of the increased fineness of the franc, it would only be necessary to insert in the agreement a common charge for seigniorage for the coinage of silver, and use the profits



from this to increase the fineness of the present circulation. This might begin at ten per cent. and be decreased gradually, until the profits of the mints in each country would be sufficient to withdraw the whole of the coins now in use and substitute new ones of the required fineness without loss, the old coins in the meantime to remain as now, a legal tender. In both these changes the fine gold in the old and new coins would remain the same, and no wrong would be done to debtor or creditor. The daily business of the European merchant or banker, both in their domestic and foreign trade, would not be disturbed in the slightest degree, and the only inconvenience would be borne by the Americans whose obligations would be changed in name, but not in value.

Of these two plans suggested for the double purpose of obtaining a common mint price for the precious metals and for the unification of the currency of the bi-metallic countries, the first presents the least inconvenience as it requires no change in the European coinage; but the ratio of  $15\frac{1}{2}$  differs so much from the present market price, is rather below the average rate of every decade in the present century, excepting only the one from 1850 to 1859, and probably below the future natural price, (as the disuse of silver in Germany and the Scandinavian States and the increased production will tend to raise the ratio,) that it may be feared that the banks of Europe and America would be encumbered with a large amount of silver in their vaults, especially as the exports to the East might be checked by the advance in its price in Europe. The second plan, though a trifle more inconvenient, would involve no loss to either of the governments in the recoinage of their silver and would be free from the objections just mentioned against the ratio of  $15\frac{1}{2}$ .

To make these propositions more precise and definite, they are now suggested in the form of a resolution.

*Resolved:* That the countries represented in this Congress be recommended to form a convention or treaty; providing for an international currency of gold and silver, which shall be an unlimited legal tender in all the countries agreeing thereto, all of the coins to be of the same fineness and multiples of the same units; and that no other money shall be a legal tender excepting only that now issued and current in the several countries which shall not be increased in amount or value; and that these units shall be a gramme of silver of nine hundred and twenty-nine thousandths fine and the sixteenth of a gramme of gold of the same fineness, and that the weight and fineness of each shall be stamped thereon; and that a seigniorage of ten per cent. be charged at the National mints for the coinage of silver bullion for the purpose of meeting the expense of recoinage the present silver coins, this charge to be reduced from time to time by mutual agreement, as soon as the object for which it is made shall permit.

For the first plan, the change required in this resolution would be the omission of twenty-nine and of the sentence about seigniorage, and the substitution of two thirty-first parts for one-sixteenth.

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## THE ORIGINS AND PRECEDENTS OF MONETARY QUESTIONS.

[Translated from *L'Economiste Français* for the *Banker's Magazine*.]

Many questions which we look upon as recent and peculiar to our century are, in reality, very old. The economist, not less than the lawyer, the artist, or the man of letters, finds in the monuments of civilizations which disappeared thousands of years ago, the same phenomena and the same problems as those engendered by the more intense and more advanced life of to-day. Of this number are the multifarious questions and facts comprehended in the study of Money. In reference to this, the science of numismatics furnishes valuable revelations, interesting not only to the archæologist, but to the economist, through the insight which it gives us into the origin and the precedents of certain monetary questions much discussed in the present day. Here lies, as we regard it, the importance of the great task which M. François Lenormant has undertaken in his *Money in Ancient Times*, of which he has published two volumes. There is naturally one part purely archæological with which we have nothing to do; but we find also, among these societies so advanced and so old, many other curious and interesting details concerning the monetary institutions and usages of the ancients, on the choice of a metallic standard, on the legal relations of value between gold and silver, on their alloys and the processes of manufacture; more than one of which might be invoked in support of the new solutions brought forward by economic science in our day.

If, by the word Money must be understood all objects, all products, all merchandize, metal or otherwise, which a general consent has made the habitual instrument of exchange in society, it would be correct to say that money has existed in almost all times. Its origin goes back to the first ages of the world, to those rudimentary societies where the number of flocks was the standard of wealth; and it is in this way that the tribes of the interior of Africa make use of pieces of cotton cloth for payment even in our day. Lieutenant Cameron, while crossing Africa, was obliged to load his porters with bales of this cumbersome money. But these primitive means of exchange gave place, as civilization advanced, to others less rude and more convenient, represent-

ing the same values in smaller volume ; hence the use of the precious metals. When commerce had conceived the idea of making uniform ingots, fixed weights agreed on in advance, graduated in regular fractions, capable of aiding efficiently in the diversity and the rapidity of daily transactions, it found itself in possession of a true specie equivalent. Was it money, in the strict sense of the word? Clearly not, for there was lacking in this specie, the essential and characteristic condition of money, properly so-called—namely, the guaranty of the State, which, by marking the piece of metal with an official stamp, testifies to its thereafter undisputed value, and gives it a legal and compulsory currency. There was, consequently, lacking also that fiduciary character which is inherent in all money. The ingots which the buyer offered to the merchant were weighed in the scales by the latter, who was free to dispute and refuse them ; it was only a merchandize which circulated outside of the control and guaranty of the State. It is the same now in China where copper in *sapèques* is the only true money, stamped in one corner by the Government, which is not done for gold and silver in *taëls*.

Such, during a long succession of centuries, was the mode of exchange in ancient Egypt. Four thousand years B.C.—for the inscriptions on monuments permit us to go back to that far distant antiquity—Egypt presents us the picture of a civilization already ancient when the social relations were very complicated, and transactions consequently incessant. Money, properly speaking, did not exist, and there was none before the conquest of the Persian Kings, that is to say, before the decadence of that great nation. But metallic equivalents were in use, in the form of metallic ingots, of rings, and of plates pierced with a hole. Egyptian gold and the silver which came to them from Asia were, for important transactions, exchanged in the shape of tablets ; most frequently these were plates, but sometimes even gold dust and rings were made use of, like those which circulate still in the interior of Africa. But the specie *par excellence*, the National metal, the regulating standard, was copper, a circumstance which is explained by the proximity of the mines of the peninsula of Sinai. The unit of copper was the *outen* or *ten*, which was divided into ten *kite*. The *outen* weighed from ninety-four to ninety-five grammes. As the French centime weighs one gramme, it follows that the *outen* was equivalent, in weight, to ninety-five centimes, almost one franc ; so that the unity of the Egyptian coin, thousands of years ago, did not differ sensibly from the French unit of the present day. But was the value of the *outen* the same as that of the franc? M. Fr. Lenormant has not tried to establish the proportion, which would, doubtless, have been difficult ; but it seems that the *outen* must have been worth much more than the franc of to-day ; that there was, in this respect, a difference quite

similar to that which is established between the franc and the pound of ancient France of two or three hundred years ago, and that, in that oriental life which in the main has always been much more elementary and simple than our own, an Egyptian with an *outen* could procure for himself a quantity of commodities, and especially of food, far more considerable than we could do with the same weight of metal to-day. To the proof of this tend the extracts which M. Lenormant has reproduced from certain accounts deciphered on papyrus, and which are very interesting by the indication they give of the prices of a number of things. We find that an ox cost 119 *outens*, a kid 2, a pair of geese one-quarter of an *outen*, a knife 3, a razor 4, five pieces of cloth 25, five *hins* of honey (about  $2\frac{1}{2}$  litres) 25 *outens*, eleven *hins* of oil (about 5 litres 06) 10, a simple cane of cypress 1, one with inlaid work 4, a pick-axe 4, a bronze cullender 5. Another document tells us that the wages of workmen had reached five *outens* per month; which is very little, but it is supposed that to the pay were added rations of grain and perhaps of meat, the latter being the flesh of beasts offered for sacrifice.

Neither Assyria nor Babylonia, any more than Egypt, had properly money. The same word which meant to weigh, the verb "*saqual*," meant also to pay in silver. They therefore weighed the bullion. But a curious trait, which cuneiform inscriptions reveal to us, was the employment by the Assyrians, more than a thousand years before our era, of those usages of fiduciary circulation of which we hardly find a trace among the Greeks, or even among the Romans, and which seem to date from modern times, or from the middle ages and from the invention of Jewish merchants.

It is thus proved that the subjects of Nebuchadnezzar were acquainted with the *paper* of commerce, or we should rather say the *brick* of commerce, for it is on small quadrilateral bricks of clay baked in a furnace, in the shape of our toilet soaps, that bills of exchange drawn from one place on another, have been deciphered. Here is one: "Four mines fifteen shekels of silver (credit) of Ardu-Nana, son of Yakin, on Mardukabalassur, son of Mardukbalatirib in the Town of Orchoe. Mardukabalassur will pay in the month of Tebet four mines fifteen shekels of silver to Belabaliddin, son of Sinnaid-Our, the fourteenth Arakhsamna, year of Nabonide, King of Babylone." Then follow the names of the witnesses. The bill is at seventy-six days after date. Other bills do not mention the person who will pay the silver in the city where the debtor dwells; these were really obligations to bearer. It is thus that the Assyrians invented the check and the bill of exchange long before money, an anomaly which may be understood if we reflect for a moment on the special conditions of Assyrian commerce, a commerce carried on overland, whose caravans had to cross vast and not very safe deserts.

The Phœnicians, also, like the Egyptians and the Assyrians, attained the summit of their power and of their maritime and commercial prosperity, and ruled without rivals in all the ports of the Mediterranean, whose shores they lined with their colonies and shops, without being acquainted with the use of money properly so-called.

Thus we see that men were without money for a long time and yet there were, in that remote period, highly civilized and very rich communities whose commercial activity was singularly extensive. It is true that money already existed, not in its complete and characteristic shape, but there was a metallic circulation which gradually drew nearer to what money should be. A time was coming when "to rid themselves of the embarrassment of continual measuring," says the philosopher Aristotle, who has admirably described the birth of money, "metal was marked with a particular stamp, the token of its value." To what century and to what people belongs the honor of this invention? It is comparatively recent in the history of the world, for it does not seem to go back further than the seventh century before our era. Two nations have claimed it. According to some authors it was a King of Argos who had the first pieces of money struck off, in the symbol of the tortoise, in the Island of Egina, of which he was master. According to others it was the Lydians. M. Lenormant discusses at length and with much learning the question as to which claim is the just one. Whether it was the Lydians or the Argians, they were kindred peoples, both issued from the great Greco-Pelasgian family. The view which strikes us, and which we maintain here, is that the world owes this invention to a single people, the Greek, and that it was produced slowly, long after the disappearance of the flourishing societies which had been developed without other means of exchange than metals measured by weight.

From Greece, money spread quickly through the whole Hellenic world, spread over the various coasts of the Mediterranean, into the heart of Asia, and into Italy, which it penetrated to Etruria and thence to Rome.

What were the metals generally used among the ancients? Iron does not seem to have been employed, except by the Spartans. Was there, as one author pretends, wooden money among the Romans? M. Lenormant considers this very doubtful. There is even baked earth from Athens; some has certainly been found, but in what measure precisely it was used has not yet been clearly shown. Lead money also, dating from Cæsar, has been found in Egypt, and it is averred that, in the same country under the domination of the Roman Emperors, and afterwards by the Byzantins and by the Arabs, glass money was put into circulation. The existence in Sicily of pieces of tin, made under Denys of

Syracuse is also believed in. But these various pieces of money, without intrinsic value, must, like paper money, have been only issued under special circumstances. There was also a fourth metal, made of a mixture of the two first, gold and silver, combined in unequal parts (the proportion of silver being the lesser, say as twenty to forty per cent.) called *Electrum*, the use of which was established particularly in the Greek cities of Asia Minor.

We now come to two very instructive chapters of M. Lenormant's book, which treat, one of the relations of the value between gold, silver and copper, the other upon the selection of the standard metal in the various epochs of antiquity. We find in these chapters historical examples and up to a certain point, information, which we leave to the consideration of bi-metallists. Let us first examine the relations of value between gold and silver, saying nothing of copper, which at Athens and at Rome, from the time that Rome entered upon her period of grandeur, had only the secondary importance of a token coin, whose exact relations to silver it seems difficult to determine. Limiting ourselves to the relations between gold and silver we are led to perceive from this first observation that the relation of value between the two metals, two thousand years ago and more, varied constantly in quite important proportions. The law of the seventh Germinal, year XI, established, we are aware, the proportion of 1 to  $15\frac{1}{2}$ , which means that a given weight of gold is worth  $15\frac{1}{2}$  times the same weight of silver. This proportion has been considered by some contemporary economists as, in a manner, a sacred compact. It was, however, never fixed in the past; 1 to  $13\frac{1}{2}$  was the legal relation fixed in Asia Minor, more than five centuries B.C., in the States subject to the dynasty of the Achéménides. In Greece the divergence seems to have been less. A century and a-half later it was, according to the testimony of Plato, of 1 to 12 at Athens, then of 1 to  $11\frac{1}{2}$ , and about the same time, Philip of Macedon founded in his kingdom coinage on a relation of 1 to  $12\frac{1}{2}$ . After the conquests of Alexander, the mass of gold booty, brought from Asia Minor, which was to be diffused through Greece, produced the effect of reducing the difference in value between the two metals. At Athens it fell to the figures of 1 to 10; but in Asia it remained greater; namely, 1 to  $12\frac{1}{2}$  with the Selucides of Syria and with the Ptolemies of Egypt. On the other hand, we find it again at 1 to 10 on the Cimmerian Bosphorus at Panticapée, where was situated, says M. Lenormant, the great market for the gold brought from the mines of the Ural. As for the relation between copper and silver, it is, we must say, difficult to establish, and besides, in all these valuations, care must be taken not to confound the monetary relation with the real purchasing power of the metals. Be that as it may, this difference of value for

copper must have oscillated between 1.48—a proportion rather legal and nominal, at Athens, where the mines of the Laurium made silver less precious—and 1.160 at least in Egypt, under the Lagides, an exceptionally large difference, and one which had to do with economic circumstances, peculiar to the country, namely, the scarcity of silver and the great abundance of copper. In Sicily, at the time of Denys of Syracuse, it was still greater, being 1 to 250.

Referring to the relations of gold and silver in Etruria, in the fourth century before the Christian era, the established proportion was that of 1 to 15, almost exactly that instituted by the law of Germinal. At Rome, 250 years B.C., the normal and official rate was 1 to 11.91, and we find it again under Julius Cæsar and later, but it must be noticed that this was for coined specie. In point of fact, as shown by the value of the metal in ingots, the price of gold under Cæsar was much less, in consequence of the great quantity of this metal which the war of the Gauls gave to the Romans; the respective value of the two metals, as merchandize, being 1 to 8.93. A few centuries later the deterioration of silver money increased the difference, which was of 1 to 14½, and even, under Theodosius, of 1.18, under Justinian falling to about 1 to 15. From these facts it follows that, from a very remote antiquity, and as far as comparisons and valuations can do it, up to our time, the proportion of gold and silver has kept generally between these two relations, 1 to 10 and 1 to 17 nearly. However, the difference seems to have been generally less between the two metals in ancient times than in the middle ages. To this conclusion may be added another; if, during the course of centuries, the oscillations have not been extreme, on the other hand, it can be said that they have been as incessant, among the ancients, as among us. They too, wished to fix legal and permanent relations; but these relations, exact on the day of their enactment, ceased to be so on the next. This instability has always existed, for it is in the nature of things, and the legislator is helpless before it.

We are now brought to the much agitated question of our day, the monetary standard. Had the ancients the double or the single standard, and what standard? Says M. Lenormant: "One may lay down the principle that the ancients were unacquainted with the impracticable scheme that is called, in our day, bi-metallic money. Among them, we find always, on the contrary, the choice of a single metal adopted as the fundamental and regulating standard of the whole monetary system. Only, the metal chosen alternated." The kings of Persia adopted gold; the Greeks, and particularly the Athenians, silver; as did also Alexander and the Romans of the Republic. Augustus tried to establish the double standard, but after his time the force of circumstances, remarks M. Lenormant, made gold the only standard, and after

the monetary crises of the third century, when Constantine restored the two moneys, the same phenomena occurred again; of the two, gold alone retained its value. We call our reader's attention to the pages wherein the author places side by side the two systems tried in the ancient world for regulating the reciprocal relation of the two moneys: the first, adopted in Asia by the Achéménides, which pretended to establish an invariable relation between them in spite of the fluctuations of commerce, and the system of the Athenians, which gave to a piece of gold a fixed weight but not a fixed value, and was not particular that it should represent an exact number of piéces of silver.

There are many more ideas and facts which might be gleaned from the two volumes here considered; about alloys, processes of manufacture, about base coinage, to which the governments in Greece and even in Rome, had recourse, mixing, in an issue, a certain number of pieces, with the good money; these pieces were executed with singular dexterity and workmanship. And how many customs are there still to be noticed; how many institutions of which we thought ourselves the originators and which are, if we may use the term, revived from the Greeks: for instance, monetary conventions! Yes; there have been conventions of this kind, similar, in the main, to the convention of 1865; they existed in Greece, from the first centuries of money. They naturally resulted from the peculiarly restricted conditions in which commerce was placed in respect to money, by the political parceling out of the Hellenic world.

Inasmuch as each city formed an independent republic and coined money there resulted continual difficulties in the exchanges. Merchants overcame the obstacle by choosing the money of a large commercial place, Marseilles, for instance, for the whole Celtic coast of the Mediterranean. This money, by common consent, became an instrument of international exchange. The governments, on their side, held conventions; sometimes they were between two cities whose moneys were alike in type and name; sometimes they were unions for the common use of one of the metals; such was the union of the *hectes* of electrum among the towns of Asia Minor. Later, when the Greek republics instituted the great confederation which preceded the period of their decline, these associations had their Federal money: the Phocidian league, the Bœotian league, the Archian league, etc. But these attempts at unification of the Roman empire did not prevent an extreme diversity in the moneys of antiquity. The local character and the almost infinite multiplicity of types is one of the features which stands out during this study—where we meet the same principles, the same processes, and the same monetary problems which occupy us even to-day, and the solution of which is without doubt destined for a long time to remain a hope of the future.

BERARD VARAGNAC.



## AMERICAN INDEBTEDNESS HELD IN EUROPE.

The city journals seemed to agree in saying that the negotiation by the Secretary of the Treasury with the Syndicate early in April, of \$50,000,000 of the 4½ per cents., entirely arrested the return of United States bonds from Europe. They also seemed to agree in saying, during the months of May and June, that none of those bonds, or scarcely any of them, were being returned from Europe, and the Secretary of the Treasury himself announced his own concurrence in that view of the case.

It is quite incomprehensible what connection there was, or could be, between the April negotiations with the Syndicate and the sale by Europeans of their holdings of American Government securities.

It is quite clear that the cause which determines the flow from Europe of American securities of all kinds, public and private, has been as active and efficient since the April Syndicate operation as it was before. This cause is a favorable balance of foreign trade, in excess of our interest account payable abroad. This excess must be received in American securities purchased abroad, American funds never seeking employment in foreign securities. As our favorable balance of foreign trade has undergone no diminution since the early part of April, but rather the reverse, and as our interest account payable abroad is constantly growing less, it is altogether clear that the return of American securities, of some kind, has lost nothing in its volume since the Syndicate operation referred to.

It might, of course, be true, that the securities returned since the early days of April were of a different kind from those returned before, and that instead of Government bonds, there has been a return of municipal, State or railroad bonds. But it is not alleged, as a matter of fact, that there has been any recent increased return of the latter classes of bonds. It is also certain, that the cause which determined Europeans, prior to April, to dispose by preference of Government bonds has continued to operate with unabated force since April, this cause being the declared intention of the Government to pay the interest and principal of its bonds in silver dollars, whenever it is more for its advantage to pay such dollars, than to pay gold dollars. The American railroad bonds held in Europe, are for the most part made specifically payable in gold, and their value to European holders has therefore not been in any manner affected by the recent legislation in this country in respect to silver.

It would thus seem to be quite certain, that the city journals must have been altogether mistaken in supposing that the flow of Government bonds from Europe was interrupted in April, May and June. They admit, at any rate, that it recommenced in July and is still active.

That it will continue, until substantially the last Government bond yet held in Europe is sent here for sale, is clear, unless the former policy of maintaining a fixed relation of value between gold and silver is restored in that part of the world. United States bonds are silver bonds whenever our Government chooses to pay in silver, and that metal does not now possess the right of being coined into money in any part of western Europe. If those bonds are paid in silver dollars, American holders would receive what is lawful money in this country, but European holders would receive a coin which is not lawful money in Europe, and the material of which cannot be carried to any important European mint and converted into money. This places American holding of these bonds at such advantage as compared with European holding, as to cause a decisive tendency to their complete transfer to this country.

The four-per-cent. bonds into which the Government debt is being refunded find no market at all in Europe, but are purchased exclusively here, and the refunding process hastens the operation of transferring the holding of our national debt to this country. The European holders of the old bonds, which are successively called, are compelled to give them up, whether they would prefer to give them up, or not.

Of course, the European objection to our national bonds, as being silver bonds at the pleasure of the United States, would disappear, if a sufficient number of European nations enter into bi-metallic arrangements, to fix permanently the relative value of the two precious metals. In that case, the continuance of the flow of our Government bonds from Europe would depend upon other causes, and especially upon a closer approximation of the current rates of interest in Europe and America. It is an approximation only, not an absolute equality in the rates of interest here and there, that is required to bring all these bonds back to this country. In all markets, a home security is so much preferred to a foreign one that securities will remain at home, or be bought back by purchasers at home, unless the ordinary rates of interest are considerably lower abroad.

The increase of wealth in the United States is so rapid, and the tendency is so strong to an equalization of the current rates of profit upon capital in Europe and America, that the foreign holding of really sound American securities must now tend sensibly to diminish, until there is substantially no such foreign holding. This result will be earlier reached, as respects American Government bonds, if Europe

persists in demonetizing the metal in which those bonds are now declared to be payable, but it will be reached sooner or later, whatever the policy of Europe may be in the particular mentioned.

As respects American securities upon railroads and other private enterprises, and holdings of shares, and stock in such enterprises, the constant tendency must be to retain in this country, or draw back to this country, all such securities and shares as are really sound, leaving in Europe only such as are weak, or worthless. This tendency results from the better knowledge which American investors have of the actual character of such securities, or shares, and the earlier information which they must have of circumstances which cause any change in their value. Precarious, or worthless securities are most salable where there is the least known about them, and their best market is always the most distant one.

The estimate has been made in this city, that since the financial collapse, dating with 1873, American indebtedness, held in Europe in the shape of bonds and company shares, has been wiped out by bankruptcy to the extent of six hundred millions of dollars. Estimates of that kind cannot be supposed to be exactly accurate, but that estimate does not seem high if such bonds and shares are computed at their nominal or par value, which was very rarely paid for them.

This despoiling of European investors by means of plausible American securities, has been going on for more than a generation, and will not cease so long as Europe abounds in money. When Mr. Biddle's \$35,000,000 bank finally exploded, forty years ago, it was found that nine-tenths of the stockholders were Englishmen. But it is not to be assumed, and is, in fact, not true, either that the principal part of this discreditable work is done by Americans, or that the principal part of the resulting profits is realized by Americans. Operations of that kind are only practicable with the aid of certain classes of stock operators and (so-called) bankers in London, Paris and other European financial centres, and those persons understand too well how indispensable their coöperation is, to sell it for anything less than the lion's share of the spoils. A very full and detailed exposure was made about three years ago of some of these operations in London, in Guatimalian, Peruvian, and similar stocks, by a committee of the Stock Exchange, from which it appeared that the proceeds of sales went principally, not to the issuers of the stocks, but to English go-betweens. It could not very well have been otherwise. The ordinary British investor will take nothing except on the recommendation of a British banking house of respectable repute, and the market price of such recommendations increases in exact proportion to the worthlessness of the thing recommended. And what is true of London, is equally true of Paris, and indeed at the pres-

ent moment, the latter city, from the great abundance of money there, is even more preëminent than London in the number, power and unscrupulous audacity of its financial sharpers. A correspondent of a Baltimore paper says that one of the largest coteries of American residents in Paris, consists of sellers of American municipal bonds. It is quite easy to understand what must be the character of such bonds sent to such a market, and it is also easy to see, that as a general fact, Frenchmen can be cheated with them only by the aid of French financiers, who do not intend to practice rogueries for anybody's benefit but their own.

The Congress of the United States has the power to discourage, and even absolutely to prevent, the issuing of bonds payable abroad, or in any other currency than the lawful money of this country, by imposing an efficient stamp tax upon bonds of those descriptions. The exercise of this power seems to be called for by many and important considerations. It would tend to keep our securities at home. Their being made payable in Europe, or in European currencies, or in the particular metal (gold) which is convertible into money at European mints, increases the facility of negotiating them in Europe.

In respect to good securities, it is bad policy to allow foreigners to draw income upon money loaned and used in this country, and especially so when such income is not taxed. If they choose to invest in property and business here, paying the same taxes and taking the same risks of every kind as are paid and taken by our own citizens, there might be nothing to object to in it.

In respect to poor, or worthless securities, it is bad morals, as well as really bad policy, to facilitate by any public act of commission, or omission, the placing of such securities abroad. The illicit gains of individual citizens are far more than overbalanced by the damage to our national character resulting from such operations.

GEO. M. WETSON.

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## THE LIABILITY OF COLLECTING BANKS.

An important decision, bearing upon the daily transactions of active banking business throughout the country, has been rendered by Judge Dillon in the United States Circuit Court for the District of Colorado. It places upon a collecting bank the responsibility not only for the solvency of the correspondent to whom the remittance in question is sent, but also for the risk of transmission by mail and for prompt advice of non-payment. This risk of the mails, like all dangers which are incurred frequently, ceases to impress with a sense of its existence those who are constantly exposed to

it. We think that such a risk should be more distinctly taken into account by bankers whose transactions through this channel are numbered by millions annually, and in many cases monthly.

The suit decided was brought by the First National Bank of Trinidad, Colorado, against the First National Bank of Denver. The facts shown were that the defendant bank received from the plaintiff bank a sight draft for collection drawn by the plaintiff on the First National Bank of Kansas City, against funds actually to the credit of the drawer; this draft the defendant received for collection January 10, and transmitted it directly to the drawee, its correspondent, on the same day. It ought to have reached the drawee in two days; the drawee continued good until January 29, when it failed. The drawee did not acknowledge the receipt of the draft, and, in fact, the draft was miscarried and never reached the drawee. The defendant made no inquiries about the draft, until February 9, and the plaintiff and defendant both supposed, meanwhile, that it had been paid. The defendant gave the plaintiff no notice of any kind in respect to the draft until February 11th. The plaintiff brought action against the defendant for its negligent omission to give it notice that the draft had not been credited or received prior to the failure of the drawee.

The defendant denied the imputed negligence, and set up in its answer a custom among the banks in Colorado to the effect, that in transmitting bank checks or drafts to correspondents on whom they are drawn it is usual to await for advices through the regular monthly statement, and that this custom did not require the defendant to make special inquiries concerning such a remittance prior to the receipt of the usual monthly statement. The plaintiff in reply denied the existence of such a custom or usage, or any knowledge thereof on his part.

Judge Dillon decided the suit in favor of the plaintiff on the grounds stated below.

The report of the case reached us too late for insertion in full at this time, but the main points are as follows:

"The practice of banks to send such checks or drafts directly to the drawee (as in this case) is attended with some obvious additional peril, and does not weaken, if, indeed, it does not increase, the diligence required of the collecting bank in respect to inquiry and notice. The defendant bank allowed an unreasonable time to elapse before it made inquiry concerning the draft; and more than a reasonable time had elapsed before the failure of the Kansas City bank occurred. It was this negligence that caused the loss, since it is established by the evidence that the draft would have been paid if it had been presented at any time before the suspension of the drawee, on the 29th day of January. Here, then, was an unexcused delay for fifteen or sixteen days to make any

inquiry or give any notice. Aside from the custom or usage, pleaded in defence, to be noticed presently, the decisions in England and this country are uniform that such delay to make inquiry and omission to notify the party interested, as occurred in this case, imposes a liability if loss is thereby occasioned.

"The alleged custom or usage in derogation of the otherwise legal rights of the plaintiff, is one which scarcely seems consistent with reasonable vigilance or the well-known practice of business men and banks to acknowledge promptly the receipt of money remittances. The evidence in this case showed that it was the uniform practice to make such acknowledgments. The defendant claimed that all the banks in Denver and Colorado relied on the monthly statements, and that it was not customary or usual to inquire after remittances in the *interim* between monthly statements. The evidence failed to show any such custom or usage common to all, or even to the majority, of the banks in Denver. In fact it failed to show that there was any such uniform usage in the defendant bank, whose business seems to be well regulated. The cashier of the defendant frankly testified that if his attention had been called to the fact that no letter of advice had been received in due course, from the drawee, that he would have made inquiries. At all events, the usage of the defendant was at most its private usage or mode of doing business. It was not known to the plaintiff, and if it was invariably adhered to by the defendant, it was of such a nature that the plaintiff was not bound to take notice of it. It was shown in evidence that the defendant bank did a very extensive business; and it was claimed by the cashier on the witness stand that it was impracticable to look after all the paper sent forward to correspondents for credit in the interval between the transmission of such paper and the receipt of the monthly statement. But the evidence did not sustain this claim. On the contrary, it showed that banks in general were in the habit of so keeping their books as to have their attention called to a failure to receive advices, in order that they might institute the needful inquiries, and that it was the usual practice to make such inquiries unless upon the eve of the date when the monthly statement was due. The fact that the defendant transacts a large business cannot relieve it from the duty of giving due attention to every piece of paper it undertakes to collect. The measure of diligence cannot fluctuate with the amount of business which a given bank may do. And the defendant would not perhaps like to be discharged from liability on the ground, judicially declared, that it was not bound to the same degree of care as smaller banks in transacting the business of its correspondents. I consider the liability of the defendant beyond any reasonable doubt." The measure of damages allowed was the amount of the draft, \$5,000.

## THE NATIONAL BANKS OF PENNSYLVANIA AND THE USURY QUESTION.

BY E. F. TORREY.

[ READ AT THE SARATOGA CONVENTION OF THE AMERICAN BANKERS' ASSOCIATION. ]

The Usury question as related to the National banks has recently been brought into considerable prominence in Pennsylvania by two circumstances.

The first is a decision in the United States Circuit Court for the Western District of Pennsylvania in the case of the *First National Bank of Mt. Pleasant vs. William Duncan & Brother*, where the opinion of the court was given by Mr. Circuit Justice Strong, Mr. Circuit Judge McKenna concurring. The second is what has so often been erroneously spoken of by the public press as "the new Usury Law of Pennsylvania," passed at the close of the recent session of the Legislature.

About two years ago I was led to make a thorough and careful examination of all the special State bank charters granted by our Legislature since 1855.

As these charters are the basis and foundation not only of Judge Strong's opinion, but also of the recent action taken by our Legislature, the result of my investigation may be of interest, although my opinions and conclusions may be lacking both in judicial authority and professional weight.

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.*"

The legal rate of interest in Pennsylvania is six per cent.; but in the case of *First National Bank of Mt. Pleasant vs. Duncan & Brother* the bank admitted the charging and receiving of nine per cent., and offered to prove in the court below that there were various "banks of issue" doing business under State charters in Pennsylvania, which were authorized to reserve and charge *any rate of interest that was agreed upon between the bank and the borrower*. This offer was rejected by the court below. Mr. Justice Strong, in his opinion, says: "We hold, therefore, that the evidence offered should have been received. If there are State 'banks of issue' in Penn-

sylvania authorized either by general or special law to take interest on loans made by them at such rates as may be agreed upon between them and the borrower, the defendants have transgressed no act of Congress by taking nine per cent. from the plaintiffs (that having been the rate agreed upon) and they are not liable in this action."

What State "banks of issue" are so authorized in Pennsylvania, and how do they derive that authority?

The authority to issue notes is claimed under the following acts of the Legislature:

By act of 16th April, 1850, the Legislature of Pennsylvania enacted a general banking law, the first section of which reads as follows:

"SECTION 1. *Every banking corporation hereafter created, renewed, or extended, shall be subject to the provisions of this act.*"

Section 10, of the same act, provides that:

"*The following rules (enumerating fifteen specific articles) shall form and be the fundamental articles of the constitution of every such bank*";

and of these rules, or articles, art. 14 provides that: . . .

"*Bills and notes which may be issued by order of any such corporation, signed by the president and countersigned by the cashier, promising payment of money to bearer, shall be obligatory upon the same, and assignable by delivery.*"

Section 30, of the same act, provides that:

"It shall not be lawful for any of the said banks to issue or pay out any bank notes *other than those issued by itself*, payable on demand in gold and silver, or notes of other specie-paying banks taken at par at the counter."

By act of 6th November, 1856, all incorporated banking, saving fund, trust and insurance companies are made subject to the provisions of section 30, act 16th April, 1850, with the proviso "*that nothing herein contained shall authorize any Savings bank, trust or other company as aforesaid to create any bank-note or certificate in the similitude thereof.*"

By act of 31st March, 1860, the Legislature enacted what is known as the "Free Banking Law of Pennsylvania," *but did not repeal former laws.*

By act of 1st May, 1861, they revised the act of 31st March, 1860, and provided, in section 41, for the repeal of all laws changed, altered or inconsistent therewith, *so far as applicable to banks which may accept of its provisions*, but leaving all others undisturbed.

Between the years 1862 and 1872 a large number of special bank charters were granted authorizing the reserving of a greater rate of interest than six per cent. Of these banks one was limited to not exceeding eight per cent.; and several to not exceeding ten per cent.; *but the large majority were limited only to such rates of interest as might 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 on such terms as may be agreed upon by the said corporation and the parties contracting therewith.”

Of the one hundred and forty-four State banks doing business in Pennsylvania to-day, each one (with the exception of nine that have been organized under the General Bank Act of 13th May, 1876,) is incorporated by and doing business under a special act of the Legislature. How will these specially chartered banks be affected by the “Usury Law of 1878?” This law simply extends to them the provisions of an act which was upon the statute books when all of these banks were chartered, and to escape the restrictions of which these special privileges were given them; and is as follows:

An Act extending the provisions of an act entitled “An act regulating the rate of interest,” approved May 28, 1858, to all corporations authorized to loan money within the Commonwealth, and repealing all laws inconsistent with the provisions of this act.

SEC. 1st. Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same: That hereafter every contract for the loan or advance of money by banking corporations heretofore incorporated or hereafter to be incorporated under the laws of this Commonwealth shall be subject to the provisions of an act entitled “An act regulating the rate of interest,” approved May 28, 1858, which provides as follows:

“SEC. 1. That the lawful rate of interest for the loan or use of money in all cases where no express contract shall have been made for a less rate, shall be six per centum per annum; and the first and second sections of the act passed March 2, 1723, entitled an Act to reduce the interest of money from eight to six per centum per annum, be and the same is hereby repealed.

“SEC. 2. That when the rate of interest for the loan or use of money exceeding that established by law shall have been reserved or contracted for, the borrower or debtor shall not be required to pay to the creditor the excess over the legal rate, and it shall be lawful for such borrower or debtor at his option to retain and deduct such excess from the amount of any such debt; and in all cases where any borrower or debtor shall heretofore or hereafter have voluntarily paid the whole debt or sum loaned, together with interest exceeding the lawful rate, no action to recover back any such excess shall be sustained in any court of this Commonwealth unless the same shall have been commenced within six months from and after the time of such payment. Provided always, that nothing in this act shall affect the holders of negotiable paper taken *bona fide* in the usual course of business.”

SEC. 3. All laws and parts of laws inconsistent with the provisions of this act are hereby repealed. *Provided, That this act shall not be construed to affect or impair in any manner contracts made prior to its passage.*

It has been held by the United States courts, that the Legislature of a State represents the people for the purpose of making contracts as well as for making laws; and that the grant of a corporate franchise, accepted and acted upon by the incorporators, is not merely an act of legislation, but is also a contract between the State and the grantees, the obligation of which a subsequent Legislature cannot impair.

A case in point is that of the *State Bank of Ohio vs. Knoop*, 16 Howard 369, where Mr. Justice McLean, speaking for a majority of the Supreme Court of the U. S., says: "Every valuable privilege given by the charter, and which conduced to an acceptance of it and an organization under it, is a contract, which cannot be changed by the Legislature where the power to do so is not reserved in the charter. *The rate of discount*, the duration of the charter, the specific tax agreed to be paid, and other provisions essentially connected with the franchise and necessary to the business of the bank, cannot, without its consent, become a subject of legislative action."

This view has also been taken by our State courts. In the case of the *Bank of Pennsylvania vs. The Commonwealth*, 19 Penn. State Reports, 151, Chief Justice Black, in delivering the opinion of the court, says: "That an act of incorporation is a contract between the State and the stockholders is held for settled law by the Federal courts and by every State court in the Union. All the cases on the subject are saturated with this doctrine. It is sustained not by a current but by a torrent of authorities. No judge who has a decent respect for the principle of *stare decisis*—that great principle which is the sheet anchor of our jurisprudence—can deny that it is immovably established." And again, in the case of the *Iron City Bank vs. The City of Pittsburgh*, 37 Penn. State Reports 345, citing the above case and quoting the above language of Judge Black, the court says: "*This is, perhaps, not too strong a statement of the authorities when the question is upon the repealability of charters or their modification in essential particulars without the consent of the incorporators.*"

If this view is correct, then it seems to me that the proviso contained in section 3, of the act of 1878, "*That this act shall not be construed to affect or impair, in any manner, contracts made prior to its passage,*" is a very significant one, and that banks having these special charter privileges under a twenty-year contract with the State of Pennsylvania will not be likely to quietly surrender them until the expiration of their charters.

Article XVI, section 10, of the State Constitution of 1873, authorizes the alteration or repeal of all charters in these terms: "The General Assembly shall have power to alter, revoke or annul any charter of incorporation now existing and revocable at the adoption of this Constitution, whenever

in their opinion it may be injurious to the citizens of this commonwealth, *in such manner, however, that no injustice shall be done to the corporators.*" The like power was given by the constitutional provisions existing when the charters in question were granted.

Who are to be the judges as to whether these special bank charters are injurious to the citizens of this commonwealth, and whether their repeal works injustice to the corporators?

In the case of the *Iron City Bank vs. The City of Pittsburgh*, 37 Penn. State Reports 348, the court says:

"Whether this condition is to be judged of by the Legislature or the courts may be a somewhat nice question. Generally, questions of justice and injustice are judicial in their nature, and I incline to think it is for the courts and not for the Legislature to decide whether the repeal or modification of a bank charter works injustice to the corporators." "*Resumption of the franchise or abridgment of corporate powers, without compensation, might be injustice to the corporators.*"

Further than this, every right granted by these charters is a franchise. The Supreme Court of Pennsylvania, in the case of *The Commonwealth vs. The Pittsburgh and Connellsville R. R. Co.*, 58 Pennsylvania State Reports 50, held that a franchise has value, and that before it can be taken for public use an adequate remedy must be provided by which the owner may be compensated. Under the rules there laid down, it seems clear that if any right granted by a charter was revoked by the act of 1878, it was a resumption by the State for public use of the corporate franchise granted; and that as no provision has been made for compensation, or to provide against injustice to the corporators, the right of the State has not been constitutionally exercised.

But does the act of 1878, aside from its saving clause, operate as an alteration of the charters which grant the right to take more than six per cent.?

It has repeatedly been held that an act *general* in its terms does not, without express words, repeal a previous act relating to a *special* subject, or a *particular* instance, though coming within the scope of the general act.

The latest reported case of this nature in Pennsylvania is *Rounds vs. Waymart Borough*, 81 Pennsylvania State Reports 395. An act of 1864 provided that property of soldiers should be exempt from taxation for payment of bounties. An act of 1873 provided that *all* property should be liable to taxation excepting only certain specified classes—the property of soldiers *not* being among the classes thus excepted—and repealed all laws and parts of laws inconsistent therewith.

The Supreme Court nevertheless held that the act of 1864 was not thereby repealed.

There is an analogy between that act and the bank charters which gives this decision a peculiar force. "It must"

(says the court) "stand unaltered, for it relates only to a particular subject, and cannot survive the occasion for which it was created." This language applies equally to the bank charters. Each relates to a particular subject, and cannot survive the occasion for which it was created, viz: the exercise of banking privileges for a period not exceeding twenty years.

"Unless, therefore," (says the court of the act of 1864) "we find in the act of 1873, some words expressly negating its provisions, we must treat it as untouched by the latter act." A *general* repeal of inconsistent acts, such as are found in the acts of 1873 and 1878, thus appears inoperative as against *special* acts.

Two other difficulties in making the act of 1878 operate as an alteration of these special bank charters are found in the State Constitution of 1873.

Article III, section 8, expressly forbids the passage of any local or special act without a previous publication of notice "*in the locality where the matter or thing to be affected may be situated.*" No such publication was made in the present case. Each of these charters, however, is a local and special matter, created by local and special legislation; and any legislation respecting it is of necessity local and special, both in purpose and application. The publication required by the Constitution would therefore seem to be a condition precedent to such legislation. Without this, the Legislature cannot *directly* pass any law relating to any one of these charters. If, then, a single charter cannot be constitutionally altered by *direct* enactment without such publication, it is difficult to see on what principle the Legislature can, *indirectly*, at a single stroke alter all of them without notice.

Article III, Section 3, provides that, "*No bill except general appropriation bills shall be passed containing more than one subject, which shall be clearly expressed in its title.*"

How far the act of 1878 conforms to this requirement is a question that may fairly be raised.

The act really contains as many subjects as there are corporations in the State authorized to loan money and receive more than six per cent. interest; and its purpose is to alter the charters of all these corporations by implication, without naming them. *Its title does not describe its purpose according to its intended legal effect; and such a description would clearly bring the act within the constitutional prohibition relative to one subject.*

If the foregoing deductions are correct, either in whole or in part, it is very clear that these specially chartered State banks are not affected by the Usury Law of 1878; and that so long as a single one of these special bank charters remains on the statute book, the National banks of Pennsylvania have, under Judge Strong's decision, like authority with such

State banks to charge "any rate of interest agreed upon between the bank and the borrower."

At the same time I regret that in the trial of the Mount Pleasant Bank case the broad ground was not taken that it made no difference, in point of law, whether these specially chartered State banks were "*banks of issue,*" (i. e., *authorized to issue notes*) as provided for in section 30 of the National Bank Act, or not.

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."

Nearly all the savings banks in existence throughout the United States, at the time of the passage of section 30, were 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,'" &c., *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?

*The majority of these banks are limited only to such rates of interest as may be agreed upon between the bank and the borrower.*

Even if 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 against which section 30 of the National Bank Act was to protect National banks?

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 the 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?

HONESDALE, PA., August, 1878.

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## INSTITUTE OF BANKERS IN SCOTLAND.

The third annual general meeting of the Institute was held in the Hall of the Royal Scottish Society of Arts, Edinburgh, on Tuesday, 4th June, 1878, at eight o'clock P. M. Mr. Archibald Robertson, of Glasgow, one of the Vice-Presidents, occupied the chair.

Besides the formal business of the meeting a letter from Mr. Gairdner, manager of the Union Bank of Scotland, and one of the judges in Mr. Fleming's Prize Essay Competition, was read, in which he expressed high appreciation of the quality of the papers entered, and intimated that he would present prizes of similar amount (£10, 10s. and £5, 5s.) for the best and second best essays on a subject having relation to the special dangers to which banking, as practised in the United Kingdom, is exposed—the precise terms of the subject, and the general arrangements, to be adjusted by the Council.

The Report of the Council showed that the Institute, during the past year, has made considerable progress. Its substance is as follows: As appeared by last year's report, there were then on the roll 627 members and associates. During the year 326 have been admitted, 23 have resigned, and two members and three associates have died. The number now on the roll is therefore 925, whereof 196 are members, and 729 associates. There has thus been an increase of 8 in the number of members, and of 290 in the number of associates.

The candidates who presented themselves at the examination held this year numbered 47; of whom 12 passed as members, and 17 as associates, while 14 others passed the partial examinations permitted by the Council.

The Session in Edinburgh was inaugurated by an address delivered

by Professor Hodgson, who continues to exhibit great interest in the prosperity of the Institute, and to contribute in many ways to its success. His class at the University was again open free to those connected with the Institute, and sixteen students took advantage of this privilege.

Messrs. Campbell and Blair again delivered, in Edinburgh, a course of Lectures on Bankers' Law, the attendance at which was highly satisfactory. Classes for Arithmetic, Algebra, and Book-keeping were also again formed in Edinburgh, but as the average attendance at the class was only eighteen, it may be expedient to make arrangements, next Session, to provide for the teaching of subjects which may prove more attractive. The Council have in view, also, to substitute for the Lectures on Law a course of Lectures on English Literature.

In Glasgow, arrangements were made with the Society of Accountants for a joint course of twelve lectures: four by Professor Young on Natural History, four by Professor McKendrick on Physiology, and four by Professor Berry on Bankruptcy Law. The attendance, at the lectures, of those connected with the Institute, varied from 50 to 150.

The Library and Reading Room in Edinburgh, as well as those in Glasgow, have been well taken advantage of during the year. There are 401 volumes in Edinburgh, and 426 in Glasgow, and the leading newspapers and periodicals are to be found in both Reading Rooms. The Council have had under consideration the formation of small libraries for circulation in the country, and they have no doubt that a suitable arrangement could be made to supply any place from which an application for books may be received. They are glad to find that there is, this year, in the hands of the Treasurer, a surplus of nearly £100, which might be made available in this way, or for grants in aid of the formation of suitable libraries in the larger towns.

The Council report that there have been sixteen competitors for the prizes of £10, 10s. and £5, 5s., offered by Mr. Fleming, General Manager of the Royal Bank of Scotland, for the best and second best essays on "The Principles and Practice of Banking in Scotland, and how far these have been modified and affected, beneficially or prejudicially, as regards (1) the Public, and (2) the Banks, by the Acts of 1844 and 1845."

The period within which gentlemen who have been ten years in the service of any of the banks might be admitted as associates, having expired on the 31st May, admissions in future can be obtained only by examination, or by election under certain exceptional conditions, in terms of the constitution. The continued prosperity of the Institute will therefore depend on the support which it may receive from the younger gentlemen connected with the banks. The Council think that the result of the past examinations proves that the operations of the Institute are fulfilling the purposes for which it was formed, and they confidently look for further success. The movement has been followed by the banks in London, where an Institute is at present being formed, and also in Ireland, where steps in the same direction have been taken.

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## CONVENTION OF THE AMERICAN BANKERS' ASSOCIATION.

[REPORTED EXPRESSLY FOR THE BANKER'S MAGAZINE.]

FIRST DAY, *Wednesday, August 7th, 1878.*

The Convention, in accordance with previous announcement, met at the Town Hall, Saratoga, on Wednesday, August 7th, 1878, and was called to order by the President, the Hon. Charles B. Hall, of Boston, who said:

GENTLEMEN OF THE CONVENTION:—This is the time and place for our annual meeting which is called by the Executive Council, under the constitution; I will read the call for this meeting. [The President here read the call for the Convention which was published in the *BANKER'S MAGAZINE* for July, pp. 65, 66.] Permit me, gentlemen of the Convention, to congratulate you on the very respectable numbers we have present. I think it indicates an interest in the business of the association, or a growing necessity for relaxation and recreation which we all so much need for a few days in the course of the year. We have had, gentlemen, several years of depression in business, great shrinkage in values of property, and great losses; but I believe fully that this period has about passed by; that the coming fall will open a general improvement in business, and that it will gradually increase and move forward. A gradual improvement, you all know, is much better than the spasmodic changes which we have sometimes had in the past. What we want most, gentlemen, is returning confidence. If we could only have that we should find that business would at once move forward steadily. Let us hope that this result is very near at hand. It is not proper for me to discuss the subjects that are to come before the Convention. There are several important questions to which you will give your attention, I hope they will be examined deliberately, and I have no doubt they will be discussed honestly. Whatever our sentiments may be or whatever resolutions we may see fit to pass they should give no uncertain sound. I think it is time for us to speak earnestly, plainly and boldly. We must have some legislation or a large portion of the banks in the country must wind up. Our taxation is doubled and excessive. Taxation of bank deposits now so oppressive to us is a thing never known, even in war times, in any country of the world that I have ever read of except our own, and although the exigency of war has passed away for fourteen years, still this bank taxation continues. And on what is the taxation imposed? On deposits, so called; but really and actually on the debts that every bank owes. Deposits are so much due on demand; so much money liable to be called for at a moment's notice, and many of you know too well that it is often called for before we even get it.

Checks from all over the country that are deposited by our depositors we frequently respond to before we have turned those checks into currency. I hope this matter will receive your consideration, gentlemen, as I have no doubt it will. One other matter I wish this Convention would make a declaration on as it always has—and I want it to do so always, at every meeting, everywhere—and that is to ask for a repeal of what I term "the Nuisance Act," two-cent stamps on bank checks. [Applause.] It is an annoyance to the whole country. It reaches everybody who draws a check, besides being a great trouble to the bank officers to keep watch that the law is properly executed in that respect. It is an annoyance and it should be repealed. These and other subjects, gentlemen, will be presented to you by the Executive Council in their order; and I hope they will receive your earnest consideration and attention, and your intelligent conclusion.

The Report of the Executive Council on the operation of the past year was then read as follows:



## REPORT OF THE EXECUTIVE COUNCIL.

In conformity with resolutions passed at the Convention in New York last year, the Executive Council of Twenty-one have had specially before them during the year some specific objects which were confided to them by the association. Among these duties was that of endeavoring to relieve the banks from the present excessive and invidious taxation, and to prevent, as far as possible, the imposition of new tax burdens by Congress or the State Governments. To carry out with efficiency this part of their work, it was deemed wise to hold a meeting of the Western and Southern members of the Executive Council, and endeavor to make an energetic effort to convince the Western and Southern Congressmen and United States Senators of the vital necessity of repealing as soon as possible a part, at least, of the Federal taxes now exacted from the banks, and through them from the commercial community. The Executive Council have pursued the policy suggested by the meeting above referred to, which was held at St. Louis, January 8th, 9th and 10th, Mr. Charles Parsons, of St. Louis, being the chairman. A pamphlet report containing a full account of this part of the labors of the association has been sent to all our members, as well as to every bank and banker in the United States, and a copy of this pamphlet is presented with this report.

Another duty assigned to the Executive Council was that of increasing the membership, and thereby the influence of the association. An address was drawn up at St. Louis, and signed by all the members of the Council there assembled, urging the banks and bankers throughout the United States, who had not become members of the association, to do so without delay. This circular was sent to every bank and banker not enrolled upon our books. The result has been gratifying, and a considerable addition to our membership has thus been secured.

During the last year the correspondence of the association has been very large. More than 110,000 letters have been sent out and received. In addition to this private correspondence with members of the association, articles have been extracted from the New York newspapers, and also from newspapers in other cities, and have been reprinted in slips for the information of our members and of their Representatives in Congress. The number of these slips which have been circulated during the year is about 340,000, each slip usually containing one or more editorial articles on topics connected with bank-tax repeal. Besides this branch of its labors, the Executive Council have issued 115,000 journals and pamphlets.

One of the most important labors of the association has been that of personal appeal by our members to their Congressmen and United States Senators. Many thousands of the letters received and sent out by us refer to this work, and the results give us great encouragement. This should stimulate our members in all parts of the country, as soon as they return home after this Convention, to make a point of renewing their efforts by personal appeals for redress to their Congressmen and United States Senators. Great efforts have been made by the enemies of banks to increase the fiscal burdens on the banking business. Our friends in Congress have successfully resisted the mischievous policy, and our association, during the last year, has devoted to this work a large share of its arduous labors. It is of much importance that we endeavor by new efforts to convince a majority of the members of Congress that the interests of business and the prosperity of our people will be promoted, and that great and permanent material benefits will be best secured, if the nation not only refuses to add new burdens of taxation to the banks, but determines to repeal the more mischievous part of the existing taxes on the banking business.

There are 1,551 banks which are members by subscription to our association, comprising not only National banks, but State banks, savings institutions, trust companies and private bankers. The accompanying report of the Treasurer will show the financial condition of the association. If the efforts now going on to keep up and increase our membership and influence, be vigorously carried forward, the usual assessment of ten dollars for the coming year will be sufficient to enable the Executive Council to prosecute the increasing labors devolving

upon the association during the important crisis which is approaching in the financial and fiscal policy of the nation.

The report being unanimously adopted, a letter was read from the Secretary, Mr. Buell, regretting that, on account of sickness and other circumstances, he was prevented from attending the Convention. Much sympathy was expressed with the Secretary, and in his absence the Assistant Secretary, Dr. George Marsland, was unanimously elected Secretary *pro tem*.

On the motion of Mr. Gage, of Chicago, seconded by Mr. W. A. Rhawn, of Philadelphia, it was resolved that the members of the committee to nominate officers be appointed by the chair, and the following names were designated: Mr. Gage, of Chicago, Mr. Rhawn, of Philadelphia, Mr. Sherman, of New York, Mr. Barrett, of Louisville, and Mr. Butler, of New Haven.

After a few remarks from the President declining reelection and complimenting Messrs. Coe, Buell, Baker, and Marsland, the officers of the association, Mr. Hayes, of Detroit was called upon for a paper on "Panics and Hard Times."

An address was then read on the subsidiary silver coinage from Mr. O. C. Hale, of Keokuk, Iowa; after which an elaborate address was read by Hon. George Walker, on the National banking system of the United States as compared with other banking systems here and abroad. Mr. Walker concluded his very able paper with the following suggestive summary of its chief points, preceded by remarks on the taxation of the banking business in the United States and in England:

"Perhaps as fair a test as could be applied to the question of the reasonableness of the taxes imposed on our National banks, is to compare them with the taxes paid by the Bank of England. Mr. Hawley, in his book on Banking, published in 1867, states that the Bank pays to the British Government, for the privilege of issuing an additional £15,000,000 of notes without metallic cover, which exceeds its capital by half a million, the annual sum of £135,078; and £60,000 in lieu of stamp duty, making it in all £195,078. On the other hand, the Government then paid to the Bank about £200,000 for managing the public debt; so that the actual revenue derived from the Bank by the Government of Great Britain was nothing. In addition to the circulation, the Bank also has the use of an average of about six millions sterling of public deposits, without interest. There are no local taxes on the Bank of England, except on its bank premises; nor on its stock in the hands of its shareholders, except income tax. I have thus endeavored to show that the National banking system of the United States is far better than the various State systems which it superseded, in the following particulars: 1. That it is under national and not under local control; and that it is, therefore, more uniform than any collective system under State laws ever has been or can be. 2. That in establishing a common type of paper money for all parts of our widely extended country, it has done away with the great burden of domestic exchanges, which used to exist by reason of inequalities in the value of local-bank issues; that, in this respect, it conforms to the current of all recent legislation in Europe, where unity in the type of credit money is now regarded as of only secondary importance to that of unity in coinage. 3. That the security of bank notes, under the national system, is absolute and unimpeachable; while that of many of the issues of the old State banks was a pretense which vanished in every season of emergency. 4. That the national system provides for a greater and more detailed publicity as to a bank's condition, and for more thorough and systematic examinations. 5. That the convertibility of the bank notes is better protected by specie reasons, as well as by the obligations of the Government to redeem them instantly in case of the failure of the issuing bank to do so, an obligation which is attended with no risk to the Government or possible loss to the tax-payer. I have shown, by a description of the principal banking systems of Europe, that no one of them is superior, in all the particulars, to that—the existence of which is now threatened. Finally, I have attempted to show that the Government cannot, if it would, circulate and redeem a paper currency in such a way as to make its volume at all times conform to the wants of business, because it does not, like the banks, do the business to which the

currency is merely an incident; and that if it should attempt the management of the circulation, the nation would gain nothing by it in a pecuniary point of view. This last point I have justified by the experience of Great Britain, the most enlightened and wealthy commercial country of the world, which accords to its National bank the largest part of the circulation and the profit of it, at no cost whatever to that institution. If, in these several positions I am sustained by the judgment of this association, there is no effort that it can make which should not be welcomed and kept up to save from obstruction a system so carefully established, so wisely perfected and so beneficial in its operation as the National banking system of the United States."

After the reading of Mr. Walker's address, a vote of thanks was proposed to the gentlemen who had read papers, and the Convention adjourned to meet again at ten o'clock on Thursday morning, at the large room of the Town Hall.

SECOND DAY, Thursday, August 8th, 1878.

The Convention was called to order by the President, and the Nominating Committee not being ready to report, the resolutions were introduced for reference to the Executive Council. Mr. Sidney W. Rowell, of Rutland, Vt., introduced the following resolution:

*Resolved:* That the Executive Committee of this Association be, and are hereby, instructed to secure the alteration of paragraph 75 of the National Banking Law, by striking out the words "and no more" in the fifth line; and the alteration of paragraph 76, by striking out the words "is allowed by the preceding section," in the second and third lines, and the insertion in their stead the words: *seven per centum*.

Mr. Rowell then read the following remarks:

MR. PRESIDENT AND GENTLEMEN:—The object in offering this resolution, and I will not attempt to disguise the fact, is to secure to banks in those States where the legal rate of interest is less than seven per cent., the same privileges which similar institutions enjoy in adjoining States. A great deal has been said on various occasions about the usury laws and their bad effects on commercial transactions; and while I am convinced that the time has not come when the country can be wholly relieved from their bad effects, I see no harm in attempting to secure equal rights and justice to all banks.

In our State [the State of Vermont] the legal rate of interest is six per cent.; and if one takes usury, the party paying it can only recover just what he has paid in excess of the legal rates. Now, the National banking law, in paragraph 75, assumes that seven per cent. is a fair rate of interest, and at the same time, it confines the banks organized under it, in our State, to the rate established by the State law, and it imposes penalties much more severe than our State law does for taking anything more.

This we consider very unfair, and hope this association will help us to correct the wrong we are suffering under. If we must be confined to the amount of interest allowed by our State law, we feel justified in asking to be relieved from all penalties except those imposed by our State laws.

Mr. Vermilye, of New York, then presented a report on the effects of oppressive bank taxation in depleting the capital and surplus of the New York Clearing-House banks. In presenting this paper Mr. Vermilye made an elaborate address of which we hope to furnish to our readers next month a complete report.

Mr. George S. Coe, Chairman of the Executive Council, being then called on for the report on resolutions from the executive council, offered the following upon the subject of the resumption of specie payments:

*Resolved:* 1. That in the opinion of this Association, the near approach of the day appointed by law for the resumption of coin payments and values, is to be hailed as an event of the highest significance to the prosperity and welfare of the whole nation, because it is the only means by which industry and trade and general tranquility and contentment can be restored to our people. The American Bankers' Association, therefore, pledge their aid and support to the Government in a return to the specie standard in the transaction of the financial affairs of our country.

2. That the resources of the country arising from abundant crops in several successive years, extraordinary mineral wealth, large credit, balance of trade with other nations, and from the rapid development of mechanical inventions and appliances by which productive industry has been facilitated and increased—all happily concur in supplying the necessary means for coin resumption.

Mr. Coe offered the following remarks :

MR. PRESIDENT AND GENTLEMEN :—The executive council have thought proper at this time to present a resolution on the resumption of specie payment. It has just been read, and in offering it for the adoption of this convention the council are not unmindful of the fact that there are a great many considerations of a practical nature upon the subject of resumption which might, under some circumstances, be judicious to present in the form of a resolution; but in the present agitation of the public mind on this whole question, it has been deemed judicious to present the resolution in this simple form, approving of the resumption of specie payments and leaving all collateral questions which belong to it to enter into a full discussion here if the gentlemen choose to engage in it, and not to take the form of resolutions otherwise than as here expressed. Mr. President, having now performed my duty as chairman of the executive council, and wishing to be discharged as such from any remarks I may make personally, I will proceed on my own motion to say a few words upon the general subject; and I hope that gentlemen here present will all engage in this discussion, because it is a question more momentous, of more importance, than any one that has ever engaged the minds of gentlemen in this country since the commencement of the war. And the question is this: As one of the expedients of war the government of the United States thought it necessary to issue legal-tender currency, and enforce its issue by law. It was adopted as a measure of great necessity, with great reluctance, by the best minds in the Senate and House of Representatives; and many of our venerable men who have now gone to their rest were constrained by the direst necessity, and the pressure upon them, to vote for such a resolution, because they knew that it was contrary to the constitution of the United States, which made gold and silver the only currency known to it. But, under the supreme necessity or preserving the national life, they assented, upon the ground that in war laws are silent. But war has passed away; that supreme necessity has gone, and now we come to a fork in the road upon this question. And, right here, at the beginning of this question, there has been passed a law making the issue of legal-tender notes in time of peace a policy of this Government.

Now, Mr. President and gentlemen, there is no question so important as this one, because it fixes upon the government, upon this nation in the time of peace, a measure of value which is arbitrary, changeable, entirely directed by the caprices and views of Congress at the moment, and by all the external pressure brought upon it. The country has just entered upon this great struggle. All through the nation you find people rising, of every sort and class, who demand a greater issue of this same currency under the delusive idea, which many of them honestly entertain, that because there was identified with the first issue prosperity and growth in trade it will come again from the same cause. There is no question that is so plain; and the practical point is this, what is the difference between government currency and that currency which flows out of commerce as the necessity of social life? The difference is this: That all that men can honestly and fairly do to each other is to exchange the products of their labor upon the standard which the world for four thousand years has proved to be the best. Now, it is proposed to turn to the other standard which may be called a standard of debt and not a standard of industry, and which is indefinable in its extent because debt is the great unknown and unlimited, and once entered upon it has no law, of itself, of limitation, it has no law by which it ceases until it goes out by absolute expiration, because it is valueless. And the question to-day is this: Shall this nation proceed upon this career of absolute and necessary ruin, or shall it stop and discuss the question, and consider again whether it is best to return to those principles and standards which the world in all time has approved, and which every other nation that ever tried the experiment has had to come back to after severe trial, and suffering, and agony? And the question is not merely a material one, because it involves all the questions of social life. The subject in this view is of vast extent. Let me state a familiar case. Suppose you stand at the approaches to a great city;

suppose you stand in New York, at those avenues where the population come in every morning by thousands and hundreds of thousands to pursue their daily avocations. As every man comes in and proceeds to his industry, having a distinct object in view, he comes with the utmost order and contentment, and proceeds to his work, and society goes on year after year with contentment and order. But suppose it were possible to say to these men every morning, to-day the value of your labor will be so much, to-morrow it will be so much more or so much less, it would make every single person in the whole crowd a discontented man, and he would proceed to his work in that state of mental confusion and doubt and distress which is disorganizing, and necessarily so, to the social nature, and behind that confusion and discontent lies crime and all kinds of difficulty and finally disruption.

It seems a very simple question whether the Government of the United States shall issue more paper money or whether it shall not; but behind it lies the question whether the values of all the property of all the people of the United States is greater or less to-day than it was yesterday, and the question, whether the relations of men to each other, in consequence of that change, are entirely changed from day to day, so that it is impossible for any person, however wise he may be, to measure the result of his industry, and it is impossible for him to remain contented and useful in such a state. Society cannot exist unless there is an exact and conscientious reward for the labor of every man, and when he exchanges with other men, not only to-day but to-morrow, and through all time; not only here but throughout all countries. And from this basis the world proceeds in the exchange of values, and upon this basis alone is the foundation of the whole social organization. Now, we come to the question: Shall the Congress of the United States have the right conceded to them of making the price of every piece of property, day by day, according to their caprice? Here is a government of all nations of the world, of limited power. Here is a policy of unlimited power. Here is a country which proposes that every citizen should be under the laws of Providence as they have been since they existed. Here is a principle proposed which destroys all those laws and sets them all at defiance and throws the whole country into confusion by an arbitrary law. Is it wise, gentlemen, for us to submit to such caprice? Does it not become the duty of every man seriously to consider this whole question, because it involves his life, and his liberty as well? It is impossible that a nation should long exist under this state of things because it is the parent of all other woes. Remember the experiment has never been tried in any country of the world that it has not ruinously and disastrously failed; and I will defy any gentleman to point to any single case in history where the legal-tender notes issued by the government, and at the option of the government itself, as money, has not brought ruin and disaster upon that nation, and not only financial but social ruin as well, as our own history, the history of France, and the history of other countries abundantly prove. Now, shall we voluntarily enter into that sort of thing when we are on the eve of resumption, and when all the conditions of life and of the nation are so promising? Shall they all be reversed, and shall we adopt as a measure of peace and a permanent policy of the Government an expedient of war, or shall we not? Shall we return, or go on and restore ourselves to the normal condition which God in His providence has written in history through all time? That is the question before us. It is a question of the deepest significance; and, I really hope, Mr. President, that gentlemen will engage in this discussion, not in any feeling of partizanship, not in any feeling but that of simple devotion and patriotic service to the country, of doing the best they know how, and giving the best counsel they can, to the country at this time when this question is before us as a vital question. I say, sir, it is the duty of every man to express himself frankly and freely, and without reserve upon questions of this kind. [Applause.]

The motion was seconded by Mr. Logan C. Murray of Louisville, and supported by Mr. I. D. Lockwood of Richmond, and others. Mr. Williams of Albany, then spoke as follows:

Mr. President; I desire to call the attention of the convention to one

subject in connection with this question, and that is this: The bankers of the country and the sound business men of the country, it seems to me, have permitted the public mind to be misled by a false presentation, and a repetition of false views on the subject. I do not intend to make a speech, but will only remark that I regard it the duty of this Convention, and I submit it as a suggestion to the executive council, to take measures to inform the public on this great subject of the return to specie payment.

I regard it, as has been said by the chairman of the executive council, as the greatest public question now before the country. I think we all so appreciate it. And should we not, therefore, rather than to permit this subject to go by default in the minds of the thousands of honest people of our country who are misled by misrepresentations on this subject, take some measures to inform the general public on this as a question of political economy to the interest of every individual member of society? I simply throw it out as a suggestion.

Mr. Gage, of Chicago:—Mr. President—There are one or two reflections I would like to make incidental to these resolutions. They are these: In the first place, I am heartily in favor of the resolutions which are offered for the adoption of this meeting. I have no doubt that every person here present is also in favor of the same. This expression will go forth to the community. It will be read by them, but, unhappily, it will be robbed of the moral force and power which it ought to convey, by a misconception which has been borne upon the public mind by artful and designing men who are diligently endeavoring to throw upon the minds of the less thoughtful the idea that in some way the banking men have got a peculiar, selfish policy which is to be benefited by some sort of national legislation upon this question, which tends to rob the people at large and destroy the industry of the country and impair its general working. Now, it is upon this idea that I wish to utter my protest, and to say a word or two—right in connection with this resolution, which, perhaps, will operate to set right the minds of those who shall hereafter read our action in this particular. Now, it is obvious to all of us that no class of people can be more deeply interested in the general welfare, stability and prosperity of the American people than the banking interest, and any expressions which they may make that operates to affect adversely the material interests of the people of this country, operates directly to take the money out of their pockets. Therefore, they are tied by the strongest principle which actuates men, namely, self interest, to make their expression honest and sincere.

*Second:* That the banking interest can protect themselves quicker and more perfectly by the nature of their business from the injurious effects of adverse legislation than almost any other class in the community. We own no factories, we own no railways, we own no absolute form of investment, but we hold credits which are threatened at every point by such legislation which operates to affect adversely material interests. But we can escape by converting these credits into the form of money which does exist and proceed with the realization in any direction we choose. Therefore, the interests of the banks are to advocate such forms of legislation as will promote the general material interests of the people of the United States, because we wish to continue in the business, facilitate the promotion of commerce and the interchange of commodities upon a fair and safe basis, by which every member of the community will have his fair share of profit, and thus realize our percentage of profit in the transaction with safety to ourselves. I think we all understand this. I think this is thoroughly misunderstood by many of the people at large. And having said this much I have said all that I wish to say, except to again express my hearty concurrence in the resolution that has been offered.

Mr. Fallis, of Cincinnati:—Mr. President: I suppose there is not a single individual banker in the State in which I reside who does not most cordially agree with the sentiments of the resolutions read by the gentleman from New York. But there is a class in Ohio called greenbackers, that is a dangerous element bordering upon something like commune, anti-banking, anti-moral and anti-good of every community in the country. [Applause.] I want to say that

while I agree most cordially with the sentiments of these resolutions and with every utterance by the gentleman from New York I am unprepared to vote for them. Why? As a matter of expediency, I cannot vote for them. I am afraid the wrong will prevail. I want to go carefully. We are on the border of an immense district that wants silver and has got it. Let us permit them to get sick of silver before we say much against it by this association. Political demagogues all over the country are poisoning the minds of the people, the voters, from whom emanate power. The people are generally honest, but their minds are poisoned. Don't let us add fuel to flame.

Mr. Fallis further counseled that the Convention move cautiously and that these resolutions express its sentiments mildly. The bankers should remain passive for the time being, and not appear to dictate to the country, for an indignant people are already writhing under the demagogism which says to them, "It is the banks that are doing all this." We have to be careful and let the people become disgusted with demagogism. Mr. Fallis ended by saying, I concur most cordially in my personal judgment with every sentiment connected with these resolutions, but I am afraid at present of their expediency.

Mr. McMichael, of Philadelphia:—Mr. President—I fully agree with Mr. Fallis that there is a great deal of poison in the system, but with due respect to the homeopathic doctrine, *similia similibus curantur*, I don't believe in taking that form of treatment. I think it is necessary when a man is sick for him to have a physician; and if he be very sick with a violent disease, that violent remedies at least be tried to cure him. If this Convention were to adopt any temporizing course, to whom are we to look to hold up to the people the standard of the true doctrine in this case? I think the stronger our resolutions can be made the better it is. I believe, also, that the people of this country have common sense enough, when they are properly instructed, to know that nothing can be more silly than to preach communism in this country. You have but to look at California. Here is a fellow comes from California preaching communism. In the great fortunes there, men who have become princes on the westward slope, many of them within half a generation were laboring men. That alone shows the folly of it. In other countries, in Germany for instance, you can understand that socialism takes great hold upon the people and even upon educated men, because there is a marked line of distinction between the so-called aristocracy or real aristocracy and a man; no matter what his culture is, or his wealth, or what his general ability is, it makes no difference. He can rise to a certain level and there he stops. So that you see in Germany, it is not alone among the laboring people, the lower people, but even among the people of as high and great intelligence as the professors in their colleges, the social doctrine prevails to an alarming extent. But with us there is nothing to prevent the plainest man, even a man of foreign extraction, no matter who he is, if he has intelligence and force he can rise to any height. I don't, therefore, believe that communism which is so much talked about now, can ever gain much headway with us. The London *Times* in an able article published a month or so ago puts the matter in terse language, which I regret I have forgotten, but the idea was—that there was no country in the world where talk was so free, where people were allowed to express such revolutionary sentiments as they were in America, and no country in the world where revolutionary acts were put down with so strong a hand. I believe that in this financial question our people are sensitive. They have been distressed, have been poisoned to a certain extent, and in certain districts that poison has taken very much more effect upon the political system than it has in others, and in those very districts I believe in strong measures or strong words. We cannot act, but we can, at least, have a standard of words, if not a standard of character, which will let the people know what the truth is upon that subject. I think our resolutions are very sensible, but I think they are very mild. They put it in a proper position, but they put it in a very mild way, to which I don't see how anybody can take exception. Of course, I know there are people who take exception to anything. I don't allude to them. Now, in my judgment, the class of people inimical to banks are not going to be propitiated by anything we omit from our resolutions. Our own friends, at

least, should see we have back-bone enough to express sentiments which they can approve. [Applause.]

Mr. Henry, of Alabama, concurred heartily in the resolutions offered, and urged that we might have had specie payments twelve months after the war closed had the Government done one thing, viz., to receive greenbacks and National-bank notes for duties. Now that the time has at last come, let us approve it, go for it, and sustain the Government and the law that was passed to make resumption a fact.

Mr. Atkinson, of Port Huron, Michigan, said that from the stand-point of a western man he must agree with his friend from Ohio (Mr. Fallis). In the State of Michigan both political parties have in their Conventions expressed themselves strongly in favor of specie resumption. He thought that unless there was some prevailing purpose for its passage that the resolution had better be laid over. He agreed with the expressions made in its favor but thought its passage might afford some materials which the greenback party might use to attack the old political parties who are sound on this issue.

Mr. A. H. Moss, of Sandusky, O., then spoke as follows: I did not come in here, gentlemen, expecting to take any part in the debate that I hoped would be upon this or any kindred subject. I am inclined to rise in consequence of the remark that my friend from Cincinnati (Mr. Fallis) made. It is my good fortune to usually agree with my friend in almost every particular as regards banking. I regard him sound, conservative and in the main, right. But I do not quite agree with him in his tender measures. I believe gentlemen on this floor represent sound and conservative banks. Banks that are anxious for resumption. I believe that the Secretary of the Treasury has committed himself to the idea of resumption; that it is possible and now certain. I believe it is important and proper for the gentlemen of this Convention to stretch out their hands to the Secretary of the Treasury. [Applause.]

In order to resume we must have gold. But, sir, pluck is a good adjunct to gold. [Applause.] The shiver comes before immediately plunging into the water and the system becomes accustomed to it as soon as it is familiarized. Cæsar doubted before, but he had no reason to doubt after, he passed the Rubicon.

Now, sir, do not the crops of the West, and I think all over the country, is not the condition of our export and import trade such as point to the present as being the favorable time for this thing? Let us, with an emphatic Amen, say that resumption can be, that resumption shall be, that resumption is—in fact, realized. [Applause.]

After a few words from Mr. Judson, of Syracuse, Mr. Hollister, of Michigan, and others, Mr. Roots, of Arkansas, spoke as follows:

Mr. President, do not be afraid that I am going to make a speech. My friend here, Mr. Henry, said that I could very well tell about the greenback party in Arkansas. We have a sort of division of our people into two classes. Those two classes are called by different names; but the difference exists between those who expect to earn something, to save something, and have something for themselves by earning it, and those who expect that God made all things for all men and they are entitled to their share of it, work or no work. That is all the division we have in any parties in Arkansas; sometimes they call it "greenback," other times they call it "labor reform," and other times they call it "anti-monopoly," but it is all the same thing and it all causes the same result when you simmer it down, viz: Whether a man wants to get something by earning it, or whether he wants this Government to turn a mill and grind out something and give it to him. [Applause.] Now then, under these circumstances I am ashamed to say that we do not talk for ourselves; and when I say "we," I do not mean the bankers, but I mean every man who has a wife and family that he expects to support, and every man in the land who has a homestead that he expects his family to have the benefit of. Now we say "we, the bankers." What I want to do is, to stir our people up to say something for themselves and for the right.

Take the agriculturalists. If it was not for the bankers in their own vicinity who furnish money, and the commission merchants who get the money from



bankers for the agriculturalists, they would not raise another crop in Arkansas of half ordinary dimensions. They could not raise a crop more than half as big as they raise now without the banks to furnish the money to do it with. [Applause.] Every other industry in Arkansas is in the same condition. We have now in our immediate vicinity an annual yield of hundreds of thousands of dollars out of our forests. If it had not been for the little bank that I represent, there would not have been one single shingle mill running to-day, but by the aid given by our bank they are giving employment to hundreds of men in our vicinity. We have a cotton seed oil mill there, but they did not have enough capital to put up the mill and buy the material necessary to keep on hand until it could be manufactured, without assistance from our banks. But let me tell you that the men employed in the shingle mill and the cotton oil mill and coming from the plantations, howl at bankers as those miserable monopolists in that town, and nobody says anything to the contrary, and the people, deceived by the demagogues, believe it. [Laughter.] What we want is, to encourage our people to stand up. I do not think we are talking merely for the banks. Think of the wonderful statistics that our friend, Mr. Hayes, gave us yesterday about who are the banks. The banks are not the few officers here, but they are the thousands and thousands of people that own capital in banks, and every man in this land who has a deposit there is more or less interested in these banks. When I say "we," I mean all good men, every man in this broad land that loves peace and desires prosperity and a stable government. For it is no great stretch, as Mr. Coe told us, to come directly to communism whenever you inculcate the doctrine, and do not dispute it, that every man who has saved his earnings, and every man who has been willing to work and earn a living is grinding the man down that goes mad because he has got no money given to him. Therefore, I say, that no uncertain sound should be given. I should make the resolution stronger. I should say, that every man in this land was interested in it, and it was our duty to say so. Shall a Christian stop his work merely because the wicked prevail against him? Usually when a man takes too much poison it gorges him and acts as an emetic. But in this broad land of ours, where we boast of our freedom, God Almighty has never yet let us see the point where demagogism gorges the miserable people that listen to it. [Laughter.] Now these men talk about silver and greenbacks, and soon it will be something else, and whenever they are bursting almost, it does not produce the effect of an emetic by any means, but they turn around and say that all would be right, only these miserable, grinding bondholders, who do not pay anything to the Government, are the fellows who have done new mischief. Congressmen come home and say it would have been all right but the New England capitalists over-awed us and we can do nothing at all. Thank God that they could not do any more mischief than they did. [Laughter and applause.] I think it is time for us to talk. It is time for us to say to these people, "it is not us so much; it is all of you." As Mr. Gage has said so ably, the bankers can realize on their assets and put the money in their pockets, but how are men to keep their mills and manufactories running when the time comes that men will not let their money go out, and it will certainly come, if, when a man puts his money out it is worth ninety-nine cents and he cannot tell when he gets it in whether it may be worth three cents or nothing. Men are not going to put out money in that way; they will put their coin in their pockets and keep it there. The people will never see the truth if only those who want to do the talking talk. Those who do the talking are the demagogues, the men who stand on the street corners and try to get a crowd of men around them, such men as Kearney. What I want to do is to encourage our people to talk. The honorable and able Comptroller of the Currency, our executive council, have aided much in compiling valuable facts. Let us not be ashamed; be bold to disseminate all the truth possible. Some modest people say "we are right enough, but I do not think we had better say anything." Such creatures let cowards admire, for God cannot. My friends, with our best efforts let us seek the truth. Be liberal in our assistance to the business wants of the country. Let us, knowing the right, dare to do the right, maintain the right, and ever loudly proclaim the right. [Continued applause.]

Mr. Hayes, of Detroit:—Mr. Chairman—I just wish to say a few words to correct, as far as possible, the influence that may go out in regard to the poison with which we are surrounded. It is a fact that we are surrounded with poison, but I do not believe that poison should be allowed to take its course, giving them enough of it. A young, vigorous, healthy man not knowing precisely the effect of calomel upon the system took a little too much in my early recollection. Not long after that it settled in his bones, his teeth began to rattle, and he went down to an early grave, in misery all through his life. That principle, if carried out, would, in our State of Michigan, where we occasionally have a rattlesnake, embolden a man to put out his leg and let the snake bite him to see whether he could kill the snake or the snake kill him. [Laughter.] We are a young, growing nation, and a nation that is destined to become a manufacturing nation. In the plenitude of money, caused by its being cheap money, we have created the power and facilities and ability to manufacture more goods than we have a market for. In Washington, last winter, I happened to be the temporary chairman of the Convention for the purpose of extending our trade and traffic to foreign countries. Now, just take it to yourselves as a manufacturing country and ask yourselves whether you wish to send your surplus produce into Brazil and take payment in something that you can get nothing for. I think you are a great deal better off not to make the manufactures. In all commercial countries whenever they attempted to mix up the currency of the country with the business of the country it has proved a failure and always will. There is not a question about that at all. And the very theory that we should, as a nation, become a banking people through the government, and the agencies of that government are leased out to certain parties that are in favor of their remaining in power, would produce one of the very elements of perpetuating a power that would, in a very short time, become so corrupt and beyond the influence of the business people that it would require a revolution or civil war, repudiation, and become a chaos before we could begin to build a foundation, and that foundation would have to be built upon the ruins of their error. We have at New Orleans a little poison in the shape of yellow fever coming in there. Everybody is up at once and they quarantine against it, and it is our duty, as business people and bankers, to quarantine against this poison that is underlying all the business associations of the country, and I do believe, if we can't do anything else, that we can utter a sound doctrine and stand by it or fall by it.

The resolution was then put and carried unanimously.

A paper was then read by Mr. George A. Butler, of New Haven, on the convertibility of bank notes. Afterwards Mr. Sidney W. Rowell, of Vermont, read a paper on a controversy between himself and the Comptroller of the Currency, as to the method of determining the liabilities of a person or firm to a bank.

A brief paper was then read by Mr. E. B. Judson, of Syracuse, which gave some very interesting reminiscences of the old bankers of the interior of New York State.

The Convention then adjourned to meet on Friday, at 11 A. M.

### THIRD DAY, *Friday, August 9th, 1878.*

The convention was called to order by the president. The report of the nominating committee being called for was presented by Mr. Rhawn of Philadelphia, the chairman of the committee; Mr. Gage of Chicago, being absent. The report nominated the following officers together with a vice-president for each State.

#### OFFICERS TO BE ELECTED FOR THE YEAR 1877-78.

##### *President.*

ALEX. MITCHELL, President, Marine and Fire Insurance Bank, Milwaukee, Wis.

##### *First Vice-President.*

JACOB D. VERMILYE, President, Merchants' National Bank, New York City.

*Executive Council.*

GEORGE S. COE, President, American Exchange National Bank of New York, Chairman.  
 JAMES BUELL, President, Importers and Traders' National Bank of New York.  
 MORTON McMICHAEL, Jr., Cashier, First National Bank of Philadelphia, Pa.  
 ENOCH PRATT, President, National Farmers and Planters' Bank of Baltimore, Md.  
 EDWARD TYLER, Cashier, Suffolk National Bank of Boston, Mass.  
 J. W. LOCKWOOD, Cashier, National Bank of Virginia, Richmond.  
 J. D. HAYES, Vice-President, Merchants and Manufacturers' National Bank, Detroit, Mich.  
 L. J. GAGE, Cashier, First National Bank of Chicago, Ill.  
 WILLIAM G. DESHLER, President, National Exchange Bank, Columbus, Ohio.  
 E. B. JUDSON, President, First National Bank, Syracuse, N. Y.  
 EX-GOV. SAMUEL MERRILL, President, Citizens' National Bank, Des Moines, Iowa.  
 M. KOPFERL, President, National Bank of Texas, Galveston, Texas.  
 CHARLES PARSONS, President, State Savings Association, St. Louis, Mo.  
 H. H. CAMP, Cashier, First National Bank, Milwaukee, Wis.  
 W. H. RHAWN, President, National Bank of the Republic, Philadelphia, Pa.  
 O. L. BALDWIN, Cashier, Mechanics' National Bank, Newark, N. J.  
 L. C. MURRAY, Cashier, Kentucky National Bank, Louisville, Ky.  
 W. H. MORRISON, President, First National Bank, Indianapolis, Ind.  
 J. B. McMILLAN, Cashier, Mobile Savings Bank, Mobile, Ala.  
 A. H. MOSS, President, First National Bank, Sandusky, Ohio.  
 J. H. MILLARD, Cashier, Omaha National Bank, Omaha, Neb.

On the motion of Mr. Roots of Arkansas, the report was adopted and the officers were declared elected, the vote being unanimous. The following resolutions from the executive council were then presented by the secretary, Dr. Marsland.

3. That the Executive Council be authorized and requested to continue their appeals to Congress and the State governments for an amelioration of the excessive taxes imposed upon the banking business.

4. That the Executive Council be, and hereby are, requested to print and distribute, in pamphlet form, the proceedings of this Convention, as in their discretion they may deem proper.

5. That the Executive Council be, and they are hereby, authorized to fill any vacancies in the office of Vice-President occasioned by declination to accept or omission to act.

6. That the thanks of this Association be cordially tendered to the Hon. Charles B. Hall, for his able administration of the office of President for the last three years, during which time he has given the most devoted and acceptable service to the interests of the Association. And upon his retirement, we wish him health, happiness, and prosperity, as a member of the Association for many years to come.

These resolutions being unanimously adopted the president offered his acknowledgements for the compliments tendered to him, and it was arranged on the motion of Mr. Coe, that, at the close of the convention there should be a re-union of a social character and a presentation of the members of the convention to the retiring president.

The secretary then presented his report on the subject of interest laws and usury. Several other papers were presented and were referred to the executive council, among them were interesting addresses on Usury from Mr. Williams, of Pittsburgh, Pa., and Mr. Torrey, of Honesdale, Pa. A communication with some elaborate statistics was then offered from General Raum, commissioner of Internal Revenue, to whom the thanks of the Convention were offered, and the paper being referred to the executive council. On the motion of Mr. Roots, the thanks of the convention were voted to the executive council, who were earnestly requested to continue their efforts for the printing and publication as heretofore, of information on financial topics and on taxation.

Several papers were then presented on bank taxation and, at the request of the convention, a brief address was made by Mr. Fallis of Cincinnati, after which, on motion of Mr. Judson from Syracuse, the convention adjourned.

Immediately after the convention the executive council met and organized by electing Mr. George S. Coe, chairman, Mr. James Buell, secretary, and Mr. George F. Baker, treasurer. They also passed the following resolution by a unanimous vote :

*Resolved* : That in order to defray the expenses of the coming year for carrying on the work of the Association, in accordance with the Constitution, Article V., Section 1, the Treasurer be, and he is hereby, directed to draw for ten dollars on every bank and banker in the United States, and invite all to unite with us in a renewed effort not only to avert additional tax burdens from being imposed, but to relieve the banking business from some part at least of the oppressive taxation now placed upon it. We also deem this a proper occasion to urge the banking interest throughout the country to remember that one of the purposes for which this

Association was organized was to obtain such relief. It has steadily directed its efforts to this end, and will continue the same work in the future as in the past; and we hope that all banks and bankers will esteem it a privilege, as well as a duty, to become members. The contribution necessary from each is small, while the object aimed at is large, whether our efforts result in averting new burdens, or in relief from part of our present invidious and oppressive taxes.

Before the adjournment of the executive council several other resolutions were passed with a view to infuse new energy into the work of the association for the coming year.

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## THE RIGHT OF AN AGENT TO PLEDGE STOCKS AS COLLATERAL TO A LOAN.

NEW YORK COURT OF APPEALS.

*The Merchants' Bank of Canada vs. Livingston et al., appellants.*

Appeal by defendants from a judgment in favor of plaintiff in an action to foreclose a pledge.

EARL, J. This is an action to foreclose a pledge of certain shares of stock in the Adams' Express Company. Some time prior to January, 1875, the defendant Livingston, being the owner of one hundred shares of such stock, delivered the certificate thereof to the defendant Barrett to secure a loan from him of about \$3,000. In January, 1875, Barrett took the certificate of stock to one Watson, the resident manager of the plaintiff in the city of New York, and told him that he wanted to get a loan of \$8,000 from the plaintiff, upon the stock represented by the certificate, for one of his clients, who did not wish to sell the stock, but would rather hold it. The certificate was then in the name of Livingston, but there was no indorsement upon it, nor power of attorney attached to it. Watson informed Barrett that if he would bring a proper power of attorney attached to the certificate he would make the loan. Thereafter Barrett, by representing that he ought to have the instrument to secure his loan of \$3,000, procured Livingston to sign a printed blank transfer and irrevocable power of attorney to make a transfer of such certificate. Barrett then again took the certificate of stock and the power of attorney signed by Livingston, filled up, except the name of the transferee and attorney, to Watson, and delivered them to him, and received a check for \$8,000 payable to his order, upon which he drew the money. He subsequently, in the same way, borrowed upon the security of the stock, as he represented, for his client, \$1,000 more. He afterward absconded and never paid any of the money to Livingston; and he was not authorized by Livingston to borrow it or pledge the stock. It has thus far been decided in this case that the plaintiff is entitled to the stock for the security of the loan made by it, and the decisions have been based upon the authority of *McNeil vs. Tenth Nat. Bank*, 46 N. Y. 325, and other similar cases. It was held in those cases that a blank transfer of a certificate of stock, with irrevocable power of attorney to transfer, signed by the person who appears by the certificate to be the owner, like that used in this case, confers upon the holder of the certificate and power of attorney the apparent legal and equitable title to the stock, and that a *bona fide* purchaser of such stock from such a holder can hold the stock against the real owner, who is estopped from asserting his title. The principles upon which those cases rest are fully set forth in the case of *McNeil vs. Tenth Nat. Bank*, and need no further elucidation here. In such cases the apparent owner, in his dealings with persons, relying in good faith upon the appearances, is the real owner, and may sell or pledge the stock and deal with it in all respects just as the real owner could. But in that case, and the other similar cases, the holder claimed to be just what the appearances indicated, the real owner, and to deal with the stock as such. But this case is distinguished from those. Barrett did not claim to be the owner of the stock. He represented that it belonged to his client, and by that must have

been understood to mean Livingston, whose name appeared in the certificate as the owner of the stock; and he represented that he wanted a loan for this client. He had no authority in fact to make the loan for him, and he had nothing to show that he had such authority. He was clothed with no apparent authority to make such a loan. The power of attorney gave no such apparent authority. There was nothing in that showing any connection with a loan, and that added nothing to his apparent authority. All the plaintiff had then, when it made the loan, was the naked assertion of Barrett that he was acting for Livingston, and upon that assertion it relied at its own risk. It could not hold Livingston for the loan, and this being so, what right had it to take and hold Livingston's stock? Knowing that the stock did not belong to Barrett, it could not take it as security for a loan to him. It, at most, had information that Barrett could only pledge the stock for a loan to Livingston, and if he was not authorized to make the loan, he was not authorized to make the pledge. At the very most, the appearances indicated that Barrett was authorized to pledge the stock for an authorized loan, but not for a loan which he was not authorized to make. In such a case the doctrine of estoppel does not apply. Livingston did not hold Barrett out as authorized to borrow money for him, and hence he is not estopped from denying such authority. He did hold him out as authorized to pledge his stock for such loan, and hence he is not estopped from disputing the pledge. If Barrett had gone to the plaintiff with the certificate and power of attorney, claiming to own the stock, he could have pledged it for a loan to himself or any other person. If he had been authorized by Livingston to borrow the money, he could probably have pledged the stock in his possession to secure it. And he could have taken the certificate and power of attorney and gone into the market claiming to act as the agent of the plaintiff, and have sold the stock and given a good title. The possession of the certificate and full power of attorney would have given him the apparent authority to sell. But the power to sell is not a power to pledge to secure money borrowed. An agent to sell is not an agent to pledge. *Story on Agency*, § 78; *Henry vs. Marvin*, 3 E. D. Smith 71; *Bonito vs. Mosquera*, 2 Bosw. 401. It may be that Barrett transferred to the plaintiff all the interest he had in stock as pledgee of Livingston, and whatever that was may be protected upon another trial.

The judgment must be reversed and there must be a new trial, costs to abide event.

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## THE OWNERSHIP OF SURPLUS OF SAVINGS BANKS.

SUPREME COURT OF THE U. S., OCTOBER TERM, 1877.

No. 241.—*Administrators of W. S. Huntington, deceased, vs. The National Savings Bank of the District of Columbia.*

Appeal from the Supreme Court of the District of Columbia.

Mr. Justice STRONG delivered the opinion of the Court.

The bill of the complainants assumes that as personal representatives of William S. Huntington, deceased, they have an equitable ownership of one-sixteenth part of the franchises, property and privileges of the defendant corporation, and that, as such representatives, they are entitled to call for an account of the profits made, and to demand payment to them of one-sixteenth part of the value of the franchises and property as well as profits. Whether this assumption is well founded or not—whether the estate of their intestate has any pecuniary interest in the corporate franchise and property can be determined only after a careful examination of the defendant's charter. The corporation was created by an act of Congress approved May 24, 1870, entitled "An act to incorporate the National Union Savings Bank of the District of Columbia." By that act George H. Plant, William S. Huntington, and fourteen other per-

sons named and their successors were declared to be a body politic and corporate under the corporate name mentioned, having succession, capable of suing and being sued, of having a common seal, and generally of doing and performing all things relative to the object of the institution, lawful for any individual or body politic or corporate to do.

The object of the institution was declared in the 4th section. By that it was enacted that the "corporation may receive on deposit, for the use and benefit of the depositors, all sums of money offered for that purpose," and invest the same in the manner therein described. The section then adding: "The income or interest of all deposits shall be divided among the depositors or their legal representatives, according to the terms of interest stipulated."

The 8th section required an annual report to be made to Congress, specifying the number of depositors, total number of deposits, amount invested in bank stock and deposited in bank on interest, amount secured by bank stock, amount invested in public funds, loans on mortgage of real estate, loans on personal securities, amount of cash on hand, total dividends of the year, and annual expenses of the institution, all of which to be certified and sworn to by the treasurer and five managers or more.

Section 9 required the books of the corporation, at all times during their hours of business, to be kept open for the inspection and examination of the Comptroller of the Currency or depositors.

The 11th section enacted that the corporation should file with the clerk of the Supreme Court of the District a bond with security in the penal sum of \$200,000, approved by one of the judges of the court, conditioned to pay to every depositor or person entitled such sum as the party may be entitled to, within thirty days after such deposit shall be demanded, which bond might be sued by any depositor or person entitled, after such demand and refusal to pay.

Other provisions of the act require the officers of the corporation to give security and take an oath for the faithful discharge of their duties, and forbid any officer, director, or committee charged with the duty of investing the deposits to borrow any portion thereof or use the same except in paying the expenses of the corporation.

These are all the provisions that have any relation to the question we are considering. It is to be noticed that the charter does not authorize the creation of any corporate stock or capital, nor does it contemplate the existence of any other than the deposits which may be made. The corporators are not required to contribute anything. There are of consequence no shareholders. Not a word is said in the instrument respecting any dividends of capital or even of profits to others than the depositors. Certainly no express authority is given to make dividends to the corporators, and we discover nothing from which such authority can be inferred. The dividends of which a return is required by the 8th section to be made to Congress are evidently those spoken of in the 4th, as made to the depositors. The rules to be applied to the construction of corporate grants are well known. A corporation created by statute can exercise no powers and has no rights except such as are expressly given or necessarily implied. In this case so far from there being an implication of any pecuniary interest in the corporators or any duty due to them from the corporation, the contrary is expressly declared. The institution, having no capital stock, whatever liability, if any there may be to the corporators, must be satisfied out of the profits made from the deposits. But the charter, when conferring the power to receive money on deposit, limits it to receiving for "the use and benefit of the depositors," and directs how it may be invested. It further declares that "the income or interest of *all* deposits shall be divided among the depositors or their legal representatives," not among the depositors and the corporators. It is true the income or interest is to be divided among the depositors, "according to the terms of interest stipulated," implying, perhaps, that the dividend may be less than the interest received by the corporation, but there is nothing in the charter that indicates the excess is for the benefit of the corporators. It is to provide for the necessary expenses of the institution authorized to be paid, and, perhaps, to raise a contingent fund to meet possible losses.

During the argument our attention was called to the 11th section of the charter, which requires the corporation to file a bond with security, in the penal sum of \$200,000, conditioned to pay and satisfy depositors, and it is argued that this bond may be considered as capital contributed by the corporators named in the charter, and hence we are asked to infer that they have a pecuniary interest which entitles them to a division of the profits, as also to a share of the capital, and to a beneficial interest in the franchise. If this were so, the complainants' bill does not aver that William S. Huntington was one of the obligors in the bond, or that he was even in that mode one of the contributors to capital stock. But if it be assumed that he was, it would still be true that the bond was in no sense capital owned by the corporation or by the corporators. It was required by the charter solely for the security of the depositors or creditors of the institution. The corporation was required to give the bond with security, but what the security should be was left to the approval of a judge of the Supreme Court of the District. There was no requirement that the corporators should sign the bond, much less that all of them should. The security might have been given by strangers exclusively, or by one or more of the corporators. If given by the latter the obligors would have been bound, not as corporators, but as any other persons having no connection with the institution.

We think the complainants have mistaken the nature of the corporation. It is not a commercial partnership nor is it an artificial being, the members of which have property interests in it. Nor is it strictly eleemosynary. Its purpose is rather to furnish a safe depository for the money of those members of the community disposed to intrust their property to its keeping. It is somewhat of the nature of such corporations, as church wardens for the conservation of the goods of a parish, the college of surgeons for the promotion of medical science, or the society of antiquaries for the advancement of the study of antiquities. Its purpose is a public advantage without any interest in its members. The title of the act incorporating it indicates its purpose, namely, an act to incorporate a National Savings bank, and the only powers given to it were those we have mentioned, powers necessary to carry out the only avowed purpose, which was to enable it to receive deposits for the use and benefit of depositors, dividing the income or interest of all deposits among its depositors or their legal representatives. It is like many other savings institutions incorporated in England and in this country during the last sixty years, intended only for provident investment, in which the management and supervision are entirely out of the hands of the parties whose money is at stake, and which are quasi benevolent and most useful because they hold out no encouragement to speculative dealing or commercial trading. This was the original idea of Savings banks. *Scratchley's Treatise on Savings Banks, passim*; *Grant's Law of Bankers*, 571, where, in defining Savings banks, it is said that the bank derives no benefit whatever from any deposit or the produce thereof. Such are Savings banks in England, under the statutes of Geo. 4, ch. 92, § 2, and 26 and 27 Vict., ch. 87. Very many such exist in this country. Among the earliest are some in Massachusetts, organized under a general law passed in 1834, which contained a provision like the one in the act of Congress, that the income or profit of all deposits shall be divided among the depositors, with just deduction of reasonable expenses. They exist also in New York, Pennsylvania, Maine, Connecticut, and other States. Indeed, until recently, the primary idea of a Savings bank has been that it is an institution in the hands of disinterested persons, the profits of which, after deducting the necessary expenses of conducting the business, inure wholly to the benefit of the depositors in dividends or in a reserved surplus for their greater security. Such, very plainly, is the defendant corporation in this case. The complainants have, therefore, no pecuniary interest in it, and no right to the relief they ask.

The decree of the Supreme Court of the District dismissing the complainants' bill is affirmed, with costs.

## LEGAL MISCELLANY.

**NOTE OF MARRIED WOMAN BINDING SEPARATE ESTATE IS NOT A MORTGAGE TO NATIONAL BANK.**—Defendant, a married woman, indorsed a note in the following form: "I hereby charge my separate and personal estate for the payment of the within note." This note was discounted by a National bank. *Held*, that this indorsement did not become a mortgage on defendant's separate estate so as to preclude the bank from taking it under the National Banking Act. Such an indorsement creates no specific lien on any property, but only creates against the one making it a liability which can be enforced as if she was unmarried. Judgment below affirmed. *Third National Bank vs. Blake*. Opinion by Earl, J.—New York Court of Appeals. [Decided April 9, 1878.]

**NEGOTIABLE INSTRUMENT: WHAT IS: PLACE OF PAYMENT LEFT BLANK: USAGE.**—C made and signed two notes on printed forms, which were left blank as to the bank at which they were to be payable, and procured G, to sign his name on the back thereof, and these notes he delivered to persons under whom the plaintiffs claimed, as collateral security, under an agreement with such persons that he should deliver to them indorsed notes. It being in proof that C and G regarded these notes as negotiable, and that there was a usage in R, where C and G lived, to leave notes blank as to the bank at which they were payable, and for the holder to fill such blank, it was *held*, that said notes were to be treated as negotiable, and G, not having been duly notified of their dishonor, was discharged. Sup. Ct. App., Virginia, March, 1878. *Woodward vs. Gunn* (Va. L. J.).

**NEGOTIABLE INSTRUMENT: EFFECT OF SUBSEQUENT INDORSEMENT.**—Several promissory notes were executed by one H to G, who assigned the same by indorsement to F. F afterward assigned them by indorsement to G, who assigned them to plaintiff. *Held*, that F.'s liability as between himself and G being extinguished, the plaintiff, as G's indorsee, could not recover of F. U. S. Circ., Ind., April, 1877. *Howe Mach. Co. vs. Hadden* (Cent. L. J.).

**FOREIGN CORPORATIONS.**—The Supreme Court of Illinois, rendered a decision in the case of *The United States Mortgage Company vs. Gross et al*, of which the following is a summary:

*Held*, That a foreign corporation, though organized for the purpose of loaning money, may hold real estate as security for money loaned in this State. That though by the laws of 1872, no corporation could be formed in this State, whose sole object was the loaning of money, and State comity would not acknowledge such an organization by a foreign State, and hold its acts valid here, yet the subsequent act of 1875 removed this objection, and authorized a foreign corporation to invest or loan money in this State, and further provided that where such corporation had previously loaned money, it might have the same rights and powers for the recovery thereof, as private citizens of this State. The case of *Carroll vs. St. Louis*, 67 Ill., 568, cited and distinguished from the present case.

*Held*, That the last-named law, though having a retroactive effect, is valid. That the legislature has a right, except where prohibited by the local Constitution, to pass laws which reach back and change or modify the effect of prior transactions, when such laws go no further than to bind a party by a contract which he has attempted to enter into, but which was invalid by reason of some personal inability on his part to make it, and it belongs to the courts to determine whether such laws come within the spirit of the United States Constitution, limiting the legislative powers in this respect.—*Chicago Legal News*.

**BANKRUPTCY DECISIONS, SUPREME COURT, OCTOBER TERM, 1877.**—1. *Right of Pledgee to possession of securities pledged.* A bank took from its debtor, as a pledge to secure notes against him, held by it, certificates of indebtedness of a corporation. Before the notes became due, the debtor was adjudged bankrupt, and the assignee demanded possession of the certificates. *Held*, that the bank



in virtue of the pledge, acquired a special property in the certificates of indebtedness. It was entitled to retain possession until the objects for which they were pledged had been fully accomplished. Until the notes for 5,000 dollars were fully paid, it was not bound to return the certificates either to the bankrupt, or to the receiver, or assignee in bankruptcy. Judgment of Circuit Court, Louisiana, affirmed. *Yeatman, assignee, plaintiff in error, vs. New Orleans Savings Institution.*

2. *Bankrupt Law does not impair rights of Pledgee.*—*Held*, also, that these rights of the pledgee were not impaired or affected by any of the provisions of the bankrupt law. The established rule is that except in cases of attachments against the property of the bankrupt, within a prescribed time preceding the commencement of proceedings in bankruptcy, and except in cases where the disposition of property by the bankrupt is declared by law to be fraudulent and void, the assignee takes the title subject to all equities, liens, or incumbrances, whether created by operation of law, or by act of the bankrupt, which existed against the property in the hands of the bankrupt. *Brown vs. Heathcote*, 1 Atkyns 160; *Mitchell vs. Winslow*, 2 Story 637; *Gibson vs. Warden*, 14 Wall. 248; *Cook vs. Tullis*, 18 *Id.* 332; and *Ferome vs. McCarter*, 94 U. S. 739. He takes the property in the same plight and condition that the bankrupt held it. *Winsor vs. McLellan*, 2 Story 495; *Goddard vs. Weaver*, 1 Wood 260. *Id.*

3. *Refusal of Pledgee to appear in bankruptcy proceedings does not impair rights to Pledgee.* *Held*, also, that the right of the bank to the certificate, would not be impaired by its refusing to appear in the bankruptcy proceedings and prove its claim. The only effect of its failure to make that proof, was to lose the privilege of participating in such distribution of the bankrupt estate as might be ordered in the bankruptcy court. It had the right to forego that advantage, and look for ultimate security wholly to the certificates of indebtedness which it held under a valid pledge. *Id.*

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TAX ON STATE-BANK CIRCULATION.—The officers of the State banks of New Orleans have addressed to the Senators and Representatives in Congress from Louisiana, a memorial, in which they request them to urge a modification or repeal of the law imposing a tax upon the circulation of State banks. The memorial closes as follows:

“We do not propose to recite the reasons for preferring our State charter, nor to decry in any manner the National system which is agreeable to our neighbors, but we assert that the proverbially sound laws of the State of Louisiana against over-issue of bank circulation, and for the protection of its holders, may well be relied upon to insure stability. Besides, the general Government would derive a handsome revenue from that which is now a sealed casket under this unequal and prohibitory tax. We are satisfied that the policy of reducing the tax to the same as on the circulation of National banks would greatly inure to the interest of this city and surrounding country; being, as you know, the commercial center of a number of States, the effect of allowing our banks the benefit of circulation would be in a very great degree to furnish the desideratum so urgently needed—that is, an elasticity in the currency which, though only local, would greatly enhance the facilities for moving our great staples during the Fall and Winter months, at which time we always have a pressing demand for circulation from the country, whence it flows to the city at a later period. This pressing need for currency we have now to supply by calling on the North, whence we have been compelled to import it at heavy cost and risk, and at times cannot obtain it in quantities sufficient for our necessities, as was the case in the Fall of 1873 when the whole South was clamorous for more currency.”

The prospect of a favorable action upon this memorial is very remote. If the banks of any State are entitled to it, the sound and successful institutions of New Orleans may well claim the privilege asked. But the door could not be opened to them without allowing the same right to other States, whose banking laws are far inferior to the safe and conservative enactments of Louisiana.

## BOOK NOTICES.

*The Political Economy of Great Britain, the United States, and France, in the use of Money. A new Science of Production and Exchange.* One volume. By J. B. HOWE. 592 pp.

*Monetary and Industrial Fallacies; a Dialogue.* One volume. 248 pp. By the same author. Boston: Houghton, Osgood & Co.

These two handsome volumes are one in substance, the latter being in the character of an appendix to the former. In his dedication of the work "To the Bankers of the United States," the author says:

"My theory of money, and consequently of deposits is, I believe, entirely new, and therefore so entirely opposed to all current ideas and the language which embodies them, that to get a fair hearing at once may, perhaps, be difficult."

"Neither gold nor silver," says the author, "in its character of money, can by any possibility be valued, nor can it be used to value, as an ordinary commodity. The bullion can be so valued and can itself so value; and can value and be valued in no other way."

Again: "Gold and silver in coin, and all other metallic money, when actually exchanged for merchandise of any sort, naturally, because necessarily, cease to be like the ordinary merchandise for which they are exchanged. . . . When two Africans or two Indians exchange commodities, they naturally, perhaps instinctively, value by *units*. . . . This is the true nature of all money."

Again: "The relation of the metallic merchandise, or commodity gold, to all other merchandise, or commodities, is necessarily and unavoidably abstract; that is to say, the only conceivable relation between them *universally* existing is that of units; and this conception is practically carried into effect, whenever, wherever, and however money is used. All money becomes a substitute merchandise or commodity in all exchanges. But to speak with rigorous accuracy, it is only a series of units of valuation, purchase, and payment, limited so far as limited at all, if metal, by the quantity of metal to be had; if convertible paper, limited perfectly or imperfectly by the units of metal circulating at the same time; and if inconvertible, only by the exchanges it makes with commodities."

"This analysis lets in a flood of light upon banking reserve and deposits. If gold or silver in the banking reserve is an ordinary commodity, as Adam Smith and everybody else in his time believed and asserted, and everybody has taken for granted since, then merely to supply the demand is all that is necessary, and bankers keep much more than is necessary, because they keep much more than is necessary to meet ordinary calls. But if gold and silver money furnish, as unquestionably they do, the steadiest currency, not because they are ordinary commodities, but because there is already a vast accumulation of such money distributed with and by commerce, and because instead of being ordinary commodities they are really units of valuation, purchase, and payment, or substitute commodities, if in order to aid the understanding we choose to call them so, then an intelligible relation between deposit-reserve and deposits is immediately demonstrated. If we wish to regulate deposits, we must do it by the reserve; if we do not, deposits will regulate the volume of the reserve, instead of the reserve regulating the volume of deposits. Deposits, as distinguished from the reserve, are not money, but a power to put in circulation out of, into, and in some cases (by clearing) in the reserve, equivalent, so far as

the circulation into, out of, and in the reserve is concerned, to so much money."

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We make these liberal extracts to cover the author's "theory of money and deposits" which he assumes to be entirely new, and so "opposed to all current ideas," as to stand in the way of an impartial judgment of his work. With respect to the distinction between money and commodities, Mr. Henry Thornton had long since observed that "the precious metals, when uncoined (or in the state of bullion) are themselves commodities; but when converted into money, they are to be considered merely as a measure of the value of other articles."

The natural history of money fully sustains the anti-commodity theory illustrated by Judge Howe. That history is told in three simple words—barter, specialized commodity, money. Each step was progressive, and eradicated an element of uncertainty. It might not be claimed that the last accomplished the desideratum; but it reached a degree of practical stability which has proved to be as near that desideratum as is allowed in human affairs. The whole course of experience by all commercial nations, since the adoption of gold as the standard of value, has proved the commodity theory to be an essential falsity. That economists have adhered to it notwithstanding its failure proves nothing but the great influence of tradition and the authority of distinguished names.

The apprehension of Judge Howe that the novelty of his views, and their antagonism to "current ideas" will be an obstacle to a fair judgment of their merit, is perhaps not well founded. Conscientious minds are not afraid of theories because they are *new*. A more likely difficulty to a "fair hearing" will be the fact that bankers are little given to the study of scientific economy, and that, as a whole, his work is above the popular understanding.

We do not mean to say that bankers as a class are not as intelligent on the subject of their pursuit as any other class of the community; but Judge Howe's work is a work of original thought, and the reader, to understand it thoroughly, must have his own mind in rapport with it. In fact, he must enter into the author's mind and travel along with him in his logical reasonings, which is no holiday task, but a scientific study. How many of the ten thousand professional bankers to whom the work is dedicated will put themselves in this kind of relation with it, and read it, as such a production ought to be read?

The most striking feature of Judge Howe's work is unquestionably its originality. It is not a compilation of the thoughts of other men, but an earnest and conscientious elaboration from his own mind of scientific propositions relating to the economic interests of the country, which concern alike the banker, the merchant and the statesman. Our limits will not allow us to do more at present than to make a general reference to several important questions which the reader will find treated in its pages. These are: *Causes of commercial crisis, Production and over-production, Standard, double standard and metallic currency, Industrial condition of the United States, Tariffs, Taxation, Wages, etc., etc.*

The supplementary volume on *Monetary and Industrial Fallacies*, is in the form of dialogue, in which opposite theories and opinions are arrayed against each other in a manner that permits each to speak for itself by the mouth of its own advocate.

*A History of Savings Banks in the United States, from their inception in 1816 down to 1877.* By EMERSON W. KEYES. New York: Bradford Rhodes. 1878.

The second and closing volume of this work has now appeared, the first volume having been published two years ago. The author was formerly Deputy Superintendent of the Banking department of this State. It is a thorough, exhaustive and most useful book. It gives the progress of legislation in all the States in which Savings banks exist, and especially in this State, including an account of some measures of legislation which have been proposed and discussed, but not adopted. The work reviews nearly all the controverted points in respect to Savings banks, such as limitations upon the amount which may be deposited in them by any one person, the propriety of allowing compensation to their managers, the right of the States to claim as escheats such deposits as are not claimed for long periods of time, &c., &c. The present volume contains in addition, very full and detailed tables, showing the condition for several years of the various Savings banks in this State. The two volumes together must be the standard work on Savings banks, and invaluable for reference, until the lapse of time shall have introduced such changes as to render necessary some new exposition of the general subject. The magnitude of the interests involved, so immensely increased within recent years, fixes the public attention strongly upon institutions for savings, and especially now, when the hazards of investments of money are so great. The present moment is, therefore, a most opportune one for the publication of such a work as this of Mr. KEYES.

*The Silver Country, or The Great Southwest.* By ALEX. D. ANDERSON. New York: G. P. Putnam's Sons.

This is a description of the geography, mining and agricultural resources, climate, etc., of the territory of 1,729,091 square miles, formerly known as New Spain. Of this territory, the United States have already acquired, including New Mexico, Arizona, California and Texas, 967,451 square miles. If this book was not written for the purpose of inducing the acquisition of the remaining 761,640 square miles, it certainly presents the temptation in that direction in a very captivating way. The book is well written, and the citations of authorities are ample and well chosen. It is in all respects an interesting book, but we confess that it has not shaken our conviction, that our country has already territory enough for many years to afford the amplest scope for all its capital and population. Even in respect to the precious metals, in which Mexico is, without doubt, surpassingly rich, we believe that more will be produced by confining our energies to the abundant mines already in our possession, than by scattering them over a wider area.

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SILVER.—British exports of silver to India and China (including Hong Kong) were in June £380,770, and in July £628,952. During the first seven months of this year they were £4,766,056. The Eastern silver demand, although less than last year, is fully up to the average. It is not improbable that the East may absorb this year, including the large amount which it now receives from San Francisco, sixty million dollars, or about three-fourths of the present annual silver production of the world.

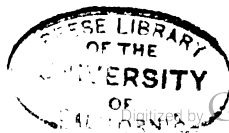
## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. SPECIAL INDORSEMENT OF CHECKS TO BEARER.

We notice your answer in regard to checks to bearer, with special indorsement (page 734) and would beg to ask you how we are to manage such checks which we have to send daily through the mails. We have been writing in red ink across the face of the check (near the word bearer) the words "*See Indorsement.*" but does that precaution on our part *bind* the bank on whom the check is drawn to recognize the indorsement? Suppose we write the words "*pay as per indorsement only,*" would that give us safety in case the checks are lost in the mails?

REPLY.—In our previous reply we treated only one aspect of the question, viz: Whether the special indorsement of a check payable to bearer, of itself when unaccompanied by other circumstances, so restricts the negotiability of the check that it thereby ceases to be payable to bearer. And upon general principles we are convinced of the soundness of the view stated. But we think the special indorsement, when accompanied by other circumstances, may have some influence upon the duties of the paying bank. The same protection, which our correspondent seeks to obtain by writing memoranda on the face of checks payable to bearer, is obtained in England by the custom of "crossing" them with the name of a bank or banker. The legal effect of "crossing" checks has been carefully regulated by an act of Parliament passed in 1876, known as the "Crossed Cheques Act," but its effect at common law had previously been fully considered by the courts. By reason of the Stamp Acts, under which checks payable to bearer were exempt from taxation, checks payable to order were seldom employed; and, to avoid the danger in the use of checks payable to bearer from loss or theft, the custom grew up in London of writing across the face of the check the name of a banker, usually the name of the banker of the person to whom the check was first delivered; and, if not written by the drawer, any holder might write across it the name of his own banker, with whom he intended to deposit it for collection. The legal effect of this was held to be, that the bank, upon which the check was drawn, was thereby notified not to pay the check unless through some banker, though not necessarily *the* banker with whose name it was "crossed." And, though the negotiability of the check was not strictly affected by the "crossing," the payment of it to any person other than a banker was such evidence of negligence on the part of the paying bank, that, if it turned out that payment was made to a person not entitled to demand it, then the bank must bear the loss. In this country we have no crossed checks, but it may be true that the use of the memoranda suggested, for a similar purpose, has become so common and well recognized that the courts would give them effect. Following the analogy of the English decisions above stated, we think their use ought to be, and would be, a protection in most cases. When a check payable to bearer is presented, the bank is ordinarily justified in paying without inquiry as to the title of the party presenting; but if the bank knows that the check has been lost or stolen, or if the circumstances of the presentment are suspicious,



it ought not to pay without inquiry. Now a special indorsement would be notice to the bank, if observed at the time of presentment, that the check had been the property of the special indorsee; and, if the check bears upon its face some memorandum calling the bank's attention to that indorsement, then we think it would be effectually notified that the check had been the special indorsee's property; and if, upon examination, the signature of the special indorsee is not found thereon, then we think the bank would be fairly put upon its inquiry as to the title of the party presenting, and that it ought to bear the loss if it pays to a party not entitled. But, we think also, that a check, in spite of the memorandum, would be good in the hands of one who should take it from a thief, *bona fide* and for value; though in such case there might be difficulty in proving the *bona fides*. And furthermore, we do not think the bank should bear the loss in case the signature of the special indorsee should prove to be a forgery. Of the two forms of memorandum contained in the inquiry, we much prefer the latter. The views presented above are our own, as we have seen no case in which the effect of such memoranda has been discussed by the courts.

## II. GUARANTY BY A NATIONAL BANK.

Will you kindly inform me if, in your opinion, the following is a valid document, and would be binding on a *National* bank?

The First National Bank of \_\_\_\_\_, for value received of J. Jones, hereby promises and guarantees to him the acceptance on presentation to the drawee of a bill of exchange, of which the following is a copy:

[Here follows a bill of exchange in the usual form, signed by Smith & Co.]  
Bill of Lading for \_\_\_\_\_ attached, which bill of exchange is now owned by said J. Jones.

In witness whereof we have hereunto set our hand and seal this — day of \_\_\_\_\_, 1878.

First National Bank of \_\_\_\_\_,

By \_\_\_\_\_, *Cashier*.

The bill of exchange is indorsed over to J. Jones; the seal of the bank is not attached. Would the guarantee be more valuable if accompanied by a resolution of the Board of Directors, authorizing cashier to issue same? Do you know of any decisions on this or a similar point?

REPLY.—There are two possible views of the question as stated. Assuming that the bank has been the owner of the bill of exchange and gives the guaranty of the drawee's acceptance in negotiating the bill, then we think the guaranty would be valid. It could as effectually be given by indorsing the bill, as by a separate agreement; and we do not see that the agreement would be made more binding by a vote of the directors.

Assuming, on the other hand, that the bank has not been the owner of the bill and gives the guaranty, not in the course of negotiating the bill, but as a separate, independent contract with Jones, upon a consideration (probably by way of commission paid by Smith & Co.), then we think the guaranty would be void. It is well settled that National banks have only such powers as are expressly given, or result by necessary implication from the language of the law creating them. We do not find in the Act any language which would authorize such contract. It is not among the incidental powers necessary to carry on the business of banking by discounting and negotiating bills of exchange, buying and selling exchange, or loaning money on personal security. And we do not see why a National bank has any more authority to make this contract, than it has to make any other speculative contract concerning the future acts of the drawee.

### III. THE PURCHASE OF NOTES BY NATIONAL BANKS.

In your remarks on the subject of "The Purchase of Notes by National Banks," in the June number of your Magazine, you express the opinion that the decision of the Minnesota case is wrong, as giving too narrow a construction of the words of the Bank Act, which you quote (in part) by saying that the Bank Act gives "all such incidental powers as shall be necessary to carry on the business of banking, by discounting promissory notes, etc." Would you not have strengthened your position by quoting more of the Act, which reads "by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt." Webster defines to *negotiate* "to transact business, to treat with another, respecting purchase and sale;" and *negotiation* "the treating with another respecting sale or purchase." The Minnesota decision seems so palpably wrong that I call your attention to the act, which to my mind is much more conclusive than you stated.

REPLY.—If the definition quoted by our correspondent is to be taken as an authority, it certainly does strengthen our view of the question. In our previous remarks, however, we omitted the word "negotiating" advisedly, because we found, in looking at the discussions upon the question, that the better legal opinion seems to be that the word *negotiate*, in this connection, refers to the act of transferring title to negotiable paper, and not the act by which title is acquired. For example, contracts are said to be negotiable when they can be transferred from one to another, so that the persons to whom they are transferred have the right to sue upon them; and, therefore, the transaction referred to must be sustained, if at all, as falling within the meaning of the word *discount*.

### IV. LOST CERTIFICATES OF STOCK.

Smith became owner of certain shares of stock of a Railroad Co., certificate duly issued in his name. Smith died. The administrator of his estate learned that this stock stood in Smith's name on the books of the R. R. Co., but was unable to find the certificate representing same among Smith's papers. He applied for new certificate, which, after certain lapse of time, the R. R. Co. granted him; a bond of indemnity having first been given the Company, indemnifying them against the appearance of original certificate, "and from all costs and damages arising therefrom," etc. The administrator of Smith's estate collects of the R. R. Co. sundry stock dividends and cash dividends declared on the stock which stood in Smith's name on the books of the Co.

Jones, after a lapse of years, appears at the office of the R. R. Co., with the original certificate that was first issued to Smith, with power of attorney on back of certificate signed by Smith, duly witnessed, etc., dated many years back, and put in a claim not only for the stock, but for all the dividends, stock and cash, that have been declared on this stock, and paid to Smith's administrator. Has Jones any legal claim upon the Company or administrator, for these stock dividends and cash dividends that have been paid on this stock? Jones never having had the stock transferred to him on the books of the R. R. Co., has he not lost the dividends declared and paid on the same by neglecting to have such transfer made?

Lately Smith's administrator sold this stock to Brown, signing power of attorney on back of the certificate (duplicate issue). Can Brown recover amount paid the administrator, as the R. R. Co. refuses to recognize duplicate certificate since Jones' appearance in possession of original?

REPLY.—This inquiry presents some interesting questions, which should, we think, be answered as follows: *First*, As to Jones' rights. As against the Company, Jones has not lost his right to the shares transferred to him by Smith and is entitled to a new certificate therefor; but by reason of his negligence in

not having the transfer registered upon the books of the Company, he has lost his claim for the past dividends. Dividends are usually declared and payable to stockholders of record. As against the administrator of Smith, Jones is certainly entitled to recover the dividends received by him and now in his hands; but if the administrator has paid them over to the creditors or others entitled to share in the estate, it is doubtful whether Jones' sole remedy is not to follow the dividends into their hands. If the administrator, without notice of Jones' claims and in the course of his duty, has collected and paid over the dividends, it would seem that he ought no longer to be liable for them to Jones.

*Second*, As to Brown's rights. He is entitled to demand from the Company shares to the number represented by the certificate which he bought from the administrator, or if the Company has no shares to give him, it must pay him their value in money, and look for its indemnity to the bond given by the administrator. When the Company issued a new certificate to the administrator, it thereby made a declaration to the world that he was the owner of the number of shares represented by the certificate, which it will not be permitted to deny, when the shares have been purchased *bona fide*, and without notice upon the faith of that certificate. The reasons for this rule of law will be found well stated in the case of *Bank vs. Lanier*, 11 Wallace U. S. S. Ct. Reports.

#### V. STOPPING PAYMENT OF CHECKS.

On the 1st of August, A deposits a check drawn on B bank, payable to his order in C Bank, the amount of which is credited to his account and paid out on his own checks. A has simply indorsed the check in blank. C bank, on the same day, endorsed it "for collection and credit" to D bank and forwards by mail, who in due course of business indorses similarly and forwards to E bank, who indorses similarly and transmits to the drawee bank, who received it on the 6th inst. On the 3d, D bank failed, whereupon C bank telegraphed to and wrote to drawee bank not to pay but to let the check go to protest and return it. The telegram and letter were received on the 4th and 5th respectively. Paying bank did have it protested and returned to E bank, who complained to them and transmitted the check again to drawee bank claiming credit for same, and that by protesting it they had wrongfully protected the account of C bank, and thereupon the paying bank changed its mind and credited the amount of the check to E bank.

What recourse, if any, has C bank, and upon whom? And what are the rights of the respective parties?

REPLY.—If the final transaction between the drawee bank and E bank was a payment of the check, then E bank is liable to C bank for the amount thereof. See *Daniel on Negotiable Instruments*, Vol. 1, page 250 *et seq.* Or, we think, C bank may recover said amount from the drawee bank. The latter was notified by the form of the indorsements that the title to the proceeds of check was in C bank and the other banks were only its agents for collection. Having received due notice of the revocation of that agency, and being ordered by the owner of the check not to pay, the subsequent payment was unauthorized.

STEALING NOT THEFT.—The recent decision of an English court holds that when a person who is sent to get a check cashed takes the money for his own use, he is not guilty of theft. A suit for the recovery of the money may be brought and judgment obtained, but nothing further. The theory which supports this idea is that the check was not stolen, because the owner gave it to the delinquent, while the money was not stolen because he did not get it from the plaintiff. Such is "the glorious uncertainty of the law."



## BANKING AND FINANCIAL ITEMS.

**INTERNATIONAL SILVER CONFERENCE.**—We have telegraphic accounts of four sittings of the Conference, the first having been held on the 10th of August. No definite results had been reached, but expressions of opinion had been made by several delegates, the most important of which was from M. Leon Say, the French Minister of Finance. He is known to favor the double standard, and if what he said is correctly reported, he now indicates that that is to be the final policy of France. But he was categorical upon the point, that the French mints would not be re-opened to silver until Germany had completed her sales of that metal. This settles the question that there is to be no accord, at present, between France and the United States upon an identical relative valuation of gold and silver. Until France opens its mints to the free coinage of silver, there can be no motive for this country to give up the relation of 16 to 1 between gold and silver, and adopt the French relation of  $15\frac{1}{2}$  to 1.

The Swedish delegation declared their continued adherence to the single gold standard. The delegation from Switzerland, where the double standard still prevails, declared their preference for the gold standard. Mr. Goshen, of the British delegation, said that England would retain gold for its own home use, but was interested in having silver still maintained as one of the moneys of the world. Of the American delegation, Governor Fenton has spoken briefly, and Messrs. Walker and Groesbeck at length, the latter gentleman twice, and all of them in support of silver. The following are the propositions which our delegation has submitted for the consideration of the Conference :

*First.*—It is the opinion of this assembly that it is not desirable that silver be excluded from free coinage in Europe and the United States. On the contrary, this assembly believes it to be desirable that an unrestricted coinage of silver and its use as money of unlimited legal tender should be retained where they exist, and, as far as practicable, restored where they have ceased to exist.

*Second.*—The use of both gold and silver as unlimited legal-tender money may be safely adopted, first, by equalizing them at a relation to be fixed by international agreement ; and, second, by granting to each metal at the relation fixed equal terms of coinage, making no discrimination between them.

The fifth sitting of the Conference, which was expected to be the last one, was fixed for August 28. The result had not reached us at the time of going to press, but it seemed to be understood that the present situation in Europe will remain unchanged. The important question was, what France would do, and that country has decided to do nothing, so long as Germany has silver to sell.

**FURTHER REDUCTION IN CAPITAL.**—It was announced on August 7th that the directors of the Bank of New York National Banking Association had decided that it was desirable to reduce the capital of the bank from \$3,000,000 to \$2,000,000, in consequence of oppressive taxation. The following is the resolution adopted by the directors :

*Resolved.*—That in the judgment of this Board, in consequence of the heavy taxation (Federal, \$66,403, State and city, \$86,688), amounting last year to \$153,000, or over 5 per cent. on the capital, and the present low rates of interest, it is desirable to reduce the capital stock of the bank from \$3,000,000 to \$2,000,000 (30,000 shares to 20,000 shares), and that the president and cashier be and are hereby authorized and instructed to take the requisite steps to effect such reduction and to procure the authority and consent of the stockholders therefor.

**HOLDERS OF REGISTERED UNITED STATES BONDS.**—In reply to an inquiry from the editor of the *New York Commercial Advertiser*, the Treasurer of the United States made on August 17th, the following statement. It shows the number of holders of registered stock of the funded loans of the United States (5, 4½, and 4 per cents.) holding \$10,000 or more, and less than \$10,000.

*Five per cent. Funded Loan of 1881.*—(August, 1878, Dividend.) \$10,000 and over, 2,910; less than \$10,000, 5,904; total amount held, \$235,339,450.

*Four and a half per cent. Funded Loan of 1891.*—(June, 1878, Dividend.) \$10,000 and over, 1,599; less than \$10,000, 5,887; total amount held, \$147,151,100.

*Four per cent. Consols of 1907.*—(July, 1878, Dividend.) \$10,000 and over, 1,264; less than \$10,000, 10,093; total amount held, \$69,464,600.

It will be seen that the number of bondholders of \$10,000 and upwards, including National banks, is only one in three of the 5 per cents. of 1881, one in five of the 4½ per cents., and one in nine of the new popular 4 per cents. The number of holders of the 4 per cents. is, of course, constantly and rapidly increasing.

**REDEMPTION OF FIVE-TWENTY BONDS.**—The following additional calls have been issued by the Secretary of the Treasury, each for the redemption of five millions of dollars of five-twenty six-per-cent. bonds issued under the act of March 3, 1865, and dated July 1, 1865. The following are the numbers called, all being inclusive:

Sixty-fourth call, dated July 30. Matures October 30.

*Coupon Bonds.*—\$50, Nos. 69,001 to 69,500; \$100, Nos. 117,001 to 120,000; \$500, Nos. 82,001 to 84,000; \$1,000, Nos. 151,001 to 157,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$50, Nos. 2,351 to 2,400; \$100, Nos. 18,351 to 18,450; \$500, Nos. 10,601 to 10,700; \$1,000, Nos. 35,451 to 35,850; \$5,000, Nos. 9,901 to 10,250; \$10,000, Nos. 19,051 to 19,800. Total registered, \$2,500,000. Aggregate, \$5,000,000.

Sixty-fifth call, dated August 5. Matures November 5.

*Coupon Bonds.*—\$50, Nos. 69,501 to 70,000; \$100, Nos. 120,001 to 123,000; \$500, Nos. 84,001 to 86,000; \$1,000, Nos. 157,001 to 163,500. Total coupon, \$2,500,000.

*Registered Bonds.*—\$100, Nos. 18,451 to 18,550; \$500, Nos. 10,701 to 10,750; \$1,000, Nos. 35,851 to 36,100; \$5,000, Nos. 10,251 to 10,400; \$10,000, Nos. 19,801 to 20,500. Total registered, \$2,500,000. Aggregate, \$5,000,000.

Sixty-sixth call, dated August 7. Matures November 7.

*Coupon Bonds.*—\$50, Nos. 70,001 to 71,000; \$100, Nos. 123,001 to 127,000; \$500, Nos. 86,001 to 87,000; \$1,000, Nos. 163,501 to 169,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$100, Nos. 18,551 to 18,650; \$500, Nos. 10,751 to 10,800; \$1,000, Nos. 36,101 to 36,550; \$5,000, Nos. 10,401 to 10,600; \$10,000, Nos. 20,501 to 20,900. Total registered, \$2,500,000. Aggregate, \$5,000,000.

Sixty-seventh call, dated August 10. Matures November 10.

*Coupon Bonds.*—\$50, Nos. 71,001 to 72,000; \$100, Nos. 127,001 to 129,000; \$500, Nos. 87,001 to 90,000; \$1,000, Nos. 169,001 to 174,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$100, Nos. 18,651 to 18,750; \$500, Nos. 10,801 to 10,950; \$1,000, Nos. 36,551 to 36,900; \$5,000, Nos. 10,601 to 10,900; \$10,000, Nos. 20,901 to 21,300. Total registered, \$2,500,000. Aggregate, \$5,000,000.

Sixty-eighth call, dated August 16. Matures November 16.

*Coupon Bonds.*—\$50, Nos. 72,001 to 73,000; \$100, Nos. 129,001 to 132,300; \$500, Nos. 90,001 to 92,000; \$1,000, Nos. 174,001 to 179,000. Total coupon, \$2,500,000.

*Registered Bonds.*—\$50, Nos. 2,401 to 2,450; \$100, Nos. 18,751 to 18,950; \$500, Nos. 10,951 to 11,150; \$1,000, Nos. 36,901 to 37,500; \$5,000, Nos.

10,901 to 11,400; \$10,000, Nos. 21,301 to 21,800. Total registered, \$2,500,000. Aggregate, \$5,000,000.

Sixty-ninth call, dated August 26. Matures November 26.

*Coupon Bonds.*—\$50, Nos. 73,001 to 74,000; \$100, Nos. 132,001 to 136,000; \$500, Nos. 92,001 to 95,000; \$1,000, Nos. 179,001 to 184,000. Total, \$2,500,000.

*Registered Bonds.*—\$100, Nos. 18,951 to 19,100; \$500, Nos. 11,151 to 11,200; \$1,000, Nos. 37,501 to 38,000; \$5,000, Nos. 11,401 to 11,600; \$10,000, Nos. 21,801 to 22,550. Total, \$2,500,000. Aggregate, \$5,000,000.

The calls now outstanding are as follows:

<i>Call.</i>	<i>Date of Call.</i>	<i>Matures.</i>	<i>Amount.</i>
59	June 5	September 5	\$5,000,000
60	June 20	September 20	5,000,000
61	July 11	October 11	5,000,000
62	July 17	October 17	5,000,000
63	July 23	October 23	5,000,000
64	July 30	October 30	5,000,000
65	August 5	November 5	5,000,000
66	August 7	November 7	5,000,000
67	August 10	November 10	5,000,000
68	August 16	November 16	5,000,000
69	August 26	November 26	5,000,000

The amount uncalled of the consols of 1865 is now reduced to \$36,798,400—\$18,168,500 coupon and \$18,629,900 registered.

**ILLINOIS.**—The First National Bank of Quincy and the Quincy Savings Bank suspended payment on August 19th. Notes were posted on the doors of both banks, stating that, in order to do equal justice to all parties and to insure the full and speedy payment of all creditors at the earliest possible moment, the boards of directors had decided to close both banks. The officers and directors of these institutions assure their creditors that the assets are ample to liquidate all debts in full, and that the cash assets now on hand are sufficient to pay a large portion of the indebtedness. This action was caused by the insolvency of a large manufacturing house of that city. The failures have caused little or no excitement, as the citizens feel confident that all liabilities will be paid in full and business resumed in a short time.

**KANSAS.**—The Topeka National Bank closed its doors on the morning of August 6th, and has gone into voluntary liquidation. This action was caused by the locking-up of a large portion of its available funds by the failure of the Mastin Bank of Kansas City.

A new bank has been organized under the State Laws, and called the Topeka State Bank. This bank will succeed to the business of the Topeka National, having for its president Mr. F. W. Giles, and for its cashier Mr. C. W. Jewell, late president and vice-president, respectively, of the old bank.

**Junction City.**—The Banking House of W. B. Clarke, which suspended in February last, has resumed business in full. We are pleased to note that none of his depositors lose by the suspension, and that the assignee in trust has been discharged by the District Court, and Mr. Clarke's estate returned to him without sacrifice.

**MISSOURI.**—The Mastin Bank of Kansas City suspended on the morning of August 3d, the following notice being posted on the door:

"Owing to the recent heavy run on this bank it is deemed necessary to close business for the present in order that the interests of all the creditors may be equally protected. Signed, JOHN J. MASTIN, cashier."

For three or four days there had been a steady drain upon the bank, and the suspension was not unexpected. Colonel A. Coates has been appointed receiver. A meeting of the principal stockholders was held on the 3d, at which Mr. John Mastin made a statement that the assets of the bank were more than sufficient to pay the liabilities.

**DEFALCATION IN BOSTON.**—It was announced on August 3d, that the directors of the Eliot National Bank of Boston had discovered their cashier, R. B. Conant, to be a defaulter to quite a large amount, and that at their request he had resigned. It appears that the first knowledge the officers of the bank had that anything was wrong was on the 2d, when Mr. Conant went to the president of the bank, and told him that he (Conant) was a ruined man and that the State Prison stared him in the face. Mr. Goodwin was much surprised, and on inquiring what was meant, Mr. Conant replied that he had embezzled of the bank and desired a meeting of the directors to be called, that he might make a full confession. A meeting of the directors was immediately called, and Mr. Conant made a voluntary and full confession of all that had taken place. He stated that he had taken about \$70,000, which he had lost in California mining stocks, commonly known as the Bonanza mines. His operations in these stocks commenced some time ago, but he never used any of the money of the bank until within the last three months, when he was called upon to make good margins on account of a great depression in the value of the stocks.

**ROBBERS FOILED.**—The First National Bank of Greenport, Long Island, was visited on the night of July 27th by burglars, who entered the bank through side windows by prying off the outer iron gratings. The night was dark, with high winds, rising at times to strong gales.

They attempted to blow open the safe (one of Herring's) with gunpowder. The explosion was faintly heard by a night watchman, but he could not locate it. It seems that after finding the powder explosion ineffectual, the burglars tried drilling and wedging, and meeting unexpected resistance, or becoming alarmed, they left in disgust, omitting to take with them divers drills, wedges, and other implements of their trade.

**OHIO.**—The First National Bank of Washington, C. H., Fayette County, Ohio, having gone into voluntary liquidation, a new bank succeeds to its business under the title of "The Peoples and Drovers' Bank," with the same officers, viz: Daniel M'Lean, President, and R. A. Robinson, Cashier. By a clerical error the First National was copied into the list in our last number as one of the "insolvent banks," when it should have been mentioned only as "in liquidation," no word to its discredit having ever reached us. The New York correspondent of the new institution remains the same, viz: the Importers and Traders' National Bank.

**THE VALUATION OF UNITED STATES BONDS FOR TAXATION.**—The following opinion of the Attorney General indicates that the face value of bonds is the proper sum to be returned for taxation.

*Hon. John B. Hawley, Acting Secretary of the Treasury:*

SIR—In compliance with the request contained in yours of the 23d inst., I have compared the second item of section 3,408 of the Revised Statutes, imposing a tax upon the capital employed in the business of banking "beyond the average amount invested in United States bonds," with R. S., section 5,214, which requires every association named in that chapter (entitled "National Banks") to pay a duty semi-annually "on the average amount of its capital stock beyond the amount invested in United States bonds," with a view to determine whether the "amount (so) invested" is to be ascertained by taking the price paid, or market value of these bonds, as is done by the Commissioner of Internal Revenue under the first cited section, or by looking only at their face value, the method adopted by the Treasurer of the United States under the last named section. The certainty and uniformity particularly desirable in fixing a basis for taxation, as well as the common usage of speaking of the amount invested in any enterprise according to the par value of the shares owned, disregarding brokerage paid and accrued interest or earnings, indicate that it is only the principal sums payable at the maturity of the bonds which are the proper ones to enter into the composition of amount invested in them under the section of the Revised Statutes to which you have referred me.

Very respectfully your obedient servant,

CHAS. DEVENS, *Attorney General.*

UTAH.—Messrs. J. E. Dooly & Co., of Ogden, transact at that point a regular banking business on their own account, not as agents for Wells, Fargo & Co., as listed in the *Banker's Almanac and Register*. Mr. Dooly, the senior partner, is agent for the express company at Salt Lake City.

COIN HOLDER.—A simple and effective invention has been brought out which promises to save time and trouble in the counting and handling of silver coin, dispensing with paper wrappers. It contains the amount usually put up of either denomination, and no more; can be fastened or opened instantly, and the contents readily counted without unfastening. A description may be seen in the advertisement of Messrs. Van Kleeck, Clark & Co., in the supplement to this number.

WILLIAM HENRY YOUNG HACKETT, President of the First National Bank of Portsmouth, N. H., died at Portsmouth, August 9th, 1878. He was born at Gilmanton, N. H., 24th September, 1800. He was admitted to the bar at Portsmouth in January, 1826, and continued in active practice there till the date of his death. In July, 1827, Mr. Hackett was chosen as a director of the Piscataqua Bank, and he has served as bank director ever since, a period of *fifty-one* years. In January, 1845, upon the organization of the Piscataqua Exchange Bank, he was made its president, and occupied that office until August, 1863, when the charter expired. While the National Banking Act was pending in Congress, he had made arrangements to organize a National bank in Portsmouth, and only awaited for their completion the news of its passage. He was an earnest promoter of the system, and had frequent communication with Mr. Chase upon the subject. He at once organized the First National Bank of Portsmouth, which justly claims the honor of being the *first* National bank organized in the country. The certificate of the Comptroller to this bank bears date 2d July, 1863, and the number of the bank on the books of his office is 19; but the Treasurer assigns to this bank, Number *One*, in acknowledging the receipt of bonds necessary to begin operations. The bank has been highly successful.

Mr. Hackett was the Senior Trustee of the Portsmouth Savings Bank, having been appointed in 1849. He was President of the Piscataqua Savings Bank, chartered largely by his efforts, which went into operation in April, 1878. It is probable that his continuous term of service as President of a discount bank exceeded, at the date of his death, that of any similar official in the country.

KANSAS CITY WATER WORKS LOAN.—Messrs. Donnell, Lawson & Co., 92 Broadway, New York, offer for sale, and recommend as a perfectly safe and very desirable investment, the twenty-year seven-per-cent. gold bonds of the National Water Works Co., secured by a sinking fund and by a first and only mortgage upon the water works erected at Kansas City. Principal due 1894, interest April and October. Coupon bonds, \$1,000 each; can be registered, if desired. Farmers' Loan and Trust Co., New York, Trustee. Price par and accrued interest. They state that the net earnings are largely in excess of the interest charged, and are constantly increasing.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to August 20, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2391	First National Bank..... Deadwood, DAKOTA	L. R. Graves..... S. N. Wood	\$ 50,000	\$ 50,000
2392	Jefferson Co. National Bank... Brookville, PENN.	Thomas K. Litch..... J. B. Henderson	\$ 50,000	\$ 30,000
2393	National Exchange Bank..... Lexington, KY.	J. P. Metcalfe..... J. B. Wilgus	\$ 100,000	\$ 51,330
2394	Merchants' National Bank..... Georgetown, COL.	A. F. Curtis..... A. H. Raynolds	\$ 50,000	\$ 50,000
2395	Bennington Co. Nat. Bank.... Bennington, Vt.	Charles Thatcher..... Ellis A. Cobb	\$ 100,000	—

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE—1878.

Prepared by HASSLER & CO., 7 Wall Street.

(For preceding Six Months, see BANKER'S MAGAZINE for February, 1878.)

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...	106½	107½	105¾	106½	105½	107¾	107½	107¾	107¾	108%	107¾	108¾
“ “ 1865, New “	102¾	103¾	102¾	103¾	103½	104¾	104	104¾	103¾	104¾	104¾	104¾
“ “ 1867.....	105½	106	105	106½	105½	107¾	107	107¾	106½	107¾	107¾	108%
“ “ 1868.....	106¾	109¾	108	109	108¾	109	109¾	110½	109¾	109¾	109	111¾
“ “ Ten-Forty Coupon Bonds.....	107¾	108¾	106½	108½	103¾	105%	105¾	106	105¾	107¾	107½	108¾
“ “ Five per cents. of 1881, Coupons...	105½	106¾	103	104¾	103	104¾	104¾	105¾	104¾	105¾	105¾	107
“ “ Six per cents. Currency.....	118½	119½	118½	119½	118	119	117¾	119¾	119	122	118¾	120¾
Canton Company, Baltimore.....	—	—	16	16	15½	16	14¾	16	—	—	—	16½
Delaware and Hudson Canal Company....	45	52¾	45¾	50¾	46¾	56¾	51¾	57¾	51¾	56¾	55	58½
Consolidated Coal Company of Maryland...	—	—	—	—	—	—	24¾	25	—	—	25	25
Quicksilver Mining Company.....	15½	16	16	19¾	17¾	18¾	16½	18½	16	16¾	14	16¾
“ “ Preferred.....	30	31½	29¾	31¾	30	30	30¾	34½	30	34	33	37
Western Union Telegraph Company.....	75½	78¾	75	77½	76¾	80¾	79¾	84¾	79¾	83¾	83½	87½
Pacific Mail Steamship Company.....	21½	23	22	23½	16¾	23¾	17¾	22¾	17¾	21¾	21¾	19¾
Adams Express Company.....	98	100½	100½	103½	100	102	101½	102½	101	104	102	103¾
Wells, Fargo & Co. Express Company....	82½	87¾	83	85	84½	88	89	90	89½	91½	92	95
American Express Company.....	47½	50	47¾	49	48	49½	48½	49½	48½	49½	47	49½
United States Express Company.....	46	48	47¾	51¾	49½	51	50	51	46¾	50	47	49
N. Y. Central and Hudson River R. R....	104¾	108¾	103¾	106	103¾	107¾	105¾	109½	105¾	110½	107	112
Eric Railway.....	7¾	10	9	9¾	9	11½	10¾	13¾	11¾	15¾	14½	17¾
“ “ Preferred.....	22	22	22	22	21½	24¾	23½	27¾	26¾	32	30	33

Harlem Railroad.....	141	142	141	142½	141½	149	148	149	147	148½	138	148½
N. Y., New Haven and Hartford R. R.....	153½	155½	156	159½	158	159½	158	159	159	160½	154	161
Michigan Central Railroad Company.....	58½	63	59	60½	59½	65½	65½	72½	63½	71½	63½	71½
Lake Shore and Michigan Southern R. R.....	59½	63½	60½	62½	61	65½	61½	69½	61½	63½	55½	65½
Panama Railroad Company.....	112	112	121	131	129	130	125	127½	118	124½	120	125
Union Pacific Railroad Company.....	64½	69	67	68	68	73	67½	72½	68½	72½	64	70½
Illinois Central Railroad Company.....	73	75½	72½	77	73½	75½	74½	76½	76	84½	83½	85½
Cleveland and Pittsburgh Railroad Co.....	70½	78	63½	72½	66	77½	74½	77½	74½	81½	77½	84½
Col., Cin. and Ind. Railroad.....	34	38½	27½	34	27	30½	25½	32½	29½	24½	24½	33
Chicago, Rock Island and Pacific R. R.....	98½	100½	98½	99½	99	103½	101½	107½	104½	112½	112	119½
Pittsburgh, Ft. Wayne and Chicago R. R.....	87	92	85	89½	88	92	90	92½	90	97½	93	98
Chicago, Burlington and Quincy Railroad.....	102	103½	99½	105½	99½	101½	101½	106	100	105½	104	108
“ and Alton Railroad Company.....	75½	79½	67½	78½	66½	73	72	75½	70	79	77½	81½
“ “ “ “ Pref.....	100	101½	97½	102	97½	100	99½	100	99	101	102	105
“ and Northwestern Railroad Co.....	34	38	33½	35½	35	45½	45	55½	49½	54½	44½	54½
“ “ “ “ Pref.....	61½	64½	59½	62½	62½	71½	69½	76	70½	78½	69½	77½
“ Milwaukee and St. Paul R. R.....	36	39½	36½	38½	37½	43½	43½	51½	49	54½	48½	54½
“ “ “ “ Pref.....	68½	73½	60½	70½	69½	73½	71½	75½	72½	81	69½	77½
St Louis and Iron Mountain R. R.....	6	7½	5	6	5	7½	7½	8½	6	7½	6	7½
St. Louis, Kansas City and N. R. R.....	4	4½	4½	4½	4	5	4	5	4½	5½	4½	4½
“ “ “ “ Pref.....	20½	23½	20½	22	19	23½	20½	23	20	22	20½	22
Del., Lackawanna and West. R. R. Co.....	46½	52½	46½	50½	46½	56½	50½	58	51½	56½	55½	59½
Morris and Essex Railroad Company.....	71	75½	67½	75	67½	79½	76	80½	77½	85	82	89
New Jersey Central Railroad Company.....	13½	18½	15	18½	13½	17½	15½	18	16½	26½	25½	35½
Rensselaer and Saratoga Railroad Co.....	—	—	—	—	—	—	96	96	98	100	100½	100½
Ohio and Mississippi Railroad Company...	7	8½	7½	8½	7	9½	8½	11½	9½	9½	6½	9½
“ “ “ “ Pref.....	14	15	12	14½	13½	13½	15½	20	15½	17	12	13
Hannibal and St. Joseph Railroad.....	10½	12½	10	11½	10	11½	11½	13½	11½	12½	11	12½
“ “ “ “ Pref.....	22½	27	21½	25½	21½	26½	25½	31½	26½	29½	26½	28½
Col., Chicago and Ind. Central Railroad...	2½	3½	2½	3	2½	4½	3	4½	3½	5	3½	4½
Wabash Purchasing Committee Receipts ...	14½	17½	15½	17	13½	18½	14½	20½	—	—	12½	16½
Albany and Susquehanna Railroad.....	73½	75	74	75	73½	80	75½	78	77	83	80	85
Burlington, Cedar Rapids & Northern R. R.	13½	17½	17½	24½	22	34	29	32½	27	32½	29½	33½
Dubuque and Sioux City Railroad.....	—	—	—	—	63	63	60	60	60	61½	63	64½
Kansas Pacific Railroad.....	6½	7½	5½	8	6½	9½	6½	9	7	8½	6	8½
New Jersey Railroad.....	120	122½	120	120	—	—	119½	120	120½	120½	122	122½

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from August No., page 152.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
COL....	Georgetown... \$ 50,000	Merchants' Nat. B'k..(2394) A. F. Curtis, Pr.	Kountze Brothers. A. H. Reynolds, Cas.
DAKOTA	Deadwood..... \$ 50,000	First National Bank..(2391) L. R. Graves, Pr.	Kountze Brothers. S. N. Wood, Cas.
"	Fargo.....	Bank of Fargo..... F. J. Humel, Pr.	Corbin Banking Co. A. J. Harwood, Cas.
GA.....	Marietta.....	G. C. Burnap (Collections)	Mechanics' National Bank.
IOWA...	Cedar Rapids..	G. F. Vanvechten.....	Chemical National Bank.
KANSAS.	Topeka.....	Topeka State Bank..... F. W. Giles, Pr.	Importers & Traders' Nat'l B'k. C. W. Jewell, Cas.
KY.....	Lexington..... \$ 100,000	National Exch. B'k..(2393) J. P. Metcalfe, Pr.	Importers & Traders' Nat'l B'k. J. B. Wilgus, Cas.
MICH...	Iosco.....	Forbes & Peet.....	First National Bank, Detroit.
MO.....	St. Joseph..... \$ 50,000	Merchants' Bank..... Thomas E. Tootle, Pr.	Fourth National Bank. Edgar M. Yates, Cas.
N. Y....	Ellicottville... \$ 20,000	Bank of Ellicottville..... E. S. Stewart, Pr.	Importers & Traders' Nat'l B'k. Charles A. Case, Cas.
PENN...	Brookville..... \$ 30,000	Jefferson Co. Nat. B..(2392) Thomas K. Litch, Pr.	..... J. B. Henderson, Cas.
UTAH...	Ogden.....	J. E. Dooly & Co.....	Wells, Fargo & Co.
VT.....	Bennington... \$ 100,000	Bennington Co. N.B.(2395) Charles Thatcher, Pr.	..... Ellis A. Cobb, Cas.
PR. ONT	Exeter.....	Exchange Bank of Canada. W. A. Hastings, Mgr.	National Bank of Commerce.
PR. QUE	Beauharnois... \$ 100,000	Mechanics' Bank..... C. J. Brydges, Pr.	..... Norbert Roy, Cas.

THE PREMIUM ON GOLD AT NEW YORK.

JULY—AUGUST, 1878.

1877.	Lowest.	Highest.	1878.	Lowest.	Highest.	1878.	Lowest.	Highest.
August.....	3 7/8	5 1/2	July 27	3 1/2	3 1/2	July 12	3 1/2	3 1/2
September..	2 7/8	4	29	3 1/2	3 1/2	13	3 1/2	5 8
October.....	2 1/2	3 3/8	30	3 1/2	3 1/2	14	5 8	3 1/2
November...	2 1/2	3 3/8	31	3 1/2	3 1/2	15	5 8	3 1/2
December...	2 1/2	3 3/8	Aug. 1	3 1/2	3 1/2	16	5 8	5 8
1878.			2	3 1/2	3 1/2	17	3 1/2	5 8
January.....	1 1/4	2 7/8	3	3 1/2	3 1/2	19	3 1/2	5 8
February....	1 5/8	2 3/8	5	3 1/2	3 1/2	20	3 1/2	5 8
March.....	3 1/4	2	6	3 1/2	3 1/2	21	3 1/2	5 8
April.....	3 1/8	1 1/4	7	3 1/2	3 1/2	22	3 1/2	3 1/2
May.....	3 8	1 1/4	8	3 1/2	3 1/2	23	3 1/2	3 1/2
June.....	5 8	1	9	3 1/2	3 1/2	24	3 1/2	3 1/2
July.....	3 1/2	3 1/4	10	3 1/2	3 1/2	26	3 1/2	3 1/2



## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List, continued from August No., page 152.)*

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	Mechanics & Traders' N. B. Fernando Baltes, <i>Cas.</i> ....	G. W. Youle.*	
CAL....	Odd Fellows' Sav. B., San Fran. M. Heller, <i>Pr.</i> .....	A. Block.	
" ..	Commercial Bank, Los Angeles J. E. Hollenbeck, <i>Pr.</i> ....	M. S. Patrick.*	
CONN...	Shetucket Nat. Bank, Norwich. William Roath, <i>Cas.</i> ....	C. J. Fillmore.	
ILL....	Union Stock Yards Nat. B'k, { Edward S. Stickney, <i>Pr.</i> M. Talcott.		
" ..	Chicago } George E. Conrad, <i>Cas.</i> E. S. Stickney.		
" ..	Edgar Co. Nat. Bank, Paris... J. E. Parrish, <i>Act'g Cas.</i> A. B. Powell.		
IOWA...	Citizens' Bank, Hampton.... } G. G. Clemmer, <i>Cas.</i> .... W. Raymond.		
" ..	Washington National Bank, { A. W. Beed, <i>Ass't Cas.</i> .....		
" ..	Washington } John A. Young, <i>Cas.</i> .... J. H. Richards.		
" ..	Washington } Mart. Whitcomb, <i>A. C.</i> J. A. Young.		
LA.....	Union Nat. Bank, New Orleans Stephen Chalaron, <i>Cas.</i> ..	J. Chalaron.	
MAINE..	Freeman's Nat. Bank, Augusta. S. B. Glazier, <i>Cas.</i> .....	F. H. Adams.	
" ..	Norway Nat. Bank, Norway... William Frost <i>ad, Pr.</i> ....	S. Burnham.	
" ..	Cumberland Nat. B., Portland. W. H. Soule, <i>Cas.</i> .....	S. Small.	
" ..	First National Bank, Wiscasset. F. W. Sewall, <i>Cas.</i> .....	S. W. Greenleaf.	
MASS...	Eliot National Bank, Boston... Francis Harrington, <i>Cas.</i> R. B. Conant.		
" ..	Metropolitan Nat. B'k, " ... Walter S. Blanchard, <i>Pr.</i> S. W. Richardson.		
" ..	N. B. of Commerce, N. Bedford Francis Hathaway, <i>Pr.</i> ... T. S. Hathaway.*		
MICH...	First Nat. Bank, South Haven. Lyman S. Monroe, <i>Cas.</i> ..	C. J. Monroe.	
MISS...	Capital State Bank, Jackson... W. H. Perkins, <i>Cas.</i> .....	J. H. Odeneal.	
MO.....	Continental Bank, St. Louis... Wm. P. Keating, <i>Act'g C.</i> E. Karst.*		
" ..	Clearing House, Kansas City. } J. S. Chick, <i>Pr.</i> ..... J. O. Watkins.		
" ..	Clearing House, Kansas City. } William H. Seeger, <i>Mgr.</i> W. H. Winants.		
N. H...	Dartmouth National Bank, { N. S. Huntington, <i>Pr.</i> H. Hitchcock.		
" ..	Hanover } Charles P. Chase, <i>Cas.</i> ... N. S. Huntington.		
" ..	First Nat. Bank, Portsmouth... Ichabod Goodwin, <i>Pr.</i> ... W. H. Y. Hackett.*		
N. J....	Hudson Co. N. B., Jersey City. Aug. A. Hardenbergh, <i>Pr.</i> J. Male.		
N. Y....	Manufacturers' Nat. Bank, { Thomas Bunn, <i>Pr.</i> ..... A. W. Kline.		
" ..	Amsterdam. } Adam W. Kline, <i>Cas.</i> .... H. P. Kline.		
" ..	Mutual National Bank, Troy... William Kemp, <i>Pr.</i> ..... C. Hayner.		
OHIO...	First National Bank, Xenia.... Alfred Trader, <i>Cas.</i> .....	J. B. Allen.	
PENN...	Manheim Nat. Bank, Manheim. John Stauffer, <i>Pr.</i> .....	A. Kauffman.	
" ..	Nat. Bank of Oxford, Oxford. J. Everton Ramsey, <i>Cas.</i> ..	J. Janvier.	
" ..	National Union Bank, Reading Edwin Boone, <i>Cas.</i> .....	C. B. McKnight.*	
R. I....	Nat. Globe Bank, Woonsocket. F. E. Farnum, <i>Cas.</i> .....	R. P. Smith.	
S. C....	Carolina Nat. Bank, Columbia. Caleb Bouknight, <i>Pr.</i> ....	L. D. Childs.	
VT. ....	Brandon National B'k, Brandon Cyrus Jennings, <i>Pr.</i> .....	J. A. Conant.	
" ..	Northfield Nat. B'k, Northfield. C. A. Edgerton, Jr., <i>Cas.</i> F. L. Ely.*		
" ..	National Black River Bank, } George S. Hill, <i>Pr.</i> ..... H. W. Albee.*		
" ..	Proctorsville } C. W. Whitcomb, <i>Cas.</i> ... G. S. Hill.		
Wis....	Park Savings Bank, Madison... A. W. Clarke, <i>Cas.</i> .....	J. E. Baker.	

\* Deceased.

A WIDELY-CIRCULATED COUNTERFEIT.—The first counterfeit \$5 bill on the First National Bank of Tamaqua, Penn., was received at the Redemption Agency on September 2, 1877; since then over eighty have been received from thirty-six cities and towns and twenty-four States. Its detection is easy, as so far not one has been seen with the correct charter number, which is 1,219, printed across the face of the note in large red figures. The counterfeiters in this case did not know the significance of the charter number, as twenty-three different numbers have appeared on these notes, and ten notes have been branded that have a higher number than 2,800; while the highest number on any genuine bank note is 2,391.

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from August No., page 153.)*

- CAL.... San Francisco.. Masonic Savings & Loan Bank; retiring.
- GA..... Marietta..... Marietta Savings Bank; to close during year. Collections transferred to G. C. Burnap.
- ILL.... Chicago..... Boardman & Press; dissolved.  
 " .. Canton..... Home Bank (W. A. & H. O. Childs); closed. Paying in full at People's Bank.  
 " .. Quincy..... First National Bank; suspended.  
 " .. " .. Quincy Savings Bank; suspended.
- KY.... Harrodsburg... McBrayer, Trapnall & Co.; suspended.
- MICH... Benton Harbor. Higman, Heath & Co.; dissolved.  
 " .. Cedar Springs.. H. C. Russell & Co.; quitting banking business.  
 " .. Negaunee..... Iron Bank; closed.
- MO.... La Belle..... La Belle Savings Bank; suspended.  
 " .. Kansas City... Mastin Bank; suspended.  
 " .. " .. Stock Yard Bank; discontinued.  
 " .. Marshall..... Gilliam & Doak; in liquidation.
- N. Y.... Corning..... H. C. Higman & Co.; in liquidation.
- OHIO... Millersburgh... Bank of Millersburgh; closed.  
 " .. Wash'gton C.H. First National Bank; voluntary liquidation. **NOT insolvent** as reported.
- R. I.... Centreville.... Warwick Institution for Savings; injunction applied for.
- TEXAS.. Denison..... Drovers & Planters' Bank; failed.
- Wis.... Mazomanie .... J. C. Cowdery & Son; voluntary liquidation.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from August No., page 153.)*

- COL.... Georgetown... Merchants' Bank; now Merchants' Nat. B'k. Same officers.
- DAKOTA Deadwood.... Stebbins, Wood & Post; now First Nat. B. S. N. Wood, *Car.*
- ILL.... El Paso..... Shur, Tompkins & Co.; now P. H. Tompkins.
- IOWA... Cedar Rapids.. Union Bank; in liquidation. Succeeded by G. F. Vanvechten.  
 " .. Farragut..... Bank of Farragut (Samuel Chandler & Co.); now Samuel Chandler.  
 " .. La Porte City.. City Exch. Bank; now C. Searing & Co. A. G. Peirce, *Car.*  
 " .. Riverton..... Fremont County Bank (W. A. Chatterton); now Thomas Thompson & Co.
- KANSAS. Topeka..... Topeka National Bank; voluntary liquidation. Succeeded by Topeka State Bank. F. W. Giles, *Pres.*
- KY.... Lexington..... J. B. Wilgus & Co.; now Nat. Exch. B'k. J. B. Wilgus, *Car.*
- MASS... Boston..... Metropolitan National Bank; capital should be \$200,000.
- MICH... Detroit..... Sexton & Hall; now Otis F. Hall.
- MINN... Minneapolis... First National Bank; paid-up capital, \$600,000.
- MO.... Kansas City... Jackson Co. Bank; consolidated with Missouri Valley Bank.  
 " .. St. Joseph..... First National Bank; succeeded by Merchants' Bank.
- N. J.... Newark..... North Ward National Bank; capital reduced to \$200,000.
- OHIO... Cincinnati... German Savings Institution (C. F. Aday & Co.); removed to N. W. corner Fifth and Main Streets.  
 " .. Cleveland..... South Cleveland Bkg. Co.; dissolved. New firm. Same style.
- PENN... Bradford..... Union Banking Co., limited; now Bradford Bank, limited.
- TEXAS.. Galveston..... Texas Bkg. & Ins. Co.; insurance business discontinued.

## NOTES ON THE MONEY MARKET.

NEW YORK, AUGUST 26, 1878.

*Exchange on London at sixty days' sight, 4.84 a 4.84½ in gold.*

Few changes of importance have occurred in the money market. The accumulation of capital seeking investment still exceeds the demand, and rates favor the borrower. At present, there are not many indications visible as to the probable course of rates in the near future. Some persons have anticipated that disturbance can scarcely fail to result from the depletion of the Bank of England reserve which has fallen to a lower point than has been known for several months. On the 7th August it was reported at £8,602,963, while the coin balance had fallen to £21,780,048. If the reserve should be much further drained, it is hard to discover how higher rates could be avoided in England, as the bank would be compelled, under its present arrangements, to advance its minimum above the present level of four per cent., and the advance might be rapid. Such a movement could scarcely begin without producing consequences more or less distinctly marked in our monetary situation here. On this account, and for reasons connected with the export of our bonds to Europe, the foreign money markets are regarded with increasing interest just now. The complications, however, which seem likely to originate from these causes, are not regarded as very serious. A more important cause of an increase of rates may be found in the demand for the fall trade. We are approaching the time when the periodical demand from the interior may be expected to make itself felt in all the great financial centres. So vast an aggregate of money seeking employment is found in all the great channels of investment that an easy money market has prevailed, and for some time past, but little disturbance in the financial situation has, by many persons, been apprehended. The demand for money, however, is very likely to augment, and the foreign balances of our banks are likely to be called home to Europe. If then we should be threatened more distinctly with financial legislation of an extravagant and disastrous character, the money market might suddenly change and receive an impulse towards stringency. Some cautious bankers and capitalists are directing their operations with these contingencies in view. Seldom in

this country has there been a time when the result of the fall elections entered so closely into the calculations of business men, or affected with so much force the machinery of industrial enterprise and the early prospects of financial and commercial growth. The drain of deposits has already begun, and the banks of our chief cities are sending currency to the interior so that they have slightly decreased their surplus reserve, which now stands at \$19,700,475. The various changes in the average of our New York banks for the last few weeks are exhibited in the subjoined table:

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
July 27.....	\$ 238,636,000	\$ 19,695,600	\$ 58,409,600	\$ 19,078,000	\$ 222,133,700	\$ 22,571,775
Aug. 3.....	238,096,200	17,990,800	58,610,100	19,273,600	219,978,500	21,606,275
" 10.....	240,220,100	20,407,600	56,286,500	19,189,800	223,432,700	20,835,925
" 17.....	235,555,400	19,734,300	55,479,400	19,325,600	217,884,700	20,242,525
" 24.....	236,994,300	18,662,800	55,059,800	19,305,600	216,088,500	19,700,475

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 27.....	\$ 130,653,600	\$ 3,011,200	\$ 5,511,900	\$ 75,418,200	\$ 25,045,500
Aug. 3.....	131,387,300	2,944,200	5,898,100	75,046,000	25,143,900
" 10.....	131,816,000	3,008,300	5,846,800	75,387,900	25,083,200
" 17.....	131,972,900	2,888,800	5,626,400	74,669,300	25,128,600
" 24.....	131,615,700	2,768,100	5,627,300	74,489,500	25,060,400

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 27.....	\$ 57,582,408	\$ 2,122,989	\$ 13,750,039	\$ 46,127,426	\$ 11,133,381
Aug. 3.....	57,836,672	2,288,860	13,729,614	46,502,675	11,136,613
" 10.....	57,394,189	2,342,437	13,434,151	45,561,288	11,158,503
" 17.....	57,506,545	2,236,021	13,610,305	45,757,350	11,164,372
" 24.....	57,450,042	2,183,120	13,452,892	45,497,226	11,150,955

The stock market is dull and depressed. Governments are fairly active but the subscriptions to the four per cents. are diminishing. There is a movement of importation of bonds going on, the description being chiefly fives of 1881 and five-twenties of 1867, both of which are largely held abroad. There is some doubt whether the sales, which are being made by the foreign bankers, are not for the most part speculative and based upon the expectation of a sharp upward turn in the English money market. The subjoined table will show the present amount outstanding of the bonds which are being imported, with the course of prices for these and the other bonds of the United States in this market since the beginning of the year:

	Price Aug. 23.	Range since Jan. 1, 1878.		Highest.	Outstanding Aug. 1.—		
		Lowest.	Feb. 25		Registered.	Coupon.	
68, 1881.....	coup. 107¾	105¾	Feb. 25	110¾	June 27	\$ 196,009,550	86,726,500
68, 5-208, 1865, new.coup.	102¾	102¾	July 22	105½	June 6	51,129,900	50,668,500
68, 5-208, 1867.....	coup. 105	104¾	Aug. 12	108¾	June 27	107,659,150	202,957,050
68, 5-208, 1868.....	coup. 107	106¾	Jan. 2	111¾	June 28	16,029,000	21,436,300
58, 10-408.....	coup. 108¾	103¾	Mch. 1	109¾	July 29	144,280,800	50,285,500
58, funded, 1881.....	coup. 106	102¾	Feb. 25	107¾	July 30	235,364,450	273,075,900
4¾8, 1891.....	coup. 104¾	101¾	Mch. 1	105	Aug. 17	155,112,100	90,887,500
45, 1907.....	coup. 100¾	100¾	July 1	102¾	Jan. 9	80,597,350	32,252,650
68, Currency, 1899.....	reg. 120	117¾	Apr. 5	122¾	May 25	64,623,512	—

It may be interesting, in view of present and prospective contingencies, to compare the following exhibit of the prices in London for our Government securities:

	Aug. 9.	Aug. 16.	Aug. 23.	Quotations since Jan. 1, 1878.— Lowest. Highest.		
U. S. 6s, 5-20s, 1867.....	106½ ..	106¾ ..	106¾ ..	105¼ Jan. 2 ..	109¾ June 8 ..	
U. S. 5s, 10-40s .....	111 ..	108 ..	108 ..	104¾ Feb. 25 ..	111¾ July 30 ..	
5s of 1881.....	107½ ..	107½ ..	107½ ..	103¾ March 1 ..	109¾ July 9 ..	
New 4½ per cents.....	106¾ ..	105¾ ..	105¾ ..	102¾ Feb. 25 ..	107¾ July 30 ..	

From these data and from other circumstances it has been inferred that before long an improvement may be anticipated in the markets abroad for our Government securities. In State bonds little is doing. Railroad bonds are not so strong or so much in demand as formerly, but the quotations of the best roads are all sustained. The railroad share market is inert and stagnant, the prospects, however, seem to be improving. Gold is firm, and foreign exchange is lower in consequence of the ample supply of commercial bills now in the market, which is expected to be well kept up by the active movement of our foreign exportation. Subjoined are our usual quotations:

QUOTATIONS:	July 24.	July 31.	Aug. 7.	Aug. 14.	Aug. 23.
Gold.....	100¾ ..	100¾ ..	100¾ ..	100¾ ..	100¾ ..
U. S. 5-20s, 1867 Coup.	105½ ..	105¾ ..	104¾ ..	105½ ..	105 ..
U. S. 10-40s Coup.....	109 ..	109½ ..	109½ ..	109½ ..	108¾ ..
West. Union Tel. Co..	93¾ ..	92½ ..	90¾ ..	91½ ..	92½ ..
N. Y. C. & Hudson R.	109½ ..	109 ..	108 ..	110½ ..	110¾ ..
Lake Shore.....	64¾ ..	64¾ ..	62½ ..	64¾ ..	65¾ ..
Chicago & Rock Island	114¾ ..	112 ..	114 ..	113¾ ..	114 ..
New Jersey Central...	37½ ..	38 ..	36 ..	34½ ..	32¾ ..
Del. Lack. & West....	66¾ ..	58¾ ..	55¾ ..	54 ..	51½ ..
Delaware & Hudson..	57¾ ..	54¾ ..	50¾ ..	51¾ ..	48¾ ..
North Western.....	47¾ ..	36¾ ..	34¾ ..	35¾ ..	35¾ ..
Pacific Mail.....	17 ..	16¾ ..	16¾ ..	16¾ ..	17¾ ..
Erie.....	17¾ ..	18¾ ..	17¾ ..	17¾ ..	16¾ ..
Call Loans.....	1½ @ 4 ..	1½ @ 4 ..	2 @ 4 ..	1½ @ 4 ..	2 @ 4½
Discounts.....	4 @ 7 ..	4 @ 7 ..	4 @ 7 ..	4 @ 7 ..	4 @ 7½
Bills on London.....	4.83-4.86 ..	4.83-4.86 ..	4.83½-4.87½ ..	4.85-4.89½ ..	4.84-4.88½
Treasury balances, cur.	\$ 46,883,461 ..	\$ 47,757,135 ..	\$ 47,590,868 ..	\$ 49,338,582 ..	\$ 48,992,379
Do. do. gold.	\$ 119,184,665 ..	\$ 124,762,327 ..	\$ 122,387,565 ..	\$ 121,416,025 ..	\$ 123,899,797

The Secretary of the Treasury spoke at length at Toledo, August 26, upon finances, resumption, &c. His speech was received too late for any lengthy notice. In respect to the amount of Government bonds held abroad, which he estimated in April at \$600,000,000, it is cheering to see that he now finds evidence to justify him in saying that it does not exceed 200 or 250 millions.

A mistake which Mr. Sherman makes on one point, may be useful in the way of calling the attention of Congress to the expediency of making the law what Mr. S. erroneously supposes that it is now. He says that the National banks are required to keep a large amount of greenbacks in their vaults, and that the effect of this provision is to insure the Treasury against a demand for the redemption of that amount of greenbacks. There is, in fact, no law requiring the National banks to keep a single dollar of reserves in their vaults in greenbacks. They may, if the banks so please, be kept entirely in coin dollars, either gold or silver. A financial economist, who appeared before the House Committee on Banking during the last session, argued in favor of such a law as Mr. Sherman supposes now to exist, but nothing came of it. We infer that if it is proposed at the next session of Congress Mr. Sherman will support it.

The movement of the new silver dollars into circulation is very sluggish. The amount of standard dollars coined up to the 10th of this month was \$11,472,500, and there remained on hand, \$10,079,487. It thus appears that \$1,393,013 have been placed in the channels of circulation. The United States Treasury can put them out only under the legal conditions, by sending them to the one hundred and twenty depository National banks, and this merely to a limited amount, inasmuch as he cannot overrun their margin of securities, which is less than 20 per cent. The demand for the dollars is slowly, but steadily, on the increase. The trade dollars are falling into still greater disfavor. At several points the banks are refusing to take them at over 90 @ 95 cents. It is to be hoped that some means for their redemption by the Government may soon be adopted.

The receipts of grain at the points of shipment throughout the country have been enormous, and the returns show no diminution whatever. The latest aggregate receipts at the principal points in a single day, (August 26th,) of wheat, corn, oats, and rye, is 2,850,255 bushels. The harvests of France and Great Britain, have suffered from an untimely continuation of wet weather, and a large foreign demand is to be expected. It is evident that the full capacity of the railroads running East and West will be taxed for a time.

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### DEATHS.

At BUFFALO, N. Y., on Monday, August 19th, aged eighty-two years, COLONEL WILLIAM A. BIRD, President of the Erie County Savings Bank.

At HILLSBORO, ILL., on Friday, August 9th, aged forty-one years, JAMES T. BLACKBURN, Cashier of the Montgomery County Loan and Trust Company.

At MILWAUKEE, WIS., on Monday, August 5th, aged seventy-six years, MOSES S. SCOTT, formerly Cashier of the State Bank, and late of the Milwaukee National Bank.

At ST. LEON SPRINGS, P. Q., on Monday, August 12th, F. L. ELY, Cashier of the Northfield (Vt.) National Bank.

At PORTSMOUTH, N. H., on Friday, August 9th, aged seventy-eight years, WILLIAM H. Y. HACKETT, President of the First National Bank.

At NEW BEDFORD, MASS., on Sunday, July 14th, aged eighty-two years, THOMAS S. HATHAWAY, President of the National Bank of Commerce.

At WHEELING, WEST VA., on Saturday, July 27th, aged seventy-nine years, THOMAS H. LIST, President of the Commercial Bank.

At READING, PA., on Wednesday, July 17th, aged sixty years, CHARLES B. MCKNIGHT, Cashier of the National Union Bank.

At LYNN, MASS., on Monday, July 15th, aged eighty-one years, HENRY NEWHALL, formerly President of the Central National Bank.

At WESTVILLE, CONN., on Monday, July 29th, aged seventy-four years, STEPHEN D. PARDEE, Treasurer of the New Haven Savings Bank.

At LOS ANGELES, CAL., on Friday, June 28th, aged fifty-two years, MILTON S. PATRICK, President of the Commercial Bank.

THE  
BANKER'S MAGAZINE,  
AND  
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THE BALANCE OF THE EXCHANGES.

It would not be safe to estimate the favorable balance of our foreign trade for the entire current fiscal year, from the first three months' trade at this port. If that were a safe mode of reckoning it would indicate a balance for the year of not far from \$400,000,000. It may be a good deal short of this, and still show that bankers and commercial men must review all their old ideas on the subject. During the heavy balances in our favor, through the winter and spring, everybody supposed that the summer would show a balance against us, as always heretofore, whereas the favorable balance was sustained without diminution throughout the hot months, and after the shipping of cotton was substantially over.

New articles of export are constantly appearing in the commercial tables, in addition to the increased export of commodities always sent abroad. Petroleum cannot be called a new article in our foreign trade, but it is not an old one, having been first known during the civil war. The export of hemlock leather dates no farther back than 1872. The export of live cattle, horses and sheep has just begun, and promises to be enormous. We have the primary conditions for it, unlimited pasturage, and cheap means of transportation to the seaboard. South America and Australia have the pasturage, but we have the greater proximity to the market of Western Europe. The still greater nearness of Eastern Europe to that market is balanced by an inferiority in the methods of

internal communication. There are some indications that the old possession of the world's coal markets is to be disputed by Pennsylvania anthracite. The contest between the United States and England for the possession of the world's market for cotton cloths is already begun. Of some of our old staple exports, the possible increase is unbounded. We have already fully overcome the disorganization of labor at the South, resulting from the overthrow of slavery, and the cotton crop of 1877-8 was in pounds the largest ever known. So long as slavery existed, the production of cotton was limited by the number of slaves, which could only be augmented by natural increase. But free labor can flow into the South from every part of the Union and from every part of the world, and almost before we dream of it, we shall be reading of crops of ten millions of bales.

It is clear enough, that with our increased wealth and population, and with the greater diversification of our industries, our relation to other nations is undergoing a radical change. Our bonds and securities held abroad are being rapidly called home, and it may not be long before our capital and enterprise will, to some extent, seek foreign fields of employment. Those most obviously suggested are the development of the vast countries of Spanish America to the south of us; but it is not absolutely Utopian to suggest the possibility that within a few years European securities will be dealt in by Wall Street. It is only a question of the comparative wealth of America and Europe, and it is apparent that America is advancing to the head, with gigantic strides.

Unless we begin to make foreign investments, an excess of exports over imports cannot continue, after we have absorbed the remainder of our securities held abroad, and perhaps certain quantities of European silver. The excess of our exports will disappear naturally and beneficially from an increase in our current prices, and an expansion of the volume of our money, one portion of which, the bank notes, has the essential quality of elasticity, and of elasticity always in the right direction of adaptation to the wants of trade.

In fine, all the aspects are favorable to an early return of national prosperity on the basis of existing systems, without radical change, but only with such gradual and safe reforms as are suggested by experience. Reform does not consist of turning things upside down, but of giving the right direction to the natural growth and development of institutions. That is as true of monetary systems, as it is of everything in the social and political conditions of mankind.

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## ELASTICITY OF BANK-NOTE CIRCULATION.

The issues of new National-bank notes during the quarter ending June 30, 1878, exceeded the amount of such notes withdrawn during the same period by rather more than four million dollars. This increase of bank notes occurred while the capital of the banks diminished by three and a half millions, under the continued and most onerous taxes imposed upon bank capital by the nation, the States, and municipalities. The national taxation upon bank notes, as distinct from capital, is also very large, and the fact that their amount increased even slightly during the quarter ending June 30, 1878, when almost every circumstance in the condition of the country was adverse to any enlargement of the circulating medium, is a striking proof of the elastic power of a bank-note circulation, and of its adaptation to meet all the wants of business, as soon as a commercial revival shall be established.

During the past few months the wages of labor and the prices of merchandise have been abnormally low, thus requiring and permitting only a restricted currency. Confidence has been only partially restored, scarcely any new enterprises have been inaugurated, and in fine, all circumstances have kept the issue of bank notes within narrow bounds. But National banking is free under existing laws, and when circumstances change, the system has the power of adaptation to the change. There is legitimate room for a rise, moderate but beneficial, in the prices of merchandise, from the fact that they have sunk so low as compared with the general merchandise prices of the world, as to produce a balance of trade in our favor so large that it is not possible, even if desirable, to maintain it for any further great length of time. The magnitude of this balance is now possible, only because foreigners hold enough of our debts and stocks wherewith to settle the balance. But there is an end to that, which is not far off and is being rapidly approached. Merchandise prices in this country may even now tend to improvement, without in anywise impairing the soundness of trade. As prices rise, more money will be needed for the exchange of commodities, production will be stimulated, and labor will be in better request and better paid. The needed additional money will be found in the bank-note circulation, which will increase automatically in exact proportion to the legitimate calls for it. The National-bank system may need amendments in minor particulars, but it certainly secures the two cardinal objects of safety and elasticity. It is not easy to

say which of those two things is most essential in a currency. Fortunately, they are both assured under our present legislation, if we will only leave it alone to work out its natural results.

We are not at all inclined to reproach those who are in a position of pecuniary embarrassment for desiring such an enlargement of the currency as might relieve their affairs. We impute to them no unreasonable or sinister selfishness. They are sufferers from a public policy, absolutely necessary in order to bring our currency out of the slough of depreciation into which it was forced by the exigencies of a great war. Nobody has ever denied that this public policy, necessary as it was and is, involves great hardships to individuals and classes. We have no disposition either to underrate these hardships or to stigmatize those who are restive under them. We wish rather, to submit to those persons, whether, merely in the view of their own special interests, it is not better for them to look to, and assist in, the working out of relief under present laws, rather than to antagonize those laws with schemes, the realization of which must at any rate be too remote to assist those who are now in pecuniary trouble.

The plan of the irredeemable or absolute greenback, as it is called, cannot be carried out under this administration, nor at the earliest in less than one year after a new administration is inaugurated. To say nothing of the uncertainty whether it can ever be carried out, three or four years is a long time to wait when the necessity for relief is urgent. Added to this are the considerations, that the proposed new system cannot be introduced without a violence of political controversy fatal to business prosperity, and that it cannot be conceived to be possible to wind up suddenly the 2,100 existing National banks without grievous, even if temporary, injury to all classes, and especially to the debtor class. Even if it be conceded for the sake of the argument that the country would be better off ten years hence by putting down bank paper and bringing in *fiat* paper, is it not true that for the five years immediately to come, we shall have easier and more abundant money by leaving things as they are? And if we desire to make money more easy and more abundant, can it be wise to assail the banks, or to over-tax them, so as to make the business of banking odious and unprofitable, and thereby deter new capital from going into it? Why are not debtors specially interested to relieve banks of such burdens as the present most unconscionable taxes imposed upon them, so that the natural supply of bank notes may not be artificially curtailed? Is it not quite clear that an exorbitant excise upon the issue of money is exactly the wrong policy to be pursued by those who want more money?

The National bank system is admitted to be incomparably

the best banking system we ever had in this country. Its main features are not only good by comparison with preceding systems, but they are absolutely good. On the side of elasticity, nothing is left to be desired. Under former systems, the number of banks depended upon the whims of State legislatures. Under the present system, it depends upon the wants of trade, and will be enlarged precisely as those wants are enlarged.

As will have been seen, we look for relief and better times, not to new schemes and new systems, always of doubtful result and necessarily remote, but to the present system, and to moderate changes in the direction of the present system, such as giving free play to the elasticity of the bank-note circulation, by reducing the present excessive taxes on the banks.

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### GOLD CERTIFICATES.

The situation under present laws, is, that the Secretary of the Treasury *may* issue certificates of deposited gold coin, and *must* issue such certificates of deposited standard silver dollars. We have insisted that the Government is under no obligation to afford free storage for gold, silver, or any kind of property for the accommodation of individuals, and that, in present circumstances, to afford free storage for gold tends to keep up the small but embarrassing premium on that metal.

We admit that there are two public grounds, which in some measure justify what is being done in respect to certifying gold and silver deposits. One is the convenience to the public officers who collect the customs' revenue in those metals. The other is relieving those metals from the loss by wear and tear of actually using them as currency. But both those advantages, as it seems to us, do not compensate the disadvantage of issuing certificates of gold deposits.

In respect to certifying deposits of standard silver dollars, it must be admitted at once, that whatever may be the opinion of individuals, the proposition to make any substantial change in the existing law is out of the question. An overwhelming majority of the present Congress is in favor of silver money, and nobody expects that the next Congress will exhibit any change in that respect. The friends of the silver dollars, in order to meet the objections to their bulk and weight, put into the silver law the provision compelling the Treasury to issue certificates, in money-note form, of deposited silver dollars, for sums of ten dollars and upwards. The supporters of silver will insist upon the retention in sub-

stance of that provision, and they undoubtedly have the power to retain it.

Taking the situation as it is, and saying nothing at present about certifying deposits of greenbacks, all that is practicable to be done, is to so change existing laws as to compel the issue of certificates after a certain date, upon the deposit of either gold or silver dollars, to be receivable for all dues and taxes including custom-house dues, and to contain a promise by the United States to redeem them in coin; and the coin so deposited to be used for no other purpose. This would make such certificates redeemable in either gold or silver, at the pleasure of the United States, and, so long as there is a sensible difference between the legal and market relative valuation of gold and silver, would prevent the deposit of gold dollars. Such a provision would not prevent the deposit of silver dollars, and would be acceptable, rather than otherwise, to the friends of silver. It would have the advantage of not recognizing in the certificates issued any distinction between the two metals. The certificates would not be for gold, or for silver, but for dollars in coin. In double-standard countries, which, of course, desire to diminish, and if possible extinguish altogether, any difference in value between the two metals, it is advantageous to avoid, whenever it can be avoided, any distinctive reference to either. Coin is therefore an apt and preferable term to use in these certificates of deposits, and we should have in use no gold certificates or silver certificates, but only coin certificates.

After the redemption of the greenback in coin, January 1, 1879, and on the assumption that nothing now unforeseen should occur to cause a doubt of the permanency of such redemption, certificates receivable for all dues and payable simply in dollars might be issued, on the deposit, indifferently, of either gold, silver or greenback dollars. It is manifestly the intention of all parties in Congress to give the function of receivability at the custom houses to the greenbacks, after their redemption in coin shall have been commenced.

If any owner of gold or silver dollars should not choose to deposit them in the Treasury, and take the risk of being paid in greenback dollars, he has only to keep his gold and silver in his own possession. Nobody is compelled to make these deposits.

When we reach that point that the Government, in its certificates of deposit, recognizes no distinction between one kind of lawful money and another, but promises simply dollars, we shall have made a long step in the right direction.

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## THE TRADE DOLLAR.

There is a good deal of popular irritation at the losses thrown upon the holders of trade dollars, which were largely worked into circulation at par, and are now salable at only about ninety per cent. As usual, in such cases, these losses are principally avoided by the wary and well-advised, at the expense of the careless and ignorant. The acting director of the mint, Mr. R. E. Preston, insists that the trade dollar "*was not intended for circulation in the United States,*" and that there is no color for the charge "*that the Government has perpetrated a swindle on the people in putting the trade dollar out as a dollar.*" Nobody supposes, we apprehend, that the Government had any intention of "*swindling,*" but the trouble is that it has devised a coin which could hardly fail to be so used that one set of people would make unjust gains out of it at the expense of another.

It has been said often, and in a certain sense it may be true, that the contrivers of the trade dollar did not "*intend*" it for home circulation, and that the provision in the act of February 12, 1873, making it a tender for \$5, was a mere inadvertence. But those who frame laws are as much responsible for inadvertences as for anything else, and in this case there was no correction of the inadvertence until June, 1876. The fact remains, that the trade dollar was not only struck at our mints, but was struck expressly as a coin which could be used at home as money, although not a tender beyond a limited sum. This tender power was taken away in June, 1876, but it is only a few persons who observe immediately what is done in Congress. For example, the great mass of the people did not know that silver was demonetized, until three years after it was done. And it is exercising a very doubtful power, for Congress to take away from a coin actually issued, any legal function which it had when issued.

We are quite satisfied that this whole trade-dollar issue was a mistake from the beginning. It is no part of the proper duty of this Government to be manufacturing coins for the use of the Chinese, and the reason given for it, that it would stimulate the export of our silver, reverses all sound principles and precedents. During Mr. Jefferson's administration, the mint received special orders from the State Department to coin no more silver dollars, but to coin half-dollars instead, and the reason given was that the dollars were being drained off to Asia. Under these orders, no silver dollars were struck for thirty years. Neither Mr. Jeffer-

son, nor his Secretary of State, had received the new light that it was the interest of the United States to stimulate the export of either gold or silver money. If the metals used as money, flow out under the natural operation of the laws of trade, it is not wise to obstruct the flow. But it is certainly not wise to excite it by a special coinage, and particularly when such a coinage is actually used, and cannot fail to be used, as a means of subjecting the people of this country to annoying brokerages.

The provision for the trade dollar was a part of the act of February 12, 1873, which demonetized silver. On the theory that that metal was to be no longer a part of the money of this country, the stimulation of the export of it would not be specially objectionable. But now that it is restored as one of our national moneys, the conditions of the case are entirely changed, and it is not doubtful that Congress will finally suppress the coinage of the trade dollar, which is already suspended by the order of the Secretary of the Treasury. The trade dollars now in the hands of the people will then soon pass off to China, where they are generally salable at a little more than their actual bullion value.

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## COMMUNISM AND GREENBACKS.

BY GEORGE WALKER.

The *BANKER'S MAGAZINE* is a non-partizan periodical. It has nothing to do with the general issues of party politics which divide its readers, as they divide the intelligent classes under all constitutional governments. But it is the organ of a great National interest, which is inseparably allied with the finances of the financial administration of the United States. Whatever relates to these subjects, whether it be in laws enacted by Congress, or in measures proposed in that body, in State papers emanating from high public functionaries, or in the platforms of parties, or the speeches of distinguished party leaders, falls legitimately within the field of its discussion and its criticisms.

The recent political reverse by which the Greenback party in Maine has obtained a dominant influence of that once conservative State, and the possibility of a similar reverse in Massachusetts, under a leader as conspicuous for his ability, as he has long been for his hostility to the principles which the *BANKER'S MAGAZINE* lives to defend, makes it proper to depart, at the present moment, from its general rule of non-interference in political discussion.

Two objects are combined in the creed of the party which, under various designations, assumes to represent the

interests of labor and of soft money in the pending canvass, namely, a communistic war against property, and the constantly renewed endeavor to get money, the symbol of property, and the key to wealth, by some easier methods than the time-honored ones of industry, temperance, frugality, and self-denial. The war against property has been going on ever since property ceased to control political power, and just in proportion as it has lost its control of it. Under any frame work of society which has ever existed, there has been a very unequal division of the good things of this world; but as races have become more intelligent, the distinctions of classes and the inequalities of condition have been lessened, and property more widely and equally distributed. Property, however, is of little worth if it is not under the guardianship of law, and the masses who have little property, but large political power, and whose chosen representatives make the laws, often fancy that it would be easier to reach this result by the short road of legislation, than by the more painful and roundabout following of natural laws. The province of legislation is very imperfectly understood, even in the most enlightened countries. It can do much to promote, but very little to subvert the operation of those higher laws which govern the universe. The unequal division of property results chiefly from the unequal capacity, the unequal industry, and unequal persistence and self-restraint exercised by men. So long as these inherent differences remain, there can be, and ought to be, no equality of possessions.

Wherever ignorance has got the upper hand in any country, communistic doctrines have prevailed. It was so during the French Revolution of the last century; it was so during the short-lived European revolutions of 1848. No such revolution has ever taken place in this country, nor is it possible for such an one ever to have more than a momentary success. Communism in America is a warfare carried on by a few, against the rights, the property, the peace, and the general well-being of the great majority of the people. The enjoyment of property and the hope of enjoying it, are the common birth-right of all Americans, and any blow struck at its possession is an act of public robbery. Revolutions can only take place where there is something to revolutionize, some real or fancied wrong to redress, and some despotic and unjust power to pull down. The people of the United States cannot revolutionize themselves; they cannot pull down the government which is the political embodiment of their own wishes and of their own power. They may confess their own past mistakes, and they may provide remedies; but nothing can be more absurd than the pretence of demagogues that the people of this country have been misgoverned by a ruling class of property holders. There is no such class as distinguished from the great body of the people.

Communism, therefore, is not a serious danger in this country. It has not even a hold upon the party whose platform is colored by it. The idle, improvident, and discontented class does not predominate in the National party because the number of such is too small to constitute a majority of any party. In spite of its noisy demonstrations this element of the new organization is numerically insignificant. Whatever real strength the party has, it gets from the other wing of its platform.

A distinguished financier, once a resident of Maine, returned there for a visit shortly before the election. He was astonished to find the greenback heresy prevailing among the well-to-do farmers and mechanics of that State, men out of debt and beyond the need of inflation to lift them over difficulties. He could only account for the prevalence of these opinions by the absence, for a generation, of all financial questions from current politics. The farmers of Maine, forty years ago, were familiar with the bank and tariff questions which divided the Whig and Democratic parties. These questions were the burden of every political campaign and of every party platform. The provincial as well as the city newspapers made them the staple of their leaders; they were debated in the village lyceums, and fought over at the fire-side of the village tavern and around the stove of the country store. Before a New England boy cast his first vote he had fixed opinions upon them, either of the Whig or Democratic stripe. Neither of these parties, in the ante-war period, held unsound doctrines respecting money. The Whig party believed in banks and bank notes convertible into specie on demand. The Democratic party, under the lead of Jackson, made war upon the banks, and under the guidance of such statesmen as Benton, and such political economists as Amasa Walker, denounced all money except gold and silver. Both parties were largely right, each holding half the truth. The Whigs believed that a credit element in money was not dangerous; the Democrats that a solid foundation of the precious metals was indispensable. The National banking system embodies the principles of both. It continues the use of paper money, but it requires it to be secured by a large holding of specie. The old prejudice against the banks grew out of their repeated insolvencies, and of the losses which the people sustained by worthless bank notes. No system of legislation had ever made this kind of currency secure. The voluntary action of banks in some States had measurably accomplished this without legislation, but these exceptions were local, and as a general rule the circulation of State-bank notes was of unequal value, of limited currency, and essentially wanting in the properties of good money. The old prejudice was, therefore, a reasonable one; but there is not a shadow of ground for it remaining. The State-bank note systems have long since



passed away and the National banking law has created a currency in their stead which has all the qualities of good money. The security behind the notes of the National bank is greater than ever stood behind any other paper money since the beginning of time. It is at least five times as great as the amount of the notes secured, and is absolutely perfect; not only so, but it is immediately available. The National Government is an indorser, holding ample security in its own bonds, and obliged to redeem the notes (after the resumption of specie payments) the instant payment of them is refused by the bank in lawful money.

But it is unnecessary to defend the solidity of the National-bank notes, since no demagogue has been hardy enough to deny it. The complaint against them runs in the opposite direction. This money, it is said, is too good, for it costs something to maintain it. It is intrinsically valuable, and we do not want a money of intrinsic value. It is convertible into coin, and we do not want a currency that is convertible into anything better than itself. The obligation to redeem paper money involves the power to contract its volume, and we have a deadly hatred of contraction. Contraction is the enemy of enterprise, the throttler of industry; all the present misery of the country is the result of contraction, the forerunner of resumption.

The ready answer to all this is, that contraction did not precede, and therefore could not have caused the crisis of 1873, from which the country never has recovered. The fever had reached its height, and those whom it did not kill, were in a state of prostration before the remedy of contraction was applied. When a man is struck down with *delirium tremens* the physician does not build him up with brandy.

The real question which should be applied to money is, what will it buy? Ask the farmer of Maine who has just voted for absolute money—for the irredeemable greenback—to look back upon his condition since 1860, and to tell us, year by year, the price of his hay, the price of his cattle sold, the price of everything which his farm produced, and on the other hand, the cost of his new farm buildings, of his tools, of the food and clothing of his family. Was he at any time, during the suspension of specie payments, the richer, not from the results of his increased labor, but from the increased prices of his products, caused by a more abundant currency? Did his surplus earnings buy more land, or tools, or live stock, than could have been bought at the prices of 1860 in the money of that period? The extraordinary consumption and demand for products during the war must be laid out of the account. That demand would have caused an increase of prices in any kind of money, and would have enriched, as it did enrich, those who had property to sell, especially such as had been acquired or produced at

the lower cost which preceded the war. Individuals did obtain real wealth out of that extraordinary demand, and they would have obtained it if the currency had never been inflated. But let it never be forgotten that what the people sold, in their individual capacity, they also bought in their aggregate capacity. Payment was made in taxes, in government bonds and in greenbacks. If the bonds and the greenbacks have any value it is because they are promises of taxes yet to come—taxes which the sellers of property have got to pay in common with all their fellow citizens—taxes which ought to fall most heavily upon those who reaped the largest harvest out of the national necessity, but which do fall most heavily upon the poorer classes, who are now persuaded by demagogues to vote for the riveting upon the nation, for all time, of the most iniquitous of these taxes, that of an irredeemable currency. Is the farmer of Maine, is the farmer of Michigan, or Minnesota, worse off to-day, on the eve of specie resumption, than he has been at any time since 1860? Will not the products of his farm bring him more of money's worth than he has, at any time since 1860, been able to purchase with the same quantities of the same thing?

If the farmer is not worse off, it must be even better with the laborer, who has nothing to sell but his own labor and that of his children, and who can buy more of food, and clothing, and every necessary of life, with a day's work, than he could at any time since 1860.

The political contest of the present year is carried on upon the greenback side, by rhetoric and vituperation. It must be met by reason, by common sense and by facts. On the one side, the prejudices and passions of the people are aroused, on the other side, an appeal must be made to their intelligence. Their deliberate will, under the regime of universal suffrage, cannot be thwarted, and there is, happily, no reason to doubt their ultimate decision on the side of right.

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TAXATION IN PARIS.—The government of the city of Paris is sustained by indirect taxation, there being little or no tax levied on real estate except for paving and repairing and keeping the streets in order. The housekeeper and the tenant pay the taxes, such as they are, but the greater portion of the revenue of the city comes from indirect taxation. Everything that is brought into Paris in the shape of food or for domestic purposes must pay an octroi, or entrance duty, at the gates of the city, or if by water, at the boats before it is landed. The receipts from this source this year amount to 200,000,000 francs, or about \$50,000,000; market dues, \$3,000,000; slaughter-houses, \$800,000; rents of stands on the public ways, \$100,000; dues on burials, \$140,000; sales of lands in cemeteries, \$150,000; taxes for paving, lighting, etc., \$2,500,000; dog tax, \$110,000; sale of night soil, \$150,000—total receipts, about \$47,000,000, without any direct tax upon real estate. The city of Paris never has any floating debt to fund, but always has a balance to add to the sinking fund, after expending about \$5,000,000 per annum for public improvements and the ornamentation of the city. It is the best governed city in the world, and has no rings or cliques to deplete its treasury.—*Paris correspondent, Baltimore American.*

## ENGLISH JOINT-STOCK BANKS.

The *Fortnightly Review* of August contains an article by A. J. Wilson, in which important statements are made in regard to the real character of the assets of the English joint-stock banks. If these statements are true, they indicate the probability of an impending banking crisis in Great Britain.

The interests of bankers are so interwoven with those of industry and of commerce, that we can better judge whether the statements of Mr. Wilson are likely to be true, by a summary review of the extent of the depression in the leading branches of British production in mining and manufactures. To that end, we select certain facts, from a comparison given in the London *Economist* of the exports of British produce and manufactures in the calendar years 1872 and 1877.

The decline in the aggregate value of British exports from 1872 to 1877 was from 236 millions sterling to 199 millions, but that statement of itself does not give an accurate idea of the extent of the disaster to the capital and labor employed in the production of the articles exported. We ought also to know what proportion of the fall in the aggregate value of exports is due to a diminution in the quantities, and what proportion is due to the lessened prices, of the exports. And in respect to the loss by lessened prices, we ought also to know what part of it falls without mitigation upon British producers, and what part of it is reimbursed to them by a fall in the prices of the raw materials which they purchase abroad.

So far as it is possible to get information upon these points, it appears in respect to  $143\frac{1}{3}$  millions of the 199 millions sterling exported in 1877, that the same quantities of the same articles would have produced  $181\frac{1}{2}$  millions at the prices of 1872, instead of  $143\frac{1}{3}$  millions, being an average decline in price of about twenty-one per cent.

The percentage of the decline in prices was greatest in the metals and minerals, coals, copper, iron, lead, and tin, of which nearly all the raw material is British. The exports of these articles, aggregating  $32\frac{2}{3}$  millions sterling in 1877, would have produced  $45\frac{1}{10}$  millions at the prices of 1872, the average fall in prices being about twenty-eight per cent.

The exports of cotton yarn and piece goods in 1877 amounted to  $66\frac{1}{2}$  millions. The same quantities at the prices of 1872 would have amounted to  $83\frac{1}{2}$  millions. But the *Economist* estimates that one-half of this loss in price was

made good to the manufacturers by the fall in the cost of raw cotton. Of woollen fabrics, the *Economist* says :

"A total of thirty-two millions in 1872 has shrunk to seventeen millions in 1877, at least two-thirds being in the quantity of goods exported ; and of the six or seven millions loss in value there is no saving whatever in the price of raw wool."

The prostration of British productive industries is thus described by Mr. Wilson, at the outset of his article on the joint-stock banks :

"The complaints as to dulness of trade have been universal now for at least three years. You can hardly pick up a trade circular or a chairman's speech at some half-yearly company meeting without finding in it allusions to the depressed conditions of our national industries and the unsatisfactory character of the profits. In the iron and coal trades, particularly, things have gone from bad to worse. Some of the largest smelting works in the country have ceased to produce, and hundreds of smaller concerns either work along in great distress or disappear altogether, leaving little but debts to indicate that they ever existed. Prices in all departments of business almost have been falling continuously for many months, and therefore, although the bulk of the trade done may have been in some cases nearly as large as ever, it has often been trade conducted at a loss. There is, in short, undeniable evidence of strain everywhere, and business has in consequence been contracted wherever possible within the narrowest limits. We can hardly put our finger upon an industry of any importance, the country through, and say,—this branch of trade at least is good ; unless we consider the manufacture of instruments of destruction worthy of being taken into account. Sheffield languishes for lack of demands for its cutlery ; Bradford is oppressed with an excess of manufacturing power for the 'stuffs' which have at present no free market ; Manchester warehouses are groaning beneath the weight of unsold and at present unsalable cotton goods ; the sugar industry has almost departed from Bristol ; and at nearly all centres of raw silk manufacture stocks accumulate and prices sink. In the Black Country the stagnation is nearly universal ; and even Birmingham hardware is not bought so freely as in former years. Everywhere almost there are at home signs of languishing, of the same re-action from over-production, and these are frequently aggravated by indications of increased foreign competition."

Mr. Wilson proceeds to say that as "*the bulk of trade hinges*" on the banks, one would "*naturally suppose that if trade is languishing, they would languish,*" but he does not find that the surface indications point that way. On the contrary, he says :—

"The case is, to all appearance, as near as may be just the

reverse. There is no diminution in dividends paid; on the contrary, they are higher in some instances than they were before 1873, the year when our trade prosperity may be said to have culminated. Reserves increase, and deposits appear to flow in until one wonders what can be meant by complaints about bad trade, declining profits, and industrial distress."

"So steady is the apparent growth of prosperity on the part of the country joint-stock banks, in particular, that they frequently find it necessary to call up more capital in order to meet the demands of an extended business, and large dividends are paid on this capital with no difficulty whatever. Thus we learn from the [London] *Bankers' Magazine* for February last, that in the two years, 1876 and 1877, the net increase in the capital of the joint-stock banks of the country was over £4,000,000, including the premiums, in some cases very high, charged on the new issues of shares and placed to reserve funds, and the undivided profits also placed to reserve."

"Could we then be sure that these banks have no hidden troubles, no safes full of bad or doubtful securities, no dangerously-extended credits, or deep involvements with mercantile firms whose trade is but a more or less frantic endeavor to retrieve the losses of the past, we should say their position is fairly sound and good. But these are just the points upon which no man can be sure."

The principal London joint-stock banks paid the rate per cent. of dividends in the years named :

	1874.		1875.		1876.
London and Westminster....	22	....	14	....	14
Union .....	15	....	15	....	12½
London Joint-Stock.....	22	....	20	....	17
Alliance .....	7	....	7	....	6
Imperial.....	8	....	8	....	6
City.....	10	....	8	....	8
Consolidated .....	10	....	10	....	10
National Discount.....	13	....	10	....	10
United Discount.....	5	....	6	....	7

The published statements of the English banks are far less full than the statements of the banks of this country, and give much less facility for judging of their real condition. But defective as the British bank statements are, Mr. Wilson finds enough in them to excite apprehension, in connection with the known general fact that the customers of the banks must have been weakened by the bad state of trade. Taking two banks of average condition, one urban and one in the country, Mr. Wilson aggregates their statements for 1873 and 1877, and finds that while their cash has diminished from £1,623,000 to £1,406,000, and while their bills discounted, their reliable resources for ready money, have also diminished from £2,840,000 to £2,114,000, their investments in securities (stocks, etc.) have swollen from £212,000 to £1,073,000, and their advances to customers from £2,171,000

to £4,747,000. In the same time, the capital and surplus of these two banks have nearly doubled, the increase being from £625,000 to £1,206,000, while the deposits, credits on current account, etc., have risen from £6,095,000 to £8,112,000. Of the nature of many of these deposits, or credits on current account, Mr. Wilson says:—

“These seeming large increases in the deposits are, in other words, merely cross entries. A customer of a bank gets, say, a loan of £10,000 on ‘current account,’ *i. e.*, is allowed to overdraw to that amount with or without security, and the bank immediately credits his account, which then appears in the balance-sheet of the bank as a ‘liability on current and deposit account.’ No practice could be more misleading than that which wraps up these advances in this fashion; but it is the fashion, nevertheless, and hence we see the curious phenomena of paucity of cash, increased capital, and smaller discounts accompanying an apparent swelling of the deposits and available resources of these banks.

“Of course, for a time, this practice seems very profitable. In all probability the banks lending in this way do not charge less than five per cent. interest, and one per cent. commission on the amount of the overdrawn accounts. They may often charge more, and each half year the profits thus shown are added up and distributed as a big dividend to the shareholders. A further call on capital account is then made at a large premium, in order to provide further means for supporting these credits, and all goes swimmingly. But these banks are not, therefore, rich or sound; they may be just the reverse. Several of them are, indeed, at the present moment strained to the utmost to keep afloat, and it will, of course, depend on the nature of the securities they hold whether or not they can ultimately weather the storm which such financing is sure to breed.”

The explanation of the state of things which prevails all over the land “is that although trade has been bad in nearly all its branches, merchants have gone on buying and selling, and the banks have hitherto sustained them under the losses incident to a narrower and a falling market. Farmers have suffered from short crops and low prices, and they in turn have been helped by their bankers in the hope that a better time will come when high profits will permit losses to be recouped. Manufacturers have kept their mills running in order to be ready for a revival of trade when it came. Miners have continued their output in the same way, and the net upshot of it all has been constantly falling prices and dwindling resources. The banks are therefore choked with pawned securities of all kinds—stocks and shares, mortgages on property, on manufactured goods, on raw produce, and are under advances without security in cases innumerable. The losses of the community from those and other causes have thus so far been buried in the banks.”

It is, of course, utterly impossible that the real condition of the joint-stock English banks can be as prosperous as it is nominally and on the face of their statements. Their actual, but as yet unacknowledged, losses may not be as great as Mr. Wilson would seem to believe them to be, but they must have been large under the immense disasters to trade and industry within the past four or five years. In other words, the English banks cannot well escape going through the same process of diminishing or omitting dividends, and of marking off surpluses and even some portions of capital, which the banks of this country have already gone through. It is not an agreeable process anywhere, but it is, under the circumstances, inevitable. It is by no means to be concluded, that, because the English banks have been able to postpone the process longer than the American banks have deemed it wise to do, they will find it any easier when it can no longer be escaped.

There is one important particular, in which the system practiced by the English banks is far more objectionable than the system followed here. It is the plan of allowing interest upon current deposit balances; which is the rule with English banks of discount, while it is the exception with such banks in the United States. The evils of it are not apparent in prosperous times, but it tends to involve banks in an indebtedness which is most troublesome in times like the present. It also tempts them, and almost compels them, to make investments and operations which they would otherwise avoid. Money upon which they are themselves allowing interest they must employ so as to get a return for it somewhat greater than they pay for it. The risk of employing deposits, for which interest is not paid, is quite enough, without swelling deposit accounts by the methods almost universally practiced by English bankers.

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BRITISH EXPORTS TO THE UNITED STATES.—An official statement of the exports of British and Irish produce and manufactures to the United States for the first eight months of 1878, and a comparison with the same period of 1877, shows the following decline in the shipments to this country: cotton piece goods, 13,273,200 yards; linen piece goods, 8,191,300 yards; silk broad stuffs, 51,810 yards; woollen cloth and worsted stuffs, 261,000 yards. Of pig-iron the shipments fell off from 28,028 to 18,540 tons, and of bar, railroad, and other iron, from 8,660 to 4,498 tons. Of lead the shipments last year were 2,543 tons, and in 1878 158 tons. The total value of exports from Great Britain to all countries during the eight months ending August 31 were \$130,568,093 in 1877, and \$128,364,795 in 1878, a decrease of \$2,203,298. Of imports into Great Britain during the same period the total value amounted to \$264,293,634 in 1877, and \$255,386,491 in 1878, being a falling off of \$8,907,143.

## CIRCULATION OF METALLIC MONEY.

One fundamental error in our efforts to return to specie payments is, we think, the effort to contract paper money without substituting specie in the place of the retired currency. In 1872 gold and silver were in active circulation in France, while the premium on gold and silver was one per cent. for all large transactions. Since that time the Bank of France has persistently put specie into circulation.

In the Report of the Governor of the Bank of France for 1877 the following statement is made, in quoting which we reduce the francs to dollars:

"This transition from the forced currency, which has lasted for seven years, to the resumption of specie payments, has been carried through gradually, and without any shock, thanks, we may distinctly say, to the foresight of the bank. The bank employed as much care as firmness, so as not to allow the fiduciary circulation to acquire an absolute predominance till our tills overflowed with gold and silver, then distributing this gold and silver in such a manner that the country was sufficiently supplied with that metallic money, which is the surest basis of the foreign exchanges and of credit.

"We have put into circulation, during the year 1877, with a note circulation averaging \$480,000,000, a sum of \$320,000,000 in gold and silver, in such a manner that the resumption of specie payments has been accomplished, in fact, long before the close of the term fixed by the law.

"France can, therefore, now, gentlemen, enter boldly on the pathway of improvement and of labor, since on the one hand the country has a strong metallic reserve, on the other our note circulation inspires the most well-deserved confidence."

The experience of the Bank of France in keeping an extraordinary amount of notes in free circulation is shown by the following extract, and is another argument in favor of an immediate resumption of specie payments in this country. We should be ready to follow the course of the Bank of France, which paid out gold and silver when the premium was higher than it has been in this country for months past:

"Since the prodigious increase of the transactions of the Bank, we have felt it our duty to search out the cause why there should be a great quantity of notes in circulation exceeding in their amount the average figures of our commercial paper, of our advances on public securities, bullion,



of our bills to order, which constitute those commercial transactions of ours which are remunerative and lucrative, and we have ascertained that nearly \$280,000,000 of our notes in circulation represent nothing more than deposits of cash exchanged against these notes, that is to say, connected with a purely voluntary service, one which is absolutely gratuitous and concerns only the convenience and the accommodation of the public."

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### SILVER COINAGE UNDER EXISTING LAWS.

Secretary Sherman states, in a recent speech, that he desires the largest possible circulation of gold, silver and paper; but he maintains to be indispensable, a condition of which the practicability may be doubted, viz., that the silver and paper shall be equal in value to gold. That formula of limitation is contrary to the actually established law and policy of this country, which there is not the slightest possibility of changing. It may be true, as many believe, that the standard of value in the United States ought to be gold. What practical men must deal with, however, is not what ought to exist, but what actually does exist and is likely to exist. The legal measure of value in the United States is not gold, but coin, that is to say, gold and silver, with the right in debtors to select either in payments, so that the standard at any given time will always be that metal which is the cheaper of the two at such given time. It seems wholly out of the question to expect that the double standard, which was restored last winter by majorities in Congress so overwhelming, can be gotten rid of, directly or indirectly. It is true, as Mr. Sherman says, that silver can be kept equal to gold by limiting the quantity coined, but that requires legislation, and such legislation cannot be obtained. The existing law, carried over the President's veto on the 28th of last February, does not limit the quantity of silver coinage, but only the monthly rate at which the coinage shall proceed.

Not only does it now seem idle to expect such legislation as would carry the country back to a gold standard, but it also seems quite clear that the National banks will injure themselves and all the grave public interests with which they are identified, if they countenance any attempt so manifestly counter to a settled popular judgment. Nothing could more effectually weaken that influence which naturally belongs to them in financial affairs.

What the country needs, is the largest circulation of both gold and silver, whether they are equal to each other in market value or not, and the circulation of as much paper

as can be kept equal in value to, and always convertible into, not gold, but coin. The free coinage of silver is the plain road to two good things, first, an abundance of hard money, and second, the restoration of a substantial parity in the value of the two money metals. The purchase of two hundred millions of silver for coinage, at the procrastinating rate of two millions per month, will be scarcely felt in raising the price of that metal. This is shown by the seven months' experience we have had of that policy. But the prompt purchase and coinage of silver, to the amount of two hundred millions of dollars, would be sensibly felt upon the market relation of the two metals.

It will not be necessarily, or probably true, that the silver needed to supply the mints under free coinage, over and above the supply from our own mines, will be purchased with gold. It is more likely to be obtained in exchange for our surplus products. Indeed, it looks as if taking some silver from Europe is the only way in which our present large export trade can be long kept up. Europe has no gold to spare to liquidate balances in our favor, and will soon be exhausted of bonds wherewith to liquidate them. Unless we will accept some amounts of silver in exchange for our staples, how can the export of them be kept up? If we wish to retain our customers, we must accept what they can conveniently pay in, and we can well afford to do so, when it is so good an article as silver.

In discussing the present question of the free coinage of silver, the question of the wisdom of coining silver at all is in no way involved. It is settled, and as we believe, irreversibly settled, that silver is to be coined, and at a monthly rate certainly not less than that prescribed by the law of the 28th of last February. What we maintain is, that it is better to reach at once a result which cannot in any event be long postponed. One of the reasons for that view is, that the parity of the bullion value of the gold and silver dollars will be more likely to be reached by a rapid and decisive coinage of silver than by a coinage by dribblets. The danger which is deprecated, is a drift towards a coin standard which will consist exclusively of silver, and nobody doubts that that is the inevitable goal, unless the bullion values of gold and silver dollars are in some way equalized. It is easy to propose new measures of legislation, as Mr. Sherman does, to produce this equalization, but the insuperable difficulty is, that none of his proposed new measures can command majorities in Congress, or even in one branch of it. Nor will this equalization result from coining silver at the rate of two millions per month. The case demands the heroic treatment of coining silver up to the maximum capacity of the mints. If a merchant is under the necessity of procuring a large quantity of any given arti-

cle, he buys as gradually as the nature of his necessity will permit, in order not to raise the market against himself. The position of the Treasury is wholly different. The regulation of its silver purchases should not be governed by a desire to avoid raising the market, but its object should be to raise it as rapidly as possible to a parity with gold. The saving of percentages by purchasing silver low, is an utterly insignificant consideration, in comparison with the transcendent importance of diminishing and finally extinguishing the difference in value between the two metals. In critical times positive measures are needed, and there are many signs that our only choice is between unlimited silver and unlimited paper.

HAMILTON.

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## SILVER DEMONETIZATION—FORMER BRITISH OPINIONS.

BY GEO. M. WESTON.

The subsidence of the passions excited by the controversy about silver in this country makes it an opportune time to reproduce some British views on the subject, which were taken prior to the German demonetization of silver, or simultaneously with it, or not long afterwards, and before the debate upon it had passed, as it ultimately did, from the region of argument to the region of vituperation, under the pressure brought to bear by powerful interests and classes upon financial writers and journals.

The London *Economist* publishes annually, generally in March, a review of the financial and commercial movements of the preceding year. Many of these reviews, quoted from below, are understood to be from the pen of Mr. Newmarch, the associate of Tooke in the production of the well-known book on Prices. All these reviews are written with care and deliberation, but they are now quoted from, not merely, or even mainly, from any weight of authority to which they may be entitled, but from the intrinsic force of the facts and consideration which they set forth. They will be found to cover the whole grounds of the more recent debates, such as the absolute and large decline of the gold production since 1856; the failure of the aggregate production of the two precious metals to keep even pace with the advance of the world's commerce and population; the too plainly manifested tendency of property and wages to fall under the constriction of deficient money; the great extent to which nations had been driven into forced paper money by the scarcity of the metals; and the predicted and inevitable consequences to

the general gold markets, of the German silver demonetization, supplemented and intensified as that was by silver demonetization by the United States. It in no wise detracts from the force of those views of the London *Economist*, that it now stoutly denies that there is any such thing as a scarcity of gold, or that a sudden and enormous demand for that metal from two nations of the commanding importance of Germany and the United States either does, or by any possibility can, have any effect to make gold dearer, and gold prices consequently lower. Mankind have witnessed many such changes of opinion. An eminent professor in an English university, who in a book written and printed as late as 1875, said that in these days of representative paper the weight and bulkiness of metallic money had ceased to be of any consequence, was found ready in 1877 to write a letter to this country, in which the stress of his objection to silver was the same weight and bulkiness which seemed to him so harmless two years before. The suddenness and violence of such abandonments of deliberately adopted views only illustrate the force of the pressure which induces them.

There are also given below some extracts from an address of Disraeli, now Lord Beaconsfield, at Glasgow, in 1873. He was then the leader of the English opposition, and is now the English Prime Minister. If he has seen occasion for a change of his opinions, as to the disastrous consequences of a general movement of Europe and the United States to a gold standard, he has not so far seen fit to indicate such a change.

There will also be found, appended hereto, extracts from a speech delivered in the British House of Commons, August 10, 1876, by the distinguished author, banker and statesman, Mr. Goschen, the most eminent, certainly the most trusted, financial authority of the present day in England. He was the Chairman of the Parliamentary Commission on Silver in 1876, and one of the British delegates to the International Silver Conference at Paris, in August, 1878. The sagacious forebodings which he expressed two years ago, as to the disastrous effects of striking down one of the money metals of the world, have been, it would seem, now converted into absolute convictions, since we find him reported as declaring at the recent conference, that the attempt to produce the general adoption by commercial nations of the single standard of gold is both impracticable and fatal.

OPINIONS OF THE LONDON "ECONOMIST."

*Financial Review of 1864, printed March 14, 1865:—*

For the last seven years, the *new* sources of supply have yielded year by year a diminishing supply of *gold*, and the old sources of supply have done little more than maintain the former rate of production. As regards *silver*, the increase throughout the fifteen years has been, if not very great, still so continuous as to represent at

present a production twenty per cent. larger than in 1849-51. But in the case of *gold* the present annual production from all sources is thirteen per cent. less than in the five years 1852-6.

We should, however, very imperfectly apprehend the problem to be considered, if we did not ascertain, as far as we can, the growth in the number and magnitude of the transactions to be accomplished, ultimately, in some form, requiring the command of gold and silver coin; as well as the annual supplies available for purposes of commerce. We find in the United Kingdom of great Britain and Ireland 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 the activity that has prevailed in France, and already profoundly modified French society and institutions, 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. In Turkey, Asia Minor, Egypt, and other countries of the eastern Mediterranean, the creation of new employments, the appetite for pursuing new avenues to wealth, has become one of the most remarkable circumstances of our time.

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; and they are also facts which enable us to understand how it is that the addition of say 300 millions (sterling) of gold from new sources during those fifteen years, has produced so little influence on prices.

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 Californian and Australian discoveries.

*Financial Review of 1867, printed March 14, 1868:—*

Speaking in general terms, our impression is that at the opening of 1868 prices and wages are from fifteen to twenty-five per cent. lower than in 1865.

And after giving comparative tables of prices at various dates from 1851 to 1868, the review proceeds:

The evidence of this table, taken in conjunction with other facts, quite justifies the conclusion that in the years 1864-5, general prices had risen to a level higher, perhaps, than had been attained since the peace of 1815, and they also justify the conclusion that the continual fall of the last two years has reduced us to a point almost as low as in the opening of 1851, the year in which culminates the long train of unfavorable influences commenced in 1847, and extending through the three following years.

The persons who are still haunted by a fear of an approaching decline in the exchangeable value of gold may derive some consolation from the reflection—that at this moment six of the greatest and most populous countries of the world (United States, Brazil, Italy, Russia, Austria, and Turkey) are under dispensations of paper money, excessively depreciated. The mass of paper money in use in those

six countries cannot be much less than 600 millions sterling; and the whole of this vast aggregate must, in process of time—be replaced by coin.

*Financial Review of 1868, printed in March, 1869:—*

Very little has been heard for a long time of the alarms which prevailed extensively twelve or fourteen years ago, regarding the then apprehended depreciation of gold. Latterly the fear has been rather of an opposite kind.

The falling off in the supplies from new sources, that is, Australia, New Zealand, California, and British Columbia, is more than forty per cent. as compared with the maximum period 1852-6.

The maximum and minimum years of *gold* production in Victoria and California have been as follows:

California maximum in 1853, £11,500,000; minimum in 1867, £5,000,000. Victoria, maximum in 1856, £12,000,000; minimum in 1867, £5,700,000.

The silver mines of Nevada have been at work since 1859, and the annual produce has already reached  $4\frac{1}{2}$  millions sterling, with every probability of a large increase. The production of gold in New Zealand is over two millions sterling per annum.

It may be safely affirmed that the present annual supply of thirty millions sterling of gold is no more than sufficient to meet the requirements of the expanding commerce of the world; and prevent that pressure of transactions and commodities on the precious metals, which means in practice insufficient bullion reserves and, therefore, high and fluctuating rates of interest, and prices and wages tending constantly towards decline. Let us again point out that there are immense masses of depreciated paper money in Europe and America, which sooner or later must be replaced in a large degree by gold and silver. It is true that the prices of many commodities seem to be higher than before 1850, but the disturbing causes which have been in constant operation must be remembered, in India, China, Europe, and North and South America, the cessation of slave labor, rebellion in China, serf-emancipation in Russia, and fifty other causes, all tending to disturb former methods of production. The real danger is that the present supplies of gold should fall off.

*Financial Review of 1869, printed in March, 1870:—*

The controversy relative to the alleged depreciation of gold, (that is, a general rise of prices), consequent on the Californian and Australian discoveries, still retains its interest, but not the urgent kind of interest of the earlier days of the influx. Mr. Jevons arrived at the conclusion that the general rise of prices is eighteen per cent. We think this conclusion an extreme one. Professor Jevons, however, admits that the extreme views of alleged depreciation, favored by M. Chevalier, Mr. Cobden and others, in 1853-4, are no longer tenable; and, as we understand, limits his modified opinions to the point, that the new gold has arrested the decline of general prices which had been in progress for some years prior to 1849, in consequence of the pressure of increasing population and transactions upon the then stationary annual supplies of the precious metals. We fully accept this latter doctrine.

The annual production of gold from the new sources, that is, California, Australia, New Zealand, and British Columbia, remains at about fifteen millions sterling, with a tendency to decline. It may safely be affirmed that the present enlarged commerce and population

of the world could easily and advantageously absorb a much larger annual production from these or other newly-found sources; and it is one of the most conspicuous evidences of the profound changes of the last twenty years that the commercial portions of the world now require a total annual supply of thirty millions sterling of gold in place of the fourteen millions, which was the average prior to 1849, and not only absorb the thirty millions, but look anxiously for the discovery of further deposits.

*Financial Review of 1871, printed in March, 1872:—*

We print in Appendix statements relative to the extension and process of quartz gold mining both in Australia and California, which seem to indicate a higher annual production of gold in future years. No fact can be more welcome, as we have repeatedly affirmed that the danger in these modern times is not that the world will furnish every year too much but too little gold and silver. To the long list of countries afflicted with inconvertible paper currencies, the United States, South America, Russia, Austria, Italy, Turkey, and Spain, must now be added France. It is probable that not less than 1,000 millions sterling represent the amount of these currencies, descending, as most of them do, to fractional sums of a few pence; and the time must be contemplated when the development of the resources of the several countries and the establishment of a sounder national finance, will enable them gradually to replace the larger part of their paper with gold and silver coin.

But besides the absorption of gold and silver which will arise by the withdrawal of compulsory paper, there will be the effort of the substitution of a gold for a silver standard in many countries. The German Empire has already made this change.

*Financial Review of 1872, printed in 1873:—*

Next to the effect and nature of the French payments, has been the new imperial (German) coinage. At the end of 1872, the gold coinage amounted to twenty-one millions sterling. On the 8th of February, 1873, it had been raised to 23½ millions sterling, and the following paragraphs from the well-informed city writer of the *Daily News* gives the latest facts, and properly draws attention to their important character:

Only to introduce the new system, the German Government must have £ 30,000,000 of the new coinage ready in six weeks, and must continue coining £ 20,000,000 annually for several years to come. As the annual new supply throughout the world is reckoned at £ 20,000,000, and the usual demand for miscellaneous purposes is very large, it follows that, if the German Government perseveres in its policy, the strain upon existing stocks and currencies will be most severe. For a time, at least, unless the annual production of gold should suddenly increase, the money markets of the world are likely to be perturbed by this bullion scarcity.

Holland, after much deliberation, has resolved to set up for the present a double standard in place of the silver standard. There can be no hazard in predicting that for many years to come, all the annual supplies of gold, on the present or even upon an enlarged scale, will rarely suffice for the demands which are even now apparent.

*Financial Review of 1873, printed March 4, 1874:—*

1873 has been a year of monetary pressure in Australia, Germany, this country, and the United States. . . . During 1874, it seems to be likely that the Berlin mint will coin chiefly silver and copper,

and so relieve the strain which it has exercised for two years over the gold markets of Europe.

*Financial Review of 1874, printed March 13, 1875:—*

The available annual supplies of gold are steadily diminishing. The year of maximum production was 1856, when the figures were, California fifteen millions sterling, Australia fourteen millions, and Russia three millions. For 1874, the estimate is, California six millions, Australia 8½ millions, and Russia 4½ millions, total 19½ millions.

The fall here exhibited is from thirty-two millions in 1856 to nineteen millions in 1874. As much as 2½ or three millions is absorbed by wear and tear of the existing stock, leaving, say, sixteen millions, to meet the requirements of the commercial world, and to furnish the masses of gold required, and likely to be required, first by Germany in carrying out its policy of a gold standard, and shortly\* by the United States.

The German gold coinage has already reached 55½ million pounds and will have to be carried much further, and to carry it further by any considerable steps will re-open great difficulties in the European money markets. The large central banks will find increasing difficulties in the preservation of their bullion reserves. Between the necessity existing at Berlin to provide gold for coinage, and the policy at Paris to add bullion to the reserve, the money markets of Europe have been under constant apprehensions.

*Financial Review of 1875, printed March 11, 1876:—*

During the eighteen years 1857-74, the total annual production of gold fell from twenty-three to nineteen millions, or seventeen per cent. There is good reason to believe that in the current year the gold production of California and Nevada will be increased from six millions up to ten. Such an augmentation would carry the total yield to the level of 1857-61, and would remove many of the difficulties beginning to be felt in consequence of the declining, or stationary, supplies of gold, in the face of the enlarged requirements for the metal on the part of countries which have adopted, or will adopt, a gold standard.

*From the London Economist of January 16, 1875:—*

It is not difficult to trace the signs of pressure which the new great demand for gold for Germany has made upon the diminished supply.

The present position of the gold question is a very simple one. The annual production of all the mining regions which are worth reckoning upon is at the outside about £20,000,000. But in this sum the Russian production is reckoned at about a fourth or fifth, and this does not really come into the 'general market of the world, being either retained in Russia itself to support the paper circulation, or absorbed in Germany, without fully supplying the extraordinary demand for that quarter. Of the £15,000,000 a year, which appears to be generally available, the annual supply necessary for England alone is £5,000,000; for France, on a specie basis, to which it is now returning, it was always more than that, say, £8,000,000; and at least £5,000,000 was required for the other countries which we coin for. This makes £18,000,000 a year, and how is the amount to be supplied, even without an extra demand from Germany, and without any resumption of specie payments in the United States? At some point or other, we venture to say,



the pressure in the money market must again become severe; or one of the great gold-using countries must abandon its standard; or the supply from the mines must be increased; and the chances, we fear, are altogether against the occurrence of either of the two latter alternatives.

OPINIONS OF DISRAELI, NOW LORD BEACONSFIELD.

At a banquet given to him November 19, 1873, by the corporation of the City of Glasgow, on the occasion of his installation as Rector of the University of Glasgow, Mr. Disraeli said:—

• I do not observe myself that there are any symptoms in Britain of reckless speculation.

No doubt our young relations on the other side of the Atlantic—with that ardor which is characteristic of youth—have been doing some things somewhat extravagant. But I do not believe that the disorders which have arisen there could have occasioned, or were adequate to occasion, the disorders that have occurred in our own country, with reference to the value of money. I attribute them to quite another cause. I think the cause is not exhausted, and is deserving the grave attention of men who are so deeply interested in the prosperity of the country and the action of commerce as those I have the pleasure of meeting to-day.

I attribute the great monetary disturbance that has occurred to the great changes which the Governments in Europe are making with reference to their standard of value.

I know myself that an opinion has been extremely prevalent among the statesmen of Europe, and among distinguished economists and merchants abroad, that the commercial prosperity and preponderance of England were to be attributed to her gold standard. But it is the greatest delusion in the world to attribute the commercial preponderance and prosperity of England to our having a gold standard. Our gold standard is not the cause of our commercial prosperity, but the consequence of our commercial prosperity; and it is very well for us to have it; but you cannot establish a gold standard by violent means. It must arise gradually from the large transactions of a country, and the consequent command it may have over the precious metals. When the various States of Europe suddenly determined to have a gold standard and took steps to carry it into effect, it was quite evident that we must prepare ourselves for convulsions in the money market, not occasioned by speculation or any old cause, which has been alleged, but by a new cause with which we are not yet sufficiently acquainted, and the consequences of which are very embarrassing.

MR. GOSCHEN IN THE HOUSE OF COMMONS, 1876.

The topic under discussion August 10, 1876, in the British House of Commons, was the introduction of the gold standard into India, to which prominence had then been recently given by an article recommending it, which had appeared in the *London Times*, and which was characterized by more than an ordinary degree of that swaggering truculence which is habitual with that journal. The proposition was regarded as so preposterous and alarming that the Secretary for India,

Lord George Hamilton, deemed it to be his duty to make a public declaration that he meditated no such act.

He was followed by Mr. Goschen, who said :—

He was quite satisfied with Lord Hamilton's declarations, made, he hoped, on the part of the Government. He trusted the Government would speak with no uncertain sound, as any illusion would only tend further to disturb a market already so agitated.

There were powerful advocates of the introduction of a gold currency into India, but he had not seen any practical mode suggested for carrying it out. The interesting process which had been going on in Germany since 1871, in connection with a change of currency, might afford them a very instructive lesson on that subject. The difficulties of that operation had been enormous in Germany, and must be far greater in a country like India. . . . But further, if it was put to the intelligent majority in Germany whether they had gained by the substitution of gold for silver, he doubted whether the answer would, on the whole, be in the affirmative. . . . What the advocates of these changes of currency looked to was what might be called the international currency, or the means of settling the great mercantile transactions between one country and another. But the currency had an equal important function internally. . . . There was one other point to which he wished to call attention. There was at this present moment a great plethora of gold in the banks of England and France, but that had not always been the case, and he would be a bold man who would withdraw silver from that partnership with gold, by means of which a sufficient supply was furnished to do the currency for the whole globe. We had seen the results of a great increase in the supply of gold, but we had not seen what the result would be of the withdrawal of a large mass of money from the currency of the world.

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THE MARKET RATES OF INTEREST IN GREAT BRITAIN.—It is well known in a general way, that what is quoted as the London rate of interest in making discounts, being the rate of discounting at the Bank of England, as changed and announced from time to time, is not the rate at which the mass of the discounting is actually done in London, and still less in other parts of England. The Bank rate only determines the rate of discounting the bills of bankers, or of merchants enjoying the highest grade of credit. The *Fortnightly Review* says of the Bank rate :—

“It does not establish, and only in a remote degree influences, the rate charged throughout the provinces for second-class bills, or for advances with or without security. Even in London there is an enormous mass of small bill discounting done at five or six per cent., when the nominal Bank-of-England rate may be only two per cent., and the open market rate for the best paper barely half as much. This is not usurious discounting either, but the ordinary fate of fair trade bills, drawn probably by city merchants on the small retailers. . . . Throughout the provinces, where the bills circulating are on the average smaller than in London, this fixity of discount rate is of course much more customary. . . . The Bank of England rate is more a fiction with them (the country banks) at all times than it is in London, and their standard for interest payment on deposits is rather the yield on consols than ‘bank’ rate. If they cannot allow some three per cent. on the money intrusted to them, their customers place it in the funds, so they are probably compelled in the dullest of times to pay about so much for the use of money. This is, however, only a partial drawback, as they are, on the other hand, able to command a higher price for their credits and discountings.”

## THE MONETARY CONFERENCE AT PARIS.

We have now the full text of the resolutions which were agreed upon by the controlling portion of the European delegations, and which were as follows :

"The delegates of the European States represented in the conference, wish to express their sincere thanks to the Government of the United States of America, for having procured an international exchange of opinion upon a subject of so much importance as the monetary question. Having maturely considered the proposals of the representatives of the United States, they recognize :

"*First.*—That it is necessary to maintain in the world the monetary functions of silver, as well as those of gold, but that the selection for use of one or the other of these two metals, or of both simultaneously, should be governed by the special position of each State or group of States.

"*Second.*—That the question of the restriction of the coinage of silver should equally be left to the discretion of each State or group of States, according to the particular circumstances in which they may find themselves placed ; and the more so, in that the disturbance produced during the recent years in the silver market, has variously affected the monetary situation of the several countries.

"*Third.*—That the differences of opinion which have appeared, and the fact that even some of the States which have the double standard find it unprofitable to enter into a mutual engagement with regard to the free coinage of silver, exclude the discussion of the question of the adoption of a common ratio between the two metals."

These resolutions were submitted August 28, and adopted the next day without a division, as an expression of the majority of the Conference. The American delegates, all three of them concurring, thereupon submitted the following paper of dissent :

"In response to the address of the representatives of the European States, the representatives of the United States desire, on their part, to express their sincere thanks to the European States, for accepting their invitation and consulting with them upon a subject of so much importance. The representatives of the United States regret that they cannot entirely concur in all that has been submitted to them by a majority of the representatives of the European States. They fully concur in a part of the first proposition, viz. : that 'it is necessary to maintain in the world the monetary functions of silver, as well as those of gold,' and they desire that ere long there may be adequate co-operation to obtain that result. They cannot object to the statement 'that the selection for use of one or the other of these two metals, or of both, simultaneously, should be governed by the special position of each State ;' but if it be necessary to maintain the monetary functions of both metals, as previously declared, they respectfully submit that the special position of States may become of but secondary importance.

"From so much of the second proposition as assigns as a special reason for at present restricting the coinage of silver, 'that the dis-

turbance produced during the recent years in the silver market, has differently affected the monetary situation of the several countries,' they respectfully dissent, believing that a policy of action would remove the disturbance that produced these inequalities.

"In regard to the third and last proposition, they admit that 'some of the States which have the double standard,' or, as they prefer to say, use both metals, 'find it impossible to enter into a mutual engagement for the free coinage of silver.' They, as representatives of the United States, have come here expressly to enter into such an engagement. The difficulty is not with them, and wherever it may be, they trust it may be soon removed. They entirely concur in the conclusion drawn from this state of the case, that it 'excludes the discussion of the question of the adoption of a common ratio between the two metals.' It is useless to agree upon a particular ratio between the two metals, if the Nations are not ready also to adopt a policy to uphold it. We remain upon ours; the European States upon theirs."

During the progress of the Conference, expressions of opinion were made by many delegates, but of course, the declarations of M. Leon Say, the Minister of Finance of France, from the controlling position of that country in reference to the monetary situation of Europe, attracted the most attention. His declarations would be more completely decisive, but for the known existence in France of an active and persevering party in favor of the gold standard. We translate from *L'Economiste Français*, the following official account of what he said :

"M. Leon Say repeated what he had said in the Chambers in the discussion of the law for the suspension of the silver coinage, that France was not on the road to a gold standard, but was in an expectant attitude, which it would probably (*vraisemblablement*) leave to return to the double standard. It could not be made to suit the interests of France, to take away the money function from two and a half millions of francs (\$ 469,000,000), which it possessed, inside and outside the vaults of the bank. It was not in a condition to give advice in respect to the restoration of the money function of silver to those countries which had taken it away. France, before making a movement, would wait until Germany had disposed of its stock of silver, and until the causes which might raise its price could be more accurately measured,

"He did not wish, however, that the non-assent of the French government to the propositions of the United States, should be taken as a condemnation of the present monetary policy of that Republic. In his opinion, what was best to be done, was for the Nations represented in the conference, to come to an understanding upon the expression of a common idea as to the employment of silver as money, and that they should reciprocally recommend that these Nations, in their internal legislation, should adopt no measure calculated to contribute to the depreciation of that metal. We can never believe in the suppression of a money which controls the commerce of the Indies and of the farther East. We believe, on the contrary, that by the development of that commerce, the use of silver as money will likewise develop from day to day. Therefore, agreeing on so many points with the opinions of the United States, although not able, in the actual state of things, to accept their proposition, we are not willing to be understood to say that we reject it."

The impressions made upon correspondents on the spot, by M. Say's remarks, were even stronger in the double standard direction, than the guarded language of this official report of them.

The Paris correspondent of the London *Economist*, under date of August 22, 1878, says :

"M. Leon Say was more positive than in the speeches he has made in the Chamber of Deputies during the last four years, when the subject has been under discussion. He had previously confined himself to saying that France would observe an expectant attitude, and would await the course of events before taking a decision. He now repeated that declaration, but added that France was sincerely bi-metallic, from which it may be inferred that he would oppose any change, excepting under circumstances which rendered it compulsory."

A Paris correspondent of the N. Y. *Tribune*, writing under date of August 30, says :

"The position of France was one of importance, and through her Finance Minister, she declared that she only awaited the favorable moment to resume the coinage of silver."

The remarks of Mr. Goschen, of the British delegation, were interesting for many reasons, but specially because he developed a possible new stroke of British policy. He is supposed to favor personally the continued maintenance of the gold standard in England, and at any rate, he declared that that was the fixed British opinion. But he declared also that England was profoundly interested to maintain the monetary position of silver on account of India, and he alluded to what he called the sacrifices of England in upholding the value of silver, by leaving the Indian mints open to its coinage. He then proceeded to intimate in a polite way, that if any more nations embarked in the policy of depreciating silver, England might in its Indian possessions embark in it also. He said :

"If other countries enter upon a campaign against silver the government of India may perhaps adopt measures similar to those adopted elsewhere, which might result a crisis fruitful in disasters. The conference would, therefore, see that the future of silver interested the whole world, and that it concerned everybody to help prevent a depreciation of it, which might be without limits. He believed besides, that if silver was everywhere demonetized, gold was insufficient for the wants of circulation. From the fall in silver, and the rise in gold, there would result a diminution in the prices of all commodities."

*L'Economiste Français* says that the delegates from the United States displayed "*incontestable talent*" in defending the double standard, and sums up the position of other nations as follows :

"England will preserve the standard of gold at home, and the standard of silver in India. The Scandinavian States remain faithful to the standard of gold. It is towards the same standard that Switzerland and Belgium incline, although they are for the present bound to the bi-metallic system by the Latin Union. On the con-

trary, France, or at any rate, its financial minister, declares in principles, rather for bi-metalism, than for mono-metalism. Austro-Hungary and Italy avow, in language more or less explicit, their sympathy for an unlimited coinage of silver, and the universal adoption of the universal ratio of fifteen and a half to one."

The Paris correspondent of the *Tribune*, before quoted, says:

"Mr. Groesbeck spoke at the second meeting, explaining at some length, the history of silver in the United States, the reasons for its demonetization and restoration, and the prospects of immediate resumption. His arguments had much weight with the conference. At a subsequent session he spoke again on the causes which led to the limitation of silver coinage by the Latin Union; on the production and consumption of silver, and the German effort to establish a single gold standard. General Walker, at the fourth meeting, commented on the disastrous effects of the German monetary policy in 1871, which was entirely voluntary and uncalled for. He said that the demonetization of silver would destroy all par of exchange between Europe and Asia, and adduced many reasons strongly favoring the restoration of silver. The General is familiar with the question, especially in its economical aspects, and proved to be an able and effective speaker.

"Governor Fenton, the chairman of the American delegation, closed the discussion by an able and statesmanlike review of the situation. He asserted that the present financial depression, affecting alike the countries of the Old and the New World, was due in some measure to the withdrawal of silver as one of the coin metals, and that some improvement would result were it restored to its proper function as money. There might, he said, be too much currency, but there also could be too little. He held that united action in favor of the use of gold and silver would effect a revival of industry, and certainly aid in restoring commerce to a state of healthy activity."

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THE RELATIONS OF CAPITAL AND CREDIT.—Commercial crises or periods of business depression were known anterior to the era of productive mechanism. They are the product, not of labor-aiding machinery, but of financial machinery. Capital is the basis of business, and credit, though not the equivalent of capital, is essential to its complete employment. Whenever the amount of capital employed is in proper proportion to the amount of business done, and the amount of credit employed is in proper proportion to the amount of capital, business affairs assume their normal condition, and there is no over-production. In such a state of affairs, the various interests develop in harmony, and whatever labor-aiding machines may exist, they are only used to the extent to which they can be made profitable. It is only when the intricate machinery of credit is run at undue speed that over-production and over-trading ensue, and lay the foundation of the crises which sooner or later inevitably follow. The contrivances by which men strive to extend their business in disproportion to their capital are various; but whether they work in the direction of a redundancy of greenbacks, an irredeemable currency, long time credits, or 'kiting,' the result is the same, namely, excess of credit and consequent disaster.

Deliberately to seek to extend the use of credit by an irredeemable currency or any other scheme of inflation is a crime. With the evil consequences of this excessive use of credit fresh before us, it is unaccountable that, just as we are entering upon a career of substantial prosperity, there should be so many among us urging upon government inflation schemes which, if adopted, would inevitably reproduce the evils from which we have been suffering. Capital is the laborer's best friend; excessive credit his worst enemy.—Hon. E. B. Bigelow on "*The Relations of Labor and Capital*" in the *Atlantic Monthly*.

## THE BANK OF VENICE.

BY STEPHEN COLWELL.

[The excellent work of Mr. Colwell entitled "WAYS AND MEANS OF PAYMENT," which ought to be in the library of every financier, has for some time past been out of print. Among its interesting chapters is that giving the history of the Bank of Venice, an account which is considered the best in the English language of that institution. We reproduce this chapter in order not only that our readers may possess this instructive record, but also that they may judge how untenable is the ground upon which it is claimed that the example of this Bank gives support to certain financial sophistries of the present day.]

In the year 1171, a Venetian fleet of a hundred galleys was sent to avenge an outrage perpetrated by the Grecian Emperor, Manuel, upon Venetian merchants in his empire. This fleet humbled his pride, and compelled him to give satisfaction. The contest is memorable for having given origin to the Bank of Venice. "For the Republic being oppressed by the charges of the war against the Emperor of the East, and at the same time involved in hostilities with the Emperor of the West, the Duke Vitale Michel II, after having exhausted every other financial resource, was obliged to have recourse to a forced loan from the most opulent citizens, each being required to contribute according to his ability. On this occasion, and by the determination of the Great Council, the office of chamber of loans (*La Camera degl' Imprestiti*) was established; the contributors to the loans were made creditors of that office, from which they were to receive an annual interest of four per cent.)\* The Bank of Venice gradually assumed the form under which it was, for many ages, the admiration of Europe, the chief instrument of Venetian finance, and the chief facility of a commerce, not surpassed by that of any European nation. Its progress and form were, however, clearly that which naturally grew out of the position of the first contributors to the loan. Its origin was not the first occasion in Venice, or elsewhere, where the State became a borrower from its subjects; it may have been the first in which the loan was taken by a regular subscription, and the subscribers became a specially constituted board for their own protection and the management of the loan.† The book in which these

\* *McPherson's Annals of Commerce*, vol. 1, p. 341. Sanuto: *Vite di Duche di Venezia*, App. Muratore Script V, xxii col., p. 502. This is thought to be the first mention of a rate of interest per cent. Four per cent. was, no doubt, far below the customary charge of that day: but whether foreseen or not, the privileges of the *chamber of loans* soon indemnified these public creditors for this low rate of interest.

† "If I mistake not, this bank is also the most ancient establishment of a permanent national debt, or the funding system, which is now carried to such a height in almost every country in Europe."—*McPherson's Annals of Commerce*, vol. i p. 342.

loans were inscribed was authenticated by the Government, and made evidence of the whole amount of the debt, with the proportion belonging to each subscriber. It was an easy step to commence the transfer of these loans in part, or in whole. The interest was punctually paid by the Government into the office, and distributed thence to those who were entitled to it. Facility of transfer, coupled with the security of the State, and regular payment of the interest, seems to have led to a very rapid circulation of this loan.\* It must have been regarded, at that day, with great favor as a mode of investment, for nothing of similar convenience and availability has ever been enjoyed, or was then accessible.† The creditors, being thus associated, could bring their united influence to bear upon the Government, to insure the regular payment of interest, and to obtain such extension of privileges as time and experience showed to be important and valuable. The reimbursement of the loan ceased to be regarded as either necessary or desirable. Every creditor was reimbursed when he transferred his claim on the books of the bank. From being convenient and valuable as an investment readily obtained, and as readily disposed of, it became, by a natural process, a medium of payment in transactions of commerce. That fund, which was desirable to all seeking investment, would be willingly, in many instances, accepted in payment of debts already existing, or for goods just purchased. There is good reason to believe that this fund was largely used in this way for centuries before the final arrangements were made, of which our accounts are more clear. It is not unlikely that irregularities crept into the mercantile usages of the bank; that transfers were made otherwise than in the bank, and perhaps by circulating papers or checks authorizing the bank to make transfers for the amount expressed to bearer. Such a practice, unauthorized by the State, would lead to confusion, to mistakes, to forgery, and litigation. Whatever may have been the malpractices which grew up in the usages of the bank, in the first two hundred and fifty years of its history, it fully vindicated, in that period, its power

\* "As the interest of the loan was always punctually paid, every credit inscribed on the book of the chamber of loans might be regarded as a productive capital; and, by laws, these inscriptions, or the right of receiving the interest upon them, could be frequently transferred from one citizen to another. This practice, in the course of time, exhibited to all the lenders how very simple and easy was the process of paying and receiving debts among themselves by transfers upon these books; and from the moment that the advantages which commerce might derive from this method of paying debts was perceived, bank money was invented."—*Econ. Politique, par Henri Storch*; vol. iv, p. 95.

† "There was at Venice that which, more than any previous commercial policy, opened men's eyes to an advantage of great importance, contributing alike to the prosperity of the State, and to the benefit of trade. She was the glorious inventress of the Guaranteed Bank (Banco Garantito), differing both in its operations, and by its security from common banks, as much as from those called public banks. For, in the case of the Guaranteed Bank, if robbery occurs, if the servants and officials of the bank commit fraud, if the managers administer it badly, the Government is held responsible for the whole; no private person suffers any loss. But in the case of other banks, the Government is only bound to do justice, by giving all the assistance it can in the discovery and punishment of the criminals, and for the recovery of the loss."—*Broggia Trattato delle Monete*, vol. ii, p. 270, being vol. v, in *Custodi's Collection of the Economisti Italiani*.



and utility as a financial agent of the Republic, and its efficiency in promoting the movements of commerce.

There is no question, although we have not the details, that the Government had found it perfectly easy to enlarge the amount of the original loan or stock of the bank, as the demand for its funds generally exceeded the supply. All money deposited for the purpose of obtaining a credit in bank was accounted an addition to the original loan, and as such, taken into the public treasury as money lent to the State. Every such investment increased the stock of the bank, and replenished the treasury of the Republic. If individuals could make purchases and pay debts by transfers in bank, the public treasury could well afford to receive, in payment of its dues, credits in bank, as that would be only equivalent to taking up its own obligations. Thus, the more these credits were employed, the more the demand for them increased, the more rapidly money flowed into the treasury, and the more readily the Government could afford to receive payment of its revenues in the funds of the bank.\*

The way was opened by the experience of two centuries and a half, for the next chief characteristic of the Bank of Venice. In the year 1423, in the administration of the Doge *Thomas Mocenigo*, it was decreed that all bills of exchange payable in Venice, whether domestic or foreign, should be paid, unless otherwise stipulated and so expressed, in the bank; and that all payments in gross, or in wholesale transactions, should be effected also in bank. This at once brought the mass of the payments of that great commercial city to the bank.† Whatever irregularities, and whatever con-

\* "By degrees, the Government introduced the usage of making certain payments by drawing upon the bank, in place of making them in specie. It commenced by receiving these drafts into the public treasury without hesitation; and when this usage became established, a law was passed, that bills of exchange might be paid in money of the bank, whether foreign or domestic, when drawn for above the sum of three hundred ducats. These drafts could not be refused, unless stipulations had been made to the contrary."—*Daru. de Hist. Venice*, vol. iii, p. 73.

† "To give these bank credits great rapidity of circulation, an account of debit and credit was opened with every proprietor, admitting of the prompt transfer of credits; and that these might be readily effected and accepted with safety, it was decreed that they should not be seized in execution for debt, nor be the subject of mortgage."—*Ibid*, p. 74.

This statement may not be strictly correct, in asserting that the enactment, that all payments not otherwise agreed should be made in bank, was the result of the use which the Government had made of the bank. This decree was the result of the efficiency of the bank, as long experienced and admitted, and of the confidence that both the people and the Government would derive great advantage from the measure.

† "It was established, by a solemn edict of the Republic, that all payments of merchandise in gross, and of bills of exchange, should be made only in bank; and that all debtors should carry their money to the bank, to receive credits in bank therefor; and that creditors should receive payment in bank, by a similar transfer from their debtors. He who was creditor upon the books of the bank became debtor as soon as he had made his transfer, or payment, to another, who became creditor in his place. Thus the parties did but change their position without its being necessary, to make any payment in money (*rôel et effectif*)."—*Savery's Dict. de Com., Art. "Banque"*, vol. 1, p. 277.

"By this means the Republic of Venice, without restricting the course of trade, became the mistress of the money of the people; and without being obliged to resort to extraordinary taxes to sustain the war against the Turks, so long protracted, it drew to the bank, and thence to the public treasury, the sums of which it had need, without resorting to loans, so often prejudicial to commerce. The credit granted by the Government on the books of the bank for this money continued to perform the same functions as the money. Although, for distinction, called imaginary money, it was equivalent to real money, since it had the same value. No one believed himself less rich from his money being all in the bank, because, with his credit in the bank, he could obtain money when he wished; whilst the Republic, from this bank and the credit which it had given it, drew effective succor for its wants, an aid which it never could have received by taxation."—*Parfait Négociant*, vol. 1, p. 464.

fusion had prevailed, this introduced a uniform and, from long familiarity with the bank, an intelligible system. The endless diversity, and bad condition of the coins circulating in Venice were a sufficient recommendation of the new regulation to all who had not very special reasons, indeed, for disliking it. This measure at once created a great additional demand for the funds of the bank, and brought large sums into the public coffers. The Government, however, no longer paid interest for the sums received from the bank. The funds obtained in this way were brought to the bank for the payment of bills of exchange, and were paid in for that purpose, and not with a view to interest. The rapid succession of payments occurring at a point where all the payments of Venetian commerce were accomplished made the intervals, during which the funds remained in the hands of any one merchant, too short to make him solicitous about interest on balances or deposits. As all payments of the kind above designated were, by law, to be made in bank, unless otherwise agreed, and as that mode of payment was far more convenient, it became almost the exclusive usage of trade. All who had engagements to meet, found them in the bank; of course, all such provided the bank funds necessary to meet them, or carried to the bank the amount of coins requisite for the purpose. The Government continued to take all money paid in as a consideration for allowing an inscription on the books of the bank to the credit of the depositor. The sums which thus flowed through the bank into the treasury would, with the previous bank funds, make up the quantity needful for the convenient discharge of the commercial payments of Venice. As this amount fluctuated from year to year, and during each year, with the course of commerce, a very effective mode of accommodating the supply of bank funds to the exigencies of the demand came obviously into use. When the payments in bank were heavy, and the bank funds in great demand, money flowed freely into bank, and the credits were proportionably increased. When an occasional demand for the precious metals arose, the holders of bank funds could readily dispose of them at a slight reduction for coins. The purchasers of bank funds were sure of meeting soon a demand for them; for the demand for a medium in which the ever-recurring payments of debts were made so much exceeded in intensity the occasional demand for specie for exportation, or any other use, that during the whole existence of the bank, with very slight exception, the bank fund was at a large premium over coins, so large that it was finally fixed by law at twenty per cent.

The Republic could well afford to maintain a liberal policy towards an institution so important, both as a fiscal and commercial agent. That the inhabitants of Venice were well satisfied, we cannot doubt, as not an objection was ever made

to the bank, at least none is extant; neither book, nor speech, nor pamphlet, have we found in which any merchant or dweller in Venice ever put forth any condemnation of its theory, or its practice. There was no hesitation in carrying money to the bank, so long as it was not doubted that bank funds would purchase specie without loss, whenever it might be needed; and the uniform premium of bank funds settled that point. Under such a system, the regular payments of trade would proceed with a rapidity and economy previously unknown, so far as the history of commerce informs us. In this aspect, it deserves special examination.

"If Jean, Pierre, Claude and Jacques, and consecutively every inhabitant of the same town, had but one banker, who kept an account with each one of them in a register provided for the purpose, this banker could make all their reciprocal payments without moving a cent of their money, since it would suffice simply to write upon his register the receipt from one, and the payment by another; from which would result two things—they would avoid the trouble of receiving and counting money, and the expense of each having a cashier and book-keeper.

"Another respect in which the position of this banker would be advantageous to them would be, that he could put the money of all to good use, without diverting it from its proper destination, or interrupting the progress of their payments, which would be effected there by means of his books. And a third advantage would arise if this same banker would lend the money thus economized to his customers, by which they could augment their trade, both at home and abroad.

"This is what the Republic of Venice happily accomplished by the establishment of its bank, which became a perpetual banker for its inhabitants. It received from them the money previously employed in payment for merchandise in gross, and of bills of exchange; for, by public edict, all payments for merchandise in gross were to be made only in bank. All debtors were obliged, for this purpose, to carry their money to bank, and to receive credit therefor, and all creditors to receive payment there. Every payment was made by a simple transfer of a credit upon the books of the bank from one to another. He who was a creditor upon the book of the bank became debtor as soon as he had assigned to another, who thus became a creditor in his place; and so on, from one to another, the parties simply changing their position of debtor and creditor, without any necessity of a payment in money."\*

If there were a thousand accounts opened in the bank by the chief men of trade in Venice they would be found to be all paying as well as receiving, and the sums to be paid would be mainly to each other. There would, therefore, be a vast sum in the aggregate, payable yearly by persons in Venice to persons in Venice. If the whole number of such persons be taken by conjecture, as above, at a thousand, then nearly the whole sum owing by all of them would be receivable by all of them. It would, to a large extent, be a mutual debt among the thousand, each one having to pay to others not far from the same amount he was to receive. If the whole sum to be paid and received annually was a hundred and twenty millions, the monthly payment would be ten millions, and the daily over three hundred thousand.

The amount of bank funds which would be sufficient to

\* *Parfait Negoçiant*, vol. i, p. 643.

meet such a daily, monthly, or yearly aggregate, experience and time could alone fully teach. It would depend on the rapidity of the movement; on the regularity with which the paper matured; on the degree of confidence subsisting among the parties which would lead them to favor each other by short loans, from those who could spare for a brief time to those whose receipts did not, for the time, correspond with their payments. The whole fund in the bank would thus move in a circle among its customers, each one receiving and paying yearly, according to the extent of his business. The fund would substantially remain, all the time, among the same persons, only varying in the distribution.\*

It is worthy of remark, that this very efficient mode of adjustment, discovered and used so largely at this early period in the history of commerce, was not dependent for its efficacy on the guarantee of the Republic. That guarantee sprung out of the mode in which the bank originated: this convenient method of liquidation sprung from the use of this new substitute for money.

The facility of payment furnished by the bank, which made it the admiration of Europe, honorable at once to the Government and merchants of Venice, and a support to the pride and power of its people, consisted in substituting, as a medium of payment, the debt of the Republic for current coin. The coin in circulation in Venice was, in many respects, a nuisance of the most vexatious kind. It consisted not only of the variety which the many mints of Italy at all times afforded, but of that vastly increased variety which had accumulated from the coinage of more than a century. Besides this multiplicity of the new and old coins of Italy, was the coinage of many countries of the far East with which Venice carried on a vast commerce. To make all the payments of the domestic and foreign trade of Venice in these coins, of different degrees of purity, and many of them much deteriorated by wear, required time, patience and skill, which but few merchants could adequately command.† The facility of payment by the Government, through the bank, saved all this.

\* It was from this movement in a circle, the efficacy of which was fully perceived in Venice, that the bank took the name by which it was long called in Europe, *Banco del Giro*. It was seen that each day's business caused the transfer of a large amount of the bank credits, and a corresponding change of ownership; and that this change took place day after day, and yet, at the end of a year of these daily changes, the whole credits belonged to nearly the same persons, though not perhaps in the same proportions. It was as if they were moving in a circle, of which each day was a step; but whether moving slow or fast, they could not go beyond the enclosure. It was well understood, too, in that day, that if coins had been employed in such an adjustment, they would have performed the same rotary movement, so far as they could be made to effect it.

† Car sans déboursier aucune somme, il s'y fait à toute heure des payemens pour les quels il ne faut que changer de nom des parties; de sorte que les sommes y ROULENT de l'un à l'autre sans sortie des coffres du Prince, que jouit de ce fond sans payer aucune intérêt.  
"On l'appelle *Banco del Giro* à cause de tours perpetuels que l'argent y fait.—*Traité Générale du Commerce, par S. Ricard, 1732, page 301.*"

† With all the advantages of their bank, the Venetians were extremely careful to restrain abuses of their coinage. Their coins enjoyed a high reputation for purity throughout the world. They punished those who were guilty of infringing the laws for the protection of the coinage with whipping and other severe penalties. Persons were equally prohibited from paying or receiving coins at a rate more or less than the nominal value. No doubt one effect of

The Government took the coins one time for all, giving therefor a corresponding credit in the bank; and allowed the depositor or lender to transfer this credit claim upon the republic in payment of his debt, in place of transferring or paying over the coin in each payment. Whatever men can employ in payment of debts, they will be willing to receive in payment, and this independent of any legal compulsion.

Experience soon evinced the power and convenience of this mode of payment. These bank credits were divisible to every desirable degree, and they could be transferred with a readiness, speed and safety, beyond all comparison, superior to any mode of paying in coin. The same sum or credit might be kept in such rapid circulation, as to effect an amount of payments, in a specified time, far beyond any possible movement of coin. This rapidity became a great economy, for a much less sum of credits was made to effect a given amount of payments with far greater speed than could have been attained with coin. But this economy, resulting from increased speed and power of circulation, was still more important, arising from the fact that the coins which were deposited as the basis of the credit were very soon again restored to the usual channels of circulation by the payments of Government. Thus the coin was not withdrawn from its proper functions, and the credits remained a perpetual fund, to be employed in large payments. This system of payments was so well adapted to the exigencies of commerce that it was maintained in full vigor, in the great commercial city of Venice, for almost four hundred years. It was an institution or device of the credit system, for by its aid payments were effected, and that to a vast amount annually, without any use of coins or bullion. It only perished when the city itself fell, at the conquest of Italy by Napoleon; but the conqueror carried off no coin, no penny of prey. The credits of the bank were crushed under the rude touch of an invading foe. They were lost to the proprietor, but

this strictness was to promote payments in the bank in a fund which the mischiefs of coinage could not reach.

Foreign coins were only allowed to be introduced into the city under very special regulations. Dealing in coins by private or public banks was prohibited under severe penalties. All coins to be changed or sold, were to be carried to an office opened for the purpose, at the mint; the determination of the authorities being to protect the mass of the people from all the evil practices of dealers in coins. All contracts made payable in coins were to be at the rate named in the law. Every tradesman or laborer induced or compelled to take any coin otherwise than at the legal rate, was enjoined to make known the facts to a court of justice, and exhibit the money paid to him; upon which the party paying him this money was not only compelled to give him legal money, but to pay him also twenty-five ducats of a fine.

Every person carrying money into Venice was obliged to submit it to the inspection of a public officer at the mint. Any failure to comply with this involved a forfeiture of the coins so introduced into the country.

Officers from the mint were required to pass daily through the city, visiting, especially, places of dealing, to give information, to detect offenders, and to see the kind of coins in circulation. These officers were not permitted to receive compensation of any kind, but were to render their services free to the people.

These regulations were printed, and fixed in conspicuous places throughout the city. Informers were not only encouraged, and their names kept secret, but, in many instances, they were largely compensated out of the pockets of the offenders. The severity of these laws is such, in fact, that it is difficult to imagine what could have been the extent of the abuses which made them necessary. For full details, see *Marperger on Banks*, pp. 180 to 189, 410; *Berscheibung der Banquen, von P. J. Marperger*, Leipsic, 1717.

no equivalent passed into the hands of the destroyers. If the holders of these credits suffered, the invaders were not enriched. In assuming the Sovereignty of Venice, the conqueror assumed the right and the duty of making good these bank credits.

In some respects, these bank credits of Venice approximated to the power and convenience of the bank deposits of our day; and, but for certain regulations, they might have been fully as efficient. Some of these regulations will be noticed as we proceed.

Experience finally dictated that the convenience of merchants required a facility, in certain transactions, which the bank as constituted did not afford. This was simply a place of deposit—a bank, or office, in which coins or bullion could be deposited in safety, with the right of withdrawal at pleasure, or of transferring the ownership, if desirable. To meet this requirement, the Government established such an institution as a second or coördinate department of the bank. It was provided that money should be received and credited, on the books of this office, to the depositor. This measure was completely successful. The republic having previously kept good faith with its citizens, they did not doubt that the plan of the new establishment would be carried out with equal fidelity.\*

Those who received money for which they had no immediate use, and foreign merchants making purchases in Venice to carry to their own country, could thus deposit their coins in a safe place, and wait till the course of business determined what mode of disposition would be most beneficial or convenient. Such depositors could not only withdraw their deposit, but could transfer the right to withdraw it, or its equivalent in other coins; so that the funds of this deposit branch were always liable to be withdrawn. It became, of course, the depository for that large amount of money which, in every commercial community, must be kept ready for any occasion which the fluctuations of business, or public affairs, might disclose. Those even who had bills to pay with their money in a short time, making it necessary to carry it into that ancient branch of the bank, from whence it would pass into the public treasury, might prefer retaining it in their power until their payments matured. The convenience of this depository would lead, no doubt, to making many bills of exchange, and other liabilities, payable in coin, which had for a long time, under the law and usages of commerce, been payable in bank funds. Parties contracting previously having the privilege of making debts payable, by so expressing the contract, in coins, preferred omitting that stipulation,

\* "The necessity which existed, of making occasional payments in money, gave rise to the opening of a cash office (Caisse de Comptant) for those who wished to be paid in coins. Experience proved that this measure did not cause any sensible diminution in the funds of the bank."—*Dict. de Com., par Savary, Article "Banque,"* p. 276.

as the mode of paying in bank funds was the most advantageous and convenient. But, under the regulation of the new depository, the convenience became equal in each department, and other considerations would determine the choice. The success of this depository did not check the flow of money into the public coffers, as the demand had always been greater than the supply of bank funds, and, therefore, caused no complaint nor disappointment on that ground. It was perfectly apparent that the bank, by this addition, had become a vastly more efficient and useful institution; and the whole policy of the republic shows that the importance of a steadfast and firm support of the bank was perfectly understood. A large amount of specie rapidly accumulated in the depository, which was transferred on its books from one person to another, in the same mode as in the other departments of the bank. It was, therefore, made to perform the adjustments of commerce, so far as applicable, as efficiently as the other, while the fund was constantly at the disposition of its owners. It bore no interest, and was therefore only profitable by the intermediate use thus made of it. The advantage to the holders was, that while they could dispense with keeping coins for occasional employment as such, they could be made available for current payments in the new depository. Of course the amount thus kept would be small, in comparison with that fund which would be employed exclusively in effecting the ever-recurring payments of the great mass of liabilities constantly in course of liquidation. It would also be exceedingly fluctuating, because it would correspond with the changes of trade in each year, and from year to year. In these respects it would simply keep pace with the exigencies of commerce; no external force or power would restrain its limits at one time, and unduly extend them at another. It would be perfectly elastic and impressible to the movements of trade. None of the mischances of commerce could be charged to it, for it simply performed the duty of a depository, and permitted a change of ownership of the sums deposited to any extent desired. It was a servant, not a master. Bound by certain rules, from which it dare not swerve, it exercised no discretion.

It was found, in process of time, that although the amount of the deposit thus made fluctuated largely, yet a great sum remained unmoved by any emergency of business. This was, in part, taken by the Government on occasions of pressing need.\* On two occasions this cash office suspended payments; and on one of these the suspension was continued for several

\* "Its credit was so fully established in the end, that although it was well known that the Government had withdrawn a portion of the funds of the cash office upon two occasions of great public necessity, upon which this department of the bank suspended payments (in 1600 and 1717), and although these suspensions were unexpectedly prolonged, the funds of neither branch suffered serious or general discredit. The confidence that the Republic would make all right, was unshaken. It was believed, too, that the Government would at all times take these credits for anything due to the public treasury."—*Daru. Hist. de Venise*, vol. iii, p. 74.

years; yet such was the confidence in the Government, and so accustomed were the people to the operations of the older branch, that the transfers of these removed deposits proceeded, during the suspension, as if the specie were still present,\* the Government receiving them in all payments to it; so that during the period of the suspension, the two departments of the bank were resolved into one, as to their *mode of operation*, the fund in each being equally a public debt, but not of equal value, for the old bank credits maintained their advantage in that respect under all changes. The Government seized the first opportunity of enabling the cash office to resume its payments, and the whole current of this department of the bank fell into its appropriate channels.

The original capital, or subscription, which constituted the bank, is stated to have been 2,000,000 of ducats. In the middle of the eighteenth century, the amount was estimated at 5,000,000; and towards the end of that century, at the close of its long and successful career of five hundred years, at 14,000,000 or 15,000,000.†

We have no means of determining the actual efficiency of the fund thus employed in the payments of Venice. There does not appear in the notices of the bank left to us, any limitation to the circulation or transfers of the credits on its books. Every precaution, apparently, was taken to prevent mistakes; and every transfer made by the clerks of the bank, in the presence of the parties, or their agents duly authorized, bore on its face the nature of the transaction.‡ No receipt or voucher was necessary, when a payment was made in bank, as the transfer in payment was regarded as the best evidence, being sufficiently explanatory to show the actual nature and occasion of the payment. It is not improbable that the whole fund of the bank performed payments in the aggregate annually to five hundred, and perhaps, a thousand-fold the amount.

It does not appear that any tax was imposed upon these bank credits, except a collateral inheritance tax of ten per cent., when the funds of the bank descended, or were devised

\* "During the progress of the war against the Turks, the Republic having exhausted its treasury, was constrained to suspend payments at this cash-office, which caused some diminution of the credit of the bank; nevertheless it did not interrupt its regular business. All the evil which it produced was, that those who were afraid resorted to persons who relieved them by giving them ready money for their bank credits, at ten or fifteen per cent. discount. Several years afterwards the Republic, upon occasion of a new coinage, returned the money to the cash-office, and restored it to its full functions and high place in public opinion. The credits of this office were soon again at par with the precious metals, and so remained."—*Parfait Négociant*, vol. i, p. 464.

† *Histoire de Venise, par Daru*, vol. iii, p. 75.

‡ The mode of making the bank transfers, and specimens of the forms of entries, may be seen in *Postlethwaite's Dictionary*, Art. "Venice," and in the *Encyclopædia Methodique, Commerce*, vol. i, Art. "Banque." The alphabet was subdivided, and each person applied to the book-keeper to whose subdivision the letters of his name assigned him. Every subdivision had two clerks, by whom all transfers and entries were made. The party making a transfer appeared before these two clerks, and dictated the entry or transfer to be made, and both clerks wrote in separate books from that dictation. The entry specified what was paid, whether a bill of exchange, or balance of account, etc., and if a bill, where drawn, or in some way designated the bill. This made the entries on the books of the bank good evidence for all payments and safe vouchers.



by a deceased proprietor, to collateral heirs; and a forfeiture, or escheat to the State, of such deposits or funds as belonged to proprietors deceased intestate without heirs. Both these were discontinued as soon as the necessities of the public treasury permitted.

The Bank of Venice enjoyed a reputation throughout the commercial world, which greatly promoted the success of Venetian trade. It was a tower of financial strength to the Republic in her long and expensive wars, and of course contributed no small share to the celebrity of the city, as well as to its power and wealth. That the advantage of such an institution to commerce was early and fully comprehended by the Venetian merchants is evident from the fact, that those engaged in the Eastern trade established a bank in Damascus, of which we only know that it was the repository of great treasure when that city was taken and pillaged by an Eastern conqueror, early in the fifteenth century.

"This bank was established on such judicious principles, and has been conducted, through the revolution of many centuries, with such prudence, that though the Government have twice, since its establishment, made free with its funds, its credit has remained inviolate and unimpeached."\* This, from the *Annals of Commerce*, is one of many loose and imperfect accounts of the Bank of Venice which have long been in circulation, transferred from one work to another, varied and mingled, until it has become a complicated task to extricate the true from the false. One of the more recent of these statements we give entire from the London *Encyclopædia*, as it furnishes occasion to correct some errors.

"The original subscription fund of the Bank of Venice was 2,000,000 Venetian ducats, equal to £ 433,333; but by a solemn edict of the Senate, the whole trading community of the Republic were compelled to deposit their money in bank, with which a credit was opened equal to the deposit made, which could only be made available for transfer; so that not only the subscribed capital, but also the aggregate amount of deposits, resolved themselves into a national debt.

"Whether the transfers at the bank, in the early period of its establishment, required personal attendance, as is the case of transferring the national debt-stock at the Bank of England in the present day, or whether effected on written orders corresponding to the checks in the present English practice of banking, does not appear; but be that as it might, derangements in the social economy of the State ensued; the agio, or difference between the current money and transferable amounts at the bank, attained the rate of thirty per cent. Yet such was the insidious and illusive

\* *McPherson's Annals of Commerce*, vol. i, p. 341. It was a part of the fund of the cash-office, which was, upon emergency, taken by the Government for public use, and subsequently restored. In the mean time, the transfers of the office proceeded as if the specie was still in its vaults. The confidence of the people seems not to have been impaired.

nature of the bank system, that the bank increased in popularity in proportion to the extent of the derangement that ensued; the inconvenience frequently occasioned in the minor transactions of commerce, as well as on occasions of citizens or strangers requiring money to defray the expenses of foreign journeys, led, in the course of time, to the bank paying out money. Yet such was the influx of money, which the crusading armaments brought from all parts of Western Europe, that after the system of making payments in money was practiced, the deposits always exceeded the demands. At a later period, when the Venetians themselves turned crusaders against the Turks, the subscription fund of the bank was increased to 5,000,000 of ducats, the whole of which was made use of by the Senate to aid them in their operations of warfare; and, as previously stated, throughout the whole period of its career, it was made an instrument of aggression in aid of political aggrandisement; yet such was the fortuity of circumstances, and for several centuries having no rivalry, its integrity does not appear to have been questioned; the derangements occasioned by the fluctuation of the agio led ultimately to an edict of the Senate, fixing it at twenty per cent., at which rate it continued up to the period of the extinction of the Republic, in 1797."\*

It is very clear that the writer did not go far for his information. There is no doubt that the rule of the bank required the presence of the party transferring, either in person or by attorney; and this was carried so far, that no endorsed bills of exchange were permitted. The payee, or his attorney, could alone receive payment.

The assertion that the whole trading community was compelled to deposit their money in the bank is a great mistake. After the bank had been in operation more than two centuries, it was ordered that all bills of exchange, and all payments in gross, where parties had not otherwise stipulated, should be paid in bank. The only articles to be exclusively paid for in bank funds were *oil* and *quicksilver*. The rule that bills of exchange, not otherwise expressed, should be thus paid was, no doubt, complied with, because both convenience and interest dictated it; but as cash payments for merchandise would be made when the contract was made, the payment would be in bank or other funds, as the convenience of the moment might suggest.

It was a great mistake, also, to state "that derangements in the social economy of the State soon ensued; the agio, or difference between the current money and transferable amount at the bank, attained to thirty per cent." The impression is created here, that derangements in the social

\* London *Encyclopædia*, "Art. Bank." *Laus est ab hoste laudari*. It is apparent that the encyclopædist knew very little about the Bank of Venice, and that he had not taken the pains to digest what he did know. He had no conception of it as a system, nor of its efficiency as a mode of payment.

economy were caused by the peculiar constitution of the bank, and that the agio of thirty per cent. was unfavorable to the bank; neither of which was the case. There is no evidence extant that the Bank of Venice ever caused any derangements of the social economy. The voice of the best authorities is all the other way. The bank was an advantage to Venice—never questioned by those familiar with its usages. The agio, instead of being against the bank, was in its favor, its funds rose to thirty per cent. premium over the current coins, and continued to fluctuate near this high rate, until the Government, by decree, limited the premium to twenty per cent., at which it continued permanently fixed so long as the bank existed. The ground of this agio is not adequately explained by any one, and was probably inexplicable to the encyclopædist, who evidently looked upon the institution with no friendly eye.

The unit of the money of account of the bank was the ducat. A gold coin of that name had long enjoyed, in Venice, an exemption from the changes so frequent then in coins, and had been held in high repute, far and wide, for its purity. In the money of account formed upon that coin were the books of the bank kept. It was said, by some, that the agio arose in part from the superiority of Venetian ducats to other current coins. But as it was perfectly understood that no coins passed, neither any right to any, on a transfer in the bank, it is impossible to attribute the agio to any such consideration. It is true, however, that the nuisance of multiplied coinage has for centuries been exhibited in Italy in its worst aspect; and the evil was aggravated in Venice by a large admixture of coins which her widely-spread commerce brought from all the world. In Italy, the perplexity caused by multiplicity of coins and moneys of account, as already noticed, reached an alarming extent. In the same city, frequently, there existed among merchants quite a diversity in the moneys of account. It required a person specially skilled to tell the value or price of the various coins passing in trade, expressed frequently in different moneys of account. In some instances, special moneys of account were appropriated to special coins, or special commodities.

Any method which offered an escape from such intricacies, from employing such coins, from the danger of taking counterfeits, and from the risk of keeping money on hand for large payments, could not but be regarded with continued favor. Even at this day, the evils of an over-multiplied coinage press with great severity upon the people of Italy. Large quantities of coins lie, like bullion, in the coffers of the bankers; and when it is necessary to dispose of them in bulk, a close and tedious inspection becomes necessary. In a hundred coins, no five may be found alike. This mischief existed in full force in Venice, and had its due share, no doubt, in

creating the agio. It is far from adequate, however, to account for the agio of thirty per cent. mentioned above, or the twenty per cent. fixed by law, much less an additional agio, to be mentioned hereafter.

To comprehend this extraordinary fact of a credit on the books of a bank, with no money in its vaults, and not bound to make that credit good in later times even by the payment of the interest, or to redeem it in any way, having been for hundreds of years at a high premium over gold and silver, we need only remember that these credits were the funds in which debts were chiefly paid. If credits had been convertible at will into the precious metals, the agio could never have originated, much less attained so high a point; for the moment the holders of credits advanced the price, specie, if a legal tender, would have become the medium of payment, as the cheaper medium. In a commercial community like Venice, as elsewhere, large transactions were nearly all done upon credit. The chief use for money, or bank credits, was not in the purchase of commodities, but in the payment of debts incurred for goods purchased upon credit, or on time. When the Republic decreed, in 1423, that bills of exchange and other large payments, should be paid in bank, unless the parties had otherwise stipulated, it introduced the usage of making nearly all payments there, because parties preferred receiving payments in bank, and in the fund in which they had to pay their debts. There was then probably ten times more demand for bank credits than for coins, which were only required for export, for the retail trade, and for other special but limited uses. The necessity of punctually meeting all commercial engagements was not less in Venice than in New York or Philadelphia. Failure to pay was ruin. The merchant in good credit might purchase at his pleasure upon deferred payments; but the day of payment must arrive, and with it the unavoidable necessity of meeting these liabilities, however thoughtlessly incurred. To this compulsion no resistance could be offered; from this obligation of mercantile punctuality there could be no escape, no evasion. Doubtless merchants in those days pushed their credit as in later times, and found days of payment days of struggle, anxiety and difficulty, as merchants do now. Bank credits, by the law of the land and their own arrangements, being the only funds in which these constantly maturing and constantly pressing debts could be paid, were in a demand proportioned to this urgency. If the same mode of adjusting debts were resorted to now, the result would be, that inconvertible bank credits would go frequently to a high premium over gold and silver. If any one doubt this, let them attempt a solution of the question, Why is it that our gold and silver coins, and bank notes convertible into them, remain at par, having no greater purchasing power when interest is at two or three per cent.

per month, than when it is at half per cent.? It is the demand for money to pay debts which thus advances interest; and this does not affect the value of coins or bank notes in circulation, because they are not available in the large payments of commerce. It is that fund which circulates in our banks as "deposits," which actually attains the highest rates of interest. This is the fund in which debts are paid, and the daily employment of this fund is an hundred-fold the extent of any use of bank notes or coins. It is upon this principle that we explain the *agio* of bank credits at Venice over the current money.

No doubt this premium created surprise, and many, perhaps, looked upon it as unjust; but it was the result of the merchants' own movements. The Government did not cause it, nor did the banks. It was, therefore, acquiesced in by the merchants as a result of their own acts in their own business. The Government, so far from producing, attempted to limit it to twenty per cent., an attempt which was rendered wholly abortive by the introduction of a *sur agio*, or super-premium, calculated upon the *agio* and the original sum together. This additional premium ranged at from twenty to thirty per cent. for a long period, and exhibited in its fluctuations partly the pressure for money to pay debts, and partly the current value of the coins which were offered in exchange for bank credits.

The precautions against mistakes and frauds enforced by the Government of Venice in the affairs of the bank, far exceed any required by the authorities of the present time, jealous as they are of banks. Not only, as we have seen, was every transfer made in the presence of two bookkeepers, who were required to keep separate sets of books, but the bank was shut one day in each week; and four times in a year, each time twenty days. This was to balance and thoroughly supervise the books. During the period when the bank was thus shut, no bill payable in it matured, or, rather, none could be protested until six days after the opening, six days being the grace allowed on bills in Venice. A custom obtained among merchants, and others, of writing off or transferring bank credits in blank during the time when the bank was closed. The entries intended to be placed on the books of the bank at the opening were made by the parties upon books mutually exchanged, or left in the hands of a broker, proper authority being given to make the entries, and the arrangement was completed, except the formal execution on the books of the bank. No doubt this facility was confined to those who entertained for each other great mutual confidence; it may have led to many transfers of the same sum whilst the books were closed, and thus in part have compensated the injury to business caused by shutting the bank.

The great feature of the Bank of Venice—that which

required all bills of exchange payable in that great commercial city to be paid at the bank—appeared at first blush to be an arbitrary requirement, if not a most unjust one. It was giving a forced currency to the bank deposits, consisting merely of debts due by the Government. It was soon found, however, to work so well in practice, that it brought an immense accession of business to the city, and to the bank. Bills of exchange became of increased use in all the neighboring commerce, and a vast concentration of payments took place at Venice, and in the bank. This increase enlarged the capital of the bank. The money brought in to pay bills was taken by the Government as fast as it was received, until the amount of the deposit, or debt of the State, was adequate, by rapid circulation, to the current payments of commerce. This made the bank a great clearing house, or place of adjustment, for merchants of many countries. Venice was for centuries the greatest entrepôt of commerce in Europe, if not in the world. The chief payments or liquidations of this trade were effected at the bank. As is the case in many great commercial cities of the present day, payments to a great amount were thus effected at Venice upon transactions which had occurred elsewhere. It was found, therefore, then as now in regard to London, Paris, Hamburg and New York, that it was convenient and of advantage to have funds in Venice. The payment of bills required daily such a large sum, that the demand for funds for that purpose was always very great; and where everybody wanted funds, everybody sent them.

The bank became, then, a place of liquidation; merchants made their bills payable at the point where there was the greatest concentration of means to pay them, and where it was most for their advantage to receive payment. Those who had occasion for gold or silver, purchased with these deposits what was required; and, with slight exception, for more than four hundred years the precious metals were at a discount, compared with the bank funds—the demand for that which would pay bills of exchange being greater than for gold or silver for any special use to which they could be applied. The great mass of the purchases of commerce was made, in the first instance, by bills of exchange; and the great operation of payments consisted in liquidating these bills. The demand, therefore, for the deposits in which they were paid was as incessant as the movement of commerce itself. These bank deposits circulated on the books of the bank, therefore, precisely in accordance with the movements of trade; and the customers of the bank thus applied these credits, or the debts due to them, to the discharge of the debts they owed.

## SILVER IN FRANCE AND GERMANY.

The common estimate of the amount of silver coined money in France has been \$400,000,000; some advocates of a gold standard have estimated it at much less. Victor Bonnet, for example, estimated it three or four years ago as low as 1,200 million francs, or \$225,000,000.

M. Leon Say, at the recent monetary conference, gave the amount as two and a half milliards of francs, or \$469,000,000.

These increased estimates have doubtless arisen in part from the increased flow of silver into the Bank of France, where the metallic reserve consisted on the 25th of last July of 1,182 millions of francs in gold and of 982 millions in silver. The proportion of silver is said by Bonnet to be still increasing. In a recent paper on the subject, he says:

"This stock of silver is very injurious to the Bank; it can make no use of it; the large silver pieces return the moment they are issued; they only increase."

To the argument of M. Leon Say and others, that France cannot dispose of such a mass of silver without an enormous loss, Bonnet replies by the prediction that the loss in selling it will be greater hereafter than it is now. This, however, is no answer to those who say that France should never sell it, but retain it always as money.

The official estimate of the amount of the old German silver coinage, remaining January 1, 1878, to be withdrawn and sold, was \$98,000,000, reduced since, perhaps, to \$75,000,000. Of that amount, \$50,000,000 would be absorbed in an addition to the new subsidiary coinage, if the amount of that coinage, fixed now at ten marks per head, should be enlarged to fifteen marks, as proposed by the executive government nearly two years ago. The idea of enlarging the subsidiary coinage, to some extent at least, is now being actively agitated in Germany. A correspondent of the *Mining Record* of this city, quotes the following from the *Berlin Tribune* of August 21:—"One of the peculiarities which appear to everybody is the extraordinary scarcity of silver money, and this scarcity becomes more apparent, the more thaler pieces, withal the most popular silver money existing, are withdrawn from circulation. The five-marks pieces, of which so far 71,652,416 marks have been coined, appear to be absorbed by the peasantry as fast as issued, and in the same way the two-marks pieces disappear. We hear through the *Berlin Borsenzeitung*, that the government proposes to increase the silver coinage materially."

The correspondent of the *Mining Record* gives also the following extract of the letter from Germany forwarding the article from the *Berlin Tribune*:

"I hear that the government, without altering its policy as to the gold standard, intends to coin more silver two-marks pieces and to propose the coinage of a silver Reichsthaler of four marks, thereby utilizing the majority of the old thalers still to be withdrawn. Serious doubts are arising, in competent quarters, as to the advisability of forcing further sales of silver."

As the German government makes a profit in converting the old

silver coins into the new subsidiary, whereas it loses largely in selling silver at the present gold price of silver, it has a decided inducement to issue as many subsidiary coins as the channels of circulation will absorb. And the force of this inducement will be the stronger, inasmuch as German revenues have so fallen off as to leave an embarrassing deficit, requiring either an addition to the public debt, or a disagreeable imposition of new taxes.

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### DISPLACEMENT OF BANK-NOTES BY GREENBACKS.

The proposition to close up the National banks and to substitute for their circulation a Government currency is thus rebutted by the Hon. John Coburn, of Indiana, in a recent speech at Noblesville in that State:

"It is urged . . . . . that we must destroy the National banks, and issue in lieu of their notes greenbacks. To do this would very greatly unsettle business, would compel the banks to close up their present business very largely, would bring about a calling in and stopping of loans, would possibly bring upon the country a panic and the most fatal derangement of business. The deposits in these banks will average double the amount of their circulation, and their loans cover as great an amount. Unsettle all this, and require the banks to redeem their bonds and quit business, and no one can guess at the result. No experiment could be more dangerous. It is said that the National banks derive a double advantage from their bonds and notes, receiving interest on both, and so enjoy an unusual monopoly, which ought to be destroyed. Now, is there anything in this? In the first place, what is the object of the deposit of bonds in the Treasury of the United States? It is to secure the bill-holder, the people who use the currency, and it is for nothing else. The banker only does it upon compulsion, because the law requires it to be done before he gets his circulation. Suppose the banker was required to keep the bonds on deposit in his own bank, and to exhibit them on demand to any Government inspector, would the case be different? The only difference would be that the security would not be quite as good as it is now. He pays his money for these bonds, and he has a right to the interest on them. This is a fair transaction. But then he gets the National-bank notes for ninety per cent. of these bonds, and there's the rub. He can lend the notes and get double the interest. But suppose instead of National-bank notes, he issued his own notes from a private bank, such as we had before the war, would he not then get his interest both on the bonds and on the notes? Would he not, as he did then, issue three for one, and put out, instead of ninety cents to the dollar, \$3 to \$1? At all events, he would get interest on the bonds and on the notes just as he does now, and his notes would have but a local credit and inferior security—a security that the banker could pick up and run away with any day and thus utterly destroy the value of the notes. Suppose, instead of a banker issuing his circulation upon the security of his bonds, he issues them upon the credit of his real estate, his farms and his city property. Would it be wrong for him to collect the rents of this real estate, and also collect interest on the money—the circulation he loaned? And now, everybody knows



that a banker, to inspire confidence, must have property of some kind, land or money or bonds or buildings. What harm is there in that? One would think, free from prejudice, that the more land, the more bonds, the more money he had, the better for the note-holders, the better for the people. The fact that they are Government bonds does not alter the case. The Government must pay interest on all its outstanding bonds, and pays the same rate to the banker it does to the farmer or the laborer—not a cent more. But it is said why not let the Government furnish the currency, and so save the interest entirely? This looks plausible at the start, but must not the Government have some security for the bill-holder as well as the individual? Must not the Government have on hand some coin with which to redeem these notes, and will not this be a sum equivalent to the notes? And so there will lie idle in the Treasury an amount of coin which should bring interest, and which the Government loses, just exactly as great as the interest on the bonds, unless the Government issues what is called fiat money and refuses to redeem it for evermore. The only way in which you can have cheaper money than National-bank notes is to issue fiat money. Greenbacks, legal tenders, promising-to-pay dollars will not answer. But after all that is said of the large amount of notes which the banker obtains to lend, the law requires him to keep a reserve in his vaults of from fifteen to twenty-five per cent. for redemption. He gets a circulation of from sixty to seventy-five per cent. of the face of his bonds that he can use. Many sagacious bankers on this account will have nothing to do with National banks. Let it be remembered that greenbacks bear no taxes and National-bank stock pays many millions.”

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## PRESIDENT HAYES ON THE FINANCES.

On the occasion of a visit to the State Fair at St. Paul, Minnesota, on September 5th, President Hayes delivered an address upon the financial condition of the Government. This address presents so condensed, and yet so complete, a statement of monetary movements, that we place it on record for future reference. Omitting the introductory remarks, the address is as follows:

The most interesting questions in public affairs, which now engage the attention of the people of the United States, are those which relate to the financial condition of the country. Since the financial panic and collapse five years ago, capital and labor and business capacity have found it hard to get profitable employment. We have had what is commonly and properly known as hard times. In such times men naturally ask, What can be done? How long is this stagnation of business to last? Are there any facts which indicate an early return to better times? I wish to ask your attention for a few minutes while I present some facts and figures which show a progressive improvement in the financial condition of the General Government. It will be for you to consider what inferences may fairly be drawn as to their bearing on the question of a revival of business prosperity throughout the country.

The financial condition of the Government of the United States is shown by its debt, its receipts and expenditures, the currency, and the state of trade with foreign countries. Let us consider the present state of the public debt. The ascertained debt reached its highest point soon after the close of the war, in August, 1865, and amounted to \$2,757,689,571.43. In addition to this, it was estimated that there were enough unadjusted claims against the Government of

unquestioned validity, to swell the total debt to \$3,000,000,000. How to deal with this great burden was one of the gravest questions which pressed for decision as a result of the war. It will be remembered that in important speeches, and in the public press, the opinion was confidently declared that the debt could never be paid; that great nations never did pay their war debts; that our debt would be like that of England—permanent, and a burden upon ourselves and our posterity for all time. Some advocated and many feared repudiation. There were those also who thought a National debt was a National blessing. Fortunately, however, the eminent gentleman at the head of the Treasury, Mr. Hugh McCulloch, did not hold these views. He believed, and the people believed, that the debt was not a blessing, but a burden, and that it ought to be and could be honestly paid. The policy adopted was to reduce the debt, and thereby strengthen the public credit, so as to refund the debt at lower rates of interest.

And now I give you the results. The debt has been reduced until now it is only \$2,035,580,324.85. This is a reduction, as compared with the ascertained debt thirteen years ago, of \$722,109,246.58. More than one-fourth of the debt has been paid off in thirteen years. If we compare the present debt with the actual debt thirteen years ago—placing the actual debt at \$3,000,000,000—the reduction amounts to about \$1,000,000,000, or one-third of the total debt. Thus it has been demonstrated that the United States can and will pay the National debt.

#### THE ANNUAL INTEREST REDUCED.

Encouraging as are these facts, they do not fully show the progress made in relieving the country from the burden of its war debt. All who have to borrow money to carry debts know the importance of the question of interest. The total amount of interest-bearing debt at the time it reached its highest point, the 31st of August, 1865, was as follows:

Four-per-cent. bonds.....	\$618,127 98
Five-per-cent. bonds.....	269,175,727 65
Six-per-cent. bonds.....	1,064,712,279 33
7 3-10 United States notes.....	830,000,000 00
Compound-interest notes, 6 per cent.....	217,024,160 00
Total interest-bearing debt.....	\$2,381,530,294 96
The total annual interest charge amounted to.....	150,977,697 84

This was an oppressive burden. For interest alone we were paying more than double the total current expenses of the Government in any year of peace prior to the war for the Union. With such a burden for interest, it is not strange that many believed that the debt could never be paid. But, as we have seen, a better opinion prevailed. Those who believed that by strengthening the National credit, the rates of interest might be reduced, were sustained by the public judgment. The ability and the purpose to pay the debt according to its letter and spirit, were demonstrated. It was seen that the successful management of the debt depended on the rates of interest to be paid; that a reduction of one per cent. on our whole interest-bearing debt would be a yearly saving in interest of over \$20,000,000; that a reduction of two per cent. in the rate of interest would save to the country over \$40,000,000, which is the interest at four per cent. on \$1,000,000,000.

The policy of reducing the debt and thereby strengthening the public credit, having been adopted, let us observe the result in the present condition of the public debt, with respect to interest. The total interest-bearing debt, August 1, 1878, was as follows:

Three-per-cent. Navy-Pension Fund.....	\$14,000,000
Four-per-cent. bonds.....	112,850,000
Four-and-a-half per cents.....	246,000,000
Five per cents.....	703,266,650
Six per cents.....	733,561,250
Total present interest-bearing debt.....	\$1,809,677,900

The interest on which amounts to the sum of \$95,181,007.50 per annum. It thus appears that in thirteen years the interest-bearing debt has been reduced from \$2,381,530,296.96 to \$1,809,677,900; a gain in the amount of the interest-bearing debt of \$571,852,394.96. The reduction of the annual interest charge is \$55,796,690.34, or more than fifty per cent. of what we now pay. If the reduction of annual interest were placed in a sinking fund at four per cent. interest, it would pay off the whole debt in twenty-five years.

There has been another gratifying and important improvement in the state of the public debt. A few years ago our bonds were largely owned in foreign countries. It is estimated that in 1871, from \$800,000,000 to \$1,000,000,000, were held abroad. We then paid from \$50,000,000 to \$60,000,000 annually to Europe for interest alone. Now the bonds are mainly held in our own country. It is estimated that five-sixths of them are held in the United States, and only one-sixth abroad. Instead of paying to foreigners \$50,000,000, we now pay them only about \$12,000,000 or \$15,000,000 a year, and the interest on the debt is mainly paid to our own citizens. It appears from what has been shown, that since the close of the war, since the panic of five years ago, there has been a great change in the condition of the debt. The change has been one of improvement.

1. The debt has been greatly reduced.
2. The interest to be paid has been largely diminished.
3. And it is to be paid at home instead of abroad.

#### THE BURDEN OF TAXATION LESSEMED.

The burden of taxation has been reduced since 1866, the first year after the war, as follows. The taxes in 1866 were:

Customs.....	\$ 179,046,651 58	
Internal revenue.....	309,226,813 42	—\$488,273,465 00

The taxes in 1878 were:

Customs.....	\$ 130,170,680 20	
Internal revenue .....	110,581,624 74	—\$240,752,304 94

Reduction of taxes since 1866..... \$247,521,160 06

Taxation, the year of the panic, 1873, customs, \$188,089,522.70; internal revenue, \$113,729,314.14; total, \$301,818,836.84. 1878, \$240,752,304.94. Reduction since the panic, \$61,066,531.99.

The expenditures have been reduced since the end of the war as follows: 1867, expenditures, including pensions and interest, \$357,542,675.16. 1878, \$236,964,326.80. Reduction of expenses, \$120,578,348.36.

Expenditures, the year of the panic, 1873, \$290,345,245.33. 1878, \$236,964,326.80. Reduction in five years, \$53,380,918.53.

#### THE CURRENCY IMPROVED.

The improvement in the currency since the close of the war has been very great. In 1865, the paper currency of the country consisted of, greenbacks, \$432,757,604; National-bank notes, \$176,213,955; fractional currency, \$26,344,742; old demand notes, \$402,965; Treasury notes, compound-interest notes, and State-bank notes, estimated, \$100,000,000; total, \$735,719,266.

Its value was 69.32-100 on the dollar in coin, and its total value in coin was \$509,999,595.19. In 1878 our paper currency consisted of, greenbacks, \$346,681,016.00; National-bank notes, \$324,514,284.00; fractional currency, \$16,547,768.77; total, \$687,743,168.77.

Each dollar of paper currency is now worth 99½ cents in coin, and the total value in coin of our paper currency is more than \$684,000,000. The value of the paper dollar is as stable as that of coin. Coin and paper are practically abreast of each other. The fluctuation in the value of the paper dollar has not in the last five months exceeded the fraction of a cent. The total increase in the coin value of our paper currency since 1865, is about \$175,000,000.

## OUR FOREIGN TRADE IMPROVED.

Nothing connected with the financial affairs of the Government is more interesting and instructive than the state of trade with foreign countries. The exports from the United States during the year ending June 30, 1878, were larger than during any previous year in the history of the country. From the year 1863 to the year 1873, the net imports into the United States largely exceeded the exports from the United States—the excess of imports ranging from \$39,000,000 to \$182,000,000. During the years 1874 and 1875, the exports and imports were about equal. During the years ending June 30, 1876, '77, '78, however, the domestic exports from the United States greatly exceeded the net imports, the excess of exports increasing rapidly from year to year.

This is shown as follows :

Year ending June 30, 1876, excess of exports over net imports, \$79,643,481; 1877, \$151,152,094; 1878, \$257,832,667.

The total value of exports from the United States increased from \$269,389,900 in 1868, to \$680,683,798 in 1878; an increase of \$411,293,898, or 153 per cent.

The following table shows the principal commodities the exportation of which has greatly increased during the last ten years :

Commodities.	Year ending June 30.		Increase.
	1868.	1878.	
Agricultural implements.....	\$ 673,381	\$ 2,575,198	\$ 1,901,817
Animals, living.....	733,395	5,844,053	5,111,258
Bread and breadstuffs.....	68,980,997	181,774,507	112,793,510
Iron and steel, manufactures of.....	6,389,429	12,084,048	5,694,619
Coal.....	1,516,220	2,359,467	843,247
Copper and brass, and manufactures of.	939,250	3,078,349	2,139,099
Cotton, manufactures of.....	4,871,054	11,435,628	6,564,574
Fruit.....	406,512	1,376,969	970,457
Leather, and manufactures of.....	1,414,372	8,077,659	6,663,287
Oilcake.....	2,913,448	5,095,163	2,181,715
Coal oil and petroleum.....	21,810,676	46,574,974	24,764,298
Provisions.....	30,278,253	123,549,986	93,271,733
Total.....	\$ 140,926,987	\$ 403,826,601	\$ 262,899,614

The total increase in the value of agricultural products exported from the United States in the year 1878, over the exports of the year ending June 30, 1868, amounts to \$273,471,282, or eighty-six per cent. This is shown as follows :

Domestic exports of agricultural products during the years ending June 30, 1868, \$319,004,531; 1878, \$592,475,813; increase, \$273,471,282; percentage of increase, eighty-six per cent.

## THE BALANCE OF TRADE,

The balance of trade *against* the United States in the five years next before the panic was as follows: 1869, \$131,388,682; 1870, \$43,186,640; 1871, \$77,403,506; 1872, \$182,417,491; 1873, \$119,656,288; total in five years, \$554,052,607, or an average of over \$110,000,000 a year.

As we have already seen, the balance of trade in the last three years in favor of the United States is \$488,582,539, or an average of more than \$160,000,000 a year. The balance of trade the last year, if compared with that of the two years next before the panic, shows a gain in favor of the United States, in one year, of over \$400,000,000.

It is not necessary that I should dwell upon the importance of this favorable state of the balance of trade. Balances must be settled in cash—in the money of the world. The enterprises of our business men reach out to all parts of the world. Our agricultural and manufactured products more and more seek and find their market in foreign countries. The commerce of all parts of the world, bound together more than ever before by steamships, railroads, and telegraph, is so connected that it must be conducted on the same principles, and by the same instrumentalities by all who take part in it.

We cannot, if we would, we should not if we could, isolate ourselves from the rest of the commercial world. In all our measures for the improvement of our financial condition, we should remember that our increasing trade with South America and with the Old World, requires that our financial system shall be based on principles whose soundness and wisdom are sanctioned by the universal experience and the general judgment of all mankind. With diminished and still diminishing public burdens of debt, expenditures and interest, with an improved condition of currency and foreign trade, we may well hope that we are on the threshold of better times. But we must not forget that the surest foundation of a restored financial prosperity, is a sound constitutional currency and unstained National credit.

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## BANKS AS COLLECTING AGENTS—FAILURE OF COLLECTING BANK—TRUST FUND.

U. S. CIRCUIT COURT, EAST DISTRICT OF MISSOURI.

*German American Bank vs. The National Bank of Missouri et al.*

### STATEMENT OF THE CASE.

This is a suit in equity wherein the plaintiffs seek to recover from the defendants a certain sum of money which they allege the receiver of the defendant—the Third National Bank of the State of Missouri—has in his possession, which is the proceeds of a certain draft drawn by August Taussig on the firm of Taussig Bros. & Co., for \$10,000, which said plaintiff forwarded to the defendant on the 13th June, 1877, "for collection and credit." This sum of money the plaintiffs claim on the ground that the said bank did not collect it until after its suspension on the 19th day of June, 1877, and therefore holds the money as plaintiffs' agent. The plaintiffs also seek to recover said sum of money on the ground that the directors of the defendant bank received said draft for collection after they had knowledge of the fact that the bank was insolvent and on the very day the bank suspended payment, and that therefore the receipt by the defendant bank of said money was a fraud on the plaintiffs, and they are entitled to the full proceeds. To this bill the defendants filed an answer putting in issue the averments of the plaintiffs' bill and stating the facts of the transactions specially, to which answer the plaintiffs replied:

The facts, so far as material to the ground of the court's judgment are, shortly, these: The defendant bank was the correspondent of the plaintiff bank. On June 13, 1877, the plaintiff transmitted to the defendant bank "for collection and credit" a draft or bill of exchange for \$10,000, drawn by one August Taussig, on the firm of Taussig Bros. & Co., St. Louis. This was received by the defendant bank on the morning of June 19, and the amount provisionally credited in account to the plaintiffs. The defendant bank on the same day presented the bill of exchange for payment and received from Messrs. Taussig Bros. & Co., their check for the amount on the Franklin Savings Bank of St. Louis, and thereupon surrendered the bill of exchange. This bill of exchange was specially indorsed to the defendant bank for collection on account of the plaintiffs. On the same day (June 19) the defendant bank presented this check and had it certified as "good" by the Franklin Savings Bank, and took it away; and on the same day the directors of the defendant bank resolved that "all payments shall be suspended, and all its banking business shall cease except to collect and preserve its assets." It never again opened its doors.

The next day after the suspension its officers collected the amount of the certified check, and a receiver having been appointed by the Comptroller of the Currency, the money thus collected having been mingled with the other money of the bank, which came into his hands. No notice to the plaintiffs

of the provisional credit was given until after the check had been collected on the 20th day of June.

The defendant bank was hopelessly insolvent at the time, and had been known to be so for a considerable period by its executive officers and a majority of the directors, but as the judgment of the court does not proceed upon the distinct ground that the collection of the draft was for this reason fraudulent, the particular facts in this regard need not be stated in detail.

Two questions were argued:

*First*—Whether or not the defendant Johnston, as the receiver of the said bank, holds the amount of money so collected, as a trustee for the plaintiffs, or whether they are simple contract creditors for said amount and entitled only to their dividends as other creditors.

*Second*—Whether or not the insolvency of the bank, together with the facts in evidence in relation to the knowledge of its directors of its insolvency, rendered the collection of the money by defendant bank a fraud against plaintiffs, so as to entitle them to recover the full amount of the proceeds of said Taussig draft.

#### OPINION OF THE COURT.

DILLON, J.—It is only necessary to decide the first of the above questions, although counsel have discussed both of them with great fullness and referred to numerous cases. While these cases have been considered, I do not feel called on to examine them at length in this opinion, for, in my judgment, on the facts here presented, the principles of law decisive of the case are clear and well settled.

In respect of the Taussig draft, out of which the controversy arises, the defendant bank was the collecting agent of the plaintiffs. This is manifest from the relations of the two banks to each other; from the letter transmitting this draft, "for collection and credit," and from the plaintiffs' special indorsement thereon to the cashier of the defendant bank "for collection on account of" the plaintiffs. This relation was not only known to the banks, but knowledge of it, that is to say, that the defendant bank was merely the agent to collect this draft for the plaintiffs and not the holder of it in its own right, was imparted to the drawees of the draft, the Messrs. Taussig Bros. & Co., by the above mentioned special indorsement of the plaintiffs on the draft itself, and which was surrendered to the drawees when the check for the amount thereof on the Franklin Bank was received.

What then was the duty of the defendant bank, and the rights and obligations of the drawees, the Messrs. Taussig Bros. & Co.?

It was the duty of the defendant bank as the collecting agent of the plaintiffs to present the draft for payment, and as there is no proof of any special authority to the defendant, or agreement or usage varying the legal rights of the parties, the defendant bank could receive in absolute payment thereof nothing but money, "that which the law declares to be a legal tender, or which, by common consent, is considered and treated as money:" *Ward vs. Smith*, 7 Wall. 452. This settled principle of law has not been drawn in question by the defendant's counsel.

As the defendant bank was not authorized to receive payment except in the manner above stated, and as the Messrs. Taussig Bros. & Co., knew that the defendant bank did not hold the draft as their own, but as agents to collect, they are charged with knowledge that they could only make a valid payment, binding upon the plaintiffs, by making such payment in money.

Their check for the amount of the draft would at most be but conditional payment—that is, payment when the money was actually received thereon by the agents of the plaintiffs. Even if the defendant bank had undertaken by a special agreement to receive the check in absolute payment (of which there is no pretense) such an agreement would have been void for want of authority from the plaintiffs to make it.

When the check was received in exchange for the draft, the drawers of the check must be taken to have constituted the defendant bank their agents to collect the check, in order that its proceeds might be paid to the plaintiffs. Without special authority to the defendant bank to take a check in absolute payment, or without ratification of its act in receiving a check instead of

money, this act of the defendant would not bind the plaintiffs *ex proprio vigore*. The latter could affirm or disaffirm it, as they might elect. If the money had been received on the check by the defendant bank before its suspension, this would have presented a very different question from the one which actually arises.

The check was presented, but instead of payment being demanded and received, a certification of it was accepted. That was an act which did not bind the plaintiffs—for it was alike without their knowledge or authority. If this was done by the defendant bank without authority from the Messrs. Taussig Bros. & Co. it might, as between them and the bank, discharge them as drawers of the check, but it could not operate to pay the bill of exchange for which the check was given, or in any manner vary the rights of the plaintiffs. Their debt subsisted until payment was made by Messrs. Taussig Bros. & Co., and no payment was made until the check was actually paid, which was the day after the failure of the defendant bank and its resolution to cease business and wind up its affairs.

It is, therefore, a mistake to suppose that the act of the defendant bank in originally receiving the check of the Messrs. Taussig Bros. & Co., or in subsequently procuring it to be certified, discharged Taussig Bros. & Co. from their liability to the plaintiffs. I am therefore of opinion that the defendant bank remained the agent of the plaintiffs to collect the bill of exchange on Taussig Bros. & Co. until the money was actually received. When the money was received, and not before, the agency of the defendant bank to collect terminated, and its authority to credit the amount to the plaintiffs and to make itself an absolute debtor therefor would then arise, provided it was still a going concern; but inasmuch as before it received the money it had failed, its agency to constitute itself a general creditor for the amount had ceased to exist. It would hold the amount as the agent of the plaintiffs, or in trust for it, subject to any balance due to it from the plaintiffs.

Against this view, the defendants urge two objections. The first is thus stated in the defendant's printed argument.

"The letter transmitting the draft was simply asking for 'credit'—the depositing of the Taussig draft by the plaintiffs in the defendant bank. The words 'for collection and credit' mean 'credit.' While it is reasonable to suppose that the defendant bank would not give the credit until it was satisfied that it would obtain the money on the draft, yet the ultimate object of the plaintiffs being 'credit,' if they received the credit, it matters not to them whether the defendant bank received the money or not. And as soon as the defendant bank was satisfied to give the credit, as requested, the plaintiff's demand was complied with, whether the collection was ever made or not."

The argument is fallacious. The words "for collection and credit" do not mean that the credit shall be given until the money is collected. And it does make a difference whether the defendant bank ever received the money or not. On this point, the language of Byles, J., in *Sweeting vs. Pearce*, 7 C. B. (N. S.), p. 485, is applicable. He says: "It is not disputed that the general rule of law is that an authority to an agent to receive money implies that he is to receive it in cash. If the agent receives the money in cash the probability is that he will hand it over to the principal; but if he is allowed to receive it by means of a settlement of accounts between himself and the debtor, he might not be able to pay it over; at all events it would very much diminish the chance of the principal ever receiving it; and upon that principle it has been held that the agent, as a general rule, cannot receive payment in anything but cash." This language is approved in the case of *Pearson vs. Scott*, decided in the chancery division of the high court of justice, May 4, 1878, reported 18 Albany Law J., 193.

The second objection of the defendant's counsel to the view above stated is, "that even if the defendant bank was the agent of the plaintiffs for the collection of the Taussig draft, and had no right to receive payment thereof in anything but money, the acceptance of the Taussig check, and having it certified by defendant bank was a simple breach of their duty as such agents, for which they became instantly liable on the 19th day of June, as a simple contract debtor."

I answer that it has been shown above that the act of the defendant bank in having the check certified wrought no change in the plaintiff's rights, and that their debt still remained. This unauthorized act, if it resulted in any injury to the plaintiffs, would undoubtedly give them a right to recover any damages suffered thereby, but it did not dissolve or terminate the relationship of principal and agent between the plaintiffs and the defendant bank, nor preclude the plaintiffs from the right to elect to ratify the act of receiving the check and to claim the money afterwards collected thereon.

The force of the argument of the defendant's counsel that the defendant bank, on the very day of its failure, and when it was *in articulo mortis*, had the right by a credit in advance of collection, or by its unauthorized act in receiving the check and in procuring its certification to terminate, without the plaintiffs' consent, the agency, and to constitute itself the actual debtor for the amount against the plaintiffs' will and against their interest, I must confess I have been unable to perceive.

It is not unusual for bankers to credit their correspondents or customers with the amount of paper of a certain character at the time of its receipt for collection, but such credits are provisional only, being made in anticipation that the paper will be promptly paid, and with the right to cancel the credit if the paper is dishonored: *Trinidad National Bank vs Denver National Bank*, 4 Dillon, 290. Such was the nature of the credit made in this instance, and the circumstance is immaterial, as it does not vary the ultimate rights of the parties.

The conclusion, therefore, is, that the defendant bank was the agent of the plaintiffs to collect the draft on Taussig Bros. & Co.; that the agency remained until the money was received on the check, and as this was after the defendant bank had ceased to do business and had resolved to wind up its affairs, it was received in trust for the plaintiffs (less the plaintiff's indebtedness to the defendant bank), and hence the receiver has no right to hold it to be distributed ratably among the general creditors of the bank.

Let a decree be entered for the plaintiffs for \$8,168.58, with interest from the date of the commencement of this suit at the rate of six per cent. per annum.

Treat, J., did not sit. Decree accordingly.

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## RIGHT TO SUE NATIONAL BANK FOR USURIOUS INTEREST ASSIGNABLE.

U. S. CIRCUIT COURT, INDIANA, JULY 15, 1878.

*Wright vs. First National Bank of Greensburg.*

The right of a borrower to sue a National bank for double the amount of usury taken is a claim or debt which will pass to his assignee in bankruptcy, and such assignee can maintain an action thereon.

Action to recover the penalty for taking usurious interest brought by Arthur L. Wright and Henry H. Woollery, assignees of Francis J. Randolph, Frank Wright and Ebenezer Nutting, bankrupts, against the First National Bank of Greensburg. The opinion states the case.

GRESHAM, J. The declaration alleges that the defendant has reserved, taken and received usurious interest from the bankrupts. The action is brought to recover double the amount of interest thus paid, and is based upon the 30th section of the Banking Act, U. S. Stat. at Large, which reads as follows:

"Every association organized under this Act may take, receive, reserve and charge on any loan \* \* \* interest, at the rate allowed by the laws of the State or Territory 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 any State laws, the rate so limited shall be allowed



every association organized in any such State under this Act. And when no rate is fixed by the laws of the State or Territory the bank may take, receive, reserve or charge a rate not exceeding seven per cent. 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, in any action of debt, twice the amount of interest paid from the association taking or receiving the same."

The defendant demurs to the declaration on the ground that the plaintiffs, as assignees in bankruptcy, have no legal capacity to prosecute the action. This is the only question presented by the demurrer.

The right of action given by this section is penal. *Tiffany vs. National Bank, etc.*, 18 Wall. 409.

In the absence of a statute authorizing it, a right to a penalty cannot be assigned, nor a right of action for a tort. *Gardiner vs. Adams*, 12 Wend. 297. The defendant exacted and received usurious interest. Had the bankrupts remained solvent they might have prosecuted an action for double the amount of interest paid. Unless the right of action has been barred it yet exists, either in the bankrupts or their assignees. It is insisted that because the bankrupts could not have sold or transferred the right of action, if they had remained solvent, that, therefore, their assignees have no legal capacity to prosecute the suit. *Tiffany vs. National Bank, supra*, was an action by a trustee to recover the penalty given by the statute. The plaintiff recovered, but his capacity to maintain the action seems not to have been directly raised. In the case of *Crocker, assignee, vs. First National Bank, etc.*, 3 C. L. J. 527, the precise question raised by this demurrer was considered, and it was held by Dillon, J., that the assignee was the "legal representative" of the borrower within the meaning of the Banking Act, and as such could maintain the suit whether the right of action vested in the assignee under the Bankrupt Law or not.

In *Tiffany vs. Boatman's Association*, 18 Wall. 375, the assignee in bankruptcy was allowed to recover usurious interest which had been paid by the bankrupt in violation of the statutes of Missouri.

In *Meech vs. Stoner*, 19 N. Y. 26, it was held that an assignee could maintain an action to recover money lost at faro, under a statute which gave the right of action to the loser. See, also, *Carter vs. Abbott*, 1 B. & C. 444, and *Gray vs. Bennett*, 3 Metc. 522. In this last case the assignee of the insolvent debtor was allowed to recover threefold the amount of usurious interest paid to the defendant, that being the amount allowed by the Massachusetts statutes. This is a well-considered case.

In *Bromley, assignee, vs. Smith*, 2 Bissell, 511, it was held by Miller, District Judge, that the assignee could not maintain an action to recover the penalty given by the statute. And it seems to be conceded that in the case of *Barnett vs. Muncie National Bank*, in the Circuit Court of the United States for the Southern District of Ohio, a similar ruling was made by Justice Swayne, and the late Circuit Judge, Emmons, in an oral but unreported opinion. To the same effect is *Nichols vs. Bellows*, 22 Vt. 581.

The Bankrupt Act (Rev. Stats. §§ 5044, 5045, 5046 and 5047) vests in the assignee for the creditors the entire estate of the debtor—every thing of beneficial interest passes by the deed of assignment, except certain necessary exemptions which are intended to protect the bankrupt and his family from temporary distress.

It is true that rights of action for torts to the debtor's person, such as assault and battery, false imprisonment, malicious prosecution, libel and slander, do not pass to the assignee. While it must be conceded that under the decision of the Supreme Court this is an action, in part at least, to recover a penalty, yet there are reasons why claims of this kind should vest in the assignee which do not apply to rights of action for damages growing out of mere torts to the debtor's person. In the right of action given by the Banking Act the bank exacts and receives from the borrower more than the law allows as a fair compensation for the use of its money. In this illegal way the bank gets into its possession part of the borrower's estate, money which should go to the creditors of the bankrupt borrower. This demand and

receipt of illegal interest by the bank may have materially contributed to the bankrupt's downfall. The recovery allowed by the 30th section of the Act is "in an action of debt."

If the assignees are not the "legal representatives" of the bankrupt within the meaning of the 30th section of the Banking Act, and the right of action never passed to them under the Bankrupt Act, then, unless the suit has been barred, the bankrupts may sue for and recover the money for their own benefit, when, perhaps, they have already received their full exemptions and have been discharged from all their obligations.

As between the bankrupts and their creditors this would be unjust, and such a result is not easily reconciled with the chief object of the bankrupt law, which is the equal distribution of the insolvent debtor's entire estate amongst all his creditors.

In *Gray vs. Bennett, supra*, "it is very clear," say the court, "that if a creditor of the insolvent debtor should attempt to prove a note under the commission, it would be the duty of the assignee to reduce the amount, if usurious interest had been taken on it, or was reserved in it, and in this manner the creditors would be benefited by such reduction. Why should they not have the advantage of it where the debtor has paid the usurious demand prior to the insolvency and within the time limited by the statute for recovering it?"

I think the assignees are the "legal representatives" of the bankrupts within the meaning of the 30th section of the Banking Act; and that the right of action given by said section is a "claim" or "debt" which passed to the assignees under the sections of the Bankrupt Law already cited.—Demurrer overruled.

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## LEGAL MISCELLANY.

### SUPREME COURT OF PENNSYLVANIA.

**NEGOTIABLE INSTRUMENT.—1. Waiver of protest: what amounts to.**—A waiver of protest is an agreement made before or at the maturity of the note, and a promise to pay after maturity, notwithstanding there had been no protest, is a new undertaking. A subsequent promise to pay the note by the indorser, who has full knowledge of all the facts, amounts to a complete waiver of the want of due notice. The promise need not be expressed in so many words, and no general rule can be laid down as to what words or acts will amount to a waiver. Whether a promise was made with full knowledge of all the material facts are questions of fact. *Bauman's Estate, Moyer's Appeal* (Pittsb. L. J.). Decided May 30, 1878.

**2. Indorsement: notice to indorser.**—Notice to an indorser who is temporarily absent from home, sent to him by mail where he is stopping, without any direction to so send it, is good notice to him if he actually receives it as soon as he would have, had it been left at his residence; and notice thence sent by him to a prior indorser is good against him, although there may have been some delay, if he is not prejudiced by the delay. *Hall vs. Dicken* (Pittsb. L. J.). Decided July 1, 1878.

### SUPREME COURT OF CONNECTICUT.

**INTEREST.—1. Change in legal rate does not affect existing contracts.**—A promissory note was made in 1872, with interest payable semi-annually at the rate of eight per cent. per annum, which was then legal. The note was given for a loan made by a corporation, and was intended to run for several years. In 1875 an act was passed limiting the rate of interest for money loaned to seven per cent. *Held*, that eight per cent. continued to be the legal rate of interest upon the note, after that act was passed, and until the note was paid. *Seymour vs. Continental Life Insurance Co.*

**2. Quarterly payments not usurious.**—A note on which the interest is payable quarterly at the legal rate is not usurious. *Mowry vs. Shumway.*

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. RESPONSIBILITY OF COLLECTING BANKS.

In your September number is reported the decision of a Court in Colorado touching the liability of collecting banks. You remark that this decision involves not only the responsibility of the party to whom the remittance may be sent, but also the risk of transmission by mail and the prompt advice of non-payment.

It appears to me that the decision turned entirely on the fact that the defendant bank allowed an unreasonable time to elapse before making inquiry concerning the draft and failed to advise the plaintiff of the fate of the draft, rather than upon the responsibility of the collecting bank "for the risk of transmission by mail and for the solvency of the correspondent."

Will you kindly insert a solution of this question in the department of your Magazine devoted to Inquiries of Correspondents, with any general information regarding the responsibility of collecting banks on the two points about which I am in doubt.

REPLY.—The criticism of our inquirer is correct. The decision, strictly considered, does not hold that a collecting bank is liable for losses which occur in the mails, or from the insolvency of correspondents; but is expressly put upon the grounds stated. It appears to us to be entirely in accordance with the rules governing the responsibility of banks for collections; but it is also a good illustration of the risks which are daily run by banks in carrying on the business of collecting, risks of which they are entirely too unmindful, and to which accordingly we seek to draw attention. The duty of the collecting bank as respects the forwarding of paper through the mails, having it properly presented for payment, the employment of notaries, giving due notices to the owner, etc., etc., will be found well discussed in *Morse on Banking*. The general rule is that due diligence must be exercised in these matters. As to the bank's responsibility for the solvency of its customers, the New York rule is that this responsibility exists, though this is not generally followed in other States. We think the dangers, in a business of such magnitude, of occasional breaches of what the courts have laid down as rules of diligence, and the losses liable to result therefrom, should be seriously considered.

## II. LOST CHECKS.

We purchased, in January last, a draft on a New York bank, and promptly mailed same to our New York correspondent, with other drafts, for collection and credit. The letter enclosing them failed to reach its destination and is supposed to be lost.

We notified the drawing bank of the loss, and asked for a duplicate. They did not reply. We repeated the inquiry, and they answered that if we would give them an indemnity bond, they would send us a new draft. We mailed them an order from drawee for *duplicate* indorsed by us. They do not reply. What course would be proper for us?

REPLY.—If the lost check was designated as "*First*" or "*Original*," the request for a duplicate should be promptly granted. But if the check was an ordinary check or "*Sole bill*" the drawer is right in refusing to issue a new one (there being no *duplicate*) except under a proper guaranty against loss by so doing. After payment of a new check the first one, in the hands of an innocent holder for value, would be a valid claim against the drawer, unless it bore on its face notice that a duplicate was in existence.

### III. EFFECT OF BANKRUPTCY UPON A DEPOSIT.

"A man lends his check on his bank in the West, to one of his Eastern creditors on Aug. 27, and on Aug. 31, applies for bankruptcy. The check is sent back to the bank for payment, and reaches there Sept. 7. Can funds to credit of the bankrupt in the bank be taken to pay the check, or is the deposit to be considered like all his assets—that is to be drawn only by assignee when he is appointed?"

REPLY.—The title of the assignee in bankruptcy to this deposit, though it dates from the filing of the petition, is affected with all the equities which would be binding upon the bankrupt. Whether, therefore, the check holder is entitled to payment depends upon whether the check was an equitable assignment of the deposit. Upon the theory, which we think the correct one, that the check is not such assignment, the entire deposit must go to the assignee. See our last July number, (page 61), for a discussion of the check question.

### IV. BANKRUPTCY OF A CO-BONDSMAN.

"What is the responsibility of a bondsman to a chartered bank when his co-bondsman has become a bankrupt to the knowledge of the directors of the bank? Is it not their duty to see and have a new bondsman without delay so that the responsibility may be fairly divided? Also would it make any difference between a bank with a close corporation?"

REPLY.—Assuming that the sureties are jointly and severally liable for the penalty of the bond, and that their liability has not been fixed by the default of their principal so as to become a debt provable against the estate of the bankrupt surety, then, however it may be with his ability to pay, his liability on the bond is not affected by the bankruptcy. We do not think, therefore, that the solvent surety would be discharged by the neglect of the bank to require a new bondsman, any more than it would in any case where a co-surety happens, for any reason, to become irresponsible. In that case, the right of the solvent surety, if he pays the bond, to compel contribution from his co-surety becomes ineffectual. But this is the ordinary risk which every bondsman takes. The bank has made no contract that the right of compelling contribution between the sureties shall remain valuable and effectual; it has done nothing to make the right ineffectual, and may say, if it pleases, that it is satisfied to depend upon the responsibility of the solvent surety. We do not see how it can make any difference whether the obligor or obligee is a chartered bank or a close corporation.

### V. THE USE OF BANK FUNDS FOR CHARITABLE OBJECTS.

In the May number of your Magazine you answered my question as to the right of officers and directors of banks to give money out of the bank funds to public and charitable objects by saying, that under certain circumstances they were justified in so doing.

I find the following clause in the report of the case of *Frankfurt Bank vs. Johnson*, 24 Me., 496. "They cannot use the property of the corporation for charitable purposes, nor can they give it away nor subscribe to any such object except upon authority given them by the stockholders." This is not only good law, but good sense. People do not put their money into the capital of a bank with the idea that it is to be dispensed in charity or given to some public object. When officers or directors use bank funds for such purposes they exceed the powers granted them by the stockholders. Trustees of corporations are too much inclined, in these days, to forget the rights of the stockholders or owners.

REPLY.—Our answer to this inquiry was, that "strictly speaking, the directors of a bank have no legal or equitable right to expend its funds for these

objects." This seems to be indisputable, and accords with the motto which, for thirty years, has appeared on the cover of the *BANKER'S MAGAZINE*, viz., that "favor and benevolence are not the attributes of good banking." We think, however, that under such exceptional instances as were cited by us, and with the exercise of sound discretion, there are few cases in which the stockholders of a bank would not sustain its directors when the interests of the bank were plainly subserved by the act in question.

#### IV. CATTLE DEALERS' TICKETS AS CHECKS.

Our grain and live-stock dealers deposit funds with us and request us to pay their tickets, which are as follows, to the persons who present them :

....., Iowa, August 15th, 1878.

Bought of *Jno. Brown*, for JONES & ROBINSON,

20 Head Hogs at \$4 00 per cwt.

..... Head Cattle at ..... per cwt.

To be delivered at..... in marketable order.

Weight 4,000 lbs. Paid on Contract \$ ..... Amount, \$ 160.

A. B. ...., Buyer.

C. D. ...., Weigher.

The payee's initials seldom appear, and frequently there is no name whatever. You will observe that on the ticket there is no mention of any place of payment, or payee, or order, or bearer. The tickets pass by delivery, the merchants cashing them for the farmers after banking hours or receiving them in payment for goods, &c., like checks payable to bearer. Now the question is, are not these tickets the same in law as a regular check payable to bearer, in every respect?

In this case I have been attached as garnishee of *Jno. Brown*, the holder of the ticket above described. Can I pay this ticket when presented by him or any other person, without liability?

If I am attached as garnishee of the holder of any check on us, whether payable to the bearer or order, am I liable to the plaintiff if I pay such checks?

A Justice of the Peace here has decided that we were liable if the check was made payable to order, but not if payable to bearer; also that the tickets, like the enclosed, were not payable to the bearer on their face, and could not be so considered in law. He held that the general custom of treating them as checks payable to bearer, and the instructions of the maker to that effect, made no difference. Is his decision a correct one?

REPLY.—We see no ground upon which you can be held as garnishee of *Brown*, because you owe him nothing. One familiar test of the right to hold a garnishee is, to see whether the principal defendant can maintain an action against him. *Brown* could not maintain an action against you on the ticket. It is nothing more than a memorandum of an indebtedness of your depositor to *Brown*; and your practice of paying the amount thereof to any holder is a gratuitous accommodation to your depositor which gives no third person rights against *you*. The ticket is in no sense a check, because it does not come within the familiar definitions of that instrument. Whether you can be held as garnishee of a check-holder without acceptance, depends upon whether the check is an assignment of the depositor's funds upon which the holder can maintain an action against the bank. We have frequently insisted, in the pages of this Magazine, that such action ought not to be maintainable; but we believe it has been decided in Iowa, whence this inquiry comes, that the action may be maintained by the payee of a check payable to his order. Upon any view of the matter, however, the Justice of the Peace was wrong in his decision.

ANALYSIS OF THE PUBLIC DEBT OF THE UNITED STATES, FROM JULY 1, 1860,  
TO JULY 1, 1878.

PREPARED AT THE TREASURY DEPARTMENT, WASHINGTON, D. C.

Year.	3 per cents.	4 per cents.	4½ per cents.	5 per cents.	6 per cents.	7 3-10 per cents.	Total interest-bearing debt.	Annual interest charge.
1860	—	—	—	43,476,300 00	21,164,538 11	—	64,640,838 11	3,443,687 29
1861	—	—	—	33,022,200 00	57,538,673 95	—	90,560,873 95	5,092,630 43
1862	—	57,926,116 57	—	30,483,000 00	154,313,225 01	—	365,304,826 52	22,048,509 59
1863	—	105,629,385 30	—	30,483,000 00	431,444,813 83	122,582,485 34	707,531,634 47	41,854,148 01
1864	—	77,547,696 07	—	300,213,480 00	842,882,652 09	139,974,435 34	1,359,930,763 50	78,853,487 24
1865	—	90,496,930 74	—	245,709,420 63	1,213,495,169 90	671,610,397 02	2,221,311,918 29	137,742,617 43
1865	[August 31.]	618,127 98	—	269,175,727 65	1,281,730,439 33	830,000,000 00	2,381,530,294 90	150,977,697 87
1866	—	121,341,879 62	—	201,982,665 01	1,195,546,041 02	813,460,621 95	2,332,331,207 60	146,068,196 29
1867	—	17,737,025 68	—	198,533,435 01	1,543,452,080 02	488,344,846 95	2,248,067,387 66	138,892,451 39
1868	64,000,000 00	801,361 23	—	221,286,185 01	1,878,303,984 50	—	2,202,088,727 69	128,459,598 14
1869	66,125,000 00	—	—	221,588,300 00	1,874,347,222 39	—	2,162,060,522 39	125,523,998 34
1870	59,550,000 00	—	—	221,588,300 00	1,765,317,422 39	—	2,046,455,722 39	118,784,960 34
1871	45,885,000 00	678,000 00	—	274,236,450 00	1,613,897,300 00	—	1,934,696,750 00	111,949,330 50
1872	24,665,000 00	678,000 00	—	414,597,300 00	1,374,883,800 00	—	1,814,794,100 00	103,988,463 00
1873	14,000,000 00	678,000 00	—	414,597,300 00	1,281,238,650 00	—	1,710,483,950 00	98,049,804 00
1874	14,000,000 00	678,000 00	—	510,628,050 00	1,213,624,700 00	—	1,738,930,750 00	98,706,004 50
1875	14,000,000 00	678,000 00	—	607,132,750 00	1,100,865,550 00	—	1,722,676,300 00	96,855,690 50
1876	14,000,000 00	—	—	711,685,800 00	984,999,650 00	—	1,710,685,450 00	95,104,269 00
1877	14,000,000 00	—	140,000,000 00	703,266,650 00	854,621,850 00	—	1,711,888,500 00	93,160,643 50
1878	14,000,000 00	98,850,000 00	240,000,000 00	703,266,650 00	738,619,000 00	—	1,794,735,650 00	94,654,472 50

NOTE 1.—The annual-interest charge is computed upon the amount of outstanding principal at the close of the fiscal year, and is exclusive of interest charge on Pacific Railway bonds.

NOTE 2.—The statement of population for 1860 and 1870 is by enumeration, and for other years from estimates prepared by Professor E. B. Elliott, of this Department.

ANALYSIS OF THE PUBLIC DEBT OF THE UNITED STATES, &C.—CONTINUED.

Year.	Debt on which interest has ceased.	Debt bearing no interest.	Outstanding principal.	Cash in the Treasury July 1.	Total debt, less cash in Treasury.	Population of the United States.	Debt per capita.	Interest per capita.
1860	\$ 201,449 77	—	\$ 64,842,287 88	\$ 4,877,885 87	\$ 59,964,402 01	31,443,321	\$ 1 91	11
1861	199,999 77	—	90,560,873 72	2,862,212 92	87,718,660 80	32,064,000	2 74	16
1862	280,195 21	158,591,390 00	524,176,412 13	18,863,659 96	505,312,752 17	34,704,000	15 45	67
1863	473,048 16	411,767,456 00	1,119,772,138 63	8,421,401 22	1,111,350,737 41	33,365,000	33 31	1 25
1864	416,335 86	455,437,271 21	1,815,784,370 57	106,332,093 53	1,709,452,277 04	34,046,000	50 21	2 32
1865	1,245,771 20	438,096,180 25	2,680,647,869 74	5,832,012 98	2,674,815,856 76	34,748,000	76 98	3 97
1865*	1,503,020 09	461,616,311 51	2,844,649,626 56	88,218,055 13	2,756,431,571 43	35,228,000	78 25	4 29
1866	935,092 05	439,969,874 04	2,773,236,173 69	137,200,009 85	2,636,036,163 84	35,469,000	74 32	4 12
1867	1,840,615 01	428,118,101 20	2,678,126,103 87	169,074,892 18	2,508,151,211 69	36,211,000	69 26	3 84
1868	1,197,340 89	408,401,782 61	2,611,687,851 19	130,834,437 96	2,480,853,413 23	36,973,000	67 10	3 48
1869	5,260,181 00	421,131,510 55	2,588,452,213 94	155,686,340 85	2,432,771,873 09	37,756,000	64 43	3 32
1870	3,708,641 00	430,508,064 42	2,480,672,427 81	149,502,471 60	2,331,169,956 21	38,558,371	60 46	3 08
1871	1,948,902 26	410,565,680 06	2,353,211,332 32	106,217,263 65	2,246,994,068 67	39,355,000	56 81	2 83
1872	7,926,797 26	430,530,431 52	2,253,251,328 78	103,470,798 43	2,149,780,530 35	40,604,000	52 95	2 50
1873	51,929,710 26	472,069,332 94	2,224,482,993 20	129,020,932 45	2,105,462,060 75	41,704,000	50 49	2 35
1874	3,216,590 26	509,543,128 17	2,251,600,468 43	147,541,314 74	2,104,149,153 69	42,856,000	49 10	2 31
1875	11,423,820 26	498,182,411 69	2,232,284,531 95	142,243,361 82	2,090,041,170 13	44,000,000	47 44	2 19
1876	3,902,420 26	465,807,196 69	2,180,395,066 95	119,469,726 70	2,060,925,340 25	45,316,000	45 48	2 10
1877	16,648,860 26	476,764,031 84	2,205,391,392 10	186,025,960 73	2,019,275,431 37	46,624,000	43 31	2 00
1878	5,594,560 26	455,875,682 27	2,256,205,892 53	256,823,612 08	1,999,382,280 45	47,983,000	41 67	1 97

\* August 31. The slight increase of the interest charge for 1878 is owing to the interest charge on bonds sold for resumption, less the amount saved by refunding at lower rates.

† The Temporary Loan, per act of July 11, 1862, is included in the whole amount outstanding as bearing four per cent. interest on an average for four per cents. from 1862 to 1868, inclusive, with the exception of the amount | the year.

‡ August 31, 1865, this being the date at which the public debt reached its highest point. This loan bore interest from four per cent. to six per cent., and was redeemable on ten days' notice after thirty days, but being constantly changing, it has been considered more equitable to include the whole amount outstanding as bearing four per cent. interest on an average for the year.

WARRANT DIVISION, September 13, 1878.

## EARNINGS AND LOSSES BY NATIONAL BANKS.

## THE AMOUNTS CHARGED OFF DURING THE PAST SIX MONTHS—COMPARATIVE STATEMENT FOR THE YEARS 1876, 1877 AND 1878.

The Comptroller of the Currency states that the aggregate capital of such of the 2,400 National banks as have become insolvent during the sixteen years that the National banking system has been in operation, was \$16,232,600. The aggregate dividends paid to the creditors of these banks, for the ten months from November, 1877, to September, 1878, is \$2,614,125. The aggregate dividends paid since the organization of the system is \$13,767,587. and the total amount of creditors' claims proved is \$22,720,802. The total losses to the creditors of all the National banks during the last sixteen years upon \$500,000,000 of capital and \$800,000,000 of deposits, is estimated not to exceed \$6,500,000, an amount probably not equal to the losses which have fallen upon the creditors of Savings banks and State banks during the past year.

A compilation of the dividend reports of the National banks for the six months ending March 1, 1878, has been made by the Comptroller, from which it appears that the National banks have charged off losses during that time amounting to \$10,903,145. Of this amount \$1,913,757 consisted of premiums on United States bonds held for circulation which had been depreciated below the cost price to the banks. The losses charged off during the year ending September 1, 1876, were \$19,719,026, and for the year ending September 1, 1877, \$19,933,587. The ratio of earnings of the National banks to capital and surplus for the year 1877 was 5.62 per cent., and it is estimated that the ratio for 1878 will not be greater. The Comptroller has also compiled the complete dividend returns from the National banks in sixteen of the principal cities, for the year ending September 1, 1878, from which it appears that \$11,520,129 losses have been charged off by those banks, of which \$1,609,968 were for depreciation in the premium in United States bonds, held by the banks as security for circulation. The total losses charged off by the banks in these sixteen cities, during the three years ending September 1, 1878, were \$32,410,964. The losses charged off by the banks in New York City during the past year were \$5,147,319.98; Boston, \$2,490,197.46; Philadelphia, \$561,676.30; Baltimore, \$368,915.99; Chicago, \$915,084.14; Pittsburgh, \$419,036.51; New Orleans, \$338,496.90; Louisville, \$235,526.05; St. Louis, \$171,456.66; Cleveland, \$222,908.28; Detroit, \$134,617.01.

The following is the statement in detail of the amounts charged off by the National banks for losses in the cities and for the years specified:

	1876.	1877.	1878.
Boston.....	\$ 1,598,723	.... \$ 2,192,054	.... \$ 2,490,197
New York.....	6,873,760	.... 4,247,942	.... 5,147,320
Albany.....	97,014	.... 60,745	.... 273,390
Philadelphia...	152,976	.... 333,248	.... 561,676
Pittsburgh.....	333,852	.... 289,467	.... 419,036
Baltimore.....	876,207	.... 200,598	.... 368,916
Washington.....	10,828	.... 43,105	.... 33,612
New Orleans...	519,701	.... 286,259	.... 338,497
Louisville.....	59,104	.... 35,843	.... 235,526
Cincinnati.....	102,211	.... 206,827	.... 80,031
Cleveland....	52,309	.... 41,089	.... 222,908
Chicago.....	395,392	.... 663,597	.... 915,084
Detroit.....	51,620	.... 23,593	.... 134,617
Milwaukee.....	43,443	.... 23,130	.... 74,959
St. Louis.....	357,218	.... 296,951	.... 171,457
San Francisco..	203,119	.... 218,910	.... 52,904
Totals....	\$ 11,727,477	\$ 9,163,358	\$ 11,520,130



## BANKING AND FINANCIAL ITEMS.

NATIONAL-BANK NOTES forwarded to the Redemption Agency at Washington have hitherto been sent at the expense of the Department, which has reimbursed itself out of the five-per-cent. fund belonging to the banks. On September 24th, the following order was issued:

On and after October 1, 1878, the charges for the transportation of National-bank notes to the Treasury of the United States for redemption, under the Act approved June 20, 1874, must be paid by the party making remittance. If the charges are not paid, the amount thereof will be deducted from the proceeds.

JAMES GILFILLAN, *Treasurer U. S.*

Approved, JOHN SHERMAN, *Secretary.*

This new order requiring charges for the transportation of notes for redemption to be paid by the party shipping, is expected to lessen the demand for legal-tender notes by the banks. Hitherto the express charges have been debited to the bank issuing the notes, but now the cost must be paid by the bank remitting them. The redemptions amount to about \$600,000 daily. They usually reach \$1,000,000 a day in June and decline to \$500,000 in August. In September they generally increase and continue to do so gradually until January, when they reach nearly \$1,000,000 daily.

DIVIDENDS.—The Comptroller of the Currency has declared a final dividend of 13 3-10 per cent. in favor of the creditors of the First National Bank of Topeka, making in all dividends of 58 3-10 per cent.; also a dividend of 32 per cent in favor of the creditors of the First National Bank of Carlisle, Pa., making in all dividends of 72 per cent.

REDEMPTION OF FIVE-TWENTY BONDS.—Calls as below have been issued in the month of September, by the Secretary of the Treasury, each for the redemption of five million dollars of five-twenty six-per-cent. bonds of 1865, issued under the act of March 3, 1865, and dated July 1, 1865. The following are the numbers called, all being inclusive:

Seventieth call, dated September 4. Matures December 4.

*Coupon Bonds.*—\$50, Nos. 74,001 to 75,003; \$100, Nos. 136,001 to 138,000; \$500, Nos. 95,001 to 97,000; \$1,000, Nos. 184,001 to 189,000. Total coupon, \$2,000,000.

*Registered Bonds.*—\$50, Nos. 2,451 to 2,485; \$100, Nos. 19,101 to 19,120; \$500, Nos. 11,201 to 11,220; \$1,000, Nos. 38,001 to 38,400; \$5,000, Nos. 11,601 to 12,000; \$10,000, Nos. 22,551 to 22,880. Total registered, \$3,000,000. Aggregate \$5,000,000.

Seventy-first call, dated September 16. Matures December 16.

*Coupon Bonds.*—\$100, Nos. 138,001 to 140,000; \$500, Nos. 97,001 to 99,000; \$1,000, Nos. 189,001 to 193,000. Total coupon, \$2,000,000.

*Registered Bonds.*—\$100, Nos. 19,121 to 19,150; \$500, Nos. 11,227 to 11,250; \$1,000, Nos. 38,401 to 38,650; \$5,000, Nos. 12,001 to 12,100; \$10,000, Nos. 22,880 to 23,540. Total registered, \$3,000,000. Aggregate, \$5,000,000.

THE BANK OF NEW YORK.—At a meeting of the stockholders of the Bank of New York National Banking Association, held September 23d, 22,000 shares out of the total 30,000 shares being represented, it was unanimously resolved that the capital of the bank be reduced from \$3,000,000 to \$2,000,000, in accordance with the recommendation of the directors. The reduction is to take effect October 1.

**THE BANKERS AND BROKERS' ASSOCIATION.**—In the suit of H. B. Smith *et al.*, a report was made in the Supreme Court of this city, on September 23d, by William C. Traphagan, referee as to the accounts of Robert L. Cutting, receiver of the Bankers and Brokers' Association. He reports that claims were presented to the receiver aggregating \$63,123, of which \$22,000 were disallowed. The amount of the company's capital stock authorized to be issued was \$1,000,000, divided into 10,000 shares of \$100 each; of which only fifty per cent. was paid up, leaving \$500,000 due on the entire issue. The report says there was an over issue of 900 shares capital stock, and 1,541 shares were put in the names of fictitious persons to subserve the purposes of the president, John Bonner, while 4,019 shares were placed in the name of Bonner & Co., and 2,550 in Bonner's own name. Of the remaining shares only 2,000 are in the names of solvent persons. The assets which have come into the receiver's hands being insufficient to meet the liabilities, he recommends that the unpaid balances of shares be collected from the stockholders, and that the receiver should make an assessment of \$30 per share.

**SUITS AGAINST TRUSTEES.**—A number of suits against the trustees of the German Savings Bank of Morrisania have been begun by Mr. William J. Best, receiver. The sum which Mr. Best seeks to recover is \$220,969, with interest, the whole amount involved exceeding \$230,000. The receiver alleges that dividends were declared when the trustees knew the bank to be insolvent, the payments being made when there were no funds from which, under the law, the dividends could be paid. Large investments made in Southfield, S. L., bonds, which have been declared illegally issued, are also made a count against the trustees.

**ILLINOIS**—The First National Bank of Quincy, which suspended payment on August 19th, re-opened for business on September 19th. After a thorough examination of the bank, the Comptroller of the currency declared the capital to be impaired, and ordered an assessment upon shareholders of fifty per cent. amounting to \$100,000, which was made. Anticipating the collection of the assessment, the directors, by permission of the Comptroller, paid into the bank the full amount, \$100,000, in order that it might at once resume business. Mr. Frederick W. Meyer, of Quincy, has been elected president, in place of Mr. C. M. Pomroy, resigned.

**MISSOURI.**—The Exchange Bank of Breckenridge closed for one day on account of the suspension of the First National Bank of Quincy, Ill., in which they had some \$15,000 to their credit. The stockholders met at once, increased their capital, and are going on with the business as usual.

**BOLD BANK ROBBERY.**—Concordia is a town of about fifteen hundred inhabitants in Lafayette county, Missouri, thirty miles from Sedalia. The principal banking business of all that part of Lafayette county is done by the Concordia Savings Bank. On August 29th, about 1.30 P. M., three men entered the bank. One of them asked the cashier, who was alone, to change a ten-dollar bill. While he was changing the bill, another man jumped over the counter, caught the cashier by the arm and placed one hand over his mouth. They then took what money was in sight, and, putting a pistol to the cashier's head, told him to open the safe. He did so under fear of his life, and the robbers took all the paper money in the safe—between \$3,000 and \$4,000—refusing to take the silver, of which there was between \$2,000 and \$3,000 in the bank. During the robbery a citizen was near the bank, and one of the robbers, who was guarding the door, called on him to advance, instead of which he turned and ran. The robber fired but missed him. They then mounted their horses and galloped off in a southerly direction. The whole robbery occupied about ten minutes. The citizens started in hot pursuit, and by the 31st traced the perpetrators to their homes in Johnson County. The three were arrested and placed in jail at Lexington.

*Another.*—On September 19, while a military parade was passing, the Commercial National Bank of Toledo, Ohio, was entered from the rear and robbed of \$8,000; the thieves escaped without discovery.

**NEW JERSEY.**—The Union National Bank of Rahway has gone into voluntary liquidation. At a meeting of shareholders, 724 of the 1,000 shares were cast in favor of closing the institution. Mr. C. R. Brewster, cashier of the bank, was instructed to supervise the proceedings necessary to the closing of the institution. It is stated that the bank is in sound condition, and that the only reason for closing it up is that it has not earned money enough to justify the directors in keeping it open any longer. The bank will go on paying depositors till the last of them shall have been paid. As to the amount which will be realized by the stockholders, a difference of opinion exists. Some of the directors expect to receive dollar for dollar; others that they will realize only about eighty per cent.

**OHIO.**—The First National Bank of Columbus has just finished a fine building, upon the site they have long occupied. The new bank is described as a model of convenience and of security. Its burglar-proof safe weighs nearly 75,000 pounds, constructed with every improvement to resist the efforts of burglars, including a chronometer time-lock. A separate fire-proof vault is provided for the use of the book-keepers, who may thus work after hours without risk or inconvenience.

**TEXAS.**—Col. William A. Fort, president of the Waco National Bank, died on August 29th, at Prairie du Chien, Wisconsin. He was a native of Alabama, but a resident of Texas since 1854. In 1869 he entered into a partnership with Mr. George W. Jackson, of Ohio, forming the private bank of Fort & Jackson, and the business, successfully established, was in 1874 merged into the Waco National Bank, Col. Fort being president and Mr. Jackson cashier. Col. Fort was an active man in every enterprise which tended to the good of Waco, and took a lively interest in its educational interests and in all that concerned its welfare. He was deservedly esteemed and his loss is greatly lamented.

**SAN ANTONIO.**—The banking firms of Bennett & Lockwood and James T. Thornton, have consolidated under the style of Bennett, Thornton & Lockwood, and tender their services to parties having business for that vicinity.

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**INDORSEMENT.**—In *Rodocanachi vs. Buttrick*, decided by the Supreme Judicial Court of Massachusetts, in July last, the defendant put his name on the back of the promissory note of another, in the hands of plaintiff, after its maturity. This was done for a valid consideration. He also altered the face of the note by writing the figures seven and a half over the word "ten" where the rate of interest was stated, and paid the accrued interest and one installment of interest at the rate of seven and a half per cent. The Court held that this was an original undertaking of defendant to pay the amount expressed in the note and interest at seven and a half per cent. and that he was liable for that amount. It was immaterial on what part of the note he put his name. (*Wright vs. Moore*, 9 Gray 338, and cases cited.)

**COLLATERAL.**—In *Richardson vs. Rice, Stix & Co.* (Tenn. L. Rep.), decided by the Supreme Court of Tennessee, May 18, 1878, it was held that negotiable paper transferred as collateral security, for subsisting indebtedness and future advances, is subject to all equities then existing, and the maker is protected if he has paid the note to the rightful holder before the transfer, though the transfer was before maturity. (*Gosling vs. Griffin*, MSS., Nov. 1864; *Vatterlien vs. Howell*, 5 Sneed 441.)

**GUARANTEE OF CERTIFICATE.**—In *Hooker vs. Gooding*, to appear in 86 Illinois Reports, it is held that an absolute guarantor of the payment of money due on a certificate of deposit, where the credit is indefinite, is not released by the mere delay of the creditor in enforcing payment from the principal debtor. The creditor in a certificate of deposit, when the credit is indefinite, is under no obligation to a guarantor to make prompt demand of payment, and give notice to him of non-payment.

## THE DISBURSEMENT OF SILVER.

The following orders, in regard to the disbursement of the new silver dollars, were issued in September :

TREASURY DEPARTMENT, WASHINGTON, D. C., Sept. 3, 1878

The Treasurer of the United States has been directed, upon the receipt by him from any person of a certificate issued by any assistant treasurer, designated depository, or National bank designated as a public depository of the United States, stating that a deposit of currency has been made to his credit in general account of the sum of \$1,000 or any multiple thereof not exceeding \$10,000, to cause a shipment to be made from some mint of the United States to the person in whose name the certificate is issued, of a like amount of standard silver dollars, the expense of transportation to be paid by the mint. Until further notice, upon receipt by the Treasurer of the United States of United States notes or National-bank notes sent for redemption in multiples of \$1,000 and not exceeding \$10,000, standard silver dollars will be returned under the provisions of this circular. The sole purpose of this circular is to facilitate the circulation of standard silver dollars for all purposes as currency, but not to authorize that issue for the purpose of being used directly in making those payments to the Government which are required to be made in coin, or for deposit to obtain silver certificates; and officers receiving currency authorized herein are expected, so far as practicable, to see that the object specified is carried out. Shipments as above indicated, however, will be made only to points in the United States reached through established express lines, by continuous railway, or steamboat communication.

JOHN SHERMAN, Secretary.

TREASURY DEPARTMENT, WASHINGTON, D. C., Sept. 7, 1878.

*Hon. James Gilfillan, Treasurer of the United States :—*

On and after the 16th day of this month you are authorized, at the Treasury in Washington, and at the several sub-treasuries in the United States, to exchange standard silver dollars for United States notes.

JOHN SHERMAN, Secretary.

TREASURY DEPARTMENT, WASHINGTON, D. C., Sept. 13,

*Hon. James Gilfillan, Treasurer of the United States :—*

SIR :—Some question has been made whether the issue of silver dollars in exchange for United States notes before January 1 next is in entire accordance with the legislation of Congress bearing on the subject, and, therefore, you will please postpone the execution of the department order of the 3d instant until further orders, and withhold from transmission to the assistant treasurer the order of the 7th. Silver dollars will be used as heretofore in coin liabilities, and in the mode pointed out in your order of July 19. As modified with a view to the payment on currency liabilities, you will request that each disbursing officer estimate the amount he conveniently disburses.

Very respectfully,

JOHN SHERMAN, Secretary.

TREASURY OF THE UNITED STATES, WASHINGTON, Sep., 13, 1878.

For the present, the following named National banks, designated depositories of the United States, will be supplied by the Treasury, upon their application,

with standard silver dollars from the mint, free of expense, in accordance with Section 3527, R. S.

It is expected that the coin furnished as above will be put into circulation by being furnished to public disbursing officers; to manufacturing and other establishments; to other banks and bankers for distribution in like manner by them, and generally where it is to be used as current money.

The assistant Treasurers of the United States are also authorized to use the standard silver dollars in their vaults for the general purpose approved in this circular.

United States disbursing agents and paymasters who obtain funds for disbursement from assistant treasurers or depositaries are requested to procure standard silver dollars, when practicable, for disbursement.

By direction of the Secretary this circular is in lieu of all circulars heretofore issued in regard to the distribution of standard silver dollars.

JAS. GILFILLAN, Treasurer, U. S.

#### SUPREME JUDICIAL COURT OF MAINE.

*ESTOPPEL.*—*Alteration of assignment of stock left in hands of assignor.*—An assignee of certificates of shares of stock who leaves the certificates, with the assignments unrecorded, in the possession of the assignor, is not thereby guilty of negligence so as to be estopped to set up his title against a person who claims title to the certificates through an alteration of the assignments by the fraud and forgery of the assignor. *Eaton vs. New England Telegraph Co.*

#### NATIONAL-BANK AND LEGAL-TENDER NOTES.

STATEMENT of the Comptroller of the Currency, showing Issue and Retirement of NATIONAL-BANK NOTES and LEGAL-TENDER NOTES, September 1, 1878.

##### 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. \$	69,318,900
Surrendered between same dates.....	9,535,928
Total redeemed and surrendered	78,854,828
Issued between same dates.....	49,009,620
Decrease from January 14, 1875, to date.....	29,845,208
Outstanding at date.....	\$ 322,016,242
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.....	78,565,107
Total deposits.....	82,378,782
National-bank Circulation redeemed by Treasurer between same dates without re-issue.....	72,086,132
Greenbacks on deposit at date.....	10,292,650
Greenbacks retired under act of January 14, 1875.....	\$ 35,318,984
Greenbacks outstanding at date.....	346,681,016

JOHN 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, the amount of Legal-Tender Notes deposited in the United States Treasury to retire National-bank circulation, from June 20, 1874, to September 1, 1878, and amount remaining on deposit at latter date.

STATES AND TERRITORIES.	LEGAL-TENDER NOTES DEPOSITED TO RETIRE NATIONAL-BANK CIRCULATION, SINCE JUNE 20, 1874.				Legal Tenders on deposit with the U. S. Treasurer at date.
	Additional Circulation issued since June 20, 1874.	For redemption of Notes of Liquidating Banks.	To retire Circulation under Act of June 20, 1874.	Total Deposits.	
Maine.....	\$ 1,357,380	\$ 41,200	\$ 600,000	\$ 641,200	\$ 46,340
New Hampshire..	498,665	27,400	10,800	38,200	2,535
Vermont.....	1,455,770	151,097	952,340	1,103,437	211,206
Massachusetts.....	12,019,625	234,800	5,867,500	6,102,300	366,723
Rhode Island.....	523,350	32,350	617,385	649,735	28,450
Connecticut.....	1,654,310	65,350	1,249,490	1,314,840	25,468
New York.....	13,311,465	1,733,341	16,795,000	18,528,341	1,383,488
New Jersey.....	1,395,065	30,060	973,940	1,004,000	9,085
Pennsylvania.....	6,440,670	889,591	5,552,506	6,442,097	813,152
Delaware.....	143,575	—	—	—	—
Maryland.....	295,810	166,600	1,476,080	1,642,680	219,683
Dist. of Columbia.	453,400	393,164	427,500	820,664	84,471
Virginia.....	408,100	711,864	823,915	1,535,779	168,081
West Virginia.....	45,370	731,060	270,000	1,001,060	193,536
North Carolina...	687,560	—	836,185	836,185	78,978
South Carolina....	45,700	—	953,380	953,380	68,145
Georgia.....	352,930	287,725	392,675	680,400	107,624
Florida.....	45,000	—	—	—	—
Alabama.....	198,000	—	94,500	94,500	2,778
Mississippi.....	—	—	—	—	1,101
Louisiana.....	932,630	645,750	2,099,250	2,745,000	455,083
Texas.....	116,100	4,000	229,340	233,340	4,000
Arkansas.....	135,000	—	135,000	135,000	22,408
Kentucky.....	2,528,740	575,867	1,378,033	1,953,900	496,981
Tennessee.....	430,100	235,901	488,959	724,860	87,284
Missouri.....	163,570	706,200	3,566,520	4,272,720	770,072
Ohio.....	1,388,240	1,347,856	2,408,225	3,756,081	1,022,122
Indiana.....	2,236,680	897,726	4,116,143	5,013,869	901,262
Illinois.....	1,367,035	1,284,774	6,103,406	7,388,180	1,039,308
Michigan.....	641,160	387,500	1,851,490	2,188,990	391,628
Wisconsin.....	206,000	436,999	804,400	1,241,399	217,886
Iowa.....	982,800	562,969	1,536,955	2,099,924	350,101
Minnesota.....	731,720	321,676	1,218,545	1,540,221	202,462
Kansas.....	30,600	781,721	190,550	972,271	384,995
Nebraska.....	45,000	45,000	188,080	233,080	51,445
Nevada.....	—	—	—	—	2,729
Dakota.....	27,000	—	—	—	—
Colorado.....	365,400	125,083	149,400	274,483	48,523
Utah.....	—	161,191	196,800	357,991	31,787
Washington.....	45,000	—	—	—	—
Montana.....	39,600	—	45,000	45,000	1,730
Totals.....	\$53,744,120	\$13,965,815	\$64,599,292		\$10,292,650
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....				3,813,675	
Total deposits.....				\$82,378,782	

JOHN JAY KNOX, *Comptroller of the Currency.*

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from September No., page 234.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
NEW YORK CITY	.....	Anthony & Oliphant.....	.....
ILL.	Princeton.....	Citizens' Exchange Bank..	Merchants' National Bank.
	\$ 50,000	Tracy Reeve, Pr.	W. Glenn Reeve, Cas.
MASS	North Adams..	Berkshire Nat'l Bank.(2396)	.....
	\$ 100,000	Jarvis Rockwell, Pr.	Charles H. Ingalls, Cas.
MICH.	Detroit.....	Market B'k (J. A. Sexton & Co.)	Nat'l Bank of the Republic.
N. H.	Portsmouth...	Piscataqua Savings Bank..	(Rob't C. Pierce, Cas.)
N. J.	Vineland.....	Vineland Nat'l Bank.(2399)	.....
	\$ 50,000	Benj. D. Maxham, Pr.	Thomas H. Winter, Cas.
N. Y.	Homer.....	First National Bank..(2398)	.....
	\$ 55,000	G. N. Copeland, Pr.	W. H. Crane, Cas.
PENN.	Dillsburg.....	Dillsburg Nat'l Bank.(2397)	.....
	\$ 50,000	Joseph Deardorff, Pr.	John W. Logan, Cas.
TEXAS.	Decatur.....	Henry Greathouse.....	Donnell, Lawson & Co.
"	Georgetown...	M. D. Miller.....	Donnell, Lawson & Co.
ONT.	Brussels.....	Exchange Bank of Canada.	National Bank of Commerce.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to September 25, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2396	Berkshire National Bank..... North Adams, MASS.	Jarvis Rockwell..... Charles H. Ingalls.	\$ 100,000	\$ 50,000
2397	Dillsburg National Bank..... Dillsburg, PENN.	Joseph Deardorff..... John W. Logan.	50,000	50,000
2398	First National Bank..... Homer, N. Y.	G. N. Copeland..... W. H. Crane.	100,000	55,000
2399	Vineland National Bank..... Vineland, N. J.	Benj. D. Maxham..... Thomas H. Winter.	50,000	50,000

THE PREMIUM ON GOLD AT NEW YORK.

AUGUST—SEPTEMBER, 1878.

1877.	Lowest.	Highest.	1878.	Lowest.	Highest.	1878.	Lowest.	Highest.
September..	2 7/8	4	Aug. 27	1/2	1/2	Sept. 11	3/8	3/8
October....	2 1/2	3 3/8	28	1/2	1/2	12	1/2	1/2
November...	2 1/2	3 3/8	29	1/2	3/8	13	1/2	3/8
December...	2 1/2	3 3/8	30	1/2	3/8	14	1/2	3/8
			31	1/2	3/8	16	1/2	3/8
1878.			Sept. 2	1/2	3/8	17	3/8	3/8
January.....	1 1/4	2 7/8	3	1/2	1/2	18	3/8	3/8
February....	1 3/8	2 3/8	4	3/8	1/2	19	3/8	3/8
March.....	3/4	2	5	3/8	3/8	20	1/2	1/2
April.....	3/8	1 1/4	6	1/2	3/8	21	1/2	1/2
May.....	3/8	1 1/4	7	3/8	3/8	23	3/8	3/8
June.....	3/8	1	8	3/8	3/8	24	3/8	3/8
July.....	1/2	3/4	9	1/2	1/2	25	3/8	3/8
August.....	1/2	3/4	10	1/2	1/2			

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from September No., page 235.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	American Exchange N. B.	Dumont Clarke, <i>Cas.</i> .....	E. Willson.
CAL....	Humboldt County Bank, {	Charles W. Long, <i>Pr.</i> ....	W. Carson.
	Eureka }	J. W. Henderson, <i>V. P.</i> ..	C. W. Long.
" ..	Capital Sav. Bank, Sacramento.	R. S. Carey, <i>Pr.</i> .....	.....
" ..	Odd Fellows' S. & Com. B., "	H. G. Smith, <i>Pr.</i> .....	S. Poorman.
CONN....	New Haven S. B., New Haven.	John P. Tuttle, <i>Tr.</i> .....	S. D. Pardee.*
ILL....	Cass County Bank {	F. A. Hammer, <i>Pr.</i> .....	F. Ehrhardt.
	Beardstown }	W. S. Rearick, <i>Cas.</i> .....	T. Wilkins.
" ..	First National Bank, Quincy...	Fred'k W. Meyer, <i>Pr.</i> ....	C. M. Pomroy.
MAINE..	Farmers' Nat'l Bank, Bangor...	Albert P. Baker, <i>Cas.</i> ....	J. S. Rowe.
MD....	Central Nat'l Bank, Frederick..	Richard H. Marshall, <i>Pr.</i>	G. R. Dennis.
MASS...	Boston National Bank {	Charles B. Hall, <i>Pr.</i> ....	L. Nichols.*
	Boston }	James H. Bouve, <i>Cas.</i> ....	C. B. Hall.
" ..	Second Nat'l Bank, Springfield.	Alfred Rowe, <i>Pr.</i> .....	H. Alexander, Jr.
MISS....	Bank of Kosciusko.....	C. H. Alexander, <i>Cas.</i> ...	.....
MO....	Broadway Savings Bank, {	J. P. Krieger, Sen., <i>Pr.</i> ... L. S. Bargen.	
	St. Louis }	H. B. Poorman, <i>V. P.</i> .... J. P. Krieger, Sen.	
" ..	Concordia Savings Bank.....	John H. Lohofener, <i>Pr.</i> ...	J. Kroencke.
NEB....	First National Bank, Lincoln...	John Fitzgerald, <i>Pr.</i> ....	A. Cobb.
N. J....	First Nat'l Bank, Washington }	James H. Groff, <i>Pr.</i> ..... J. K. Swayze.*	
		James A. Swayze, <i>V. P.</i> ..	.....
N. Y...	Manuf. Nat'l Bank, Amsterdam	H. P. Kline, <i>Ass't Cas.</i>	.....
" ..	First National Bank, Lockport }	J. S. Helmer, <i>Pr.</i> ..... G. W. Bowen.	
		J. J. Arnold, <i>Ass't Cas.</i> ...	.....
" ..	Mutual National Bank, Troy...	James H. Howe, <i>V. P.</i> ... W. Kemp.	
" ..	First National Bank, Yonkers..	Wallis Smith, <i>Actg. Cas.</i> ..	W. D. Olmsted.
PENN...	First National Bank, Media....	Thomas J. Haldeman, <i>Pr.</i>	I. Haldeman.*
" ..	Metropolitan N. B., Pittsburgh.	D. R. McIntire, <i>Pr.</i> ....	R. Liddell.
VT. ....	Northfield National Bank.....	C. A. Edgerton, Jr., <i>Cas.</i>	F. L. Ely.*
VA.....	First Nat'l Bank, Lynchburg...	Allen W. Talley, <i>Cas.</i> ....	D. E. Spence.
W. VA..	Commercial Bank, Wheeling...	J. L. Stifel, <i>Pr.</i> .....	T. H. List.*
ONT....	Bank of Montreal, Brockville..	C. Brough, <i>Manager</i> ....	J. N. Travers.
" ..	" " Hamilton...	J. N. Travers, <i>Manager</i> ..	T. R. Christian.

\*Deceased.

ALEXANDER HAMILTON ON PAPER MONEY.—“Among other material differences between a paper currency, issued by the mere authority of government, and one issued by a bank, payable in coin, is this: That in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge, the circulation; in the last, that standard results from the demand. If more should be issued than necessary it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand, whence it is evident that there is a limitation in the nature of the thing; while the discretion of the government is the only measure of the extent of the emissions by its own authority. This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.”





## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements—cents omitted.*

## DEBT BEARING INTEREST IN COIN.

	Aug. 1, 1878.	Sept. 1, 1878.
Bonds at six per cent. ....	\$ 733,561,250 ...	\$ 723,553,850
Bonds at five per cent. ....	703,266,650 ...	703,266,650
Bonds at four and a-half per cent. ....	246,000,000 ...	250,000,000
Bonds at four per cent. ....	112,850,000 ...	141,850,000
	<u>\$ 1,795,667,900</u>	<u>\$ 1,818,670,500</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....	\$ 9,009,640 ...	\$ 11,973,650
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## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.....	\$ 346,743,283 ...	346,743,256
Certificates of deposit .....	51,200,000 ...	49,460,000
Fractional currency.....	16,455,598 ...	16,351,728
Coin certificates.....	45,631,030 ...	44,017,850
Total principal.....	<u>\$ 460,029,911</u> ...	<u>\$ 456,572,834</u>

Total debt .....	\$ 2,278,717,451 ...	\$ 2,301,216,984
Interest .....	26,179,243 ...	27,890,917

TOTAL DEBT, principal and interest.....	\$ 2,304,896,694 ...	\$ 2,329,107,901
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## CASH IN THE TREASURY.

Coin .....	\$ 207,007,852 ...	\$ 238,420,709
Currency .....	1,108,317 ...	2,122,171
Currency held for redemption of fractional currency .....	10,000,000 ...	10,000,000
Special deposit held for redemption of cer- tificates of deposit, as provided by law....	51,200,000 ...	49,460,000
	<u>\$ 269,316,170</u> ...	<u>\$ 300,002,881</u>

Debt, less cash in the Treasury, Aug. 1, 1878	\$ 2,035,580,524 ...	—
“ “ “ “ Sept. 1, 1878	—	\$ 2,029,105,020

Decrease of debt during the past month....	\$ 206,306 ...	\$ 6,475,504
Decrease of debt since June 30, 1878.....	206,306 ...	6,681,811

## 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.....	39,835,039 ...	39,835,039
Interest repaid by transportation of mails, &c.	9,881,444 ...	10,241,749

Balance of interest paid by the U. S....	\$ 29,953,595 ...	\$ 29,593,290
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## NOTES ON THE MONEY MARKET.

NEW YORK, SEPTEMBER 24, 1878.

*Exchange on London at sixty days' sight, 4.82 a 4.82½ in gold.*

Two important questions are attracting special attention in Wall street—the new arrangements of the Treasury for the redemption of bank notes, and the probable agitation in Congress next winter, adverse to the National banks. With regard to the first point, it is contended that as the express charges of notes sent for redemption are now to be paid by the sender, the amount sent will fall off and a check will be given to redemption, which would introduce some retrograde movements and do mischief in various ways. Opinions differ on this and other aspects of the change, but for obvious reasons it is premature to attempt as yet to forecast the future. Secondly, as to the policy which Congress will probably adopt, it is conceded in well-informed quarters that during next winter, little, if any, important financial legislation is likely to be consummated. If this theory should prove correct, the responsibility and the power will devolve on the Forty-Sixth Congress, and the importance of the fall elections cannot be overestimated in a financial point of view. If, however, the enemies of the banks in Congress should determine, during the coming winter, to put forth their whole strength, the well-known character of the unfinished legislation from last session shows plainly that great excitement is likely to be called forth, and that the assailants of the banks can scarcely fail to do serious mischief, even if they do not fully carry out their plans.

A change has been developed in the European money markets, which now tend towards greater ease. The Bank of England is accumulating coin and bullion. It has been supposed that the monetary tranquility will be disturbed by the threatened troubles in the East, but this may be doubted. Still less is there at present any prospect that much trouble from this source is likely to invade or embarrass the monetary movements here. This, and other causes of anticipated trouble being set aside, the probabilities are now regarded as more favorable to monetary ease in this market. Almost the only reasons for believing in the early return of higher rates for money are based upon the increased demand from the interior, and the decreased accumulation of capital seeking employment in our chief financial centres. In Wall street the rates for call loans are one-and-a-half to two per cent. on Government collaterals, and two to three per cent. on miscellaneous stocks. Time loans for sixty days are made at two to five per cent. Prime commercial paper passes freely at four to six per cent. The agitation in regard to the silver disbursements from the Treasury, has not

produced any perceptible disturbance in the money market, though it has depressed Government bonds, and caused their importation from abroad. As is usual at this season, the reserves of the banks have suffered some depression, but the excess over the twenty-five per cent. legal reserve, is still ample. Subjoined are the averages of our New York banks, for several weeks past :

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Aug. 31.....	\$ 239,431,700 .	\$ 17,000,300 .	\$ 53,948,500 .	\$ 19,438,700 .	\$ 216,164,100 .	\$ 16,907,775
Sept. 7.....	243,432,900 ..	16,953,100 ..	50,683,500 ..	19,062,300 ..	216,711,200 ..	13,458,800
“ 14.....	244,215,100 ..	18,554,700 ..	48,891,200 ..	19,478,300 ..	218,269,000 ..	12,878,650
“ 21.....	245,877,400 ..	18,822,800 ..	48,538,400 ..	19,618,800 ..	217,304,000 ..	12,535,200

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 31.....	\$ 132,125,900 ....	\$ 2,731,600 ....	\$ 5,802,300 ....	\$ 74,691,100 ....	\$ 25,008,200
Sept. 7.....	131,595,100 ....	3,040,000 ....	5,613,700 ....	75,175,900 ....	25,281,000
“ 14.....	130,741,000 ....	3,022,600 ....	5,548,200 ....	75,481,300 ....	25,444,100
“ 21.....	131,144,300 ....	3,022,100 ....	5,654,900 ....	76,481,100 ....	25,466,100

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

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 31.....	\$ 57,515,217 ....	\$ 2,172,809 ....	\$ 13,547,329 ....	\$ 45,806,145 ....	\$ 11,191,223
Sept. 7.....	58,188,844 ....	2,165,359 ....	13,302,270 ....	45,504,418 ....	11,134,010
“ 14.....	58,397,686 ....	2,109,431 ....	12,812,555 ....	45,545,333 ....	11,190,001
“ 21.....	58,300,720 ....	2,003,043 ....	13,004,807 ....	45,335,119 ....	11,215,351

The stock market is irregular, and has shown considerable excitement during the month. In Government bonds the demand has not been quite so active, the prices having been somewhat unsettled by the uncertainty and agitation as to the financial future, and by the change of policy by the Secretary of the Treasury, in regard to silver payments. From four to five millions of bonds are reported to have been sold here from London, during the last ten days; our market has absorbed these very readily, and it is said that the fives of 1881, and the five-twenties of 1867, are now quite scarce in the European markets; this fact, with some others, tends to show that the sales in London of our Government bonds may perhaps be partly due to speculations upon the turn of the exchanges in favor of England, and to the consequent increase of the specie reserves of the Bank of England, whose gains of coin and bullion have, however, been chiefly drawn from Continental Europe. It is believed that the importation of our Government bonds from Europe is not likely to continue with so much activity, and there are not a few indications that it will be followed by a lively demand, especially among the investors in England and other countries, who formerly invested in Turkish, South American, and other foreign bonds, which have now lost their old and favorable position in the market. To show the course of the London market for United States bonds, we give the following quotations :

	Sept. 6.	Sept. 13.	Sept. 20.	—Quotations since Jan. 1, 1878.— Lowest. Highest.	
U. S. 6s, 5-20s, 1867.....	107½ ..	107½ ..	107½ ..	105¼ Jan. 2 ..	109¾ June 8
U. S. 5s, 10-40s.....	108¾ ..	108¾ ..	108¾ ..	104¾ Feb. 25 ..	111¾ July 30
5s of 1881.....	108¾ ..	108¾ ..	108¾ ..	103¾ March 1 ..	109¾ July 9
New 4½ per cents.....	105¾ ..	106 ..	105¾ ..	102¾ Feb. 25 ..	107¾ July 30

State bonds are quiet, and little demand is reported. For Missouri's, Virginia consols and Virginia bonds there is some inquiry, and quotations are slightly improved. Railroad bonds are again attracting more attention from

investors, and prices are higher for some of the most approved descriptions. In railroad shares there has been a strong and steady movement. The belief is that the stocks are held in strong hands, and that an attempt to advance quotations will be made before long on the improved business expected this autumn. Whether these anticipations be realized, and whether the attempt, if made, will be successful, the future will show; although on these questions there is much divergence of opinion, the speculative demand is not at present much stimulated, and the volume of the daily transactions is small. On the speculative list Western Union is strong; Rock Island, Chicago and Alton and some other Western railroad shares are firm. The chief business just now seems to be in Northwest, Lake Shore, St. Paul, and the coal stocks. Subjoined are our usual quotations:

QUOTATIONS:	Aug. 30.	Sept. 6.	Sept. 13.	Sept. 20.	Sept. 24.
Gold .....	100½ ..	100¼ ..	100¼ ..	100½ ..	100¾
U. S. 6-20s, 1867 Coup.	105½ ..	105½ ..	105½ ..	105½ ..	105½
U. S. 10-40s Coup. ....	108¾ ..	106¼ ..	106¼ ..	106¼ ..	106¼
West. Union Tel. Co. . .	92¾ ..	94¼ ..	94¾ ..	93¾ ..	95½
N. Y. C. & Hudson R.	111½ ..	114¼ ..	113¾ ..	113¾ ..	113¾
Lake Shore.....	65¾ ..	67¾ ..	66¾ ..	66¾ ..	67¾
Chicago & Rock Island	116¾ ..	117 ..	116¾ ..	118 ..	118¾
New Jersey Central... .	33 ..	33¾ ..	34¾ ..	37 ..	36½
Dcl. Lack. & West....	52¾ ..	51¾ ..	52 ..	53 ..	53½
Delaware & Hudson... .	49¾ ..	49 ..	49¾ ..	49¾ ..	49¾
North Western.....	34¾ ..	34¾ ..	35¾ ..	36¾ ..	39½
Pacific Mail.....	187½ ..	17½ ..	16¾ ..	17¾ ..	17¾
Erie.....	15½ ..	13¾ ..	13¾ ..	13¾ ..	13¾
Call Loans.....	1½ @ 3½ ..	1½ @ 4 ..	1½ @ 3 ..	1½ @ 3 ..	1½ @ 3
Discounts .....	4 @ 6 ..	4 @ 6 ..	4 @ 6 ..	4 @ 6 ..	4 @ 6
Bills on London.....	4.84-4.88½ ..	4.82½-4.87 ..	4.82½-4.87 ..	4.82½-4.87 ..	4.82-4.86½
Treasury balances, cur. \$	49,807,980 ..	\$48,566,352 ..	\$47,195,620 ..	\$46,557,052 ..	\$45,480,713
Do. do. gold-\$	129,483,574 ..	\$126,919,581 ..	\$125,433,304 ..	\$120,940,717 ..	\$121,213,549

To complete the information as to the movement of quotations during the last year, we give the range of our New York prices since January 1st, 1878, and the amount of each class of bonds reported since September 1st, 1878, in the dead statement of the Treasury:

	Price —Range since Jan. 1, 1878—		—Amount Sept. 1.—	
	Lowest.	Highest.	Registered.	Coupon.
6s, 1881.....coup..	105½ Feb. 25 ..	110¾ June 27 ..	\$196,751,650 ..	85,984,700
6s, 5-20s, 1865, new.coup..	102¼ July 22 ..	105½ June 6 ..	48,447,300 ..	43,345,800
6s, 5-20s, 4867.....coup..	104¾ Aug. 12 ..	108¾ June 27 ..	108,815,400 ..	201,798,700
6s, 5-20s, 1868.....coup..	106¾ Jan. 2 ..	111¼ June 28 ..	16,041,000 ..	21,424,300
5s, 10-40s.....coup..	103¾ Mch. 1 ..	109¾ July 29 ..	144,280,800 ..	50,285,500
5s, funded, 1881.....coup..	102¾ Feb. 25 ..	107¾ July 30 ..	239,689,800 ..	268,750,550
4½s, 1891.....coup..	101¾ Mch. 1 ..	105 Aug. 17 ..	157,377,750 ..	92,622,250
4s, 1907.....coup..	100¼ July 1 ..	102¼ Jan. 9 ..	98,130,300 ..	43,719,700
6s, Currency, 1899.....reg.	117¼ Apr. 5 ..	122¼ May 25 ..	64,623,512 ..	—

Gold is more steady; foreign exchange is dull and the foreign bankers do not appear to have been buying sterling bills to remit against the purchases of bonds, as they have been reputed to have been making in London. In connection with the foreign exchange market the cotton crop is attracting attention. The *Financial Chronicle* gives some important information on this subject. It states that the total crop of cotton last year was 4,811,265 bales, amounting to £2,309,907, which exceeds by about ten per cent. the preceding crop. The overland movement, not otherwise counted, was 317,620 bales,

against 300,282 bales during the preceding year; the quantity manufactured at the South is estimated at 148,000 bales, only 1,000 more than the quantity manufactured in 1876-77; and the quantity exported, exclusive of foreign cotton, 3,340,166 bales. The remainder, 1,398,298 bales, is the quantity taken by Northern spinners, which is about the same as they consumed the year before. Although the exports are smaller by 428,000 bales than in 1859-60, the year of the largest crop before the war, the total consumption of Great Britain and the Continent has enormously increased, and the enlarged supply has been drawn from other countries which are our rivals in cotton production. The average price of cotton exported has been about the same as in the year 1859-60, and the production, though nearly as large as it was that year, is much less per capita. According to Professor Elliott, of the Treasury Department, the population of the United States is now about 48,000,000. On this estimate our yearly production of cotton now is about forty-eight pounds per capita, and in 1860 it was about seventy-one pounds. But the home consumption is more per capita than it ever was before the war. Estimating the population as before, the quantity of cotton taken for consumption in this country from the last crop is about 15.46 pounds per capita, and the consumption before the war was never as large as in 1859-60, when it was 14.32 pounds per capita. It is generally believed that foreign dry goods will not hereafter be imported as largely as they were prior to 1873; that the manufacture of these and other commodities has made great progress here, and has cheapened production by labor-saving machinery; and that the foreign demand for American goods is growing, and can now be relied upon as a permanent outlet for our foreign commerce, and a perpetual corrective to our balance of trade. There is not much disposition to controvert these facts and deductions. The great advantage which the foreign exchanges have derived from our increased exportations during the last two years is too well understood to be called in question.

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### DEATHS.

At NORWAY, MAINE, on Saturday, June 22nd, aged sixty-eight years, SUMNER BURNHAM, President of the Norway National Bank.

At PRAIRIE DU CHIEN, Wis., on Thursday, August 29th, aged fifty-two years, COLONEL WILLIAM A. FORT, President of the Waco National Bank, of Waco, Texas.

At MEDIA, PA., on Monday, August 12th, aged eighty-one years, ISAAC HALDEMAN, President of the First National Bank.

At TROY, N. Y., on Friday, July 5th, aged seventy-three years, CALVIN HAYNER, President of the Mutual National Bank.

At NAHANT, MASS., on Monday, August 26th, aged seventy-two years, LYMAN NICHOLS, President of the Boston National Bank.

At HOPE, N. J., aged seventy-one years, JAMES K. SWAYZE, President of the First National Bank of Washington, N. J.

At PHILADELPHIA, PA., on Saturday, September 21st, aged fifty-six years, GEORGE K. ZEIGLER, President of the National Bank of Commerce.

THE  
BANKER'S MAGAZINE,  
AND  
Statistical Register.

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VOLUME XIII, }  
THIRD SERIES. }

NOVEMBER, 1878.

No. 5.

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THE BRITISH FINANCIAL POSITION.

The interest of the financial world centers just now upon the position and prospect of affairs in Great Britain, under the pressure put upon the money market by the rise of the Bank of England minimum rate of discount to five per cent. in August, increased on the 14th of October, to six per cent. The first fruit of the resulting close scrutiny of expanded credits, was the failure, October 2d, of the City of Glasgow Bank, full comments on which, as well as the particulars, will be found elsewhere. The investigation completed and announced October 18, shows a condition of its affairs worse than even the worst fears. The declared deficit is £ 5,200,000 or \$ 25,000,000, and even this is said in London to be a "too favorable" exhibit. The private failures in Glasgow, after the failure of the bank, and down to the 19th of October, had amounted, according to the London *Economist*, to £ 5,762,000, and were still continuing on a great scale.

At this writing (October 22), although great mercantile bankruptcies were occurring every day in London and elsewhere throughout the United Kingdom, there had been no failure of any bank, or trust company, except that of the Colonial Trust Corporation, which had been declaring (like the City of Glasgow Bank) twelve per cent. dividends, and had made a very flourishing statement of its affairs, as late as last June. Instead, however, of really earning those dividends, it is now said to have lost £ 230,000 within four years.

The Bank of England appears to be sustaining itself, and has not only checked any tendency to the export of gold to this city, but has set in motion by its stringent measures, such an active current of gold from Paris to London, that the Bank of France lost specie, during the week ending October 10, to the extent of 59,500,000 francs, and during the week ending October 17, to the extent of 29,200,000 francs. Under these heavy drains, the French Bank, on the 16th of October, increased its discount rate from two to three per cent., and its loan rate from three to four cent.

The Imperial Bank of Germany continues the high rate of five, and has thereby checked, but not quite stopped the outflow of its gold. The Bank of Belgium has raised its rate from three-and-a-half to four-and-a-half per cent.

Of course, while this "battle of the giants" for gold is in progress, the merchandise and produce markets in Europe are everywhere falling.

The financial journals in England agree in expressing confidence that there will be nothing like a panic affecting the banks generally, but how far this confidence is genuine it is impossible at this distance to judge. The private advices received from London by our bankers and merchants are, on the whole, not re-assuring.

In respect to the English joint-stock and private banks, our readers will not forget the facts stated in our last number, that while they cannot have escaped great losses from the long-continued commercial depression, they have, down to this time, admitted no losses. On the contrary, they have rather increased than diminished their dividends, and have, as a rule, given higher figures for their surplus and profits in each succeeding published balance sheet.

The managers of the banks in this country, as a body, have pursued the entirely different policy of early admitting their losses, cutting down the figures of their surplus, curtailing dividends, and even declaring no dividends where none had been really earned.

As will be seen from a statement of the Comptroller of the Currency, published in another part of this number of the Magazine, the number of National banks declaring no dividends was :

First half of 1876.....	238
Second " " .....	273
First " 1877.....	245
Second " " .....	288
Half year ending Sept. 1, 1878.....	357

As the result of this conservative course, the banks of the United States, as a whole, have never enjoyed a greater measure of public confidence than at this very moment of wide-spread alarm. The public feel that the worst was early and frankly admitted, and that no attempts have been



made to conceal losses by such vain attempts to bolster up failing houses, as have terminated in the recent catastrophe at Glasgow.

The Glasgow failure has brought to notice a defect in the British provisions for the security of bank-note holders. The amount of notes which the failed bank could issue, on the credit of its general resources, was £72,000. For all beyond that it was required to have gold on hand, pound for pound. Its actual circulation of notes exceeded £800,000, and it turns out that there was a deficiency of gold, and had been for a long time, to the extent of £300,000. The Government makes no examinations, but relies upon reports.

It may be some time yet before British bankers can overcome their prejudices against such Government examinations as we are accustomed to in this country. An exhibition to official examiners of the names of their debtors is still considered by them to be an unwarrantable exposure of private affairs. Yet it is plain, that a general statement that they have a certain sum in bills discounted conveys no information which is worth much. The bills may be of the character of the four mercantile firms which are just found to have swallowed up all the capital and deposits of the Glasgow Bank.

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## THE RESUMPTION LAWS.

The laws under which specie resumption, January 1, 1879, is to be regulated and maintained by the United States Treasury, provide as follows :

### I. The Resumption Act, passed January 14, 1875.

“And on, and after, the 1st day of January, A. D. 1879, the Secretary of the Treasury shall 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 \$50; and, to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury, not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the description of bonds of the United States described . . . .”

### II. The resolution of the Senate of the United States (the House of Representatives concurring therein) passed January 25, 1878 :

“That all the bonds of the United States issued, or authorized to be issued, under the said acts of Congress hereinbefore recited, are payable, principal and interest, at the option of the Government of the United States, in silver dollars of the coinage of the United States, containing 412½ grains each, of standard silver, and that to restore to its coinage such silver coins as a legal tender, in payment of said bonds, principal and interest, is not in violation of the public faith, nor in derogation of the rights of the public creditor.”

III. "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," passed February 28th, 1878 :

"There shall be coined at the several mints of the United States, silver dollars of the weight of  $412\frac{1}{2}$  grains troy, of standard silver, as provided in the act of January 18, 1837, . . . which coins, together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues, public or private, except when otherwise expressly stipulated in the contract.

"Any holder of the coin authorized by this act, may deposit the same with the Treasurer, or any Assistant Treasurer, of the United States, in sums of not less than \$10, and receive therefor certificates . . . said certificates shall be receivable for customs, taxes, and all public dues, and, when received, may be reissued."

IV. The contraction of legal-tender notes was stopped by an act of Congress passed May 31, 1878, which provided :

"That from, and after, the passage of this act, it shall not be lawful for the Secretary of the Treasury, or other officers under him, to cancel or retire any more of the United States legal-tender notes, and when any of said notes may be redeemed or be received into the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, cancelled, or destroyed, but they shall be reissued and paid out again and kept in circulation, provided that nothing herein shall prohibit the cancellation and destruction of mutilated notes, and the issue of other notes of like denomination in their stead, as now provided by law. All acts or parts of acts in conflict herewith, are hereby repealed."

The foregoing extracts are the material parts of the acts of Congress by which the Secretary of the Treasury must be governed in his proceedings to resume specie payments. The Concurrent Resolution introduced by Senator Matthews, is in one sense an act of Congress, although it is technically a "concurrent resolution," and has not the force of a law ; but it is the will and intention of a majority of the legislative branch of our Government.

It is wise to consider the proper construction of these laws, and the power of the Secretary of the Treasury in maintaining resumption.

The resumption act provides for the redemption in coin of all legal-tender notes that may be presented, in sums of fifty dollars and upwards.

The "concurrent resolution" declares silver dollars to be a proper payment for United States bonds.

The "silver bill" provides for the continuous coinage of silver dollars of  $412\frac{1}{2}$  grains of standard silver, and that they shall be a legal tender for all debts.

The act of May 31, 1878, provides that the Secretary of the Treasury shall reissue and keep in circulation all the legal-tender notes then in circulation (\$346,681,016).

We must look at the facts as they are, and however greatly people may differ as to what ought to be, our present purpose refers to what is. By the last act of Congress affecting resumption (which repeals all prior inconsistent legislation) the Secretary of the Treasury is ordered to

reissue and keep in circulation the then existing volume of legal-tenders. This imperative order conflicts apparently with the disbursement of any other money while there are any legal tenders in the Treasury. It is the command of Congress that the legal tenders shall be kept in circulation, and the command is explicit and reiterated, and hedged in with words apparently to prevent any evasion of the intent of the law.

Taking the acts of Congress above recited, it is difficult to avoid the conclusion, that the existing laws require the Secretary of the Treasury—

1. To keep in circulation the present volume of legal tenders.

2. To admit the equality of silver to gold even in the payment of bonds.

3. To redeem in coin, after January, 1879, legal tenders, but not to pay out coin for disbursements while there are legal-tenders not in circulation.

The effect of these laws is then, (1) a forced circulation of the existing volume of legal tenders, and (2) that we are bound to the use of silver alone for metallic money, except while we can keep gold and silver of equal value at their present relative valuation.

In addition to the enforced circulation of the present volume of legal tenders, the National-bank notes have a possible legal increase only limited to ninety per centum of our National debt; or a possible increase of five hundred per cent.

By the act of June 20, 1874, the redemption of National-bank notes by the United States Treasury must be in legal-tender notes, an enforced use of greenbacks which is not generally remembered.

An increase of money, under the present laws, is not only possible, but in some degree it will be forced, and must be fully equal to any legitimate use. The purposes, therefore, of honest inflationists will be more speedily attained by leaving well-enough alone, than by pressing new measures before there is given a fair trial of the relief attainable under present laws. Especially is this true in so radical a revolution as the abolition of the National-bank currency, and the consequent disorganizing of two thousand chartered aids to legitimate business.

It is not possible to believe in a change in the opinions of the people of this country to the extent that they will favor practically unlimited Government paper money. This heresy is not worthy of an argument. A fair presentation of the facts shows: that our favorable balance of trade, now over one million of dollars a day, will continue until lessened by higher prices, and will make us richer than any country in the world, before it entirely ceases; that present laws give us

(1) ultimately unlimited silver; (2) National-bank notes limited only by a proper demand; (3) a forced circulation of the existing volume of greenbacks. There is also the probability of gold remaining at par with silver and paper money long enough to give us a "gold inflation," and all these considerations should make any inflationist hesitate before going further. And where is the wisdom, even to an inflationist, of mooting the repeal of specie resumption, when the success of resumption will increase the volume of money; of asking for the destruction of the National-bank system, when we are on the eve of an increase in the volume of National-bank notes; or of new financial legislation of any kind when we have just begun to feel the effects of the silver and legal-tender legislation passed last winter? The general interests of the people will be best served by a "masterly inactivity" in financial legislation.

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### THE NEW REDEMPTION ORDER.

The regulation of the Treasury Department which went into effect October 1st, requires that parties transmitting National-bank notes to Washington for redemption, shall prepay the express charges therefor. Much discussion and no little complaint has followed this order. The banks in the larger cities, upon whom falls chiefly the burden of the change, insist that this expense should be borne, as heretofore, by the banks whose notes are redeemed, inasmuch as the latter enjoy the benefit of the circulation. A memorial from the Clearing-House Association of this city has been sent to the Secretary of the Treasury, asking that the former regulation be restored.

We think that the new order, being more in accordance with the law than was the old one, is entirely just. If a bank or banker in New York, Boston or Philadelphia wishes to convert National-bank notes into greenbacks he sends them to Washington, and has to pay only the single freight *to* that city. The Treasurer of the United States returns to the sender legal-tender notes, prepaying the expressage thereon, and charges this expense to the issuing bank whose notes are thus redeemed. The redeemed circulation is forwarded to the banks respectively as soon as the amount of any one has reached \$500, and the banks send back legal-tenders in return to the Treasury, to make good the amount of the Redemption Fund, the expressage on these two transmissions being likewise charged to the redeeming banks. The bank thus pays three distinct freights on each of its bills redeemed at Washington. In view of the fact that the law requires the National banks to redeem their circulation only in Washing-

ton, or at their own counters, there seems to be little propriety in the demand that they shall redeem in any other town or city in the country. Payment by the issuing bank of freight on its notes to Washington would be, virtually, redemption at the point whence they are shipped. If a holder of bank currency, instead of sending to Washington, were to forward it to the bank itself, and demand that the latter pay the cost of sending home its own notes, the proceeding would be regarded as contrary to all usage, and the bank so called upon might properly reply that it was ready to redeem its circulation at par, but not to pay a premium for the privilege of so doing. Yet the former rule, which imposed upon the banks the cost of freight on their notes to Washington, was, in effect, redemption at above par.

In view of the provision of law which requires every National bank to receive at par, for any debt due it, the bills of all other National banks, it is claimed in behalf of the old rule that it would be a gross imposition to leave the receivers to obtain redemption, at their own expense, of notes which they cannot use in turn to discharge their own liabilities to others. It is but just that some provision should exist for turning the bank notes into legal-tenders at the expense of those whose bills possess the function stated, but that provision is already found in the Redemption Bureau, and in the transmission of greenbacks from Washington at the cost of the banks whose circulation is sent there. The burden of expense of maintaining this system does not fall upon those who send the money to the Bureau, but upon the issuing banks, who pay *three* freights for this purpose. And this expense is incurred not only in behalf of the National banks who are obliged to receive the notes from their debtors, but also in the case of any holder of the notes who wishes to convert them into greenbacks. We think that when the banks redeem their circulation promptly, either at Washington or at their own counters, they do all that the law of their organization requires of them.

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Since the foregoing was written, the correspondence between Secretary Sherman and the Clearing-House Committee, has come to hand and will be found elsewhere, in our present number. The reply of the Secretary confirms the view which we have already expressed. Mr. Sherman states that "the amendment of 1874 did not contemplate the establishment of a grand clearing house, or the granting of a premium for the collection and transmission, by one National bank, of the circulation of the others." He concludes, by saying, that while he agrees with the committee that the prompt redemption of the notes of the National banks is essential to their being maintained in circulation at par with United States notes, he thinks the guarantee for this is sufficient in the law, which

provides for the redemption by each bank of its notes at its own counter, and when presented in the ordinary course of business at the United States Treasury. Entertaining this view he is unable to see any reason for the revision of the order referred to.

Secretary Sherman's interpretation of the amendment of 1874, in that it "did not contemplate the establishment of a grand clearing house," is contrary to the general belief as to the intention of the law. Such a clearing house ought to exist, but it should be established in New York City, as the financial centre of the country. Its full efficiency cannot be reached while located at Washington.

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### BANK NOTES REDEEMABLE IN GREENBACKS.

On the 30th of September, the editor of the *Utica Republican* addressed a letter to the Secretary of the Treasury, enquiring whether, after January 1, 1879, bank notes must be redeemed in coin, or could be redeemed as at present in greenbacks. The following reply was received :

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY, }  
WASHINGTON, D. C., Oct. 2, 1878. }

*T. D. Curtis, Editor, Utica Republican, Utica, N. Y. :*

SIR :—Your letter of the 30th ult. is received. After resumption, National bank notes will be redeemed as heretofore in United States notes. The legal-tender quality of the United States notes will remain after resumption as before, and the circulating notes of National banks are redeemable in United States notes.—Very respectfully,

J. K. UPRON, *Chief Clerk.*

The notes of National banks were always and still are redeemable at their own counters. They have also been redeemable, since the passage of the act of June 20, 1874, at the U. S. Treasury in Washington, out of a fund, equal to five per centum of their circulations, which they are obliged to keep on deposit there for that purpose.

For redemption at their own counters they are required to keep "*lawful money.*" As greenbacks are now "*lawful money,*" and are to remain so until Congress shall otherwise order, this counter redemption may be made in greenbacks. But it may also be made in gold coins, or in standard silver dollars, both of which are also "*lawful money.*"

The redemption at the Treasury in Washington stands on a different footing. The officers of the Treasury are expressly directed to make the redemption "*in United States notes,*" and are therefore not authorized to make the redemption in coin of any kind. It would seem, that as the Treasury officials can only redeem "*in United States notes,*" the banks ought to have been required to furnish for that purpose "*United States notes*" only, to the exclusion of any other form of "*lawful*

money," but the actual provisions of the act of June 20, 1874, are rather contradictory on that particular point. It begins by requiring that every bank

"Shall, at all times, keep and have on deposit in the Treasury of the United States, *in lawful money of the United States*, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation."

It afterwards provides, that whenever and as often as the fund deposited by any bank shall be reduced by redemptions amounting to \$500, such bank, upon being

"So notified, shall forthwith deposit with the Treasurer of the United States a sum *in United States notes* equal to the amount of its circulating notes so redeemed."

As the original deposits by the banks under this law were long ago exhausted, while their supplemental deposits, to make good what has been used in redemption, are required to be "*in United States notes*," the treasury now has and always will have that particular form of money belonging to the banks, in which to make current and future redemptions.

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## COMMERCIAL PRICES IN ENGLAND.

There is apparently no recovery as yet in England from the decline in the prices of commercial commodities which set in after 1872. The trade returns for the month of August, 1878, which are the latest published, show no improvement in that particular, but rather the reverse.

The coal exported during that month, was  $5\frac{1}{10}$  per cent. more in quantity than during the corresponding month of last year, but was  $5\frac{4}{10}$  per cent. less in aggregate money value, showing a fall in price of over ten per cent.

The iron and steel exported was  $1\frac{4}{10}$  per cent. more in quantity, but sold for  $5\frac{4}{10}$  per cent. less money, showing an average fall in price of  $6\frac{1}{2}$  per cent.

The fall in price from August, 1877, to August, 1878, is less in cotton piece goods, being  $2\frac{1}{2}$  per cent., and in woolen cloths, being  $2\frac{3}{4}$  per cent.; but the London *Economist* says:

Raw cotton and wool now stand practically at the same quotations as last year, and the differences represent the diminished remuneration of the home manufacturer and merchant.

The fall in cotton and woolen goods, although small, was a fall from prices represented by English authorities to be already ruinously low.

The spinners of cotton yarn (forty-mule twist,) at the prices of Middling Upland cotton, in August of the three years 1876-7-8, obtained a margin of remuneration for spin-

ning, of  $4\frac{3}{8}$  pence in 1876, of 4 pence in 1877, and of only  $3\frac{1}{8}$  pence in 1878.

A list of all the more important articles of British produce and manufacture exported in August, 1878, shows a decline of £378,000 in the aggregate money value. The *Economist* observes upon this list :

In nearly every instance, the difference in values are more unfavorable than those in quantities. The decrease of £378,000 is more than represented by the fall in prices, and were the differences in quantities alone valued, there would actually be a balance in favor of 1878.

The average fall in prices from August, 1877, to 1878 was five and seven-tenths per cent. in the following raw materials for manufactures imported into Great Britain, viz., cotton, flax, hemp, hides, jute, silk, wood, wool, unwrought copper, iron ore, lead, tin, flaxseed and linseed, and tallow.

Of the British cotton manufactures, the *Economist* of September 14, says :

It is well known that for some time past manufacturers have continued to sell at a direct loss, simply because they could not afford to permit valuable connections to pass from them. The resumption of full time, after the recent strike in Lancashire, has again caused manufacturers' stock to accumulate rapidly, and prices to fall; and it may be said that a large portion of the benefit derived from the ten-per-cent. reduction in operatives' wages has been lost. In some quarters, a further drop in wages is discussed.

The extent of the fall in English prices, which had taken place prior to the present year, will appear from the following statements :

Of the 199 millions sterling of exports of British produce and manufactures in 1877, it is only possible to make comparisons of price between 1877 and 1872, in respect to  $143\frac{1}{3}$  millions. The same quantities of the same articles would have produced  $181\frac{1}{2}$  millions at the prices of 1872, instead of  $143\frac{1}{3}$  millions, thus showing an average decline in price of about twenty-one per cent.

This decline in prices was greatest in the metals and minerals, coals, copper, iron, lead, and tin, of which nearly all the raw material is British. The exports of these articles, aggregating thirty-two-and-one-third millions sterling in 1877, would have produced forty-five-and-one-tenth millions at the prices of 1872, the average fall in prices being about twenty-eight per cent.

It being impossible that there should be so long and still continuing a fall in general prices without impairing the capital engaged in productive industries, and also impossible that banks and bankers, however prudent, could escape some degree of participation in the losses of their customers, we did not hesitate, in our last number, to speak of "the probab-



ity of an impending banking crisis in Great Britain." The events of the past month have shown only too well, that our apprehensions had a good foundation. Under circumstances common, in many respects, to both countries, the bankers of the United States seem to us to have been far more prudent than the British bankers. They apprehended earlier the pending difficulties, confronted and charged off losses and reduced dividends sooner, and have thus mitigated the force of a crisis which they could not wholly avoid.

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### THE GLASGOW BANK FAILURE.

The most important financial event of the year, in Great Britain, is the failure of the City Bank of Glasgow, for an estimated amount of £10,000,000. This event occurred on the 2d of October. Our readers, who remember the panic of 1857, will recall the fact that this institution was one of the half dozen great banks which failed in that year. The City Bank of Glasgow closed its doors on the 11th of November, 1857, having been preceded a few days only by the Borough Bank of Liverpool, and by its own immediate neighbor, the Western Bank of Scotland. So scandalous a bank failure as the present has not occurred within the memory of the present generation. In the extent of liabilities, and in the degree of rottenness, it promises to go far beyond the failure of 1857. Then the liabilities as first reported were six millions sterling; now they are reported to be ten millions; then the amount of liabilities was greatly reduced after going through the hands of the professional accountants, and the bank was able, in about a month, to resume business with an enlarged circulation and increased business; now the loss shown by the balance sheets, after an official investigation, is about £5,200,000 (\$26,000,000) which is said to be in addition to the capital of £1,000,000, making a total loss of more than \$30,000,000. The loss, therefore, to Great Britain by this one institution exceeds half the capital of the National banks of the city of New York, and the entire capital of such banks in the State of Connecticut.

The *Economist*, writing immediately after the failure, and before the official investigation (October 5th) says, "The circumstances which led to the failure are obvious enough; and the investigation which must immediately take place, will undoubtedly show, that the reckless trusting of enormous sums to a few large and insolvent firms, which has brought on the final catastrophe, had been continued for a very considerable space of time. The question arises—with

such large sums of paper in circulation, some of it based on transactions representing fixed advances rather than commercial business—how had the bank continued to remain in credit so long? But here the feeling of confidence in the system of Scotch banking, which a long series of years has produced, came in, and operated in a manner which will eventually be found, we fear, to be extremely prejudicial to the interests of the shareholders. For many years, for a period, indeed, extending beyond the lifetime of many persons, it has been the boast of the Scotch that no depositor, or holder of any security belonging to a Scotch bank, has ever lost a sixpence by trusting to it. This immunity from loss, on the part of the depositor has been obtained, it is true, notably in the case of the Western Bank of Scotland, at the cost of the shareholders; but as far as the public has been concerned, the security has been absolute. Hence, though a mistrust, but too well founded, on the part of many interested in banking existed in the mode of doing business of the City of Glasgow Bank, yet the confidence even of bill brokers and bankers was only gradually broken down by the enormous quantity of acceptances in circulation, while that of the general public was maintained to the very last moment. Even on Tuesday, the 1st, the day preceding the failure, the shares of the bank, with £100 paid, were dealt in at 235½, and the ordinary business of the bank was carried on, it may be said, quite as usual till the end of the afternoon on which its operations came to a close. There was no run, or any semblance of a run; there was no local discredit; but when the other Scotch banks came to the conclusion that they could give no assistance, the concern suddenly stopped because it was utterly rotten. . . . When the investigation is made, the rock on which the concern split will be found to be the old one of a direction working in a vicious circle and recklessly advancing large amounts to themselves and their own friends. With scarcely an exception the directors were connected with the names on the bills in circulation, and with the firms to which the advances were made."

American readers may possibly need the explanation that "bills in circulation" means bills receivable which have been taken by the bank and floated with its acceptance or indorsement—a style of banking nearly unknown in this country, but very common in Scotland and, we believe, throughout Great Britain.

The official investigation, the results of which were made public on the 18th of October, confirmed the worst fears thus expressed by the *Economist*. Among the assets, figure shares of the Erie Railway, bonds and stock of the Western Union Railroad of Wisconsin, and scrip of the New Zealand and Australian Land Company, the latter for nearly five

millions of dollars, an amount equal to the bank's capital. Millions of pounds sterling are also said to have been thrown away in supporting hopelessly rotten firms in the East India trade.

Mismanagement and misadventure are, however, not the worst things charged upon the institution. The report of the examiners shows the practice of the grossest deception and fraud on the part of the directors. The Scotch banks, under the act of 1845, are not limited in their bank-note issue, as are the English private and joint-stock banks, under the act of 1844, but they are required to hold specie against any excess of notes issued beyond the limit of uncovered circulation established by that act. Since the beginning of this year, the weekly statements, which the law obliges to be published, have been falsified to meet the requirements of the law. In some instances, as large an amount as £ 300,000 has thus been falsely sworn to as being in its vaults in specie.

In their reports to the shareholders, the directors have overstated the cash, under-stated the loans, and fraudulently represented worthless securities as good assets. The shareholders are individually liable as partners, each for the full amount of the bank's indebtedness. A call has already been made upon them to contribute £ 500 per share, or five times the paid-up value of their shares. As many of them will be unable to respond to this call, the ultimate loss will fall upon the smaller body of wealthy partners, and it is needless to say that many of them will be ruined.

The City Bank has 133 branches, a larger number than any other bank in Scotland. In the latest statement of the Joint-Stock Banks of the United Kingdom, which has been published in the *Economist* (number of May 18, 1878), the amount of its deposits and accounts current exceeded forty-one millions of dollars. At the same date its surplus fund was represented at £ 598,000, or nearly sixty per cent. of its capital. It divided at the rate of eleven and twelve per cent. per annum, and its shares, as already stated, sold up to the day of its failure, at 235 on a par of 100. A great deal of the suffering which the failure will most immediately and widely entail, will fall upon its depositors, who doubtless number many thousands, but it will extend to all classes of business depending on banking facilities. We have seen it somewhere stated that the other Scotch banks have offered to advance to the depositors to the extent of fifty per cent.

By this lamentable and scandalous disaster, another proof has been added to many which have passed into history, that the joint-stock banking system of Great Britain is by no means equal to our own in point of safety to stockholders and the public, nor in respect of the principles and

practices which enter into its management. We do not hesitate to assert that such a rotten condition of things could not grow up under the National banking system of the United States, and that it was never exceeded, if indeed equaled, under the much decried State banking systems which have passed away. The English love of privacy, and intolerance of inspection and control in the banking business have once more been vindicated, and 133 communities in which the branches of this great institution were established, and hundreds of stockholders in all conditions of life, whose entire property is liable to be levied on to make good the losses entailed by this gigantic wrong, are plunged into suffering and ruin.

Two lessons force themselves on our attention in connection with this failure. The first is, that corporate banking, especially when clothed with the function of creating paper money, has no right to exist in any country except under the safeguard of strict statutes, regulating the methods of carrying on the business; and under the constant guardianship of responsible and capable public officers, whose duty it is to know the law and to see that it is obeyed, with the right to invoke the processes of the courts, in a prompt and summary way, in case abuses are found to exist. The second is, that the principle of unlimited liability, so far from being a protection to the public, is, in banking business, a delusion and a snare.

We perfectly understand that our first proposition will find no acceptance among those who form financial opinion in England. Our contemporary, the *Economist*, will doubtless say of it, as it recently said of the needed reforms in respect to the keeping of their own reserves by the joint-stock banks, "no doubt the system has a good deal to recommend it, but it is not the custom among us, and it is better to think of improvements which can be made in the existing system, than to endeavor to substitute one which would be altogether new."

A countryman of ours was walking through Suabia, and saw a peasant driving a loaded wagon, and about to descend a hill. He stopped his horses at the top, and with much labor and consumption of time, lashed one of the wheels securely to the body of the vehicle. In this condition his horses dragged the load down the hill, and at the foot the lashings were as carefully removed. Our friend, thinking it a good opportunity to enlighten the mind and lighten the labors of the German peasant, explained to him that in his country wagons were furnished with a lever brake, by which the driver could, by the pressure of his foot, stop the rotation of the wheel. His only reward for this valuable piece of information was a shrug, and the complacent remark, "we don't do it so in this country."

Excessive credits granted to a few customers, by means of which the capital owned by the bank as well as that borrowed of the public, through deposits and circulation, is first locked up and finally lost, are among the vicious practices which may be and are easily prevented by statute and supervision. Without some such restraint, credits can hardly ever be kept within safe bounds. It is the same with accommodations to officers and directors, which are among the commonest methods of perpetrating fraud when there is no public supervision of a searching character.

The directors of the City Bank are charged with recklessly advancing large amounts to themselves and their own friends, and with being, with scarcely an exception, connected with the names on the bills in circulation, and with the firms to which the advances were made. This is the old and ever-recurring experience, and it will never end so long as bank managers are left to their oaths and consciences alone to keep them out of vicious courses.

Our second proposition—that the unlimited liability of bank's shareholders is not a benefit to the public, but, on the contrary, a snare, will perhaps be received with suspicion and incredulity; but many years of observation and experience in banking business have confirmed us in that opinion. We perfectly remember the Scotch failures of 1857, and the circumstances which gave rise to them. We believed then that they were largely due to the false basis on which those institutions traded with the public, and the new failure shows that the false relation has been continued to the present time, in spite of the former warning and former punishment. The Glasgow banks have been allowed to do a hazardous business—have been helped to do it, in fact, have been permitted openly to violate the most sacred principles of financial management, because they had very rich stockholders—noblemen with vast estates, retired capitalists with great realized fortunes, and wealthy merchants still in active business. This principle of according credit is utterly unsound, whether the business be banking or any other mercantile or producing occupation. The thing to be trusted is the transaction, not the individual. If the transaction is bad, it is very hazardous to overlook it, because the wealth of the actors in it seem to provide a sufficient guaranty in case of miscarriage. It is as clear as sunlight, that if continued long enough miscarriage and loss will be the culmination of bad business.

In according credits "it is the first step that costs." A mistake made in the inception can rarely be recalled, or if recalled, it is at the cost of angering a customer who might have been turned away in the beginning without offence. Rich men may be trusted with money so long as they give good specific security, even though they squander

the proceeds of the loan, but they have no right to borrow it for uses which are not legitimate, on the faith of their real or reputed unpledged wealth.

This is precisely what has been done in Scotland. The City Bank of Glasgow, through its numerous branches, has solicited and obtained credit from all classes of people in that country. It has obtained it by the circulation of its notes to the amount of some four millions of dollars, and by the receipt of funds in deposit, in excess of forty millions. Its business has probably been very little understood away from the head office; and even there its transactions were veiled in such obscurity, that its shares sold, up to the last moment, for more than three times their face value. Yet, it was, all this time, sapping the foundations of its solvency by excessive loans to business houses, by speculations in stocks and bonds, and by promoting and sustaining worthless foreign ventures.

Without any full or exact knowledge of its methods of business, it will no doubt be found that the bank was a heavy borrower in the London market. This was the case in 1857, when it rediscounted its receivables to a very large amount, in London, although the Scotch banks at that time had not, as they now have, any branch offices there. It is reported that its unsound condition has been known for some months past, in banking circles. It is unaccountable that this knowledge did not reach its immediate constituents, and cause a heavy decline in its shares, or a run on its deposits. Probably the largeness of its dividends and of its pretended reserve fund have blinded the public and prevented inquiry.

Its final failure is doubtless attributable to the growing scarcity of money in Great Britain, under the pressure of which many long deferred collapses must occur. The *Economist*, of September 21st, says that "it is undoubtedly the fact that the outer market is relatively considerably poorer this year than last." Prolonged inactivity in business circles, the closing of many great industries, and not improbably the impairing of British capital by over-spending, against which Mr. Rathbone has raised his warning voice, are together applying a sharp corrective to unsound methods of business. If from these bitter experiences wisdom can be gathered for future guidance, the losses of the present time will be partly compensated.

GEORGE WALKER.

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## FINANCIAL POSITION OF THE GOVERNMENTS OF EUROPE.

The present financial circumstances of the governments of the principal countries of Europe are attracting a good deal of attention among the bankers of the United States.

In Great Britain, from the persistency of the commercial depression, the public revenue has already lost what the statesmen of that country have been in the habit of calling its *elasticity*. That is to say, the same taxes no longer yield more, year by year, as they ordinarily have done during the past twenty-five years. The prospect for the current year is a deficit of revenues, as compared with expenditures, to which is added the probability of large calls for money for a war with Afghanistan.

In Russia and Austro-Hungary, there are large deficits resulting from war with Turkey and the occupation of Bosnia. In France and Italy, great schemes of internal improvement based on National borrowings, are resolved upon.

A Vienna letter of September 17, says: "The last returns of the Russian Imperial Bank have been noted with some surprise. The circulation of notes has increased to 1,200 million roubles, although the loan of 300 million roubles succeeded perfectly well, as the bank itself has assured us. The government has, therefore, not yet repaid anything of its debt of 514 million roubles which it owes the bank."

A London stock market report of September 14, states that "Russian stocks are dull, because it is found that the subscriptions to the new internal loan have not produced a reduction of the notes in circulation."

The Russian situation presents two questions, quite distinct from each other.

The first is, how to obtain the increased revenue needed to pay the greatly increased charge for annual interest on the national debt, swollen as that has been by the late war with Turkey.

The second is, how to deal with the currency, which is really government paper, although issued by the Imperial Bank. The war has increased the issue, in round numbers, from 700 million roubles to 1,200 millions, and the depreciation compared with gold, is forty per cent.

It was supposed that the recently effected Russian internal loan of three hundred million roubles, would be applied wholly or mainly to a reduction of the paper currency, and an improvement of its value. It is now known that no part

of it was so applied, and it is probably uncertain at what time Russia will take any action at all in respect to the paper currency, and what that action will be when taken. On more than one occasion, heretofore, when the paper rouble has been much depreciated, Russia has redeemed it, not at its nominal value, but at its actual market value, which, at the time of the Russian currency reform of 1839, was three and one-half paper roubles for one of silver.

In *L'Economiste Français*, appears a spicy account of a discussion on this subject, September 5, in the Paris Society of Political Economists. The discussion was commenced by M. Horn, manager of the *Journal of St. Petersburg*, who said:

Russia has at this moment a circulation of 1,200 million roubles, worth sixty per cent. of their nominal value, that is to say, only worth 720 millions. The depreciation has been borne; everybody has been equally affected by it; it is the same thing as if nobody had suffered by it. The Imperial Government must now ask itself, whether there is anything better to do than to squarely accept the fact of the depreciation of its paper, and, better still, to profit by it as a means of escaping the bad predicament it is in, by unloading itself by a stroke (*un coup*) of internal bankruptcy. That is a delicate matter, and Messieurs, what do you think of it?

Most of the "Messieurs" thus addressed, opposed these ideas of M. Horn, and invoked Russia to economize, to reduce its army, and submit to all the sacrifices needed to sustain its national credit, holding up, in that respect, the examples of France and the United States. There were, however, some exceptions. For example, M. Garnier, a French Senator, said:

For himself, he had no compassion for Russia. She is in a bad way. Very well. Let her liquidate her own balance sheet. They talk about a loan. He himself would never lend a *sou* to Russia, as it would only encourage her to embark in some new war. But her creditors—the possessors of the paper which they see sinking in value every day! So much the worse for them. Let them arrange. It is not our affair.

Mr. Daniel Wilson said:

At whatever cost, there must be a bankruptcy, so that Russia may be disencumbered of paper money. That is better than to leave industry and commerce to perish.

M. Horn, speaking a second time, said that the situation was embarrassing, and that the Imperial Government would take no action in the direction of a bankruptcy, partial or total, internal or external, but leave commerce to get along the best way it could with the fluctuation of the paper money. This is what the French call an *expectant* policy, which we call *drifting*, and which Micawber called looking for something to turn up. If what turns up is a war with England about Afghanistan, the 1,200 million roubles, instead of being reduced to 700 millions, may be expanded to 2,000 millions.



The finances of Austro-Hungary, as affected by the large expenditures already incurred, and the larger ones expected to be incurred, by the occupation of Herzegovina and Bosnia, are attracting great attention among the bankers of Europe. A large part of the public debts of Hungary are owned outside of those countries, and especially in Germany, although they are, or have been, considerably dealt in by English investors. The English, however, until about two years ago, were more inclined to Russian stocks, than to the Austrian.

A Vienna letter of September 10th, says: "The Austrian State debt has increased by eighty-five million florins (\$42,500,000) within the last ten months. The Austrian military administration is doing all in its power to get in the "tenth" in Bosnia, so as to provide corn for the army, but still a loan will be required before the occupation has been completed."

The "tenth" referred to, is the tithe of the agricultural products exacted as a government tax by the Turkish system of administration.

Another Vienna letter (September 17th), states that—

The German and Austrian Bourses are still depressed. They are influenced by the affairs in Austria and Hungary, because in Germany Austrian and Hungarian speculative securities and investments form the great bulk of business. It is generally believed on the Bourses that the occupation of Bosnia will cost Austria much greater sacrifices than even the pessimists predicted. If even the assertion of the Commander-in-Chief, who declares that the pending operations of his troops will enable him to pacify all Bosnia, except the south-eastern part and Novi Bazar, within four weeks comes true, still the costs will be enormous for a long time to come. The *Neue Freie Presse* calculates that the costs for the troops, etc., amount at present to one million florins (nearly \$500,000) a day. It is supposed that the credit of sixty millions will be used up before the middle of October, and a military authority, just returned from Bosnia, asserts that for the winter a loan of one hundred millions will have to be made.

A Vienna correspondent (September 15) of *L'Economist Français*, states that only a portion of the credit of sixty million florins had been obtained by the sale of national stocks, as the market for them was declining and sensitive. The average fall of the Hungarian and Austrian stocks, from July 13 to August 10, was 1.28 per cent., and from August 10 to September 7, was 2.91 per cent., making an aggregate fall of 4.19 per cent.

Since the dates of the above quoted advices from Vienna, the military intelligence from Bosnia has been much more favorable to Austria. But, on the other hand, the agitation in Hungary against the whole enterprise of the occupation of the Turkish Provinces has become more pronounced and even violent.

The inherent difficulty of the Austro-Hungarian financial

position is, that the empire is loaded down with debt, always to the water's edge, and generally under water. It is in no condition to take on new loads, even if they are light.

The Vienna correspondent (September 24) of the London *Economist* says :

The Minister of Finance is doing all in his power to obtain money upon the lowest possible terms. Thus, he took a loan from the Vienna Savings Bank, at the lowest practicable rate, to the amount of nine millions. The Savings Bank cannot, however, grant loans except on mortgages. He has, therefore, mortgaged the new and unfinished palaces of the Court of Justice, the University, and the House of Parliament. This is, of course, but an act of formality.

Such an act may be only a "*formality*," but it is a kind of formality which a great empire had better avoid. What would be thought of a mortgage on the Capitol at Washington, by way of a "*formality*," to obtain means for a campaign on the plains against Spotted Tail?

The projected operations of the French and Italian governments, in public improvements, are on a gigantic scale. They will attract the attention of the industrial interests in their bearing upon the employment of labor, and the demand for raw materials, notably iron. They will attract the attention of bankers in other aspects, as affecting the use and absorption of moneyed capital. They are likely to keep French money at home, and, in the case of Italy, they are likely to attract the money of other nations, if the credit of the Italian government has sufficient attracting power.

The French government proposes, in addition to some purchases of railroads now belonging to private companies, to expend annually 400 or 500 million francs (seventy-five to ninety-four million dollars) principally upon new railroads, but partly upon improving harbors. The financial bases are, *first*, a present annual surplus of (say) fifty million francs, and a credit strong enough to command money at something less than four per cent. The government has recently decided to take into its own hands the construction of a net-work of city railroads for Paris, taking it out of the hands of the Paris municipal authorities. The cost of these metropolitan railroads, is computed at 120 million francs, and the net annual profit is computed at seven per cent.

The Italian schemes are not so large, but that is only because Italian finances and credit are not so strong. Italy is poorly supplied with railroads, and it is not doubtful that the government of that country intends to construct as many miles as it can in any way command the means for.

In a speech made at Boulogne two months ago, M. Leon Say, the Minister of Finance, is reported as saying :

The savings of the public were arriving in abundance, and the Treasurer could now borrow at under four per cent. for seventy-five years, at a moment in which the English treasury was placing its six months' bills at from three-and-a-quarter to four per cent. The

credit of the two nations was now approaching the same level, and this was the first time in the history of France that such a thing had been seen. The Government was not taking more money than could be spared from the public savings, and the 400 or 500 millions (of francs) to be expended in public works only represented the annual outlay by private companies for railways, canals, ports, etc., during the last twenty years. With respect to the question whether the works, which would certainly be useful to the country, would weigh heavily on the Budget, he might say that the taxes would be more easily paid in proportion as the country was richer. The Ministers were, therefore, without disquietude for the future; they were acting with great prudence; and all that was required for success was peace abroad and the consolidation of the Government at home.

These observations of M. Say sufficiently illustrate the line of arguments, which make these projects acceptable to the French people. No strain upon capital and labor is apprehended, because the government proposes an annual amount of fixed investments, not greater than had been so invested by private companies for twenty years past, and probably not so great as would be invested for twenty years to come, if the government did not step in and do what private companies have heretofore done. Those who have raw material and labor to dispose of naturally favor this policy, as do the local interests to be specially benefited, and the French owners of moneyed capital, who prefer French *Rentes* to any other security. To the French Finance Minister, nothing seems to be more prudent. The conditions needed for success are merely peace with other nations and quiet at home. Those are great blessings, and in millennial days the enjoyment of them will be stable and assured. The optimism of M. Say must be of a very robust character, if he can predicate a great policy upon the basis that they will now remain undisturbed. It is only the other day that France was saved from a revolution, only because Marshal MacMahon, proving unexpectedly on this occasion more of a statesman than a soldier, yielded peacefully at the last moment, to an adverse majority in the Chamber of Deputies. With all the nations of Europe, France included, on a permanent war footing, and with social agitation honey-combing every one of them, it is strange to hear European statesmen speak of external and internal peace as conditions to be relied on in prosecuting enterprises to run through a long term of years.

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DEBT OF PARIS.—The Paris correspondent of the London *Economist*, says under date of September 12, 1878:

“The debt of the city of Paris has grown with surprising rapidity. The first funded loan was raised in 1855; this was followed by six others, and the sum remaining due on the seven loans is 1,558,211,700 francs (\$292,943,800) in addition to the floating debt, the principal one being for 270 million francs to the Credit Foncier. The credit of the city is excellent, and all its loans are above par, including the three-per-cent. bonds with lottery drawings.”

## THE SILVER MARKET.

The London *Economist*, of September 28, publishes tables of the British imports and exports, prices, etc., of silver for several years.

The variations in the annual aggregates of the imports have arisen mainly from the variations in imports from one single country, Germany :

IMPORTS.		
<i>Average of ten years ending,</i>	<i>From Germany.</i>	<i>Total Imports.</i>
1875.....	£ 810,000	£ 10,680,000
1876.....	5,364,060	13,578,269
1877.....	13,747,558	21,710,814
1878 (eight months)	3,552,127	8,521,537

EXPORTS.				
<i>Ten years' average.</i>	<i>To India.</i>	<i>To China.</i>	<i>To France.</i>	<i>Total Exports.</i>
1866-75.....	£ 2,780,000	£ 530,000	£ 1,950,000	£ 9,430,000
1876.....	8,229,124	1,249,729	1,832,919	12,948,334
1877.....	14,313,643	2,047,685	767,574	19,436,773
1878 (eight months)	3,466,406	1,480,825	1,116,720	8,307,720

## BAR SILVER—PRICE PER OUNCE IN LONDON.

	<i>Highest.</i>		<i>Lowest.</i>		<i>Average.</i>
	<i>d.</i>		<i>d.</i>		<i>d.</i>
First half of 1877.....	58¼	..	53¼	..	55¼
Second " 1877.....	55¾	..	53¾	..	54½
First " 1878.....	55¼	..	52½	..	54
Second " 1878 (to date).	52¾	..	51½	..	52¾

## MOVEMENT IN THE PAST TWELVE MONTHS.

	<i>Sept., 1877.</i>		<i>Sept., 1878.</i>		<i>Fall.</i>
	<i>d.</i>		<i>d.</i>		<i>d.</i>
Silver, per ounce.....	54¼	..	51¾	..	2½
Mexican dollars, per ounce..	53¾	..	50¼	..	2¾

One table shows the annual payments to India in settlement of the constant trade balance in its favor, these payments being made partly by sending silver thither, and partly by Government drafts on India, representing chiefly the annual interest money which India is obliged to pay in London :

## PAYMENTS TO INDIA.

	<i>Silver.</i>		<i>Government Drafts.</i>		<i>Total.</i>
1873.....	£ 2,794,479	..	£ 13,939,095	..	£ 16,733,574
1874.....	6,683,431	..	13,285,678	..	19,969,109
1875.....	3,231,266	..	10,841,615	..	14,072,881
1876.....	8,229,124	..	11,513,233	..	19,742,357
1877.....	14,331,643	..	8,637,530	..	22,969,173
1878 (eight months).	3,446,406	..	11,000,000	..	14,466,406

This table explains, to some extent, how India was able to pay for the extraordinary amount of silver sent thither in 1877. The India Council in London drew on India for a

less amount in that year, and instead of drawing, made loans in London for the account of India. This enabled India to apply more of its constantly favorable balance of trade to the purchase of silver. This year, the India Administration in London, instead of drawing on India for less than usual, is drawing for more than usual, or at the rate of £16,500,000 per annum, to provide for last year's temporary loans in London. Of course, India, having larger Government drafts to meet, has less capacity to import silver.

The *Economist* is right in saying: "As long as the Indian Government continue to draw bills at the rate of £16,000,000 a year upon India, and as long as trade in the Presidencies is slack, the Indian exchange may be expected to remain depressed, and the leading silver market closed to advanced prices."

But we differ *in toto* from the following conclusion of the *Economist*:

"Recently the East has been so glutted with silver that it will take some time to work off the surfeit."

A "glut" or "surfeit" in India, of silver, which is the money of India, would be manifested by its depreciation, that is, by a rise in the general range of prices. Nothing of the kind appears. On the contrary, prices in India are unusually low. It is not a "surfeit" of money, but an urgent demand for it, which these low prices indicate. It is only by low prices, that India, or any country, can make an effective demand for money upon the rest of the world. India is now importing comparatively little silver, not because there is any "surfeit," but because the means of India to pay for it are temporarily crippled by the effects of famines and by the extraordinary magnitude of the drafts of the India Administration in London.

It is stated in the same number of the *Economist*, that on the 27th of September, when the market rate was 51¾d. per ounce, the agents for the German Government sold in London £100,000 of silver. This, of course, attracted attention, as that Government has been out of the market as a seller for some time, and as its semi-official hints have been, that it would not sell below 54d. The German Government is not in a very good condition to carry silver, as its revenues are falling off seriously, and its issues of short Treasury notes are large. The general view in Europe is, that even if Germany was wise in demonetizing silver, its methods of disposing of it have been very impolitic, and have caused a greater perturbation of the market than need to have resulted therefrom.

The following is a comparison of the movement of silver in Great Britain during the month of August in 1877 and 1878:

	<i>August, 1877.</i>		<i>August, 1878.</i>
Imports.....	£1,802,677	...	£468,742
Exports.....	1,954,454	...	487,245

Very little silver has been sent to India and China during the past summer, and very little has arrived in London from Germany. A considerable part of the silver remittances to the East, by British merchants and bankers, are now effected by means of orders for silver to be sent direct from San Francisco to Hong Kong and China.

During the month of August, only £130,850 in silver was sent from England to India, as compared with £1,623,030 sent during August of last year. Comparing the same months the decline in British silver exports to China (including Hong Kong) was from £143,091 to £5,351.

When England ceases to receive supplies of demonetized silver from the continent of Europe, there is no reason why its dealings in that metal should ever recover their former magnitude. San Francisco is the natural market of the silver of Mexico and South America, the great bulk of which is mined on the Pacific coast, and furthermore, silver is worth more in San Francisco than in London, the latter being more remote from Asia which is the great and constant purchaser. London has had, until lately, a monopoly of selling East Indian and Chinese exchange and credits, but is now encountering a sharp competition from the banks and bankers of California.

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### THE SUBSIDIARY SILVER COINS.

Under existing laws, or, at any rate, under the executive administration of existing laws, the people are subjected to constant annoyance and loss from our subsidiary silver. Probably the new coinage of that description under the Resumption Act of January 14, 1875, would not of itself have been sufficient to cause the glut and depreciation which we are witnessing. But the quantity in existence of the subsidiary silver of former coinage has proved to be far greater than anybody supposed. Those old coins have come out from their hiding places in such numbers, that the old and new together are more than can be floated at par with our actual currency which is the greenback, inasmuch as there is no government redemption of those coins, and inasmuch as the Government will only receive them for taxes less than five dollars, or, when the tax exceeds that sum, then for only any fractional part of a dollar. The result is that many banks decline to receive them on deposit, or in large payments, and all business establishments which receive a good deal of

money in small sums, find themselves overloaded with these coins and unable to get rid of them without considerable loss. This is a practical, every-day grievance, to put an end to which is among the first duties of Congress.

No government is justified in issuing subsidiary coins and forcing them upon the people, without assuring to them in some way—a parity of value with the standard of money in general use. This parity may be assured by a government redemption of subsidiary coins, or by making them receivable without limit for taxes. All the money in use, great and small, should be of equal and interchangeable value, and every civilized government, except ours, is careful to secure that equality. It is only recently that our Government has failed to perform its plain duty in that respect.

Spain, France, Italy, Belgium, and Switzerland, have systems of subsidiary silver coins depreciated by an excess of alloy, but in all of them those coins are currently interchangeable in the market with full standard coins, by being made receivable for all taxes, without limit. Germany, Holland, and the Scandinavian States secure the market currency of their subsidiary silver coins, not only by receiving them without limit for all taxes, but by redeeming them in gold. England secures the same object by the different method of leaving the business of supplying the market with silver coins to the Bank of England. It is only on the demand of that bank that they are minted, and the bank calls for no more than the market requires.

In this country the fractional paper currency, now nearly retired from use, was kept at a parity with the greenback, by the right of the holders of the fractional currency to have them redeemed in greenbacks, when presented in sums of five dollars, or its multiples.

The latest circular from the Treasury Department as to receiving subsidiary silver for taxes was issued October 7, 1878, and will be found elsewhere in the present number of the *BANKER'S MAGAZINE*.

As a legal proposition, we believe that the subsidiary silver coins are, under existing laws, a good tender for all U. S. taxes, including custom-house duties, and without limit as to amount. In deciding, otherwise, the Secretary of the Treasury has, in our opinion, overlooked the fact that the receivability of different kinds of money for taxes is regulated by one class of laws, while the legal-tender power of money, as between individuals, is regulated by another class of laws, and that the two things are wholly distinct and independent of each other. But, as there is no short and practicable method of bringing the correctness of the Secretary's decision before the courts, it must be taken as we find it, and be dealt with by new legislation.

Near the end of the last session of Congress, Mr. Stephens,

of Georgia, reported, from one of the House Committees, a bill which was passed by the House promptly and with little opposition, to increase the legal-tender power of the subsidiary silver coins from \$5 to \$20, and to make them redeemable at the treasury in lawful money of the United States, when presented in sums of \$100, or its multiples. For ourselves, we take no special interest in the precise extent of the legal-tender power of those coins. The late fractional paper currency had no legal-tender function whatever, but it was entirely current by reason of its redeemability. The main point of the bill of Mr. Stephens is the redemption which it provides for subsidiary silver, which will immediately and completely remedy the difficulty from which the country is suffering. The subsidiary silver will be at once made of equal market value with lawful money, and will, of course, be received in all amounts by the banks, and there will no longer be any annoying brokerage upon it anywhere. Perhaps it ought to be made redeemable in less sums than \$100, but that is a matter of detail, remediable by amendment in the Senate, if, upon full advisement, any amendment is thought to be required.

The suggestion may be made that redemption in gold or in full-weighted silver coinage, rather than in lawful money, should have been provided. After resumption, it will be indifferent whether the redemption is in coin or in lawful money, if resumption is permanent, as we all hope and expect it will be. But contingencies, even if improbable, must be provided for in making laws for a long future, and there may occur short periods, after resumption, when the actual currency will not be coin, or paper convertible into coin, but paper lawful money, which is the actual currency to-day. During such periods, the subsidiary silver, if redeemable in gold, or in full-weighted silver coins, would all be sent in for such redemption and disappear from circulation, if the premium on gold and full-weighted silver coins was large enough to be appreciable. The bill of Mr. Stephens guards against that contingency, and secures to the country what is always indispensable, a supply of small money for retail transactions. It is to be hoped that the Senate will pass the bill at an early day during the approaching session of Congress, with any amendments, not affecting its main principle, which consideration and discussion may show to be wise.

Two amendments of the bill of Mr. Stephens occur to us, as deserving to be discussed :

1. To put an end to any doubt which may arise under existing laws, that the banks may count as a part of their reserve of lawful money, such amounts of subsidiary silver coinage as they may have on hand. There can be no objection to this, after such coinage is made convertible into law-



ful money, and if the banks are authorized, beyond any doubt, to count this coinage as a part of their reserve of lawful money, there will be no reason why they should not freely receive it on deposit and in payments.

2d. To provide expressly for the receivability, without limit, of the subsidiary silver coinage, for all debts, dues, and taxes, of the United States, except custom-house taxes. Upon general principles, it is indefensible for a government to issue any coin, which it will not itself receive at the nominal value of such coin. There may be exceptions, founded upon special reasons, but no such reasons exist against the adoption of the proposed amendment. As the custom-house taxes are set apart to pay interest on the bonded National debt, a fair reason does exist for not receiving at the custom houses any kind of money which cannot be used in payment of interest on the bonded National debt. But that view does not apply to internal taxes, or to other debts and dues to the United States. Unlimited receivability for internal taxes, and convertibility at will into lawful money, will give the completest freedom of circulation to the subsidiary silver, and put a final end to the losses and irritating brokerages which now attend it and make it almost a nuisance.

A statement from the Bureau of Statistics, specifying the different kinds of silver imported into this country during the first seven months of this year, partly solves the mystery of the unexpected reappearance of so many of the old subsidiary silver coins. Among these imports during the seven months, are \$2,564,712 of small American silver coins. There were few exported. The entire export, during the same period, of American silver coins of all kinds, was only \$1,539,238, and these are stated to have been "*mostly trade dollars.*" For the succeeding two months (August and September), we have returns of the importation into the port of New York alone of American small silver coins. The amount was \$632,000, while the export was only \$107,000.

After 1862, when the metals ceased to circulate here the silver coins we then had, and all coined afterward down to 1876, went abroad, and largely to the West Indies and South America. Many of these are now coming back, partly because silver coin has again come into use in the United States, and partly because some South American countries, such as Chili, Peru, etc., have been driven into paper-money systems. It is reported that our mint officers have advices that the import of these coins from those quarters will probably continue to be large.

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## THE SILVER CONFERENCE IN PARIS, 1878.

A quite general misapprehension exists as to the opinions expressed by the different delegates at the recent silver Conference. The European delegates unanimously voted in favor of certain general resolutions, but in signifying his adhesion, Count Rusconi (Italy) stated that the Conference had not decided a ratio of value between gold and silver to be impossible, and he argued that as under the French law only slight fluctuations occurred, no matter what the production of either metal, so a bi-metallic treaty between France and England and the United States might fix a ratio on an unshakable basis.

The statement of M. Leon Say (France) is particularly to be considered, as, with the coöperation of France, the United States could safely combat the influence of Germany and of England in favor of a general gold standard.

To compare the position of France at the silver Conference called by this country, with the position taken by France in the Conference of 1876, when the support of this country was absent, we quote from the London *Economist* as follows :

For ourselves, deeply interested as we are in the question as regards its connection with India, we desire to look at it without indulging in illusions. And it is well to recall the speech of M. Leon Say to the Senate, on 22d March, 1876, where we find him contemplating the prospect of England and other foreign countries than France having to make sacrifices. He then observed :

"The danger is great for us, it is much greater for England, and even, from a certain point of view, for the United States. England has a large trade with India, and has found it very convenient down to the present time to have by her side a reservoir for silver into which she could pour the balance of her trade with India. As to the present state of things, does not the demonetization of silver count for something in the fall which is now going on? A commodity which one ceases to employ, for so universal an object as money, must lose some of its value. Well, now that the crisis is difficult and silver ceases to be money in great countries like Germany, and when we have already restricted the production of silver money, and shall still more restrict it, great difficulties will probably arise for England in its relations with India. I admit I do not see why we should not leave to the countries who are interested in it the duty of solving this question, and why we should not continue to keep ourselves in an expectant condition which shall not compromise us, and which may spare us considerable expense."

Our readers will understand from the above quotation from M. Leon Say's speech of 1876, how wide a gulf there is between it and the prospect that seems to be held out of France, if we are to credit the report of M. Leon Say's statement in the Congress, being sincerely and at heart bi-metallic at the present time. . . . .

The lesson conveyed by this fall and the course of events in connection with America and the Bland Silver Act seems, however, to have worked the wrong way in M. Leon Say's mind: and, after hav-

ing, in his speeches in the Senate on the silver question, shown a disposition towards the passive expectation of a single standard of gold becoming a necessity for France, the Americans now gain the crumb of comfort to carry away from the Congress that he is at heart infected with a "hankering after the bi-metallic heresy." This is fairly the conclusion that may be drawn from his statement at the Congress—that France is at heart sincerely bi-metallic.

M. Leon Say went on to say, if the report be accurate, that the policy of France was to await the moment when she could revert to the free mintage of silver. This, and not a gold standard, was her goal, and the Conference should recommend the various States to legislate, so as not to interpose any obstacle to the eventual adoption of the free mintage of both metals.

It is, however, quite possible, from the strong expression of opinion on the other side, that the Minister, in such a statement as this, may have miscalculated the future action of his country in the matter, and that he may be holding out an illusory hope to the United States and to other nations concerned.

Making due allowance for the hostility of the *Economist* to silver, the report given above is certainly remarkable, and as showing the influence of our own country in Europe is gratifying to our National pride.

The cessation of the demand for silver by India and China, probably caused by the famines in those countries, undoubtedly affects the present market price of that metal, and is more than an offset to the limited influence of the purchase by our mints of two millions of dollars a month.

From the Boston *Advertiser*, one of the most strenuous opponents of silver remonetization last winter, we quote the following:

It is, therefore, for the interest of this country that silver shall advance, and every patriotic American, whether he favored or opposed the silver bill, should desire most earnestly an appreciation of the inferior metal in order to mitigate the evils of the law changing the money standard, and to secure the assistance of other nations. . . . Since silver and not gold is to be the standard, it is a duty to use all honorable means to make silver as near a substitute for gold as possible. The question is out of politics. The mistake has been made, but it would be a second mistake now to depreciate what it has been settled shall constitute the standard of money.

Agreeing with these opinions, we believe that a fair trial of unlimited silver may, perhaps, be an antidote to the poison of "Greenback" paper theories and prove one of the defences of the National-bank system.

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BANK NOTES IN THE MAILS —In reply to an inquiry whether, under the new postal regulations, bank notes and greenbacks can be mailed as third-class matter, the Post Office Department rules that "bank notes and greenbacks having written signatures, or signatures added by means of a fac-simile stamp, or any other mark or sign added to the original print (engraving), if sought to be sent in the mails, would be subject to letter rates of postage under section 156, postal laws."

### THE LATIN UNION.

The treaty of 1865, between France, Belgium, Switzerland, and Italy, which constitutes what is known as the Latin Union, expires January 1, 1880. Unless notice is given by one of the parties, one year prior to that date, it is extended for another term of fifteen years. The accounts agree, that this notice, which must be given on, or before, January 1, 1879, will be given by France, but that the treaty may probably still be continued, with a modification in respect to any State which, like Italy, practically excludes the circulation of small subsidiary silver coins, by the issue of paper notes below twenty francs. The proposed modification is to prevent such States from enjoying the profit of minting subsidiary coins, with the right to have them circulated in the other members of the Union. The issuing State is obliged to redeem such coins in full-standard coins of the same metal, if presented by the other States, or by citizens of the other States, within one year after the expiration of the treaty. But until such redemption, the profit on the subsidiary coinage is a loan without interest, and there is the still larger gain from the loss and disappearance of such coinage.

The treaty of 1865 did not establish either the double standard or the coinage of the metals at the ratio of fifteen and a half to one. Both existed already in all the States composing the Union. The main purpose of the treaty was to establish the receivability, in all the States, of the subsidiary coins of either of them. The proportion of subsidiary coinage to populations was defined by the treaty. Incidentally, the receivability in all the States, of the full-standard silver coins of either of them, was also established, but there was no limit upon the amount of such coins, and no provision for their redemption in coins of the other metal, as the present market difference between gold and silver was not foreseen. The limitation upon the amount of silver coinage of full standard was first made by amendment of the treaty in January, 1874.

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EUROPEAN BANK STATEMENTS.—At the half-yearly court (Sept. 12, 1878) of the Governor and Company of the Bank of England, the Governor is reported to have said, in reply to some complaining interrogations of a stockholder:—

“As to the large amount of £90,000,000 said to be held by the Bank of France, perhaps two-thirds of it was silver.”

The published returns of the Bank of France show the proportion of silver in its cash reserve to be less than one-half. The reported language of the Governor of the Bank of England also implies a doubt as to the total amount of the cash reserve in the French Bank. If the managers of these National institutions really distrust each other's statements, the public may possibly be troubled with similar doubts.

## FIAT MONEY IN ENGLAND.

The theory of a Government redeemable currency not protected by a deposit of coin, dollar for dollar, is a delusion, and that of irredeemable fiat money a dangerous experiment. Either plan would be so radical a change from our past practice and theory that it ought not to be made without great deliberation, and, if then, only by an express power from the Constitution. To put the control of the volume of delusive redeemable or of unlimited irredeemable money, (the latter being perhaps the less dangerous,) into the power of a political body like Congress until there is a direct constitutional authority for doing so, would be the despotic act of a temporary majority.

The following, from a paper read by Mr. Ernst Seyd some months ago on the note issues of the European State banks, shows how even the limited and guarded issue of what may be called fiat money by the Bank of England is claimed to give rigidity to the banking system, when elasticity is so essential to its proper working. We quote from the London *Times* its statement of Mr. Seyd's views :

As every one knows, the Bank of England, while disclaiming the position of a State bank, performs many of the functions usually appertaining to State banks, and enjoys among other privileges that of a legal-tender note issue. By the Act of 1844 the Bank was permitted to issue a certain amount of notes uncovered by coin or bullion, and that amount has from various causes grown to be £15,000,000. It is the treatment by the Bank of this large sum of which Mr. Seyd complains. He is no opponent of "Peel's Act;" on the contrary, he upholds that act as excellent; but he insists that the Bank has failed altogether to carry out its provisions in regard to this fiduciary issue. According to the second clause of the act this issue was supposed to be in reality of fluctuating amount, varying with the demands of the public for money; but the Bank has all along treated the £15,000,000, or whatever sum it could issue, as a *minimum*, with the result that it frequently has a great deal of currency in its possession for which it can find no employment. The disturbing effect of this creation of money beyond the wants of the nation is seen most strikingly in the constant fluctuations of the Bank rate. No other great bank in Europe makes so many changes in its rate as the Bank of England. The Bank of France, which is in many ways the most admirably managed and remarkable banking institution in the world, never issues more notes than the people require, and it retains so strong a hold of the money market that it has been able to raise its store of bullion from £27,000,000 at which it stood in 1871 after the war was over to about £90,000,000, without requiring to raise the rate beyond seven per cent. It has retained this bullion too with a rate as low as two per cent. The Bank of England, on the other hand, is always either obtaining too

much bullion or losing more than it can spare, and its official rate is therefore constantly shifting. There have been more than a hundred changes within the past nine years, against less than twenty-four changes in the rate of the Bank of France, and while the latter has ruled the market and retained its bullion the Bank of England has never felt at ease for three months on end. . . . As a matter of fact, the public has at no time in the Bank's history since the passing of the Act of 1844 required a larger note circulation than £ 29,000,000, whereas the Bank has created sometimes as much as £ 50,000,000, and the notes in existence always exceed the actual demand by many millions. The practical effect of this, Mr. Seyd contends, is to cause the Bank to depress its rate when the accumulation of unusable notes becomes large, and these depressions invariably produce withdrawals of bullion and sudden rebounds of the rate in order to draw it back again. And the result of this constant see-saw is that the Bank of England never for long retains control of the market, which is always either more or less burdened with the mass of unusable money hanging over it or frightened by an appearance of scarcity of bullion. Thus the Bank of England rates range from two to ten per cent., and shift a dozen times in a year when such banks as that of France or the new Imperial Bank of Germany, which is modeled on the lines of the Bank of England, except as regards its treatment of the note issue, fluctuate but twice or thrice, and often then because of the tremulous movements continually occurring here.

Such is briefly the chief thesis of Mr. Seyd's thoughtful and suggestive paper, and we lay it before our readers as something well worth careful discussion. That the position of the Bank of England towards the money markets here and abroad is highly unsatisfactory no one can doubt. It is, indeed, increasingly unsatisfactory, and the question will grow more and more urgent,—what must be done to bring it into harmony with the time? Nothing illustrates this unsatisfactoriness more clearly than the fact that the Bank is almost entirely out of the market as a discount institution. The amount of bills it holds represents a mere fraction of its assets and is a lessening amount, and in this it stands out in striking contrast to the great institutions of the Continent. It is a dealer in stocks and a keeper of the Government accounts, not a banking institution as the term should be understood.

If the issue of fifteen millions of pounds of paper money by the Bank of England, for which it does not have to keep a full reserve of coin, is open to criticism, with what danger and certainty of ultimate failure should we try the experiment of practically unlimited Government paper?

To exchange our surplus products and manufactures for silver, with the chance by getting the surplus silver of the world, of putting the price of silver to a par with gold at our valuation, may be wise or unwise. We are, however, now committed to the trial, and it means probably unlimited silver and sure inflation; if, in addition to this, we are to have an irrepressible and an irresponsible issue of paper, we certainly shall be on the broad road that leads to ruin.

## THE DEMAND NOTES AND THE GREENBACK QUESTION.

It is a favorite assumption with advocates of the greenback theory that irredeemable paper money, if made a full legal tender for all debts public and private, including duties on imports, would not depreciate. In support of this view the assertion has been persistently made, and has too often remained uncontradicted, that the \$60,000,000 of demand notes first issued by the National Government in 1861-62 were kept always at par with gold because made receivable for duties on imports. Hence they argue that if the whole issue of \$450,000,000 of U. S. legal-tender notes had been made so receivable they would not have depreciated. Even supposing the assertion in regard to the demand notes to be true, it would furnish a very narrow foundation for so pretentious a superstructure of inference. It would not follow that \$450,000,000 of currency could be kept at par simply because \$60,000,000 were. No proposition in political economy is better settled than that the quantity of an irredeemable paper currency has a direct influence upon its value.

It is not, however, true that the demand notes remained at par with gold. From the first half of April, 1862, when the greenbacks began to appear in circulation, until the latter part of February, 1863,—a period of fully ten months,—the current quotations show that the demand notes were at a discount as compared with gold amounting at times to as much as nine per cent., though from the beginning of May, 1862, they commanded a premium over greenbacks. Below are the quotations with the amount of demand notes outstanding at various dates :

<i>Date.</i>	<i>Quotations of gold in currency.</i>	<i>Quotations of demand notes in currency.</i>	<i>Gold value of demand notes.</i>	<i>Demand notes outstanding.</i>
March 1, 1862	102 $\frac{3}{8}$ @ 102 $\frac{3}{8}$	—	—	\$ 57,390,000
April 12, "	101 $\frac{3}{4}$ @ 102	par	98 @ 98 $\frac{1}{4}$	—
May 10, "	103 $\frac{3}{8}$	100 $\frac{1}{4}$	97	—
June 26, "	108 $\frac{7}{8}$ @ 109 $\frac{3}{4}$	104 $\frac{1}{4}$ @ 104 $\frac{1}{2}$	about 95 $\frac{3}{4}$	53,040,000 (June 30)
Aug. 1, "	115 $\frac{7}{8}$ @ 115 $\frac{3}{4}$	105	" 90.9	—
Sept. 1, "	116 $\frac{1}{2}$ @ 117 $\frac{7}{8}$	110 $\frac{1}{4}$	" 94 $\frac{1}{2}$	—
" 13, "	118 $\frac{5}{8}$ @ 119	109 $\frac{1}{4}$	" 92	—
Oct. 1, "	122 @ 122 $\frac{3}{8}$	119 $\frac{1}{2}$	" 98 $\frac{1}{2}$	—
Dec. 31, "	133 $\frac{1}{2}$ @ 133 $\frac{3}{8}$	127	" 95 $\frac{3}{8}$	14,913,315
Jan. 31, 1863	159 $\frac{1}{2}$ @ 160	154 $\frac{3}{4}$	" 96 $\frac{7}{8}$	—
Feb. 28, "	171 $\frac{1}{2}$ @ 172	172	100	6,469,106

If the demand notes depreciated to this extent when the amount issued reached only \$57,390,000, or about one-third the volume of the bank-note currency, what reason can be urged why they would not have depreciated nearly or quite

as much as the greenbacks if the issues had been carried to the same excess as those of the latter? The payment of customs duties could not at any time during the war have kept more than fifteen or twenty millions of notes employed, and it requires a strong effort of the imagination to believe so trifling a demand could have kept \$ 450,000,000 of greenbacks at par with gold.

Had the Government made greenbacks receivable for duties on imports it is doubtful whether this would have contributed in any considerable degree to prevent the depreciation of paper money. In that event the Government would have been obliged to go into the market as a heavy buyer of gold with which to pay the interest on its bonds. The amount of greenbacks in circulation and of gold withdrawn from the market during the war would not, on this account, have been materially less than it was; only, the Government would have bought gold instead of the importers. As it would have been obliged to buy nearly the same amount as it received from imports, less the amount sold, the effect of the transaction on the gold premium would have been substantially the same. It was the excessive volume and irredeemable character of the greenbacks that depreciated them, not the fact that they were not receivable for duties on imports.

After the gold premium had reached three per cent., the demand notes began to be sought as a cheaper medium than gold in which to pay duties, and for several months they were absorbed in this way at the rate of about \$ 1,300,000 per week. It was only when the volume had been reduced to \$ 6,469,106, on the 28th of February, 1863, that the demand for them became sufficient to bring them to par in coin. During this time, in the absence of gold receipts from duties, the Government was considerably embarrassed in procuring gold sufficient to pay the interest on the public debt, and the Secretary of the Treasury, in 1862, sold 7-30 bonds to the extent of about \$ 6,000,000 in order to get gold to pay the July and August coupons. Later in the year, for the same purpose, he adopted the expedient of receiving gold deposits at four per cent. interest at the New York Sub-Treasury. It was for the purpose of saving the Government from the necessity of resorting to such shifts, and to provide it with a steady and reliable gold revenue, that provision was made for having the duties on imports paid in coin. The effort to make this plan appear as a gigantic conspiracy of the money power against the public interests shows the desperate shifts to which the advocates of paper money are obliged to resort.

D. P. BAILEY, JR.



## SOLID BOTTOM IN PRICES.

No idea is more commonly expressed, at periods like the present of declining prices, than that somewhere a solid bottom will be reached, at which the painful descent will come to an end, and upon which those who have been lacerated and contused in falling will at last find repose. This solid bottom is sometimes spoken of as hard-pan, or even with more confidence as bed-rock, on which a new structure of credit and prosperity may safely be erected. The idea is an attractive one, but unfortunately there is nothing in it.

Undoubtedly, the general range of prices at any time, and at every time, must have a basis to rest upon, and this basis can consist of nothing else than the circumstances—chief among which is the proportion of the volume of money to the volume of other things—which govern prices. They must always have this basis, or bottom, but from the nature of the circumstances of which this basis, or bottom, consists, it is not a fixed but a movable bottom, and none the less potentially movable because it remains for considerable periods without motion, or at any rate without appreciable motion. The proportion of the volume of money to the volume of other things is not the same at all times, nor are any of the circumstances which temporarily modify the effect of the volume of money upon prices, such as the prevailing temper of mankind as respects buoyancy, or depression, or such as the multiplication or contraction of credits.

In what is here said about prices, reference is only intended to the general prices of the world, as measured in the precious metals, or in paper equivalent to them in value. The local prices of particular countries, in paper depreciated below the value of the metals, depend upon the special circumstances of each case.

When it is considered how great the variations are, after intervals of time of any considerable duration, both in the population and commercial exchanges requiring the use of money, and in the supply from the mines of the material of money, it must be apparent that there is really no such thing as any fixed range of prices which can be said to be normal. We have had, during the first three-quarters of this century, when the increase of the demand for money from increasing population and commerce, was, upon the whole, tolerably steady, two remarkable fluctuations in prices, resulting from extraordinary fluctuations in the supply of money from the mines. The first was an increase in the purchasing power of money, estimated at 145 per cent., from 1809 to 1848, caused by the

interruption, by revolutions, of mining in Spanish America. The second was a fall in the purchasing power of money, estimated at eighteen or twenty per cent., from 1848 to 1864-5, caused by the great gold yield of California and Australia. A still greater change in prices was effected in the sixteenth and seventeenth centuries, from the yield of the mines of the New World, which was great in itself, and the effect of which was enhanced by the fact that the existing stocks, to which it was an addition, were so small.

It is tedious, and may seem trite and superfluous, to refer to such well-known examples of the effect of the volume of money upon prices, but in financial discussions, the things which are the most obviously true, are precisely the things most apt to be overlooked. This may arise in part from the fact that financial topics involve, often very seriously, the personal, pecuniary interests of individuals and classes, and, on one, or the other side of financial topics, the only hope of success in controlling public opinion, depends upon diverting public attention from what is really pertinent to the discussion, to what is impertinent, frivolous, and confusing.

In the case now occupying the universal thought of the commercial world, of continuously falling prices, and consequently of a continuous intensification of industrial depression, it would seem that inquiry should direct itself first of all to the question, in which of the two chief factors of price, the volume of money or the requirements of it, the disturbing cause was to be found. And inasmuch as the requirements for money can only have undergone since 1872-3, that moderate increase which results from such growth of the world in population, commerce, and industry, as can have occurred within so short a period, it would seem that inquiry should have concentrated itself upon the question of the change, and of the extent of the change, in the other factor of price, which is the volume of money. But it is from that precise point, to which public attention ought to have been mainly directed, that great and manifestly pre-arranged and concerted pains have been taken, to divert attention altogether. The public mind has been as completely as possible confused and bewildered as to the causes of the present condition of things, by innumerable and contradictory suggestions, which are uniform and consistent only in the one particular, of never naming the most obvious and the most potential cause. There are powerful interests which profit by a fall in prices, and which reasonably fear that a knowledge of the real cause of that fall would lead to a remedy for it, and thus put an end to their gains.

On the face of it, to talk and write about a depression in industrial enterprises, which can mean nothing else than a fall in prices, without, by any accident, alluding to the volume of money, which is one of the two chief factors of

price, would seem to be a difficult task. The number of nimble pens and nimble tongues which are equal to it, proves, however, to be very great. .

Until within four or five years, no such idea had been conceived of by mankind, as that the volume of money was not of primary importance in determining the range of prices, or that the precious metals could escape the general rule, that value in the markets depends upon the proportion between demand and supply. Thirty years ago, many considered it certain, and everybody considered it possible, that money would fall in value and prices rise, as a consequence of the great yield of the material of money in California and Australia. Later on, all the discussions in Europe, in respect to the demonetization of one of the metals, proceeded upon the idea accepted on all sides, that such demonetization, by diminishing the volume of money, would check the tendency of prices to rise, or cause them to fall from a range alleged by many to be too high. The only point of debate was whether there was any tendency of prices to rise which needed a check, or whether it was desirable to produce a fall in the existing range of prices. That a change in the volume of money was calculated to change prices, was not doubted by anybody. The view that prices are independent of the volume of money, and that a depression of industry, which consists essentially of a fall in prices, can be intelligently discussed, without including the element of the volume of money, was never heard of anywhere outside of the United States, and never heard of here until what is called the silver question began to be discussed in the early part of 1876.

The idea of a fixed normal range of prices is an offshoot of this modern and local absurdity that the volume of money does not affect prices. Such an idea cannot find a lodgment in any mind not obfuscated by that absurdity. Inasmuch as the volume of money is known not to be stationary through considerable periods of time, and to be occasionally subject to perceptible changes within short periods of time, everybody who sees that the amount of money is one of the primary factors of price, will reject all that is said about bottom, or bed-rock, in prices.

A particular illustration of the folly of what is said of that kind, is the frequent assertion that if we get back to the prices existing before the war of the rebellion, hard-pan will then, beyond all peradventure, have been reached. The theory of that view is, that the gyrations of prices since 1861, first upward and then downward, have arisen solely from the irredeemable greenback forced legal tender, which was in its early history depreciated greatly by the doubtful credit of the Government, and other circumstances, below the standard of either gold or silver, and has since been appreciated nearly to a parity with what is now the dearer metal, gold.

On that view, it is held that when the greenback is made redeemable by resumption, so that our currency becomes coin, or paper convertible into coin, as it was before the war of the rebellion, there is no reason why prices should not be as high as the average prices of a period of (say) five years before the war, and that if that range of prices is now reached, or whenever it is reached, it can safely be treated as on a reliable bottom. This reasoning is clearly sound, if the fact be as assumed, that the greenback has been the only element of disturbance, and that its appreciation towards the metallic standard is the sole cause of the current fall in prices. But this is assuming what nobody can possibly know with certainty, that there has not been a change within twenty years, in the proportion of the volume of metallic money in use in the commercial world, to the volume of other things. If such a change has occurred, and if it is also a great change, prices before the war are no test of what they will be now when the greenback ceases to be irredeemable, and is made convertible into coin. In that case the imaginary solid bottom of ante-war prices, instead of being hard-pan, may be nothing but the softest kind of muddy ooze, into which those who trust to it may sink out of sight into unknown depths.

Before the war of the rebellion, the metal money of the Western World, Europe and America, was the combined mass of gold and silver. They were generally used as such under the *regime* of the double standard, and wherever exceptions to that existed, they were of a nature to balance each other. Thus, in Europe, England on the gold standard was a balance to the German States on the silver standard. The exception to the double standard *regime* in Europe, are now all on the side of gold, and the balance is overthrown. In the United States the gold standard discovered in 1876 to have been established in 1873-4, still exists substantially intact, and the resumption impending January 1, 1879, is not a resumption in coin, but a resumption in gold. The silver law will give us the double standard, but not until a day considerably in the future. The actual monthly coinage is, and is likely to be, kept down by the Secretary of the Treasury, to the legally permitted minimum of two million dollars worth of silver bullion, producing about \$2,250,000. For the present, the metallic standard of this country is gold.

If those who say that we can now rely upon ante-war prices as bottom prices ever reason at all, they certainly do not disclose the method of reasoning by which they arrive at the conclusion, that the proportion of the volume of metallic money in the Western World to the volume of other things, which existed in 1856-61, will, or can, exist in 1878-9, after the loss of great sums of silver money sent away to Asia, the immemorial sink of silver, which swallows all it can get, and never gives up any of it. Nor do these persons disclose the

method of reasoning by which they arrive at the conclusion, that the proportion in the Western World, of money to other things, has not diminished from 1856-61 to 1878-9, independently of the effect of demonetizing silver. The greatest yield of the California and Australian mines for any term of five years, ended with 1856, and the resulting advance in prices is stated by all authorities to have culminated about 1864-5. After that, and on to 1870, the discussion in Europe was constant and animated upon the question whether the aggregate yield of both the precious metals, which had become stationary, was sufficient to preserve prices from falling. If there were two sides to that question between 1864-5 and 1870, there may be only one side to it now, after the further lapse of eight years, during which the advance of the world's requirements for money has been constant, while the aggregate supply of the metals has still remained stationary, or rather declining, the increase in the silver yield being balanced by the falling off of the gold yield. Upon what view of the case is it maintainable that the Western World has now the same proportion of metallic money to other things which existed during the five years from 1856 to 1861, immediately after the greatest out-turn of the gold mines, and when the decline in the out-turn had only commenced, and when prices were still advancing?

The truth manifestly is, that the theory which treats ante-war prices as bottom prices, is not founded upon the view that the proportion of metallic money to other things is the same now as then, but upon the assumption that metallic prices are always the same, and that the recent upward and downward movements of prices in this country are wholly attributable to changes in the value of the greenback. Merchants and those engaged in industrial enterprises, who follow financial theorists who can entertain an assumption like that, will be lured to their ruin. The metallic prices of 1878-9, must fall below those of 1856-61, very nearly as much as the proportion in the Western World of metallic money to other things, has diminished in the mean time. And into that reckoning must be taken the effect of the silver demonetizations in Europe, and the fact that under the restrictions of the silver laws of February 28, 1878, the United States must remain for yet a considerable time, substantially a gold standard country.

In addition to the fall to be anticipated in the general range of metallic prices, there is the additional fall in the prices of particular articles resulting from new inventions and cheapened processes of production. And the current prices of this country are, of course, to be metallic prices after January 1, 1879, if it is assumed that the resumption to be commenced on that day will be permanently maintained.

GEO. M. WESTON.

## RAILROAD STOCKS.

The *Railroad Gazette* of September 27th, publishes tables of the prices of the stocks (common and preferred) of forty-five railroads, being all the principal roads whose stocks are dealt in at the New York Stock Exchange, at two different dates in 1873, and on the 20th of September, 1878, or as near the last named date as quotations were obtainable. The two prices given for 1873, are the highest before the culmination of the panic in the failure of Jay Cooke & Co., on the 10th of September, and the lowest after that event.

These tables include only one railroad in New England, the New York, New Haven and Hartford, and do not include either the Pennsylvania Central, or the Baltimore and Ohio, the stocks of which last two roads are not dealt in at the New York Stock Exchange.

The aggregate prices of the stocks of the forty-five roads included in the tables, stated in greenbacks, were as follows:

1873 (Highest prices).....	\$ 666,236,787
“ (Lowest prices).....	420,845,556
1878 (September 20).....	461,060,673

But the value of the greenback relatively to gold has appreciated largely since 1873. Making allowance for that appreciation, the aggregate prices of the stocks of the forty-five roads, stated in gold, were as follows:

1873 (Highest prices).....	\$ 567,000,000
“ (Lowest prices).....	380,000,000
1878 (September 20).....	460,000,000

But there is another appreciation to be taken into the account, and that is, the appreciation of gold itself since 1873. On that point, the *Railroad Gazette* says:

The gold dollar also has advanced in value; the world over it will bring more than it would in 1873. A given income in gold, in America, England, France, Germany, or anywhere else in the civilized world, will procure a better living now than it would five years ago.

The New York *Public* of October 8, in the following comments upon these tables, adopts the same view:

It is justly observed, also, that the gold dollar itself has advanced in value since 1873; the world over, it will buy more. Hence, the actual reduction in value of railroad property, as compared with other property generally, has been much less than the nineteen per cent. decrease in gold value, and its increase from the lowest point in 1873, has been considerably more than \$80,000,000, or twenty-one per cent. It is probably true that such property approaches more nearly in real value to-day, its real value before the panic, than the aggregate of farm property, the aggregate of city real estate, or the aggregate of manufacturing or mining property.

The appreciation of the value, or purchasing power of gold, in the merchandise markets of the world since 1873, is stated by the London *Economist* at about twenty per cent. In the real estate markets in this country the value, or purchasing power of gold, has certainly doubled since 1873, taking the average of real estate of all descriptions.

If the owners of the stocks of these forty-five railroads are assumed to be investing capitalists, and not debtors for the stocks, carrying them on margins, they are richer to-day than at the period of the highest prices before the panic of 1873. That is to say, they can exchange their stocks for more property, real and personal together, than they could before the panic of 1873.

A part of this gain, as the *Railroad Gazette* properly points out, does not result from improved dividends on the railroad stocks, but from the fall in the current rates of interest since 1873. It is probable that a stock believed to be perfectly reliable to-day to pay six-per-cent. dividends, would sell for as much money as a stock believed to be reliable for eight or ten-per-cent. dividends would have sold for five years ago.

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#### OF THE 412½-GRAIN DOLLAR.

I have not seen a scientific statement of the nature or effect of the new coinage of the old silver dollar. Having made a study of it for my own satisfaction, I desire to present the same to the public.

Its nature is an overvaluation of silver for circulation, as the printing of a paper dollar is an overvaluation of paper, with the difference that the silver in the dollar, has, to-day, a commercial value of 87¾ cents, as determined by the London market, the overvaluation here being but fourteen per cent., while the paper, being spoiled by the printing, has no commercial value, and the overvaluation is total, or 100 per cent. Both are cheap currency, one being very much cheaper than the other. One is money to the value of 87¾ per cent.; the other is no money or value at all; the money and value it refers to being merely promised. There is no more capital or means of doing business with this promise of money, or with the fourteen per cent. overvaluation of silver, than there would be without either of them; on the contrary, there is less by the sum of the overvaluation.

"Men in their bargains," says Locke, "contract not for sounds or denominations but for the intrinsic value." The nation or community which attempts to escape the operation of this rule, by substituting the abstraction of price in an

overvalued currency for the intrinsic value in money, might as well throw so much of its gold and silver into the sea. It must do business with so much the less capital and have the less business accordingly.

The public, as represented by the newspapers, expect the gold premium to disappear on the free issue of the  $412\frac{1}{2}$  grain dollar. Such an expectation is purely imaginary. The gold premium will rise, unless greenbacks are withdrawn, or the bank currency is contracted so as to reduce the volume of currency, other things being equal, especially the rapidity of circulation; for the circulating silver, so far as it increases the currency, will have precisely the same effect as would the addition of so much paper.

But there is no probability that the silver dollar can be kept in circulation to any considerable extent, unless an equal sum of Government and bank notes, of five dollars and under, is withdrawn so that silver may have access to, and occupy, the money channel where it naturally belongs as a subsidiary currency. In this way, some forty millions perhaps of the  $412\frac{1}{2}$  grain dollars might be employed in addition to the tokens of fifty cents and under.

As it is, the bank dollars of notes and current deposits, with the greenbacks, being the more overvalued media, will drive the silver dollars back into the Treasury about as fast as they can be issued, and the premium on gold will continue after resumption, variable as now, rising with any increased activity of business and consequent rise of general prices, and falling in every decline of business and prices. The resumption will be a silver resumption, nothing more; gold will have no more currency then, than it has now.

Of course the par in gold of \$4.86-65 to the pound sterling will continue to be the criterion of the relative value of money here and in England; foreign exchange will be bought and sold for gold, and many commodities will continue to be exchanged for gold, precisely as they have been since the suspension in 1861.

If general prices rise, sterling exchange will rise; if they fall, sterling exchange will fall. At \$4.89½ or thereabout, for sight bills, gold will be exported; at 4.83½ or thereabout, for the same, it will be imported, let "the balance of trade" be as it may, and whether bonds are returned upon us or not. We shall have an uncovered, over-expanded paper currency after all, as we have now, nominally convertible into silver, it is true, but the silver will not be wanted, except a few stray legal-tender dollars, as we see now a few stray trade dollars, unless such a degree of activity in business takes place as will raise general prices to the level, or above the level, of the low value of silver in London. This point will be determined by the silver value of the pound sterling there in our  $412\frac{1}{2}$  grain dollar. Thus, at this writing, British



silver is quoted at  $51\frac{3}{4}d.$  per ounce in London; hence, the pound of 240 pence must contain  $41\frac{637}{1000}$  ounces of such silver, and, as the British standard is 444 grains of fine silver to the ounce, we must find in our new dollars 2,059 grains of fine silver to know the relation of such dollars to the pound sterling. Our standard being 432 grains fine to the ounce, the new dollar contains 371.25 grains of fine silver; with this divisor, 2,059 grains yield \$5.55, which, disregarding a fraction, is the par of exchange on London in such dollars, with silver there at  $51\frac{3}{4}$  pence per ounce. Hence, the coin cannot be exported, for it is overvalued in relation to the London market—the Clearing House of the world's commerce—fourteen per cent., and commerce does not carry coals to Newcastle.

It follows, that, sterling exchange being at par, as it virtually is at present, prices must rise on the average more than fourteen per cent. before there can be a demand for the new coin abroad, or, for silver, outside of the arts at home, except for the Government to coin and keep in the Treasury, since it will not remain in circulation, unless silver rises in England. If this should happen, as it may perhaps, by a revival of the China and India trade, and its price should reach  $59\frac{1}{4}d.$  per ounce, the level of our overvaluation would be attained; any rise above this sufficient to cover the cost of transportation, will send our silver abroad, and our resumption of specie payments, even in silver, will be at an end. As to resumption in gold dollars of 25.8 grains, while silver dollars of  $412\frac{1}{2}$  grains are in market at the same price, the idea is preposterous; and if the Government is so unwise as to pay out 25.8 grains of gold at par with  $412\frac{1}{2}$  grains of silver, by covering the two values under one denomination as a dollar, it will simply throw away so much of the nation's capital as the difference in value amounts to. I am not yet prepared to believe that such a policy will be pursued.

Scientifically, the premium on gold should rise to fourteen per cent. in our new silver dollars, with silver at  $51\frac{3}{4}d.$  per ounce in London, as it will in due time undoubtedly; but perturbation more or less attends every violation of the natural laws of trade, and a violation like this, of overvaluing silver, must have time to percolate through the exchanges and settle them upon the basis of value which lies at the foundation of the world's commerce, before its mischievous effect can be fully demonstrated in the premium on gold.

What, then, do we gain, by the new coinage? Simply this, and it is important as far as it goes: we gain capital in bullion, say now at  $87\frac{3}{4}$  cents on the dollar, gold valuation, for as much silver as the greenbacks are covered with in the Treasury vaults. So far, we have an absolutely silver currency, and the greenback is a convenient instrument for circulating it. So far, a commodity that we should not otherwise possess

is added to the exchanges of commerce; so far, the material and the means of doing business are increased in the country, for "commerce is simply the exchange of commodities"—barter in fact, money, as the universal equivalent, being one of the commodities bartered. Credit is very well in its place, but its place is not in the cash account. When employed as money, it raises prices by degrading the value of money until it drives so much capital in money out of the country in absolute loss, and thus it cripples industry and trade. Such is the teaching of political economy as an exact science.

CHARLES H. CARROLL.

September 12th, 1878.

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### THE EXAMPLE OF FRANCE.

A valuable communication on the suspension of specie payments by the Bank of France, and on the enlarged note issue of that institution, from the pen of Mr. George Walker, a frequent contributor to the *BANKER'S MAGAZINE*, has just appeared in the *Detroit Post and Tribune*, one of the most conspicuous journals of the North-West in carrying on the pending political battle for legitimate money. Mr. Walker has once before brought this subject before American readers in his translation from the *Revue des Deux Mondes* of two articles by Victor Bonnet on the "Payment of the Indemnity," and the "Circulation of the Bank of France," published in 1876.

Having been applied to by the *Detroit* journal to give the facts respecting the suspension of specie payments by the Bank of France, Mr. Walker procured from Paris a full series of the annual reports made by the general council of the Bank to its shareholders, beginning with January, 1870, and ending January, 1878. He alludes to these reports as probably the most remarkable statistical documents ever presented by a corporation to its shareholders, and from them deduces the facts and figures which will be found below.

The question is constantly asked during the current financial discussions in this country, why it was that the great and rapid increase of paper money in France did not raise the price of gold, or cause a general inflation of prices, such as was produced by a similar increase of paper money in the United States. The reason has been substantially stated by Victor Bonnet, in his articles on the payment of the indemnity and the management of the circulation of the Bank of France, of which I published a translation in the winter of '76, and from which you have already quoted in the *Post and Tribune*. It is because the larger part of the money

circulating in France before the German war, was metallic, and after the suspension of specie payments in July, 1870, the notes of the Bank of France merely took the place of gold and silver previously in circulation, without expelling those metals from the country. The precious metals were not expelled because the balance of foreign trade remained favorable to France. The creation of the large loans of 1871 and 1872, by means of which the payment of the indemnity of \$1,000,000,000 was principally accomplished, became a temporary, but only a temporary, indebtedness to the holders of those loans in foreign countries. Such are the resources of the French people, and such is their confidence in the financial integrity of their Government which, under all the political changes which have taken place since the establishment of the first empire, has never repudiated or even questioned the obligation of its public debt, that the loans of 1871 and 1872 were no sooner made than the portions taken abroad began at once to be called back to France by a home demand for investment, until at length the whole amount is said to have been reabsorbed. These loans, amounting in the aggregate to \$640,000,000, were negotiated respectively at 82½ and 84½ per cent., and they are now quoted at about 115. The last experience of repudiation in France was that caused by the *assignats* and *mandats* of the revolution, a species of irredeemable paper money, not unlike the *absolute* money which is the ideal of the National green-back labor party at the present moment. France has a wholesome recollection of that experiment, and hence its confidence in the paper money of the Bank of France, which is as far removed from the ideal money of the revolution as gold and silver are from the rags which go into the hopper of the paper mill.

Although the balance of trade is known to have been favorable to France, and therefore caused no flow of specie from the country, such as took place in the United States during our war and for many years afterward, it might be supposed that the payment of such an enormous war fine as a thousand millions of dollars to a foreign country, would have seriously drained it of the precious metals. Such, however, was not the case. Fortunately we are not left to conjecture in this matter. M. Leon Say, the present French Minister of Finance, and who was also in that position when the indemnity was paid, made a report to the National Assembly on behalf of the Commission of the Budget, in April, 1874, in which the details of this gigantic financial operation were explained down to the smallest point. The total sum agreed by the treaty of peace to be paid to Germany, was \$1,063,151,771; of this \$65,000,000 was paid by transfer of railways lying within the ceded territory of Alsace and Lorraine; \$998,000,000 therefore remained to be

paid in money, or money's worth. The actual payments were made as follows: \$102,500,000 in French gold and silver; \$21,000,000 in German coin and bank-notes; \$25,000,000 in notes of the Bank of France, and \$849,500,000 in bills of exchange on England, Holland, Belgium and Germany. The German money (coin and paper) had come into the country with the German army, and never formed any part of the specie properly belonging to France, and hence the return of it was no loss of coin. The French specie went out gradually, as the installments of the debt were paid, during a period of about two years (June, 1871, to September, 1873,) and it is not probable that one-half of the whole amount paid (\$103,000,000) was ever out of France at any one time, inasmuch as the currents of trade brought it back again rapidly after each Government payment. Thirty millions of dollars were paid in three installments, near the end of the liquidation, in the months of June, July and August, 1873. It was borrowed of the Bank of France, and all of it was repaid by February, 1874. Besides the indemnity paid by the nation, the city of Paris was condemned also to pay a ransom of \$40,000,000, of which \$10,000,000 were paid in specie borrowed of the Bank of France. It is stated in M. Say's report, that a part of this same specie, repurchased from Germans, was used to repay the loan to the Bank a few months afterward.

It is clear, therefore, that there was at no time during the payment of the indemnity any great diminution of the large stock of specie habitually held in France. Out of a metallic stock, variously estimated at from \$750,000,000 to \$1,200,000,000, the temporary loss of \$50,000,000, or even \$100,000,000, would produce no effect whatever on the gold premium, nor on prices. The highest point which that premium ever reached was about four per cent. This was in November or December, 1871. I was temporarily in Paris at the time, being connected with a banking house in that city. The most intelligent representatives of English houses there, believed that gold would go much higher, and large amounts of sterling exchange were bought in that expectation. It was supposed that the French Government had made very little preparation for the payment to be made to Germany in March, whereas, in point of fact, they had, as early as December or January, completed their arrangements. Gold and sterling exchange accordingly fell nearly to par, involving heavy loss to speculators. Gold was afterwards only at a nominal premium. I may not be entirely accurate as to the rapidity of its fall, as I write from memory, but the statement is essentially correct.

Let us turn now to the operations of the Bank of France, from 1870 to 1878. At the end of January, 1870, the bank held 240 millions of dollars in specie, against a circulation of

294 millions; that is, all of its bank-note issue, except fifty-four millions of dollars, was covered by specie in its vaults. War was declared in July, 1870, and peace ratified in May, 1871, the preliminaries having been signed in February. Specie payments were suspended immediately on the outbreak of the war. The metallic reserve was somewhat greater in July than in January, but the amount of notes uncovered probably remained about the same. The minimum of specie held by the bank was reached on the 23d of February, 1871, three days before the preliminaries of peace were signed, when it amounted to only \$79,750,000. The circulation at the same date is not given, but it was probably not far from \$400,000,000. At the end of December, 1870, it was \$345,000,000. Four laws were passed limiting the amount of the circulation under a suspension of specie payments, there being no limit under the French law so long as the notes were redeemed in coin. The law of August 12, 1870, fixed the limit at 340,000,000 of dollars; that of August 14, 1870 (only two days later), at \$480,000,000; that of December 29, 1871, at \$560,000,000; and that of July 15, 1872, at \$640,000,000. The maximum of the circulation was reached October 31, 1873, when it touched \$614,382,400. The specie at that date was about \$160,000,000. On the 24th of January, 1875, the circulation had fallen to \$528,000,000, and the specie risen to \$271,000,000. On the 27th of January, 1876, it was \$500,000,000, and the specie \$340,000,000. January 25, 1877, it was \$532,000,000, and the specie \$420,000,000. January 31, 1878, the date of the last report, it was \$502,000,000, and the specie \$395,000,000. In June, 1877, however, the specie was \$60,000,000 greater, and the circulation about \$25,000,000 less than in January, 1878, so that the paper money of France was then very nearly covered by gold and silver in bank. Specie payments were formally resumed on the 1st of January last, though for several years past, it has always been possible to procure specie at the Bank of France without paying any premium, and during the last year, as the latest reports of the Council shows, very large amounts were paid out at Paris, and at the seventy-eight branches of the Bank of France, in order, as they say, "to facilitate the transition from the forced currency to a normal state of specie payments, and, as far as possible, to compel the return to the bank of notes of small denominations, the excessive circulation of which would be at the same time, a damage to the country from an economic point of view, and a heavy charge on the bank by reason of the high tax now imposed on that class of notes." . . . "During the year, 1877, in the face of a circulation averaging 2,400,000,000 francs, we have distributed to the public more than 1,000,000,000 francs in gold and silver; so that, in fact, the resumption of specie payments—so much to be desired—had been accomplished long before the period fixed by the law."

Since the resumption of specie payments the circulation has declined about \$40,000,000 and the specie in bank increased by about the same amount. The latest statement (August 22) shows the notes outstanding to be \$460,000,000, and the specie \$437,000,000. The Bank of England, at the same date, had a circulation of \$139,000,000, and coin and bullion of only \$109,000,000. Each bank is very strong in specie reserves in proportion to its circulation, but the Bank of France holds four times as much specie as the Bank of England, and has a circulation somewhat over three times as great. It must always, however, be remembered that the Bank of France has a monopoly of the circulation, while the Bank of England has not, and that all the banks of issue in Great Britain (including the Bank of England) have together a circulation of \$222,500,000, being about half that of the Bank of France.

If the foregoing facts and figures are carefully considered, I think there will be no difficulty in understanding why specie did not rise to a premium in France in the face of a doubling of the bank-note circulation. The notes of the Bank of France—the only paper money of the country when specie payments were suspended in July, 1870—probably did not exceed a quarter of the stock of the precious metals held in that country, and the \$614,000,000 touched in October, 1873, did not probably exceed five-eighths of it. But this is not all; there is no evidence that there has been any increase during the whole seven years, in the amount of money actually in circulation. Except an inconsiderable sum which, as I have shown, left the country, temporarily, in the payment of the indemnity, there was no export of specie. Whether in the banks or in the hands of the people—hoarded—it was equally in the country; but just as rapidly as the paper money increased the specie *in use* diminished. There being no actual increase in the volume of circulation, there was nothing to inflate prices. The paper money all of it represented specie *not in use*, that is, held in reserve partly by the banks and partly by the people, which is the best sort of money possible, since it has all the convenience of paper with all the stability of coin. The Bank of France might, at any time within the last three years, have resumed specie payments, and it is well understood that the only reason why it did not do so was the unsettled state of the silver question in Europe. The law of August 3, 1875, provided that the notes of the Bank of France should be redeemable in specie, when the advances made by it to the State should be reduced to 300 millions of francs. The resumption, however, could not be postponed beyond the 1st of January, 1878. The reduction of the debt of the State was, therefore, not made until December 31, 1877, in order that the date of necessary resumption might not be an-

ticipated. Having a bi-metallic standard it was compelled in 1874, in common with all the nations of the Latin Union, to limit, and in 1876 to suspend, the coinage of silver, in order to prevent the country from being swamped with the silver that Germany was throwing out of circulation. By the terms of the monetary convention each country of the Latin Union agreed to receive the coined money of the others into its public treasury; and the Bank of France has voluntarily agreed to receive Swiss, Belgian and Italian coins on a par with those of France. The reduction of the bank-note circulation, which was expected to follow resumption, would naturally attract foreign coins to France, and it was therefore desirable that all the coin transactions of the country should remain, as long as possible, on a voluntary rather than an obligatory footing. The treaty of the Latin Union expires in January, 1880, provided either country gives notice of termination a year beforehand. France intends to give that notice (so M. Say announced last spring), unless, in the meantime, the conditions of the treaty are modified to meet the existing emergency respecting silver. A meeting will probably be held this fall to reërrange the conditions for extending the life of the Union.

There is nothing in the French example from which the greenback party of the United States can derive the smallest comfort. It is the example of a country which, for more than three-quarters of a century, has been true to the principle of a redeemable currency, and a currency possessing more and more the element of hard money. It is the example of a country, the people of which have been protected, in the gravest of domestic and foreign perils which any nation has ever encountered, against the curse and robbery of a depreciated money. It is the example of a people which recovered itself more quickly than is known in human history from the crippling influences of a disastrous foreign war, because its currency was not debauched, and its finances were ably administered.

While the enemies of honest money and of an untarnished public faith can derive no comfort from such an example, there is everything in it to encourage, and much in it to instruct those who, like the hard money-party of the North-West, are struggling to maintain an honest currency, an enlightened system of banking, and, highest of all, the integrity of the nation in its own eyes and in the eyes of the world.

## A SILENT CONTEST.

There is now being waged a war more universal in its evils, and a greater trial to the endurance of mankind, than any war in modern times. This war, a silent contest so far, without the sound of cannon, the rattle of musketry, or the music of the fife and drum, is a war of prices in a contest for gold. It is waged between despotic Germany, prosperous France, opulent England, each for itself, and all against the United States. With our vast supplies of raw material needed by the rest of the civilized world, and with manufactured articles competing in every market, defeat to us is only possible through low prices everywhere.

Except for the distress to debtors, the bankruptcies of merchants, and the blighted lives of so many who find that the result of years of enterprise and labor puts the word "failed" to their names and fortunes, we might argue that the present is the best time for us to engage in the contest for gold. In this contest we can be victors only by showing a capacity to bear the greatest losses, and even then we should gain by great sacrifices what will come to us in perhaps less time through high prices: viz., commercial supremacy.

As a debtor country, and at the same time having the largest favorable balance of trade in the world, we are evidently benefited by good prices, or, in other words, by the possession by our customers and creditors of the largest possible stock of metallic money. A diminished production of gold and silver, or the demonetization of either metal, adds to the burden of debt.

On the other hand, England as a creditor country and a purchaser of raw materials from the world, is at first benefited by low prices, or, in other words, in a reduced stock of metallic money. But the demonetization of silver has brought about a contest for gold that promises by its results to overbalance the supposed benefits, and we have protests and warnings from the former advocates of a "gold standard." I quote some recent instances.

A late indication of a demand for gold in New York was followed by an official announcement made at the Sub-Treasury that, as a measure of relief, the Secretary of the Treasury has authorized the Treasurer in Washington, D. C., and the Assistant-Treasurer at New York, until otherwise ordered, to pay any outstanding called bonds at any time before the maturity of the call, with interest accruing thereon to and including the date of presentation—thereby using



the power of the Treasury to affect the price of gold—which some would call a questionable proceeding.

The New York *Evening Post*, which has always advocated a gold standard, says, October 14:

Close observers of the course of financial and commercial events in England were not surprised at this morning's despatches which report a special meeting of the directors of the Bank of England and an advance by them of one per cent. in the discount rate—to six per cent. Outside the Bank of England the rate is up to five per cent. for prime three months bills. Of course the higher the rate of interest goes, the more severe is the strain to which mercantile borrowers are submitted, and the more likely is it that unsound concerns will be forced to the wall. The advance in the rate has, however, a broader significance. It, together with the recent advance in London of the price for Napoleons and American double-eagles, shows a determination on the part of the Bank to do everything in its power to prevent exports of gold to New York and to encourage imports from the Continent, particularly from Paris. It will be surprising if the Bank of France does not soon advance its rate. So long, however, as London can draw gold from Paris it will be the more ready to lose some to New York, but if the Paris supply is cut off, the efforts to prevent shipments to New York will undoubtedly be intensified. The purely trade exchanges between the two countries continue to be largely in our favor, and apparently the most that the Bank can do is to prevent our drawing gold from London.

The *Pall Mall Gazette* expresses its surprise that England, which is more deeply interested in the maintenance of the relative value of silver with reference to gold than any other country, should have resolutely set its face against any attempt to remonetize that metal. It asserts that the matter is manifestly one of increasing gravity to the Empire. The net loss by exchange on India is calculated for the current year at \$15,000,000, and there is nothing whatever to show that they have arrived at the limit of this serious loss. But the effect of this, the *Gazette* states, is just precisely what would arise from a dangerous shock to the credit of the East India Government.

The London *Bankers' Magazine*, for October, shows that, comparing 1878 even with 1868, when gold was very high and all prices very low, there has been a rise in the purchasing power of gold of 7½. As compared with 1872-3, the rise has been three times that figure.

American prices are tumbling every day. The New York *Financial Chronicle* of October 12, says:

Cotton, flour, wheat, pork and lard, within the past week, have declined (if our memory serves) to the lowest prices current since the late civil war.

The same *Chronicle* of October 19, says:

The past week has been one of severe depression in our cotton market, and prices have experienced a decline seldom equaled. Cotton on the spot has declined from day to day.

The *American Exchange* (New York), of October 17, says :

Capitalists are tired of the continued depression in mercantile, agricultural, real estate, and manufacturing investments. The time was, when money carefully invested in any one of these pursuits gave satisfactory results, but, since the panic, nothing but discouragement, disaster and ruin, as a rule, have been the harvest.

The same paper, October 18, says :

The price of almost everything in this country is lower than it was before 1861.

The *Public* of this city, in its issue of October 17, says :

The prices of hog products, flour, wheat and cotton have touched lower prices, we believe, than at any period since the late war.

The *New York Tribune* of October 19, says :

The week has been marked by great depression in the markets for the products of the soil. Cotton and grain have sold lower than at any time since the years before 1861, and at prices which yield to the western farmer only about fifty and fifty-five cents for a bushel of wheat.

The *Financial Chronicle* of October 19, says :

The present troubles abroad are aggravated by the struggle for gold, as distinguished from silver, for banking reserves.

While prices of commodities are falling, the price of bullion silver is also falling, but not so rapidly ; and measured by our chief articles of export, cotton, petroleum, and grain, at their home markets, silver has advanced materially. At the gold price silver is below fifty pence an ounce in London, a fall of over ten per cent., or a rise of ten per cent. in gold, since the beginning of the year. The production of gold and silver is, at the same time, diminishing. Wells, Fargo & Co.'s treasure receipts for the quarter ending September 30, only aggregated \$14,661,200, against \$19,611,900 for the same period in 1877. There was a falling off in the silver product of nearly \$7,000,000, and an increase of \$2,000,000 in the gold product.

The bonanza mines have passed their dividends for October, but promise to resume them in December. The gross yield of Consolidated Virginia for September was only \$259,091, and of California, \$200,936, being about equal to expenses.

From Germany which humorously wants another war that it may pay an indemnity and be prosperous ; from England which has India for a nightmare, and the impossibility of having low prices abroad and not at home, for a reality ; and from our own country, which has the paradox of great prosperity as a country, and an equally general want of prosperity to individuals—we hear complaints and murmurs which threaten to make the contest anything but silent in the future.

HAMILTON.

## THE GOVERNMENT BANK.

Our National Government is the great banker of the country. At present, its issues are inconvertible paper money, but after the first of January, they will be redeemable in gold and silver, and it will become a specie-paying bank, among the largest and most important in the world. It is not a bank of deposit although it issues certificates of deposit for gold, silver, and Treasury notes. It is not a lender of money, which is the usual business of a banker. But, although it does not possess these two characteristics of a banking institution, it is a bank of issue and of redemption on the most magnificent scale. The circulation of the largest bank in the Union is a few millions; of the Associated Banks of New York, a few tens of millions; of all the banks of the country, a few hundred millions; but the issues of the National Treasury exceed them all. The Bank of England, with all the other English banks, has not half its circulation. It surpasses the national banks of Germany and Italy, and nowhere in the world, except in the Bank of France and its numerous branches, can its equal be found. In like manner, as a bank of redemption, it is on the same magnificent scale. The principle on which its operations are based, is the same as that of the old Suffolk Bank of Boston, whose sphere was limited to New England, while this extends from the St. Croix to the Rio Grande, and from the Atlantic to the Pacific. Every National bank in the country is required by law to keep five per cent. of its circulation at Washington, and the daily express from every city and town in the land, where paper money is issued, carries backward and forward the excess of notes which have first been deposited in the National banks, then forwarded to the common center at Washington, and finally returned to the several centers of issue for redemption. Its usual daily receipts are more than half a million. The exchanges are National-bank notes for legal tenders; and every association, that has issued a note which has been anywhere placed on deposit, finds it returned from Washington, with a demand for lawful money in exchange.

Besides these two attributes of a bank, the National Treasury is the great regulator of the currency. Even now it exercises this function, and after the close of this year, it will control all the expansions and contractions of the circulation. During the present summer it has withdrawn fifty millions from the country's money and locked it up in the Treasury; and, day by day, it is adding to this accumulated

hoard. Every addition that is made to the hundreds of millions that it has already gathered, is a subtraction from the money of the people, and a contraction of the currency by the exact amount of this increase. Hereafter, it will perform the double office of contractor and expander, and become for American banks, the autocrat which the Bank of England has been for the private and corporate banks of Great Britain. The manner in which it will execute this office will be partly automatic and partly arbitrary. In the latter capacity the Secretary of the Treasury will act as the Governor and Directors of the Bank of England, having the same power, but over a broader field and a larger circulation. The distinct and separate nature of these two activities will be easily recognized on the slightest reflection; but it may be well to specify and distinguish them with more definiteness and accuracy.

When resumption shall take place, neither the people nor the banks will call on the Treasury for gold. The purchaser of Government four per cents. will not desire coin, for greenbacks will supply its place, although they will not do this at the present time. The merchants and the traders will not ask for it, nor will producers or consumers, for all will prefer the greenbacks for their greater portability and convenience. Curiosity may demand a few eagles and half eagles, as many persons have not seen them for years, and some have never seen them within their remembrance. But this inquiry will be insignificant. The banks will not need coin, for the legal tenders will answer all their purposes as well as gold, and there will be no motive to exchange the legal tenders which they now have for a more inconvenient and more burdensome medium. There will, therefore, be no necessity and no demand on the Treasury for gold. Importers can get what they need for customs dues from the banks in the Atlantic cities, and if they make calls on the Sub-Treasuries for like amounts the payments for duties will immediately restore to the Treasury what it may lose by this demand; and, as the receipts for customs exceed the whole outgoings for interest on the public debt, and for the purchase of silver bullion for the coinage of the new dollars, the Treasury will daily increase its supplies, rather than lessen them. This increase of coin in the Treasury will be accompanied by an increase in the stock held by the banks, for our country is a great producer of gold, and the double eagles issued from the mints will be sufficient to enlarge at the same time the supply of the Treasury and of the banks. All these movements will be automatic; the will of the Secretary of the Treasury is not visible in any of these operations.

As soon, however, as the balance of trade shall turn against us (and this event will be sure to happen, for all experience

has shown that this balance never remains very long on one side, and that sooner or later, the adverse current will begin to flow) the importers will call on the banks, and they, in their turn, on the Sub-Treasury in New York, to supply gold for shipments abroad. This export implies a high rate of exchange and a check on imports of merchandise or of bonds, and this result would lessen the necessity for exchange, and the balance of trade would thus be turned in our favor. This movement is also automatic, and indicates no intervention of the Secretary of the Treasury.

If, however, the demand for imported goods should become brisk, so as to cause large importations of merchandise, and at the same time a decline should occur in the foreign demand for cereals, cotton, tobacco, or other products of this class, so that there would be a large excess of imports over exports, and a large and long continued demand for gold in the Atlantic ports, the drain on the Treasury for coin would be so heavy and so protracted, that the Secretary would find it prudent to replenish his stores by the sale of the bonds authorized by the resumption act; and these sales would increase the scarcity of money which had been already felt by the banks, check their loans, raise the market rate of interest on money, discourage investments, and lower prices, and by all these effects, quicken our exports and reduce our imports, so as to restore the equilibrium of trade, and stop the outward flow of gold. This movement would not be automatic. The offer of new bonds would be the act of the Secretary of the Treasury. The amount of these bonds would depend on his judgment and discretion. He might stop when the outward current of gold should be stayed, or when an inward flow should be generated, or when the supply in the Treasury shall be nearly equal, or more than equal, to the former accumulation. The limit which his decision may fix and determine will be the act of a political officer of the Government, appointed probably for his fealty to party, and not for his financial ability or economical knowledge. His arbitrary action will control prices, regulate the currency, affect the interests of the merchant and the trader, and of every debtor and creditor in the country.

In the same manner, when the abundance of gold in the Treasury shall seem to the Secretary more than is necessary, he may order the redemption or purchase of bonds—making money abundant by depleting the treasures of gold which he had previously accumulated. By this purchase and sale of bonds the Secretary will control the amount of money in circulation, making it scarce or abundant according to his judgment of the wants of the Treasury, in precisely the same manner that the Bank of England exercises its control over the English currency. That Bank, indeed, raises or lowers the rate of interest and withdraws or extends its loans, as well as

buys or sells consols, to produce the results it desires; but the last of these operations, which is the same as the act of our Secretary, has precisely the same effect as the others, and is alike efficient in contracting or expanding the currency.

This personal individual control over the market for money is also to be seen in the Secretary's action with regard to silver. He is now coining it slowly at the mints, striking less than three millions per month,\* when he might, under the law, rise to four or fall to two. The different effects of these two extremes are very decided. By the smallest demand for bullion at our mints, he would force a part of the Nevada product to be exported and united with the current from Mexico and South America, to interfere with the sales of the German silver in the London market. This would protract the period of disturbance which the change in the German coinage has produced, and prolong the reign of gold, as the sole money of the Western world. If, on the other hand, he should advance the silver coinage to the highest limit, he would not only consume all our Nevada silver but require a part of the Mexican. This large coinage of dollars, united with the exports from San Francisco for Japan and China, would permit the German Treasury to dispose of the sixty millions, which yet remained to be sold in July last, more rapidly, and hasten the return of that time when gold and silver will again have the same value in the market as at the mints, and both be used in the money exchanges of France and America and the rest of the Western world. At present, the silver dollars in the Treasury are useless. So will be the coinage of 1879, even if our mintage should rise to four millions per month. After the close of that year, if the Eastern market should be kept open for Germany alone, her supplies will be exhausted and the ratio of the two precious metals will return to its normal standard. The five-franc pieces in the Bank of France will become as useful for exportation and every other purpose as the Napoleons, and the silver dollars in our Treasury will have as high a price in the London market as the eagles or bars of gold.

It will thus depend on the action of our Secretary whether the silver dollars shall be piled up in the Treasury, useless as money, or whether they shall form a real element in the amount of money, and, by uniting with gold, increase the money of the world, raise prices, revive business on a permanent hard-money basis of both the precious metals, and give that relief to the people which the country so much needs.

Such dependence on the arbitrary action of a single man, who can make money plenty or scarce, cheap or dear—who

\* For the seven months from the passage of the silver law to September 30, the coinage of dollars at the mint was \$16,213,000, or at an average monthly rate of \$2,337,286. The law requires the monthly coinage of not less than two million dollars worth of silver bullion. At the recent market prices of silver bullion, a quantity which would cost two millions, would make just about as many dollars as are actually coined at the mints.—Ed. B. M.

can render our accumulated treasures of silver useless for a long period, or valuable in a short time, is not suited to American feelings or opinions. We want no king in the White House at Washington, and no autocrat over our currency, raising and depressing prices at his will, and ruling over the fortunes of our people by changing from time to time the purchasing power of our standard unit of money. The Governor of the Bank of England has a law to govern him, why should our Secretary be above the control of a similar restraint? The one is selected for his financial experience; the other for his political services. The former has a profound knowledge of political economy and the wants of foreign and domestic commerce, while the latter is often disqualified to manage the finances of a country bank, or an insignificant corporation, or a mill, or a plantation, or even of his own private family. Every one who has known these Secretaries for the past twenty years has seen among the number clever and able men, who could not be trusted with the management of their own money, much less with that of other people. Shall such persons preside over our Government bank, control the market for money, regulate its abundance and scarcity, turn upward or downward those screws by whose movements pressures and panics are produced, and also relief and prosperity? Mr. Sherman has given much satisfaction to business men, and this question does not apply to him, personally, but to the power which the Secretary of the Treasury can wield to the benefit or injury of the people. He should buy and sell gold and silver and Government bonds under law. He should regulate the amount of coin in the Treasury as the presidents of our banks are compelled to do and not by his arbitrary will and pleasure. Hitherto this unlimited power has been of little importance; but now that the amount of money under his control is becoming enormous, by the necessities of resumption, the circumstances are so changed that restraint is imperative and indispensable.

The rules by which this arbitrary action should be governed are not unknown to bankers nor to the laws. The minimum reserve of the Bank of England is fixed by a complex criterion, but that prescribed for our National banks is simple and familiar to business men, and confirmed and established by American experience. The maximum has not been assigned, because the impulses of self-interest have been sufficient to prevent this from becoming too large. With our Treasury bank this impulse will not operate, and the Secretary may keep on hand two hundred or three hundred millions of coin when a much smaller sum might be sufficient. Before the maximum or the minimum shall be reached some discretion may be given, so that no sudden change should disturb the movements of business and the abundance or scarcity of money.

The usual reserve is one-third of the immediate liabilities. More than this makes a bank easy, and less makes it cautious. When the limit declines to twenty-five per cent., the imperative requisitions of the charters of our banks require the cessation of new loans, and the collection of notes that may become due. Our Treasury ought to have a higher limit than an ordinary bank, so that the permanence of specie payments shall be more perfectly assured; and as it has a variable demand on its coin for interest, it would be well to exclude this irregularity by providing an extra reserve for all the coin interest that may have accrued over and above the limit commonly assigned to a bank. The rule would then be:

"Whenever the legal-tender coin in the Treasury, sub-Treasuries, and other places of deposit by the Government, less the amount on hand for bonds called and payable on demand, or needed for accrued coin interest on the public debt, due or not due, shall be less than twenty-five per cent. of the outstanding fractional currency, Treasury notes, and certificates of deposit of all kinds, the Secretary of the Treasury *shall* sell the bonds authorized by the act of January 14th, 1875, for coin, so as to make up this deficiency; and when less than thirty per cent. he *may* sell these bonds for this purpose; and when over thirty-five per cent. he *may* use the excess of coin in the Treasury over this percentage to redeem or purchase the bonds of the United States, and when over forty per cent. he *shall* use the coin in the Treasury for this purpose."

No distinction is made between gold and silver certificates and Treasury notes, because all of them, after January, will be an immediate demand on the Treasury; nor between gold and silver coin, because it is not contemplated that any silver will be paid out by the Secretary, since it will immediately return to the Treasury being unsuitable at present for export, and not wanted for any other purpose, and because it is believed, that before there shall arise any necessity under this rule to use silver in Treasury payments, the old ratio between gold and silver will be restored by the exhaustion of the German supply which has disturbed the nations for the past few years by its portentous dimensions.

The application of this rule to the present condition of the Treasury would show a surplus of twenty-four millions of coin over the maximum presented by this rule; but this will only show that the Secretary of the Treasury is acting with excessive prudence in accumulating coin for the extraordinary contingency that will occur when specie payments shall be resumed in January next, and that his management of the Treasury, in anticipation of that event, has been wise and proper. On the 1st of October the assets and liabilities of the Treasury were as follows:



Treasury notes authorized.....	(in millions)	347
Fractional currency outstanding.....	“	16
Clearing-House certificates of deposit.....	“	41
Gold and silver certificates.....	“	35
Sum of these.....	“	439
Treasury notes on hand.....	“	53
Outstanding liabilities.....	“	386
Forty per cent. or maximum reserve.....	“	154
Coin and bullion in the Treasury.....	“	232
Of this, uncoined bullion estimated.....	“	10
Subsidiary silver coins.....	“	4
Accrued interest on the public debt.....	“	28
Outstanding called bonds bearing no interest and past due.....	“	12
Leaving surplus over reserve.....	“	24

The cash received for four-per-cent. bonds which is to be used, along with the future payments on these subscriptions, to redeem the fifty-five millions of five-twenties that had been called, but were yet bearing interest on the 1st of October, is not included in any of these figures.

It may, perhaps, be thought by prudent and experienced bankers, that the rule proposed has too low or too high a limit for the imperative control of the Secretary; but if any alteration should be suggested by them, we can not believe they would make it in the range of discretion which is permitted to the Secretary of the Treasury, nor in the propriety and necessity of this restraint.

C. F. McCAY.

BALTIMORE, October, 1878.

### NEW COMMERCIAL FIELDS.

The steamship and the railroad, coming in aid of the restless activity of the age, are constantly bearing fruit in commercial surprises, sometimes in new articles of trade, but more often in old articles from new and unexpected quarters.

It is very recently that the world heard that India produced wheat, yet now she is already in the front rank of the exporters of that commodity. It is extraordinary that even famine in that densely populated region has not arrested its export of wheat, but only checked the rate of the increase of the export of it. The Indian fiscal year ends on the 31st of March. The Indian export of wheat to Great Britain has been as follows, in the fiscal years named:

<i>Fiscal Year.</i>	<i>Wheat export to Great Britain.</i>
1875-6.....	2,498,185 cwts.
1876-7.....	5,583,336 “
1877-8.....	6,340,150 “

And now we hear of wheat from an entirely different quarter of the globe, associated in our imagination with every-

thing which is dismal and frozen, Siberia. The *London Times* of September 16th says :

News has arrived that the Bremen steamer *Neptune*, Captain Rasmussen, which left for the Ob, in Siberia, on July 16, reached Hammerfest on the 6th inst., with a full cargo of Siberian wheat. This is the first trade voyage to North Siberia with cargoes both ways that has been made successfully in one summer. The first suggestion of this voyage came from a German resident in Siberia, and the undertaking was carried out at the joint risk of him and a Hamburg merchant. The *Neptune* was laden with all sorts of mercantile goods. She entered the Nadym on August 13, and had no ice difficulties on the voyage out. Arrangements had been made to have lighters ready at the mouth of the Ob laden with Siberian wheat, which, on the *Neptune* being unladen of her European goods, was put on board. So complete were all arrangements, and so favorable the weather, that the *Neptune* was ready for the return journey on August 24. In thirteen days after, she reached Hammerfest. Perhaps, in future, when the navigation of the estuary of the Ob is better known, the voyage may be made in even a shorter time. Indeed, if depots were established at suitable points on the north Norwegian coast, it might be possible for a ship to make two journeys to Siberia in one summer. Probably the Ob is the most important of the Siberian rivers so far as commerce is concerned. Trade on the Ob is already considerably developed, the river being navigated by over thirty steamers. The region around the river is the most productive and most thickly inhabited in Siberia.

Hammerfest is the most northerly town on the coast of Norway. The Ob is a river two thousand miles long. Its general flow is northerly, so that while the estuary into which it debouches is blocked by ice from November to April, temperate and productive regions are found on its upper waters. One of the provinces in its valley, that of Tomsk, is said to have one million of inhabitants, and is to be the seat of the University of Siberia. The two great rivers of Siberia, east of the Ural regions, are the Ob, or Obi, and Yenesei, the latter being the most easterly. Navigation for craft requiring not more than three feet of water, is said to be possible up the Ob as far as the Russo-China frontier. There is a good deal to be learned about the world we live in, and we are being instructed about it rapidly in these modern days.

The continued advance of a civilized population into the wilds of the New World, is, however, still in excess of any new developments of the Old World, and the centre of gravity, in a commercial sense, still moves westward. The interior growth of our own country beyond the Mississippi is prodigious. If our accounts of it, instead of being daily, were only yearly, this growth would be not greater, but more sensible to us. Bankers, as a class, are the first to note new movements in population and in commercial exchanges, but it is doubtful if the bankers of this city quite appreciate the rapidity with which it is advancing to a pre-eminence over

London as a commercial and money center. An object is sometimes better comprehended at a distance, than near to it, and more people have been surprised here than in Europe, at the prediction of Mr. Gladstone, that in 1880, the United States will be a richer country than Great Britain.

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## THE RISE IN THE VALUE OF GOLD.

[FROM THE LONDON BANKERS' MAGAZINE, OCT., 1878.]

In India, in the month of January, 1872, an ounce of gold was to be purchased for something under thirty-nine rupees. Now  $46\frac{1}{2}$  rupees has to be paid for the same amount of that metal, and the difference finds expression in the formula that the price of gold has risen nearly seven rupees an ounce. In England, in the year 1872, a rupee was worth 2s, whereas it is now valued at only 1s. 8d.; and it is said that the value of the metal of which it is composed has fallen 4d., equivalent to a reduction of nearly 10d. an ounce. Which assertion is the more correct? Is it gold which has risen, or silver which has fallen, seventeen per cent. in value? Most Englishmen will probably have little hesitation in answering these questions. They will say—"The production of silver has been largely increased of late years by the discoveries in America, which are yielding some nine millions worth per annum for the world's consumption, while, at the same time, Germany and other European countries are discarding their bulky silver currencies. Germany alone, last year, flooded this market with £13,747,600 of silver; and the supply being so far in excess of the demand which is practically confined to Asia—it is perfectly natural that the price of silver should fall."

We must admit that there is weight in this reasoning; but at the same time we are of opinion that it states but one side of the question. On the other, it may with equal force be urged that the production of gold has not increased in the past few years, and that there has been even a greater eagerness manifested to obtain supplies of gold to establish the new German coinage, and to add to the stores in the principal European banks, than there has been to sell silver. As the supply has been, and is, limited, and as the demand has largely, and even pressingly, increased, one of the first axioms of political economy tells us that the market value of an article of merchandise so acted upon, must rise. In England, however, which measures all prices by a gold standard, a rise in the value of gold cannot directly be measured. After the gold discoveries in California and Australia, although the increased supplies were readily absorbed

by Europe, it was variously estimated that the value of gold, and along with it its purchasing power, fell something like ten per cent., and this was in part borne out by the market price of silver which in 1848 was quoted as low as 4s. 10½d. per oz., and in November, 1853, rose to 5s. 2¼d.—a difference of 6¼ per cent. This, however, was an extreme movement, the average rise being about five per cent.

But the greatest production of gold in those years was in 1854, when Australia gave us £11,000,000, and California £14,000,000. Now, however, these countries together yield some £10,000,000 per annum less than they did then; yet, since the passing of the German Coinage Act in 1873, that empire has coined gold to the value of £81,000,000, of which she has obtained from this country £40,505,600.

In addition to this net export of £40,500,000 of gold to Germany, we have sent considerable sums to Holland, which though nominally for Dutch ports in reality have found their way into the Berlin mint. More than one-half the gold employed for coinage purposes in Germany has therefore been obtained from the London market, and during the seven years and a half, we have probably supplied an average of from £5,500,000 to £6,000,000 annually. Upon the supposition that a further three millions a year have been derived from France, Russia, and other countries, it will appear that that country has absorbed nearly one-half of the total yearly production of the world during this period, which may be stated at something under twenty millions sterling. Consequently the sources of supply of gold for the remaining countries of the world have been diminished by nearly fifty per cent. This is a powerful argument in favor of a rise in value; and, as a matter of fact, the business of the country at the present moment is suffering from a great depletion of gold, which enhances the stagnation in trade, and the existing financial inactivity. Indeed, there can be no doubt that a return of prosperity is being delayed by an absence of gold in the country, and by diminished stores of bullion and sovereigns in the banks.

Another argument in favor of a rise having occurred in the value of gold of late years, has been its diminished production. Authorities differ somewhat materially in their estimates of what the out-turn of the various gold-producing countries has been. But three sets of estimates are furnished in the report from the select committee on the depreciation of silver, from which the following may be taken as giving a fair average of the authorities quoted therein:

Total annual gold production in 1855.....	£ 30,000,000
“ “ “ “ 1875.....	19,500 000

Decrease in twenty years.....£ 10,500,000

At the same time, the world has been taught to employ

gold much more freely than heretofore, and the vast strides which commerce has made in these twenty years has, naturally, brought the least cumbrous and most precious metal into high favor throughout Europe, as the great medium of exchange. Even where small units of value are in use—such, for instance, as francs and marks—gold coins of ten or twenty such units form the principal portion of the currency, and are, with notes, in use for all large payments. Hence, the reduction in the amount of gold produced has also tended to increase the demand for it, and therefore to increase its value. But the tendency which the leading banks of Europe have latterly developed, to store gold as a compact and most readily available reserve, has also to be taken into consideration. In the *Economist* Commercial History and Review of 1877, it is stated that in the ten years ended 1876, no less than £82,650,000 was appropriated in this manner, or, say £8,265,000 per annum. Now, if to this be added the £8,000,000 or £9,000,000 which have been taken by Germany, and £2,000,000 used in jewelry and for decorative purposes, we obtain a total of over £18,000,000, and we find that during the past seven years the amount of gold left to replenish or to add to the gold circulation of the rest of the globe, has probably not exceeded £1,000,000 or £2,000,000—a sum far below the requirements of the period under consideration. Much larger amounts have, of course, been coined, but these coins have, for the most part, been stored in banks, or have replaced others withdrawn from circulation, or have been exported and then melted down, and perhaps recoined. The result is, that Germany, at this moment, finds great difficulty in keeping her gold, and even a high rate of interest is but partially successful in arresting a return flow to this country.

But how are we to measure the rise, if such has taken place, in the value of gold? As silver is under a cloud, it will not do to measure gold by a silver standard. Then again, if we select other metals or other articles of merchandise, we shall be met with the rejoinder, that trade is so very bad just now, that of course gold would purchase more than in times of prosperity. But ten years ago—in 1868—was emphatically not a time of prosperity. The country, in trade and finance, was still suffering from the effects of the crisis of 1866, and the speculation which preceded it, and, as is now the case, commercial profits were at their lowest, and the nation was awaiting a revival which was long deferred. If, therefore, it can be shown that prices are generally lower now than they were then, it is probable that some data may be obtained whereby an estimate may be formed of the advance in gold, which it is our endeavor to prove. The following comparison of market prices in September, 1868, and September, 1878, will help us in this inquiry:

[Here follows a table giving the average prices in September, 1868, and in September, 1878, of thirty-one articles in the most common use. Of these, twelve are articles of food, eight are metals and minerals, and eleven are the following raw materials, viz.: cotton, wool, flax, hemp, jute, silk, tallow, linseed, petroleum, turpentine and timber.]

We think this statement a powerful argument in favor of a rise having occurred in our standard of value during the past ten years. We may, of course, attribute the fall in wheat to a good harvest, and that in cotton to the effects of the American civil war still lasting in 1868. But, when out of thirty-one articles in daily use we find but three which have risen in price—namely beef, mutton and coffee—while in more than nine-tenths of the instances given there has been a fall, it can scarcely be disputed that the purchasing power of the sovereign, and of gold, has increased, and that some portion of the severe fall which has taken place in almost every description of merchandise since 1873 has been attributable to a rise in the value of gold. As regards meat, which shows a rise in price, it will, we think, be admitted that there has been a very material rise in value. Since 1868, while the population of the United Kingdom has grown to the extent of nearly 3,200,000, there has been an actual decrease of 3,000,000 in the number of sheep in the United Kingdom, and the only decided increase in live-stock has been in pigs. The effects of disease, and the increased demand for foreign meat, would also point to a higher market value.

Let us now consider what the fall has really amounted to. It has been less in food than in raw materials and metals; and naturally so, for the country is now very much less able to feed itself than it was ten years ago. But, taking the twelve articles of food named in the foregoing table, it may be stated roughly that were the quantities purchasable by £100 in each instance in 1868 (that is, £1,200 worth in all) sold in 1878, they would fetch only about £1,100, or a reduction in the gold price of about eight per cent. Dealing with the eleven raw materials in the same way, we find that £1,100 worth of goods in 1868 would be worth £905 in 1878, or a falling off of  $17\frac{3}{4}$  per cent.; while, as regards metals and minerals, £800 worth in 1868 would now realize but £693, a falling off of  $13\frac{1}{2}$  per cent. Combining all these items, it will be found that goods worth £3,100 in 1868, would now, if of the same quantity and quality, be worth only £2,700, or say a reduction of  $12\frac{1}{2}$  per cent. This falling off, we are willing to admit, is in excess of the increase in the value of gold, because steam and the Suez Canal have combined to give us more ready and cheaper means of communication, and because exceptional circumstances have caused the fall of nearly twenty per cent. in

wheat and of thirty-five per cent. in cotton. In metals, also, there have been important discoveries—in silver and in tin—for which the necessary allowances must be made. But if we write off five per cent. on the prices of 1868 for these allowances, there still remains a fall of  $7\frac{1}{2}$  per cent. to be accounted for, and the major portion of this fall we will attribute to a rise in the price of gold. At the beginning of these remarks it was stated that the variation between the market prices of gold and silver since 1872 had been seventeen per cent. If, instead of asserting this to be the fall in silver, we said that silver had fallen ten per cent. and gold had risen seven per cent., we believe we should be much nearer the reality.

### MERCANTILE FAILURES OF 1878.

The statistics of failures in the United States and Canada for the third quarter and the first three quarters of 1878 are now published by Dun, Barlow & Co.

The following shows the number of failures in the United States and Canada for the quarter ending September 30, 1878, compared with the same quarter in 1877, together with the amount of liabilities. The figures for the nine months of each year are also given:

	—Third Quarter in 1878.—		—Third Quarter in 1877.—	
	Number of Failures.	Amount of Liabilities.	Number of Failures.	Amount of Liabilities.
Eastern States.....	535 ..	\$ 9,777,016	315 ..	\$ 6,440,405
Middle States.....	379 ..	27,732,811	653 ..	16,329,463
Southern States.....	253 ..	4,340,783	128 ..	2,107,569
Western States.....	950 ..	18,479,783	596 ..	15,691,457
Pacific States and Territories.	236 ..	6,077,970	124 ..	1,777,181
Total.....	2,853 ..	\$ 66,378,363	1,816 ..	\$ 42,346,085
Dominion of Canada.....	295 ..	4,629,592	424 ..	5,753,139
	—Nine Months in 1878.—		—Nine Months in 1877.—	
	Number of Failures.	Amount of Liabilities.	Number of Failures.	Amount of Liabilities.
Eastern States.....	1,517 ..	\$ 30,033,135	978 ..	\$ 19,098,075
Middle States.....	2,550 ..	79,375,469	2,226 ..	55,579,375
Southern States.....	1,158 ..	21,359,104	791 ..	12,289,283
Western States.....	2,909 ..	56,555,846	2,066 ..	44,713,129
Pacific States and Territories.	544 ..	9,887,575	474 ..	10,182,403
Total.....	8,678 ..	\$ 197,211,129	6,565 ..	\$ 141,862,256
Dominion of Canada.....	1,242 ..	18,138,321	1,644 ..	20,904,976

Messrs. Dun, Barlow & Co. say—"The petitions in bankruptcy filed in the period named considerably exceed the figures given above, but it must be understood that a large majority of the applicants for relief were either those whose failures had been previously reported, or those who had gone out of business or were not engaged in mercantile pursuits, and hence not included in the mercantile failures. The above figures refer to the failures only among those who were in active business and suspended payment during the period under review. The number of failures among active business

men is far less than might have been anticipated in view of all the circumstances. When it is considered how strong the temptation was to go into bankruptcy for those whose past or future was at all clouded, and when it is borne in mind that this was the only remaining chance to get free from entanglements resulting from five years of expansion, and five years of shrinkage and depression, of restricted and profitless trade; when it is remembered that these failures occurred among nearly 700,000 traders, manufacturers, &c., it is certainly an indication of a not unfavorable character that the increase for the nine months is only slightly over 2,000 in number. It is true that the failures for the past two years have shown a large average, and that the aggregate number of those succumbing during the past five years has been very great; but as compared with other countries, and in proportion to the number engaged in business, it is claimed that these misfortunes, even including the figures of the past quarter, are by no means alarming; while the figures for the subsequent quarter are likely to largely reduce the average for the year. There is ground for congratulation, that from the uncertainty attending the postponement of the repeal of the law, and other adverse circumstances, disasters far greater and far more influential on the future have not resulted. The trade of the country has survived what threatened to be a serious shock to confidence and credit, and notwithstanding that a large portion of the country has since been stricken with a most disastrous epidemic, there is to-day a healthier condition of trade existing than has been apparent for many years."

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## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. DUPLICATE CHECKS.

Apropos of your answer to an inquiry, in your October number, about lost drafts, I wish to ask :

*First.*—Do banks whose drafts read "Pay this first of exchange (second unpaid), etc., etc.," usually issue the "second" with the first or original, or, do they draw and issue the second or duplicate only in case of the loss of the first?

*Second.*—If it protects the drawer to have his drafts read as above, why is not this form universally used instead of that of the ordinary check or draft?

*REPLY.*—The form "Pay this first of exchange (second unpaid)," is rarely used in our day for *domestic* drafts. When issued by foreign drawers, the second usually accompanies the first. New Orleans was about the last place to retain the old custom, but since the mail facilities are so much improved, scarcely any follow it now, except cotton and produce buyers or shippers. But the word "Original" is very commonly used on checks, and should be adopted by banks generally. In case of loss of the original, duplicate can then be issued with safety. It should be drawn with the proviso, "Original being unpaid." Duplicate checks are, however, a source of trouble to the bank upon which they are drawn, as they necessitate careful examination lest both duplicate and original should happen to be paid.



## II. ASSESSMENTS OF STOCKHOLDERS OF INSOLVENT BANKS.

A National bank became insolvent and went into liquidation in January, 1874. At that time about one-half of its stock was held by persons who are now bankrupts, and since that time a portion of the stock that was held by solvent persons has been sold and assigned on the books of the bank. A receiver has been appointed, and an assessment to pay the debts of the bank is about to be ordered.

Upon this statement of facts, the following questions arise :

*First.* Ought the assessment to be made equally and ratably upon *all* the stockholders, as well those that are admitted to be bankrupt as those that are solvent, or should the assessment be made upon those that are solvent alone, provided it does not exceed the par value of their stock?

*Second.* If the assessment should be made upon all the stockholders in the first instance, can a supplementary assessment against the solvent stockholders be made to make up the deficit caused by the failure of the insolvent stockholders to pay their assessments?

*Third.* Will the assessment be made upon all who were stockholders at the time when the bank went into liquidation, or will subsequent assignments be recognized and the assessment be made upon all who appear to be stockholders at the time the assessment is ordered?

*Fourth.* If, after the assessments are paid, a considerable amount is realized from assets of the bank, the existence of which subsequently comes to the knowledge of the receiver, will such amount be paid to the creditors of the bank who fail to realize their debts in full from the assessment, by reason of the insolvency of a part of the stockholders, or will it go to such of the stockholders as have paid their assessments?

REPLY.—*First.* Under the National-Bank Acts the receiver of an insolvent bank is said, by the Supreme Court of the United States, to be the instrument of the Comptroller of the Currency. And it is solely within the power of the latter to decide when it is necessary to institute proceedings against the stockholders to enforce their personal liability, and whether the whole or a part, and, if only a part, how much, shall be collected. These questions are referred to his judgment and discretion, and his determination is conclusive. But we think this discretion must be exercised within the limits prescribed by the section which fixes the stockholder's liability, viz., that they shall be responsible "equally and ratably and not one for another." *Revised Statutes*, Sec. 5,151. It cannot possibly be a legal excuse to the Comptroller for not assessing some of the stockholders, that they are insolvent and not able to pay a judgment against them. This is a fact which can only be known, or proved, when a judgment has been obtained or attempted to be obtained against them. The Comptroller should, doubtless, take the fact of the bankruptcy of some of the stockholders into consideration, and make the assessment large enough so that the amount to be realized from the solvent stockholders will, if possible, pay the debts, but the assessment must be made equally and ratably upon all.

*Second.* We think a second assessment may be ordered, as the power given to the receiver, by Sec. 5,234, is in the most general terms, and the only limit to the liability of the stockholder is the amount of his stock. Especially is there no difficulty, where the liability is enforced in a court of equity, which has power to make additional decrees from time to time as they may be necessary. The better course, however, would be to make the assessment large enough in the first instance to provide for the insolvency of any of the stockholders, as suggested in the previous answer. See *Kennedy vs. Gibson*, 8 Wallace 498.

*Third.* Upon those who were stockholders at the time the bank went into liquidation. Assignments made before this date with a view to avoid liability, or made afterwards, cannot affect the rights of the creditors of the banks. Perhaps, however, it may be necessary to have the transfers mentioned, first declared void by the courts. See *Bowden vs. Santos*, 1 *Hughes* 158. *Johnson vs. Lafin*, 17 *Albany Law Journal*, 146.

*Fourth.* The creditors have the first claim to the assets of the bank, whenever discovered or realized, Secs. 5,234, 5,236. We do not see what claim the stockholders who have paid assessments can have in preference to creditors, especially as their liability is a several and not a joint liability. But if, after the debts are paid, money remains in the hands of the Comptroller, we should say that it ought to be divided among those of the stockholders who have paid their assessments.

### III. NATIONAL BANKS AND LETTERS OF CREDIT.

Please inform me whether National banks have the power, under the "National Banking Act," to issue commercial letters of credit to their correspondents in South America against consignments of the products of that country?

REPLY.—This is a new question, and one about which there may be a good deal of doubt; but, upon the best consideration we are able to give it, we think National banks have no power to issue the kind of letter of credit mentioned in the inquiry. We assume the letter to be one by which a bank should authorize the bearer thereof to draw drafts upon it, in accordance with the terms of the letter, promising to pay them; and that the letter is not issued upon an actual deposit of money made in the bank, but the drafts are to be drawn against consignments of merchandise, bills of lading whereof are to be attached to the drafts, so that they may be surrendered to the bank upon payment of the drafts, thus securing the bank for its advances, in the first instance, by a pledge of the merchandise.

It is well settled that National banks have only such powers as are expressly given, or result by necessary implication from the language of the Banking Acts. We find nothing in them which would authorize a letter of credit not based upon an actual deposit; and it is very difficult to say that the authority is contained in the words, "discounting and negotiating promissory notes, drafts, bills of exchange and other evidences of debt: receiving deposits, buying and selling exchange, coin and bullion, loaning money on personal security," etc., etc. R. S., sec. 5,136, from which, if at all, the authority must be derived.

A letter of credit is a promise to pay bills of exchange to be drawn in the future, upon which any person who has discounted a bill upon the faith of the letter may maintain an action against the issuer. It is, therefore, substantially a negotiable promise to pay money; and the general policy of the law seems to prohibit the issue of such promises, unless they are based upon an actual deposit. The certification of checks to an amount greater than the funds actually standing to the credit of a depositor, and the issue of post notes are expressly forbidden. R. S., sec. 5,208. Act of Feb. 18, 1875. Where the letter is not based upon an actual deposit, the bank, by being obliged to rely, principally, upon the pledge of merchandise, becomes, to a certain extent, engaged in a mercantile venture, which is plainly against the intent of the law.

## THE CITY OF GLASGOW BANK.

The heaviest bank failure which has occurred in Scotland since 1857 was that of the City of Glasgow Bank, which closed its doors on October 2d.

The liabilities are stated at \$50,000,000. The liability of the stockholders is unlimited. The £100 shares of the bank were dealt in on the day previous at over 200, and within a week at 237. The bank was established in 1839, and had fifty to sixty branches. The other Scotch banks were asked for assistance, but, after examining the books at a meeting on the 1st, they refused to do more than redeem the note circulation of the City of Glasgow Bank, which is stated at three and a quarter million dollars. The failure caused great excitement throughout Scotland and in the London Stock Exchange, where there was a heavy fall in Scotch railway securities in consequence of a pressure of Scotch holders to sell.

The London *Times* of the 3d has the following account: "The City of Glasgow Bank had 133 branches. It has paid a progressively increasing dividend for several years past until it reached twelve per cent. It would be incorrect to say that the disaster was unexpected. On the contrary, in banking circles it created no surprise, for the Bank had been losing credit gradually for ten years past. Yet the Scotch banks in London were not in possession of information which showed that the end was actually near until Tuesday morning. Rumors of the bank being in difficulties had been so often circulated before, within strictly banking circles, that the repetition of them did not excite particular interest on this occasion. The business of the bank had been conducted for years upon very unsound principles, and from the fact of the other Scotch banks having decided to let the bank stop, it is inferred that it is a very bad case. Operations upon an enormous scale had been indirectly entered into in Indian produce and Australian wool, some \$14,000,000 of bills having been accepted for the account of three firms. Very large advances had been made to firms in the iron trade in the north, and utterly reckless support appears to have been given to builders.

"The immediate cause of the failure was the impossibility of any longer getting bills drawn from India on the bank in Glasgow discounted in the London market, a circumstance which explains to some extent the feverish oscillations for some months past in the rates demanded for loans. These bills had been sold in India to Indian banks, ostensibly against the shipment of produce, and ultimately came upon the discount market. The terms demanded for negotiating them having steadily advanced, instructions were at length telegraphed to the Indian branches to take no more bills, and as soon as it was no longer possible to keep the open credit system going and the paper afloat the bank closed its doors.

"The liabilities of the bank are estimated at \$50,000,000; the acceptances slightly below \$15,000,000; the deposits \$40,000,000. The unlimited liability of the shareholders may perhaps secure the depositors. The authorized note circulation was only £72,000, but according to last accounts the issue is between £600,000 to £700,000, against nearly all of which the law compels the bank to have gold."

The official report of the investigators into the affairs of the City of Glasgow Bank, on the 18th, was worse than the most gloomy forebodings. The loss shown in the balance sheet is £5,190,983. This loss, with the addition of £1,000,000 capital, the shareholders will have to make good. The report shows the practice of systematic deception. Thus, since the commencement of the year the weekly returns of the amount of bullion in hand, which the bank was obliged to make to the Government so as to show that its funds were maintained in due proportion to its note issue, have been falsified by adding thereto imaginary sums varying from £60,000 to £300,000. The directors' reports to shareholders also overstated the amounts of securities and bullion held in reserve by £926,764 and £200,000 respectively, and understated the loans they granted by £1,126,764. The directors, furthermore, have been in the habit of treating in the balance sheets £7,345,357 of bad debts (over half of which is due

by four debtors) as an available asset. The principal assets of the bank are bonds and shares of the Western Union Railway (of the United States), and scrip of the New Zealand and Australian Land Company, the value of which is estimated at £358,450 and £973,845 respectively.

A call for £500 per share is anticipated, which, it is thought, half the shareholders will be unable to meet. The remainder of the shareholders will thus ultimately be compelled to pay double.

On October 20th, the whole management of the bank—namely, the secretary, managing director, and six directors—were arrested on the charge of fraud.

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## NATIONAL BANK NOTE REDEMPTION.

The recent order of the Department, by which the charges for transportation upon National-bank notes sent to Washington for redemption are required to be hereafter paid by the parties sending the same, has called forth the sub-joined correspondence between the New York Clearing House and Secretary Sherman :

NEW YORK CLEARING-HOUSE ASSOCIATION, October 7, 1878.

*Hon. John Sherman, Secretary of the Treasury :*

SIR :—The undersigned, on behalf of the banks in the city of New York, comprising the Clearing-House Association, beg leave respectfully to call the attention of the Secretary to a recent change in the regulation by which the charges for transportation upon all bank notes sent to Washington for redemption under the act of June 20, 1874, hitherto paid by the Treasurer of the United States, and reimbursed by each banking association, "in proportion to the circulation redeemed," as required by the law, *must hereafter be incurred by the party sending such notes for redemption.*

This change amounts to a penalty for forwarding National-bank notes for redemption, and to the extent of those changes it is an impediment to the practical operation of the law.

It is a well-known fact that notes issued by National banks scattered over this widely-extended country constantly tend, by the natural operations of trade, toward the commercial cities, and that they necessarily concentrate in New York, Boston, and Philadelphia. The unrestricted freedom with which National banking associations may be anywhere organized, and the difficulty and expense of sending their circulating notes home for redemption, together with the fact that they are legal tenders for internal revenue, and for all debts due by National banks to each other, made it necessary for Congress to create the system of redemption, the wisdom of which has been confirmed by its practical operation. This bureau having been established in Washington, it has always been accepted as simple justice that the expense of transporting the notes to that point from the cities where they naturally accumulate, should be included in the charges incident to their circulation.

It must be evident that without such redemption, these circulating notes would become excessive and redundant, and that at the present moment when the Treasury of the United States, and by consequence, the whole nation, is preparing to resume coin payments, it is especially important that the National banks should be required to co-operate by the prompt redemption of their circulating notes. To relax the effort in that direction now, by removing any of the facilities by which it has been hitherto so well conducted, can only have the effect of preventing the great object for which the Government have long been carefully preparing.

It must be conceded as perfectly just to all banks which enjoy the benefits of circulating notes, that they should, after such notes have made their regular circuit of trade promptly, redeem them *with the necessary cost of transmission to Washington.* By that means alone are the banks kept in sound condition, the currency preserved from excess, and the Treasury of the United States relieved from the liability, which is imposed upon it by law, of redeeming in coin, the notes of any defaulting banks.

The undersigned beg leave to express to the Secretary their confident belief that upon review of the recent order referred to, and in consideration of its far-reaching influence at this critical juncture in the financial affairs of the country, he will think proper to rescind it: and with the assurance of their high regard they are, very respectfully,

H. F. VAIL, W. A. HALL, BENJ. B. SHERMAN, CHARLES M. FRY, and F. D. TAPPAN, *Clearing-House Committee.*

To this, the committee received the following reply :

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY, }  
WASHINGTON, D. C., October 10, 1878. }

*Messrs. Henry F. Vail and others, Committee of the New York Clearing-House Association :*

GENTLEMEN:—Your communication of October 7, suggesting a review of the recent order of this Department, by which the charges for transportation upon National-bank notes sent to Washington for redemption are required to be hereafter paid by the parties sending such notes, has received my careful consideration.

One of the principal objects of the act of June 20, 1874, amending the National Bank Act, seems to have been to relieve banking associations not organized, within certain cities named in said act, from the provisions of section 32 of that act, which required each of such associations to select an association in either of the cities named in the preceding section, at which it would redeem its circulating notes at par. This was accomplished by the provisions of section 3, of the act of 1874, which required a deposit by each bank, equal to five per cent. of its circulation in the Treasury of the United States, for the redemption of such circulation, and by the repeal of so much of section 32, of said National Bank Act, as requires the redemption of its circulating notes by each bank elsewhere than at its own counter, except as provided in said section 32.

The amendment of 1874, contemplates the redemption of National-bank notes at the counter of each association, and at the United States Treasury, as they should be presented in the ordinary course of business transactions. It did not contemplate the establishment of a grand clearing house, or the granting of a premium for the collection and transmission, by one National bank, of the circulation of others.

At the time of the passage of the amending act of June 20, 1874, it was known that the circulation of the National-banks was very much worn and mutilated, and it was deemed desirable by the Department, at that time, to promote its transmission to the United States Treasury, and the replacing of it by fresh issues, and that is understood to be one of the principal reasons why provision was made for paying the transportation of such circulation to the Treasury.

Experience shows that a large proportion of the circulation now transmitted to the Treasury is not perceptibly worn or mutilated; and there is manifest injustice in compelling banks which have issued their circulation, and which have no interest whatever in having it thus speedily forwarded for redemption, to pay for its transmission to the Treasury.

It is no doubt of some advantage to the banks of the large cities to be able to transmit, unassorted, all the bank notes they receive daily, to the Treasury for redemption, receiving, as they do, immediate credit for the amount; but the operation on the smaller banks seems to be to deprive them, in effect, of the advantage of the repeal of the provision of the original act which required them to redeem their circulation in the large cities.

While I agree with you that the prompt redemption of the notes of the National banks is essential to their being maintained in circulation at par with United States notes, I think the guarantee for this is sufficient in the law which provides for the redemption by each bank, of its notes at its own counter, and when presented in the ordinary course of business at the United States Treasury.

Entertaining this view, I am unable to see any reason for the revision of the order to which you refer.—Very respectfully,

JOHN SHERMAN, *Secretary.*

## IMPORTANT DECISION ON BANK TAXATION.

The following is the opinion of the Attorney General transmitted to the Secretary of the Treasury, in regard to the taxation of banks and bankers:

DEPARTMENT OF JUSTICE, WASHINGTON, October 21, 1878.

*Hon. John Sherman, Secretary of the Treasury:*

SIR:—Your letter of the 30th ultimo encloses to me an opinion transmitted from this department on the 27th of July last, and at the request of the Commissioner of Internal Revenue, desires a reconsideration of said opinion, previously to embodying the same in a circular, and acting thereon.

I have the honor to say that I have made such reconsideration, and deem that the result heretofore arrived at is erroneous, and desire, therefore, that said opinion be treated as overruled.

The inquiry proposed submits the question whether, under Section 3,408 of the *Revised Statutes*, which imposes a tax upon the capital employed in the business of banking "beyond the average amount invested in United States bonds," when taken in connection with Section 5,214, which requires every association named in that chapter (entitled "National Banks") to pay a duty, semi-annually, "on the average amount of its capital stock beyond the amount invested in United States bonds," the "amount [so] invested" is to be ascertained by taking the price paid for these bonds, or the market value of them.

It appears that the Commissioner of Internal Revenue, under the first cited section, has adopted a different rule from that adopted by the Treasurer of the United States, under the last-named section.

The same rule, I have no doubt, applies to both these sections, and the practice of the two officers named should be the same. I can find no ground for the distinction between the one and the other course.

The certainty and uniformity desirable in fixing a basis for taxation, is the prominent argument tending to show that the principal sum payable at the maturity of the bonds, is the sum which should be adopted as the one by which the amount invested is to be determined, but in considering the object of these two sections, it will be found that the use of the word "invested" was intended to aid in fixing the amount of taxation, and this, for what seems to me, satisfactory reasons.

The section 3,408 intends to impose an excise tax upon the business of any bank, etc., or any persons engaged in banking. That excise is computed by withdrawing from the amount of capital which the party or corporation has employed "the average amount invested in United States bonds."

This is not done with a view of carrying out the law that "United States bonds" shall not be taxable so much as to test the value of the business which the bank or person does, by ascertaining the amount which they have applicable to the ordinary transaction of such business. The section 5,214 is intended to impose upon the National banks a tax in the nature of a franchise tax upon certain average amounts "beyond the average amount invested in United States bonds," and the value of the franchise enjoyed by the bank is tested by ascertaining the amount of its quick capital which it has over and above that invested in United States bonds, rather than for the reason that United States bonds are not themselves taxable.

If these views of the character of these two taxes are correct it would seem that force must be given to the word "invested" in order to ascertain the value of the business in the one case upon which an excise is laid, and the value of the franchise in the other, which is subjected to a tax.

The fact appears by the communications enclosed in your letter that at certain times the bonds in question have been sold in the market below par, although of late years they have always been above par.

The amount invested properly in a thing is the amount paid for that thing, although its actual value may be greater or less than such amount.

In the computation under these two sections it seems to me that it was intended to reach the amount which had been withdrawn from the former active capital to be placed in comparatively permanent investment of United States bonds. In computing the tax which is to be paid either by the banks or persons engaged in banking under section 3,408 or the amount imposed by section 5,214, it is proper to determine the amount which such persons or corporations actually paid for such bonds.

I am, therefore, of opinion that the amount so invested is to be ascertained by taking the price paid for the United States bonds. Within the price, I should add, accrued interest should not be calculated, as that is a mere temporary investment which is replaced as soon as the interest becomes actually paid.—Very respectfully, your obedient servant,  
CHAS. DEVENS,  
*Attorney-General.*

**THE SMALL PROFITS OF NATIONAL BANKS.**—The Comptroller of the Currency has compiled the following statement showing by geographical divisions the number and capital of National banks that declared no dividends for the periods of six months each, ended respectively March 1 and September 1, 1878:

Geographical Division.	—Six months ending— March 1, 1878.		—Six months ending— September 1, 1878.	
	Number of Banks.	Capital.	Number of Banks.	Capital.
New England States.....	37	\$ 9,380,500	51	\$ 14,870,000
Middle States .....	95	17,244,400	114	22,454,850
Southern States .....	36	5,266,000	41	6,867,000
Western States.....	144	15,013,000	132	12,870,100
Pacific States and Territories.	16	1,885,000	16	1,675,000
Totals .....	328	\$48,797,900	357	\$58,736,950

From this statement it will be seen that 328 National banks, with a capital of \$48,797,900, paid no dividends for the six months ending March 1, 1878, and 357 banks with \$58,736,950, paid no dividends for the six months ending September 1, 1878.

For the first six months of the year 1876, 238 National banks, with a capital of \$34,290,000, and for the second six months of the same year, 273 National banks, with a capital of \$44,000,000, paid no dividends.

For the first six months of the year 1877, 245 National banks, with a capital of \$40,452,000, and for the second six months of the same year, 288 banks, with a capital of \$41,166,200, paid no dividends. The ratio of earnings to capital and surplus of the National banks for the year 1876 was 6.9 per cent., in 1877 5.6 per cent., and for 1878 less than six per cent.

**IMPORTS AND EXPORTS OF THE UNITED STATES.**—From the monthly statement of the Chief of the Bureau of Statistics to the Secretary of the Treasury the excess of exports over imports of merchandise appears to have been as follows:

	1877.	1878.
Month ending August 31.....	\$ 3,471,652	\$ 22,196,220
Eight months ending August 31.	38,951,995	188,501,087

The excess of exports over imports of gold and silver (coin and bullion) appears to have been as follows:

	1877.	1878.
Month ending August 31.....	\$ 418,640	\$ 320,228
Eight months ending August 31.	25,463,551	621,283

These statements indicate an increasing flow of specie and of American securities toward this country.

## BANKING AND FINANCIAL ITEMS.

**PAYMENTS IN FRACTIONAL SILVER.**—The Secretary of the Treasury issued, on October 7, a circular citing the various sections of the *Revised Statutes* relating to deposits of gold coin and bullion, and the issue of certificates therefor, the payment of import duties in gold and silver coin, and others as to the amount for which subsidiary silver coin shall be a legal tender. Also the act passed at the last session of Congress, in regard to the coinage of the standard silver dollar. He then prescribes the following regulations for Government officers:

“In the receipt of the fractional silver coins of the United States for the payment of duties on imports, internal revenue, or other dues to the Government, the following instructions will hereafter be observed by all collectors, receivers, and other officers of this department.

“When the total amount of dues in any one payment cannot be paid entirely in the proper legal-tender coin, currency, or certificates of denomination of one dollar or greater, because involving a fractional part of a dollar, such fractional part may be paid in silver coins of denominations of less than one dollar, but when the total amount of such duties does not exceed five dollars, such total amount may be paid in the silver coins of denominations of less than one dollar.

“In making payments to public creditors, officers connected with this Department will be governed by the same regulations, but payments may be paid in fractional silver coins, in any amount, to parties who desire them.

“There is no provision of law for either the exchange or redemption of any fractional silver coins, but the Treasurer and Assistant Treasurers of the United States, and all public and National-bank depositories, will be expected to receive for credit in account, all silver or minor coins of the United States not mutilated, which have been received by a public officer in the usual course of business, and are offered by him for deposit.

“No distinction will be made on account of the date of the coinage or denomination of any silver or minor coin.”

**LARGE U. S. NOTES.**—It is reported that the Secretary of the Treasury has decided to issue about the first of January, legal-tender notes of \$ 5,000 and \$ 10,000. The highest denomination of United States notes now issued, is \$ 1,000. The new notes of the larger denominations are intended to take the place of the coin certificates which it is expected the new notes will supersede, in a great measure, if not entirely. As it is supposed that the legal tenders will be at par after the 1st of January, there is reason to believe that the demand for coin certificates, after that date, will be but small, except where persons wish to deposit gold with the Government for safe-keeping. In such cases the four-per-centum bond offers the desired security, and as the Secretary is anxious to sell the largest amount possible of these bonds, it is probable he will decline to issue coin certificates for any purpose after the 1st of January.

This action is in accordance with the views, as to coin certificates, which the **BANKER'S MAGAZINE** has repeatedly expressed within the past few months. It is to be hoped that it will be carried out as here anticipated.

**SALES OF FORGED SECURITIES BY BROKERS.**—Alexander H. Nicolai and others bought from Chas. Unger and others a bond of \$ 1,000, which turned out to be forged. Unger and others, when suit was brought against them, claimed that they sold as brokers. The only question for the jury was whether defendants appeared to sell the note on their own behalf or as brokers. A verdict was given against defendants, and the Supreme Court General Term confirmed the judgment on October 16th. Judge Ingalls charged that if plaintiffs had reason to believe the note was defendants' property, even though in fact they were brokers, the defendants were liable.



THE UNITED STATES TREASURY publishes the following statement of its condition on October 1, 1877, and October 1, 1878:

<i>Balances.</i>	1877.	1878.
Currency .....	\$ 14,206,417 28	\$ 1,972,593 88
Special fund for the redemption of fractional currency .....	8,835,468 00	10,000,000 00
Special deposit of legal-tenders for redemption of certificates of deposit .....	43,110,000 00	40,710,000 00
Coin .....	119,152,043 40	232,659,646 57
Coin and silver certificates .....	37,997,500 00	34,674,670 00
Coin, less coin and silver certificates .....	81,154,543 40	197,984,976 57
Outstanding called bonds .....	18,558,150 00	11,781,950 00
Other outstanding coin liabilities .....	9,240,247 94	9,864,330 97
Outstanding legal-tenders .....	356,914,932 00	346,681,016 00
Outstanding fractional currency .....	18,786,642 27	16,297,429 58
Outstanding silver coin .....	35,591,276 74	39,438,351 02
Total debt, less cash in Treasury .....	2,051,587,254 87	2,025,908,485 98
Reduction of debt for September .....	3,882,524 80	3,196,534 09
Reduction of debt since July 1 .....	8,570,968 39	9,878,345 84
Market value of gold .....	103 3/4	100 3/4
Imports, (twelve months ending August 31) ..	465,545,748 00	430,855,017 00
Exports, (twelve months ending August 31) ..	603,279,290 00	720,484,171 00

BONDS FOR REDEMPTION PURPOSES.—The Comptroller of the Currency has prepared the following table, showing the kinds and amounts of United States bonds held on the 1st of October, 1878, to secure redemption of the circulating notes of the National banks:

<i>Authorizing Act.</i>	<i>Class of Bonds.</i>	<i>Rate of Interest.</i>	<i>Amount.</i>
February 8, 1861 .....	1881	6	\$ 2,318,000
July 17 and August 5, 1861 .....	1881	6	34,623,050
March 3, 1863 .....	1881	6	19,834,900
March 3, 1865 .....	5-20	6	11,787,250
July 1, 1862, and July 2, 1864 .....	Pac. R. R.	6	5,584,000
March 3, 1864 .....	10-40	5	71,238,850
July 14, 1870, and January 20, 1871. Funded	1881	5	125,278,750
July 14, 1870, and January 20, 1871. Funded	1891	4 1/2	49,069,050
July 14, 1870, and January 20, 1871. Consols	1907	4	29,826,800
Total amount .....			\$ 349,560,650

All of these bonds are payable in coin by the terms of the acts under which they are issued, with the exception of \$54,312,300 six-per-cent. bonds. Of this latter amount, \$36,941,050 consist of 6s of 1881, which were issued prior to the passage of the Legal-Tender Act; \$11,797,650 of 5-20s, which were issued under act of March 3, 1865, which law does not specify the kind of money in which such bonds shall be paid, although the interest is made payable in coin, and \$5,584,000 of Pacific Railroad currency 6s. On October 1, 1870, the banks held \$342,833,850 six-per-cent. bonds, and \$95,942,550 five per cents. Since that time there has been a decrease of \$172,744,100 in six-per-cent. bonds, and an increase of \$100,575,050 in five-per-cent. bonds. During the last three years there has been a decrease of \$54,356,012 in six-per-cent. bonds, and of \$42,528,600 in five-per-cent. bonds, while in the same period \$49,069,050 of 4 1/2 per cents., and within the last eighteen months \$29,826,800 of four per cents. have been deposited.

REDUCTION OF BANK CAPITAL.—On October 10th, a meeting of the stockholders of the National Butchers and Drovers' Bank was held to consider a proposition to reduce the capital of the bank. It was stated that during the forty years prior to 1877 the bank had paid regularly a dividend of ten per cent. per annum, but last year, owing to the burden of taxation, shrinkage in assets, and other causes, no dividend was declared. A resolution, reducing the capital of the bank from \$500,000 to \$300,000, was unanimously adopted, to go into effect immediately.

The Market National Bank has also called a meeting of its stockholders, with a view to reducing its capital stock from \$1,000,000 to \$500,000.

**FAILURE IN WALL STREET.**—On the morning of October 15th, the firm of Haar & Co, stock-brokers, announced to the Stock Exchange their inability to meet their engagements. Much excitement followed, as the house did an active business, and its liabilities were some \$250,000. Charges of fraudulent dealing were preferred against the firm, and the members were arrested and held for trial.

**DUNCAN, SHERMAN & Co.**—The decision of the United States District Court has been filed on the application of Duncan, Sherman & Co., for a discharge in bankruptcy, to which objections had been interposed by a number of creditors. Judge Choate says: "No evidence is offered that sustains the specifications of the opposing creditors. Specifications found not proved. Discharge granted." Discharges accordingly have been issued to the several members of the firm.

**DEFAULTER SENTENCED.**—Edward J. Oakley, formerly Cashier of the Merchants' Exchange National Bank, was indicted in February, 1870, for embezzling \$350,000 of the funds of the bank. He escaped, and was a fugitive for seven years, but returned to this city in July last, and was arrested the next day. In October he was arraigned for trial in the United States Circuit Court. Assistant District Attorney Fiero said that he was willing to admit that Oakley received only about \$25,000 of the \$350,000 stolen, the remainder being spent in Wall Street speculations by Oakley's brother. Because of the plea of guilty saving the expenses of a trial, and the other circumstances of the case, Mr. Fiero urged that the mildest sentence—five years—should be inflicted.

Judge Benedict, addressing the prisoner, adverted to the responsible position which he filled in the bank, to the dangerous character of such offences, and the necessity of rigidly protecting the National banking laws. The prisoner was sentenced to the Albany Penitentiary for five years.

**CALIFORNIA.**—The Nevada Bank of San Francisco has again increased its surplus by half a million. It is now \$3,500,000 in addition to the capital of \$10,000,000.

**CONNECTICUT.**—The law to tax the shares of non-resident National bank stockholders in the towns where the bank is situated, has been decided, by the State Superior Court, to be null.

**Injunction.**—The Dime Savings Bank, of Hartford, has been enjoined by the Bank Commissioners from further prosecution of business. The amount of deposits is \$493,978.88. The bank has had an average of \$8,000 per month of deposits withdrawn during the past year, and to meet the drain has been obliged to borrow \$87,000 upon the pledge of \$166,282 of its best mortgage loans. The Commissioners say the loans of the bank of \$481,497 on mortgage security are generally good, and that the loss to depositors will not be large, if the deposits are judiciously managed.

**BOSTON.**—On another page we give a table showing the dividends, etc., of Boston banks for October, as well as for two previous periods.

The changes in the bank dividends this six months are not so many as heretofore. It is an encouraging feature of the times that some of the banks which were compelled, six months ago, to pass their dividends are now enabled to resume them.

The Revere Bank reduced its capital from \$2,000,000 to \$1,500,000, Feb. 1, 1878. The Blackstone will reduce, October 1, from \$2,000,000 to \$1,500,000, and the Merchandise from \$1,000,000 to \$750,000, in each case redeeming at par, one share in four. The Metropolitan reduced its capital, July 1, from \$500,000 to \$450,000 by charging off \$50,000, then returned to its shareholders \$250,000 leaving the new capital \$200,000.

Of the sixty-one banks within the limits of Boston, one pays 5 per cent., seven 4 per cent., two 3½ per cent., fifteen 3 per cent., one 3 per cent. quarterly, five 2½ per cent., nineteen 2 per cent., one 1½ per cent., and ten pass, making an average of 2.34 per cent. for the six months.

*Injunction.*—At a request of the Bank Commissioners, a temporary injunction was issued on October 14th, restraining the Lexington Savings Bank of Boston, from the further transaction of business. Its affairs will be wound up without loss to depositors.

**MISSOURI.**—The banking house of Geo. H. Loker & Co., St. Louis, whose suspension was announced last month, has been regarded as particularly solid, and the two partners, Mr. George H. and Mr. W. N. Loker, were highly regarded in the community. So far as can be estimated the liabilities are about \$175,000. The individual resources of the partners are, of course, liable for the firm's debts. The assets are some \$30,000 in excess and are expected to reach \$220,000, so as to leave something after the creditors are paid in full.

The firm is the last of the old line of private bankers in St. Louis, and of such members of the Clearing-House Association. No private firm is now doing a regular *banking* business in that city, the banking house of Bartholow, Lewis & Co. being a corporation.

**NEW HAMPSHIRE.**—The Concord Savings Bank has suspended. It was formerly the National Savings Bank, and suffered a loss of money by the defalcations of W. W. Storrs, its former Treasurer, now a fugitive from justice.

**NEW JERSEY.**—On October 15, Chancellor Runyon issued the following order: "It shall be the duty of all boards of directors or managers of Savings banks and institutions, to report to him in ten days from the promulgation of this order, and at the end of every sixty days thereafter, the amount of cash or other securities convertible into cash without sacrifice, for the purpose of paying dividends of surplus to depositors, and then it shall be the duty of the Court, when the amount to be divided is ten per cent., to order such distributions to be made."

**ATTEMPTED BANK ROBBERY.**—About three o'clock on the morning of October 10th, a desperate attempt was made to rob the First National Bank of Fishkill Landing, N. Y., by three burglars. In blowing open the safe they put in so large a charge of powder that the safe was shivered to atoms, and the whole front of the bank blown out. The noise awakened the entire village. The burglars were seen to run away, and chase was made, but the fugitives were not overhauled. The safe blown open did not contain the money of the bank, but books, important papers, and some valuables left for safe keeping. The safe containing money stood in the same room and was untouched. The burglars got only a box containing mortgages, and policies of insurance, all of which were subsequently found in the woods.

**PENNSYLVANIA.**—The First National Bank of Tamaqua, suspended on October 14th. The cause assigned is the failure of Charles F. Shoener, of Philadelphia, coal and iron operator, who was the principal stockholder of the bank. The assets of the bank are \$150,000. On the 16th the bank was declared solvent by the Bank Examiners, but it is not yet announced whether it will resume business or not.

**RHODE ISLAND.**—On October 1st, a heavy defalcation was reported in the Grocers and Producers' Bank, a State institution of \$160,000 capital. It was discovered that the cashier, J. B. Calder, has permitted three or four friends to overdraw or to have funds until one-half of the capital is hopelessly lost. An examination into the affairs of the bank indicates that the defalcation reached \$100,000, but it is believed that a considerable amount can be recovered. The directors requested Governor Van Zandt to appoint a special commissioner, with a view of winding up the institution. The cashier asserts that he took the funds to accommodate his friends, who promised to repay, but did not, though often requested. One director is understood to be a debtor for \$20,000, which will probably be made good. The drain has been going on two years or more, and the deficiency has been concealed, from not very rigid scrutiny, by an extensive system of borrowing. Cashier Calder was arrested and arraigned for trial.

Upon the report of the special bank commissioner that the bank is insolvent, the Supreme Court of Rhode Island issued an injunction on the bank, October 8th. It will therefore be wound up.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from October No., page 313.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ARK....	Hot Springs....	Andrew Bruon.....	S. M. Swenson, Son & Co.
"	Hot Springs....	Gaines & Walker.....	Importers & Traders' Nat'l B'k.
CAL....	Bodie.....	Mono County Bank.....	J. & W. Seligman & Co.
		O. H. LaGrange, Pr.	H. F. Hastings, Cas.
ILL....	Piper City....	Campbell & Thompson....	Third National Bank.
IND....	Lima.....	State Bank.....	Third National Bank.
		Samuel B. Williams, Pr.	James B. Howe, Cas.
IOWA...	Lyons.....	Calderwood & Lyall.....	John J. Cisco & Son.
"	Wilton.....	Union Bank.....	Metropolitan National Bank.
		Samuel Wildasin, Pr.	James L. Giesler, Cas.
MINN...	Marshall.....	Lyon County Bank.....	Gallatin National Bank.
		H. B. Strait, Pr.	S. D. Howe, Cas.
"	Zumbrota.....	Bank of Zumbrota.....	Importers & Traders' Nat'l B'k.
	\$25,000	Joshua C. Pierce, Pr.	Eugene V. Canfield, Cas.
MO....	Fayette.....	Payne & Williams.....	Importers & Traders' Nat'l B'k.
	Kansas City....	Armour Brothers.....	Mechanics' National Bank.
	\$250,000	A. W. Armour, Pr.	Charles H. Prescott, Cas.
N. Y....	Utica.....	Charles Green & Son.....	Mercantile National Bank.
TEXAS..	Crockett.....	Mark Miller.....	E. S. Jemison & Co.
WIS... ..	Belmont.....	Northrop & Co.....	Gilman, Son & Co.
"	New Richmond.	Bank of New Richmond...	American Exchange Nat'l B'k.
		R. A. Guy, Pr.	John W. McCoy, Cas.

PACIFIC RAILROAD DUES TO GOVERNMENT.—October 14, in the United States Circuit Court at San Francisco, Judge Sawyer overruled the demurrer in the case of *Gallatin* against *The Central Pacific Railroad Company*, and, the defendants not appearing, gave judgment for the plaintiff. The action was brought to restrain the defendants from paying a dividend of one per cent. on the capital stock, on the ground that, under the Funding Act of 1878, the company should pay five per cent. of its earnings into the United States Treasury as a sinking fund. The case now goes to the United States Supreme Court.

NATIONAL BANKS.—A National bank purchased a quantity of its own stock on the market, and, not having the right to hold it to its own use, divided it among some of the directors. The bankrupt was one of the directors, and took some of the stock, and gave his note therefor; the bank retaining the certificate, although the stock was transferred to him on the books, and he received the dividend thereon. On his failure, the bank caused him to transfer the stock to its teller, but retained his note as an asset. The assignee brought suit to set aside the transfer as a preference. *Held*, That the bank had lawfully no stock to convey, and the bankrupt was not the lawful owner.—*Myers vs. Valley National Bank*, (E. D. Mo.,) 18 N. B. R. 34.

AMERICAN SAFETY PAPER ABROAD.—The Skånes Enskilda Bank, Sweden, has sent to this city an order for fifty thousand sheets of the "National Safety Bond Paper." The bank officials state that they have had thorough tests made by their best chemists, and find this paper proof against all alterations. The National Safety Paper took the highest award at Paris. The company is also receiving good orders from England, a country which is slow to take up anything until it has been fully tried by experience.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from October No., page 314.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
CAL....	Bank of Ventura, San Buenaventura	Henry Clay, <i>Cas</i> .....	M. H. Gay.
ILL....	Merchants' Savings, Loan & Trust Company, Chicago	Henry E. Lowe, <i>Cas</i> .....	.....
" ..	First National Bank, Ottawa...	Hugh M. Hamilton, <i>Pr</i> ...	M. H. Swift.
IND ...	Indiana Nat'l B'k, Indianapolis.	William Coughlen, <i>Pr</i> ...	G. Tousey.
" ..	Merchants' Nat'l B'k, "	V. T. Malott, <i>Pr</i> .....	H. G. Carey.
IOWA...	Farmers' Loan & Trust Co., Vinton	George Horridge, <i>Pr</i> ....	S. A. Knapp.
		George Knox, <i>V. P</i> .....	G. Horridge.
KANSAS.	Abilene Bank, Abilene.....	A. L. Ordean, <i>Cas</i> .....	T. Kirby.
MAINE..	Gardiner Nat'l Bank, Gardiner.	Fred. W. Hunton, <i>Cas</i> ...	G. F. Adams.
MASS ...	Freeman's Nat'l Bank, Boston..	E. S. Hayward, <i>A. Cas</i> ..	J. Drake.*
" ..	Washington Nat'l B'k, Boston.	Eben Bacon, <i>Pr</i> .....	A. D. Hodges.*
" ..	National Bank of Fairhaven...	Lewis S. Judd, <i>Pr</i> .....	G. F. Tripp.
" ..	Massasoit Nat'l B'k, Fall River.	Iram Smith, <i>Pr</i> .....	C. P. Stickney.
MINN ...	First National Bank, Winona..	C. H. Porter, <i>Act'g Cas</i> ..	H. E. Curtis.
MO.....	Farmers' Nat'l B'k, Platte City.	T. L. Thomas, <i>Cas</i> .....	R. T. Darnall.
N. C....	First National Bank, Wilmington	James Dawson, <i>V. P</i> .....	.....
" ..	Bank of New Hanover, Wilmington	Wm. Larkins, <i>Asst. Cas</i> .....	.....
		C. M. Stedman, <i>Pr</i> .....	I. B. Grainger.*
		Isaac Bates, <i>V. P</i> .....	.....
N. Y...	Bank of Rochester, Rochester..	E. B. Burgess, <i>Asst. Cas</i> .	G. M. Sweet.
OHIO...	Madison Nat'l Bank, London..	Samuel Sidner, <i>Pr</i> .....	J. L. Minshall.
PENN...	Nat'l Bank Commerce, Phila...	P. C. Hollis, <i>Pr</i> .....	G. K. Zeigler.
" ..	Lebanon Nat'l Bank, Lebanon.	C. Henry, <i>Pr</i> .....	J. Readel.
" ..	Lackawanna Valley B., Scrant'n.	W. E. Watkins, <i>Cas</i> .....	A. M. Renshaw.
" ..	Nat'l B'k of Fayette County, Uniontown	A. C. Mott, <i>Pr</i> .....	W. Wilson.
TEXAS..	Waco National Bank, Waco...	William B. Trice, <i>Pr</i> ....	W. A. Fort.*
ONT....	Bank British } London .....	James Robertson, <i>Mgr</i> ..	O. Weir.
	North America } Ottawa.....	William Grindlay, <i>Mgr</i> ..	J. Robertson.

\* Deceased.

THE PREMIUM ON GOLD AT NEW YORK.

SEPTEMBER—OCTOBER, 1878.

1877.	<i>Lowest.</i>	<i>Highest.</i>	1878.	<i>Lowest.</i>	<i>Highest.</i>	1878.	<i>Lowest.</i>	<i>Highest.</i>
October.....	2½	3¾	Sept. 26	¾	¾	Sept. 11	¾	1¼
November....	2¼	3¾	27	¾	¾	12	I	1¾
December....	2½	3¾	28	¾	¾	14	¾	1¾
			30	¾	¾	15	¾	¾
1878.			Oct. 1	¾	¾	16	¾	¾
January.....	1¼	2¾	2	¾	¾	17	¾	¾
February....	1¾	2¾	3	¾	¾	18	¾	¾
March.....	¾	2	4	¾	½	19	¾	¾
April.....	¾	1¾	5	¾	¾	21	¾	¾
May.....	¾	1¼	7	¾	¾	22	¾	¾
June.....	¾	I	8	¾	¾	23	¾	¾
July.....	¾	¾	9	¾	¾	24	¾	¾
August.....	¾	¾	10	¾	I	25	¾	¾
September..	¾	¾						

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from October No., page 315.)*

NEW YORK CITY.....	Haar & Co.; failed.
" " .....	Timpson & Gillespie; dissolved.
CAL.... Sacramento....	Odd Fellows' Sav. and Com. Bank; assigned—winding up.
CONN... Hartford.....	Dime Savings Bank; suspended—enjoined.
IND.... Auburn.....	First National Bank; closed—in liquidation.
MD.... Baltimore.....	Clabaugh, Nelson & Co.; suspended.
MICH... Adrian.....	W. H. Stone & Co.; Bank closed on death of Mr. Stone.
MO.... Platte City.....	Farmers' National Bank; suspended—closed.
" .. Warrensburg..	First National Bank; closed.
NEB.... Beatrice.....	Hiram P. Webb & Co.; closed.
" .. Brownville.....	State Bank; in liquidation.
N. H... Concord.....	Concord Savings Bank; closed.
N. Y... Saratoga.....	Union Savings Bank; closed. P. P. Wiggins, Receiver.
PENN... Pittsburgh.....	United States Bank; winding up.
" .. Tamaqua.....	First National Bank; suspended.
R. I.... Providence....	Grocers & Producers' B'k; closed. Daniel Burrows, Receiver.
ONT.... Oshawa.....	Bank of Montreal (Branch); closed.
P. E. I. Charlottetown.	Merchants' Bank of Prince Edward Island; closed.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from October No., page 315.)*

NEW YORK CITY.....	Nat'l Butchers & Drovers' B'k; capital reduced to \$300,000.
" " .....	August Belmont & Co.; Ernst Lucke retires.
" " .....	Davidson & Jones; now Davidson & Co.
" " .....	Martin Maas & Co.; now separate. Martin Maas and Gustavus Maas.
CAL.... San Francisco..	Bank of Commerce; succeeded by Thompson Co.
" .. " .....	The Nevada Bank; surplus increased to \$3,500,000.
ILL.... Chicago.....	Traders' N. B.; now Traders' B. Same officers, capital, etc.
" .. Piper City.....	C. Montelius & Son; succeeded by Campbell & Thompson.
IND.... Lima.....	National State Bank; succeeded by State Bank, with same officers and correspondent.
IOWA... Missouri Valley.	Wattles & Pelan; now J. S. Wattles.
KANSAS Independence..	Turner & Otis; now W. E. Otis & Co.
MICH... Grand Rapids..	Grand Rapids Savings Bank; capital reduced to \$50,000.
MO.... Appleton City..	F. Egger & Co.; now F. Egger & Sons.
" .. Fayette.....	Fayette Bank; succeeded by Payne & Williams.
N. J.... Newark.....	Nat. State B'k; capital reduced from \$600,000 to \$500,000.
N. Y... Waterville.....	Charles Green & Son; removed to Utica.
N. C... Wilmington...	Dawson Bank; consolidated with First National Bank.
OHIO... Cincinnati.....	Jos. F. Larkin & Co.; dissolved; new firm is Joseph F. Larkin & Co.
" .. Cleveland.....	Merch. N. B.; capital reduced from \$1,200,000 to \$800,000.
QUE.... Levis.....	Merchants' Bank of Canada (Branch); removed to Quebec.

DIVIDENDS OF THE BOSTON BANKS.

[ COMPILED FROM THE REPORTS OF J. G. MARTIN, STOCK BROKER, BOSTON.]

Names of Banks.	Capital, October, 1878.	Dividend			Stock Quot. *	
		Oct., 1877.	April, 1878.	Oct., 1878.	Sept. 28, 1877.	Sept. 27, 1878.
Atlantic National	\$ 750,000	4	4	4	136	128
Atlas National	1,500,000	2½	2½	2	117	113
Blackstone National	1,500,000	2½	2	0	109	99
Blue Hill National	300,000	3	2½	2	103	92
Boston National	1,000,000	3	2	2	113	100
Boylston National	700,000	3	3	2	126	107
Broadway National	200,000	2	2	2	100	87
Bunker Hill National	500,000	5	4½	4	171	155
Central National	500,000	2	0	0	103	83
Columbian National	1,000,000	4	4	4	144	137
Continental National	1,000,000	2	2	—	102	85
Eliot National	1,000,000	2	3	2	110	110
Everett National	400,000	3	0	2	115	97
Faneuil Hall National	1,000,000	4	3	3	133	127
First National	1,000,000	6	5	4	185	175
First Ward National	250,000	0	0	0	90	78
Fourth National	200,000	2	0	2	95	83
Freeman's National	800,000	3	3	3	108	90
Globe National	1,000,000	2	0	0	112	90
Hamilton National	750,000	3	2	3	112	105
Howard National	1,000,000	3	2	2	113	105
Manufacturers' National	500,000	2	0	0	101	86
Market National	800,000	2	0	0	108	90
Massachusetts National, par \$ 250.	800,000	2	2	2	112	109
Maverick National	400,000	4	4	4	145	145
Mechanics' National	250,000	4	3	3	133	118
Merchandise National	750,000	3	0	0	105	97
Merchants' National	3,000,000	3½	3	3	133	128
Metropolitan National	200,000	2	0	2½	95	95
Monument National	150,000	5	4	4	185	155
Mount Vernon National	200,000	3	3	2	118	100
National Bank of Brighton, p. * 80.	300,000	3	3	3	83	2100
National Bank of Commerce	2,000,000	2	0	0	104	83
National Bank of Commonwealth	500,000	2½	0	2	108	95
National Bank of North America	1,000,000	2½	2	2	112	103
National Bank of Redemption	1,000,000	3	3	3	133	125
National Bank of the Republic	1,500,000	3½	3½	3½	131	129
National City	1,000,000	3	2½	2½	113	110
National Eagle	1,000,000	2½	2	2	109	105
National Exchange	1,000,000	4½	4½	3	157	135
National Hide & Leather	1,500,000	2½	2½	2½	111	103
National Market of Brighton	250,000	5	5	5	170	150
National Revere	1,500,000	0	2	1½	107	104½
National Rockland	300,000	4	3½	4	148	124
National Security	200,000	13	13	13	200	190
National Union	1,000,000	3	3	3	136	130
National Webster	1,500,000	2	2	2	100	102
New England National	1,000,000	3	3½	3½	133	134
North National	1,000,000	3	3	3	124	113
Old Boston National	900,000	3	3	3	63	61
Pacific National	500,000	—	3	¶	—	90
People's National	300,000	3½	4	3	150	140
Second National	1,600,000	4	3½	3	140	136
Shawmut National	1,000,000	3	2½	2½	118	107
Shoe & Leather National	1,000,000	3	2½	2	114	102
State National	2,000,000	2½	2½	2½	110	114
Suffolk National	1,500,000	3	2	2	122	113
Third National	300,000	2	0	0	114	85
Traders' National	600,000	2	2	2	102	92
Tremont National	2,000,000	2½	2	2	108	103
Washington National	750,000	3	3	3	133	128

October, 1878. . . . . \$ 53,400,000

\* Market Value—Dividend on. † Quarterly. ¶ Paid three per cent. July 1. § Par increased from \$ 80 to \$ 100.

LIABILITIES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, OCTOBER 1, 1878.

Names of Banks.	Capital.	Net profits.	Circulation.	Due Banks.	Due Depositors.	Unpaid Dividends.	Totals.	Certified checks.
Bank of New York National Banking Association.	\$2,000,000	\$673,100	\$44,000	\$1,494,500	\$9,970,600	\$6,800	\$14,180,000	\$6,573,000
Mechanics' National Bank	2,000,000	719,900	93,400	3,193,100	4,148,400	2,200	10,159,000	1,053,100
Mechanics' National Bank	2,000,000	919,900	170,000	2,923,800	3,748,800	5,000	8,867,400	1,185,200
Union National Bank	1,200,000	725,800	119,200	601,000	2,541,200	1,400	5,188,600	4,889,300
Phoenix National Bank	1,000,000	138,700	222,400	479,200	2,019,700	2,800	3,862,800	2,883,200
National City Bank	1,000,000	1,514,600	719,800	596,400	6,646,300	900	9,275,200	2,457,400
Tradesmen's National Bank	1,000,000	337,300	8,000	1,607,700	1,621,100	5,500	4,174,600	38,000
Fulton National Bank	600,000	446,300	11,400	19,400	13,889,900	1,800	2,464,800	9,400
Chemical National Bank	1,000,000	218,000	577,000	1,435,800	10,699,400	5,700	15,673,700	114,700
Mechanics' Exchange National Bank	1,500,000	655,000	8,000	1,863,000	1,381,800	600	4,982,400	25,800
Gallatin National Bank	500,000	327,000	361,700	425,200	1,466,800	54,000	4,546,000	1,082,200
Mechanics and Traders' National Bank	600,000	89,900	196,300	180,400	947,700	200	1,955,800	5,300
Leather Ward National Bank	600,000	412,300	30,200	584,400	3,341,700	19,000	3,211,700	320,300
Seventh Ward National Bank	300,000	189,300	45,000	107,400	881,500	700	1,955,800	11,800
American Exchange National Bank	5,000,000	1,327,400	199,400	3,136,500	1,719,500	5,800	2,867,000	4,237,900
National Bank of Commerce	2,500,000	2,598,300	1,753,200	2,019,900	6,529,200	6,500	16,199,000	1,979,600
National Broadway Bank	1,000,000	1,444,800	900,200	299,700	11,115,300	10,000	22,493,700	2,893,200
Mercantile National Bank	1,000,000	184,300	178,000	1,745,500	2,784,800	1,300	6,130,800	20,500
National Bank of the Republic	1,500,000	284,000	447,000	940,400	1,531,300	300	4,659,800	45,600
Chatham National Bank	450,000	168,100	462,200	2,459,900	1,461,900	11,000	4,584,700	480,900
Hanover National Bank	1,000,000	168,100	445,000	549,500	2,345,600	3,000	3,914,700	117,400
Irving National Bank	500,000	857,400	83,200	2,459,900	2,093,200	1,600	6,168,600	350,900
Metropolitan National Bank	3,000,000	1,609,900	2,240,500	6,861,300	1,893,600	6,000	2,888,700	53,100
National Citizens' Bank	1,000,000	284,100	250,800	78,000	1,701,400	900	2,793,000	51,900
Market National Bank	1,000,000	36,100	496,700	60,000	1,853,000	1,400	3,443,400	210,100
St. Nicholas National Bank	1,000,000	234,000	676,100	40,000	885,700	700	2,459,200	41,400
National Shoe and Leather Bank	1,250,000	320,200	704,600	1,495,500	1,420,800	7,900	4,833,300	5,090,000
Continental National Bank	1,400,000	1,74,300	349,200	1,190,500	1,861,300	3,400	3,683,300	10,110,000
Marine National Bank	1,500,000	1,703,200	1,116,600	14,105,600	6,449,600	4,100	22,998,500	202,800
Importers and Traders' National Bank	2,000,000	87,300	537,300	7,591,900	4,929,800	2,000	15,359,600	324,800
National Park Bank	500,000	66,800	366,100	1,300	410,300	1,300	1,538,600	987,900
National Merchants' Banking Association	3,500,000	887,800	103,000	7,816,100	4,037,700	4,400	16,992,400	3,979,300
Fourth National Bank	2,000,000	343,300	1,466,500	2,687,100	3,469,500	6,800	10,229,900	131,800
Central National Bank	300,000	61,800	596,000	2,881,400	1,798,900	100	2,393,300	71,800
Ninth National Bank	500,000	38,300	596,000	8,814,000	1,798,900	1,100	8,427,400	130,400
First National Bank	986,300	1,277,400	707,200	4,003,700	1,696,200	800	5,397,600	465,900
Third National Bank	250,000	188,000	268,900	239,400	602,000	300	1,448,400	13,100
Bowery National Bank	200,000	70,200	223,000	787,200	1,061,700	300	1,448,400	6,100
New York County National Bank	150,000	47,000	105,500	9,300	1,061,700	1,000	1,250,600	9,300
Fifth National Bank	200,000	42,200	191,200	530,000	530,000	1,000	834,500	6,400
Sixth National Bank	300,000	23,200	171,000	780,400	1,539,800	—	1,150,800	23,600
Chase National Bank	300,000	23,200	171,000	780,400	1,539,800	—	2,811,400	—
Totals (47 Banks), October 1, 1878.	\$33,786,300	\$3,377,000	\$20,108,700	\$8,153,800	\$142,183,400	\$190,900	\$321,350,100	—
Totals	\$5,800,000	23,417,600	20,272,100	7,461,650	137,528,100	1,114,600	312,150,100	—
Increase	\$2,013,700	—	163,400	2,467,100	—	124,400	—	—



RESOURCES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, OCTOBER 1, 1878.

Names of Banks.	Loans & Discounts on hand.	U. S. Bonds in circulation.	U. S. Bonds to secure deposits.	Other stocks, &c. on stocks.	Premium on stocks.	Real estate.	Due from banks.	Cash items.	Specie.	Legal tenders.	Over-drafts.
Bank of New York Nat'l B'k'g Assn.	\$ 9,950,100	\$ 195,000	\$ 5,500,000	\$ 9,000	\$ 3,000	\$ 390,000	\$ 253,700	\$ 67,200	\$ 1,194,200	\$ 643,000	\$ 15,800
Merchants' National B'k.	6,685,300	1,370,000	559,000	8,500	11,000	11,000	383,600	65,200	299,700	990,700	700
Mechanics' National Bank.	2,891,200	100,000	500,000	—	18,700	18,700	436,700	4,600	324,500	1,022,800	1,900
Union National Bank.	2,601,200	—	900,000	—	75,500	75,500	231,600	162,500	340,700	1,125,300	—
Phoenix National Bank.	2,054,300	—	300,000	20,000	289,500	289,500	231,600	371,000	378,200	279,500	900
National City Bank.	5,583,500	—	890,000	175,400	292,500	292,500	645,600	31,200	382,300	2,910,900	—
Tradesmen's National Bank.	1,632,400	—	500,000	338,100	63,900	292,500	645,600	31,200	382,300	619,100	100
Fulton National Bank.	1,420,000	—	100,000	390,100	—	215,000	723,100	22,100	523,500	3,850,000	100
Chemical National Bank.	8,590,300	1,150,000	100,000	—	—	243,700	243,700	58,500	245,100	542,000	1,100
Mechanics' Exchange Nat'l Bank.	2,801,400	10,000	700,000	43,200	48,000	90,000	67,700	30,000	121,800	543,700	500
Gallatin National Bank.	2,856,500	100,000	500,000	3,400	20,800	143,000	28,400	14,400	121,800	493,700	2,500
National Butchers & Drovers' B'k.	592,200	300,000	1,000	51,500	12,300	73,900	80,100	40,200	18,200	207,600	400
Mechanics and Traders' Nat'l B'k.	1,133,800	1,000	230,000	253,500	54,500	170,000	64,800	23,600	305,500	207,600	5,100
Leather Manufacturers' Nat'l B'k.	1,430,700	—	400,000	84,700	4,900	50,200	24,500	16,200	83,000	240,200	1,500
Seventh Ward National Bank.	708,100	—	50,000	44,100	4,900	210,300	61,900	3,100	220,100	195,400	18,600
National Bank State of New York.	1,841,300	91,500	500,000	401,000	97,000	338,200	705,300	381,100	681,900	1,308,300	3,900
American Exchange National Bank.	11,879,300	—	2,250,000	252,000	—	530,000	1,589,600	426,500	1,152,700	938,200	—
National Bank of Commerce.	8,949,200	38,000	1,000,000	125,700	37,500	250,000	62,400	92,800	47,100	850,100	700
National Broadway Bank.	2,834,500	450,000	200,000	1,000,000	14,000	178,000	462,000	92,800	130,600	618,500	1,900
Mercantile National Bank.	3,215,800	100,000	200,000	11,000	32,100	60,200	339,200	74,400	160,700	424,000	1,100
Chatham National Bank.	2,822,700	—	500,000	100,600	32,100	12,500	344,300	31,100	39,200	400,900	1,300
Hanover National Bank.	4,362,800	—	500,000	25,200	23,500	60,200	339,200	74,400	160,700	785,600	1,300
Irving National Bank.	1,325,400	320,000	300,000	25,200	47,500	100,000	304,300	31,100	39,200	400,900	1,300
Metropolitan National Bank.	2,590,000	—	300,000	994,400	714,100	100,000	1,307,000	104,400	901,200	851,500	7,300
National Citizens' Bank.	1,268,500	—	275,000	138,100	10,800	250,000	271,000	65,100	76,300	333,300	1,800
Market National Bank.	1,920,300	200,000	350,000	96,000	37,500	40,200	193,300	84,300	36,400	483,600	1,800
St. Nicholas National Bank.	1,054,900	200,000	557,000	122,500	180,800	180,800	48,700	9,500	69,700	216,000	1,800
National Shoe and Leather Bank.	2,360,400	250,000	330,500	32,300	81,700	55,500	225,700	242,000	230,700	520,900	1,700
Continental National Bank.	2,638,800	23,500	867,000	41,300	113,000	583,000	145,000	242,000	10,500	640,300	1,000
Marine National Bank.	1,623,900	—	400,000	118,300	10,000	211,200	123,200	34,500	151,100	393,000	1,000
Importers & Traders' Nat'l Bank.	1,836,000	1,836,000	1,250,000	4,500	145,800	839,600	635,600	141,500	933,400	3,088,600	1,100
National Park Bank.	9,051,200	—	600,000	779,000	83,400	339,600	668,800	23,700	173,700	3,035,100	4,900
National Mechanics' B'kg. Assn.	635,100	156,000	344,000	16,200	12,900	15,500	24,700	3,400	31,000	69,800	—
East River National Bank.	544,700	—	110,000	80,400	—	76,000	31,200	13,800	74,100	35,800	—
Fourth National Bank.	11,394,600	370,000	1,175,000	337,000	10,700	657,400	673,800	52,800	449,900	1,836,800	35,000
Central National Bank.	4,553,200	755,000	200,000	454,500	179,300	333,200	394,000	50,200	173,700	1,465,900	900
Second National Bank.	1,670,000	—	300,000	347,100	22,200	43,300	43,300	53,300	11,200	416,200	500
Ninth National Bank.	670,000	—	300,000	19,500	59,000	354,500	643,400	4,500	305,000	598,300	800
First National Bank.	4,418,800	1,848,100	50,000	19,500	99,000	390,000	516,900	132,000	78,600	1,547,800	12,300
Third National Bank.	4,581,700	105,000	890,000	75,600	144,600	144,600	231,700	8,000	833,200	832,600	300
New York National Exchange B'k.	672,900	—	300,000	42,500	—	61,500	114,400	27,500	—	—	—
Bowery National Bank.	785,600	—	200,000	454,400	1,400	4,300	37,400	24,600	4,400	203,900	400
Fifth National Bank.	351,300	—	200,000	28,500	—	61,100	41,400	20,000	—	—	—
Sixth National Bank.	117,500	—	200,000	454,400	—	113,800	54,800	16,400	14,800	137,500	1,500
Chase National Bank.	190,000	—	100,000	315,600	9,800	40,500	17,400	21,700	10,000	187,100	400
Chase National Bank.	167,200	—	100,000	190,000	19,600	16,700	131,700	17,000	22,300	249,200	1,500
Totals (47 Banks), Oct. 1, 1878.	169,578,000	11,564,000	9,343,000	1,767,100	9,465,500	14,364,800	3,254,300	13,294,300	37,882,000	37,882,000	130,800
Totals, " " June 29, 1878.	164,252,400	8,517,500	24,200,000	22,412,100	1,484,400	9,455,100	16,100,900	47,112,400	13,859,800	46,945,500	119,400
Increase .....	5,325,600	—	13,069,100	—	282,700	10,800	1,754,100	1,987,100	565,500	9,063,100	—
Decrease .....	104,500	—	—	—	—	—	—	—	—	—	—

LIABILITIES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, OCTOBER 1, 1878.

<i>Names of Banks.</i>	<i>Capital.</i>	<i>Net profits.</i>	<i>Circulation.</i>	<i>Due Banks.</i>	<i>Due Depositors.</i>	<i>Unpaid Dividends.</i>	<i>Totals.</i>	<i>Certified checks.</i>
Bank of New York National Banking Association.	\$ 2,000,000	\$ 673,100	\$ 44,000	\$ 1,494,500	\$ 9,970,700	\$ 6,800	\$ 14,189,000	\$ 6,575,400
Merchants' National Bank	2,000,000	719,000	93,400	4,148,400	1,159,000	2,200	10,159,000	1,053,100
Mechanics' National Bank	2,000,000	919,800	170,000	2,033,800	3,748,800	5,000	8,867,400	1,185,200
Union National Bank	2,000,000	735,800	119,200	601,000	2,541,200	1,400	5,188,600	4,289,300
Phoenix National Bank	1,000,000	138,700	223,400	479,200	2,019,700	2,800	2,883,200	2,883,200
National City Bank	1,000,000	1,514,600	—	596,400	6,646,300	900	9,738,200	2,457,400
Tradesmen's National Bank	1,000,000	337,500	749,800	460,700	1,621,100	5,500	4,121,400	38,000
Fulton National Bank	600,000	446,300	8,400	19,400	1,388,900	1,800	2,464,800	9,400
Chemical National Bank	3,000,000	3,220,800	11,000	1,436,800	10,699,400	5,700	15,673,700	114,700
Merchants' Exchange National Bank	1,500,000	655,000	445,000	425,200	1,381,800	600	4,982,400	25,800
Gallatin National Bank	600,000	281,700	196,300	180,400	1,467,700	200	1,768,100	5,300
National Butchers and Drivers' Bank	300,000	32,700	271,400	584,400	887,200	2,000	1,955,800	11,000
Mechanics and Traders' National Bank	600,000	412,300	30,200	171,400	1,341,700	1,900	3,211,700	320,300
Seventh Ward National Bank	300,000	189,200	45,000	107,400	1,719,500	700	2,860,600	11,800
National Bank State of New York	800,000	1,327,400	1,592,400	3,136,500	6,539,200	6,500	2,367,000	4,237,600
American Exchange National Bank	5,000,000	2,598,300	1,752,300	2,010,900	11,115,300	16,000	16,199,000	1,979,600
National Bank of Commerce	1,000,000	1,144,800	900,200	299,700	2,784,300	1,300	21,492,700	2,294,300
National Broadway Bank	1,000,000	184,200	178,000	1,745,500	1,531,300	300	6,130,800	20,500
Mercantile National Bank	1,000,000	282,000	442,200	940,400	1,401,900	11,400	4,639,500	45,600
National Bank of the Republic	1,500,000	168,100	407,000	543,500	2,032,200	1,600	4,584,700	486,900
Chatham National Bank	1,000,000	168,100	83,200	2,459,900	1,865,600	600	6,166,800	350,900
Hanover National Bank	1,000,000	857,400	2,246,500	6,550,300	4,993,300	6,400	2,838,700	53,100
Metropolitan National Bank	3,000,000	184,900	250,800	78,000	1,701,400	900	17,658,900	2,266,200
National Citizens' Bank	1,000,000	284,100	244,300	60,000	1,701,400	900	4,794,000	51,900
Market National Bank	1,000,000	330,100	496,700	40,000	1,853,600	700	3,443,400	55,000
St. Nicholas National Bank	1,000,000	234,600	676,100	1,495,500	1,420,800	700	4,836,200	41,400
National Shoe and Leather Bank	1,250,000	320,200	704,600	1,495,500	1,501,300	3,400	3,094,800	2,566,800
Continental National Bank	400,000	74,500	1,197,800	1,197,800	6,953,500	300	3,068,800	201,100
Importers and Traders' National Bank	1,500,000	1,793,200	346,600	1,116,600	6,449,800	4,600	15,328,500	394,800
National Yark Bank	2,000,000	287,300	337,300	7,591,900	4,979,800	2,600	13,866,000	382,800
National Mechanics' Banking Association	350,000	69,800	150,000	150,000	161,800	1,300	1,866,000	19,900
East River National Bank	250,000	887,800	1,040,000	2,516,100	4,977,000	31,500	16,092,400	3,976,700
Fourth National Bank	2,000,000	341,500	1,845,000	2,682,100	3,793,700	6,800	10,270,800	133,300
Central National Bank	300,000	61,800	268,000	1,500	1,861,000	100	2,563,300	17,800
South National Bank	700,000	38,300	596,000	2,381,400	1,708,100	—	5,653,800	71,800
Ninth National Bank	800,000	1,277,400	797,200	8,855,700	15,728,200	1,100	26,427,400	126,400
Third National Bank	986,300	75,700	223,000	4,760,200	1,845,000	800	8,357,700	485,000
New York National Exchange Bank	300,000	188,000	263,000	787,200	694,700	200	1,528,600	17,700
Rosery National Bank	200,000	79,200	223,000	9,300	1,061,700	300	1,448,400	13,100
New York Country National Bank	150,000	47,400	105,500	—	530,600	1,000	1,538,500	6,400
Fifth National Bank	200,000	42,200	191,200	—	723,400	1,000	834,500	9,300
Sixth National Bank	300,000	33,200	171,000	780,400	1,536,800	—	1,156,800	23,600
Chase National Bank	300,000	23,200	171,000	780,400	1,536,800	—	2,811,400	—
<b>Totals ( 47 Banks ), October 1, 1878</b>	<b>\$ 53,786,300</b>	<b>\$ 23,277,400</b>	<b>\$ 20,108,700</b>	<b>\$ 81,513,800</b>	<b>\$ 143,132,400</b>	<b>\$ 190,500</b>	<b>\$ 321,359,100</b>	<b>—</b>
<b>Totals</b>	<b>55,860,000</b>	<b>23,417,600</b>	<b>20,272,100</b>	<b>74,010,500</b>	<b>137,536,300</b>	<b>1,114,600</b>	<b>312,159,300</b>	<b>—</b>
<b>Decrease</b>	<b>\$ 2,013,700</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ 934,100</b>	<b>—</b>
<b>Increase</b>	<b>—</b>	<b>\$ 159,800</b>	<b>—</b>	<b>\$ 7,467,300</b>	<b>\$ 4,644,100</b>	<b>—</b>	<b>\$ 9,199,800</b>	<b>—</b>

RESOURCES OF THE NATIONAL BANKS OF THE CITY OF NEW YORK, OCTOBER 1, 1878.

Names of Banks.	Loans & Discounts on hand.	U. S. Bonds U. S. Bonds to secure circulation.	Deposits.	Other stocks, &c. on stocks.	Premiums on stocks.	Real estate.	Due from banks.	Cash items.	Specie.	Legal tenders.	Over-draws.
Bank of New York Nat'l Bk'g Assn.	\$ 950,100	\$ 195,000	\$ 2,325,000	\$ 9,000	\$ 83,000	\$ 350,000	\$ 233,700	\$ 67,200	\$ 1,194,200	\$ 643,000	\$ 15,800
Merchants' National Bank.	5,682,300	1,370,000	175,000	559,000	85,000	306,600	306,600	111,000	672,700	990,700	700
Mechanics' National Bank.	6,581,400	1,000,000	200,000	6,000	183,700	423,500	73,500	65,200	299,700	1,022,300	1,900
Union National Bank.	2,896,200	150,000	300,000	500,000	104,500	725,900	4,600	332,500	332,500	1,125,300	900
Phoenix National Bank.	2,954,300	300,000	50,000	175,400	20,000	289,900	233,600	162,500	346,700	279,500	900
National City Bank.	5,583,500	890,000	50,000	538,100	63,900	292,900	240,600	33,600	370,000	2,910,000	900
Tradesmen's National Bank.	1,420,900	50,000	50,000	301,500	224,000	722,100	250,200	58,500	502,000	3,826,000	1,100
Chemical National Bank.	8,596,300	1,150,000	700,000	3,000	48,000	243,700	240,000	58,500	245,100	542,500	500
Merchants' Exchange Nat'l Bank.	2,891,400	10,000	400,000	432,800	99,500	67,700	300	33,800	33,800	453,700	2,300
Gallatin National Bank.	2,856,500	300,000	400,000	3,400	20,500	143,000	80,100	49,200	18,200	302,500	5,100
National Butchers & Drovers' B'k.	595,200	1,000	200,000	51,500	12,200	72,200	64,800	23,600	305,500	207,300	1,500
Mechanics and Traders' Nat'l B'k.	1,143,800	1,000	400,000	253,900	54,500	170,000	50,000	24,500	16,200	82,000	200,000
Leather Manufacturers' Nat'l B'k.	1,330,700	400,000	103,000	84,700	4,900	50,000	61,900	3,100	229,100	195,400	18,600
Seventh Ward National Bank.	785,100	50,000	50,000	401,000	9,700	219,300	705,300	281,100	681,900	308,300	3,900
National Bank State of New York.	1,541,300	91,500	103,000	401,000	9,700	219,300	705,300	281,100	681,900	308,300	3,900
American Exchange National Bank.	1,879,300	38,000	2,250,000	252,900	37,500	159,000	462,400	92,800	471,000	850,100	700
National Bank of Commerce.	8,949,200	450,000	1,000,000	14,000	178,000	250,000	99,400	32,900	139,600	658,500	1,900
National Broadway Bank.	2,834,500	100,000	200,000	11,000	313,500	371,600	371,600	31,400	174,100	361,400	1,100
Mercantile National Bank.	3,215,800	100,000	1,000,000	14,000	178,000	250,000	99,400	32,900	139,600	658,500	1,900
National Bank of the Republic.	2,822,700	450,000	500,000	11,000	31,100	60,500	339,400	74,400	160,700	424,900	1,100
Chatham National Bank.	2,271,500	450,000	500,000	11,000	31,100	60,500	339,400	74,400	160,700	424,900	1,100
Hanover National Bank.	4,362,800	500,000	500,000	25,200	12,500	300,000	344,300	9,300	125,800	765,600	1,300
Irving National Bank.	1,325,400	300,000	300,000	25,200	12,500	300,000	344,300	9,300	125,800	765,600	1,300
Metropolitan National Bank.	10,183,100	2,500,000	4,500,000	994,400	714,100	1,397,900	104,400	901,200	901,200	851,500	7,300
National Citizens Bank.	1,468,500	103,000	275,000	136,100	10,800	250,000	271,900	65,100	76,300	333,300	1,800
Market National Bank.	1,920,300	200,000	350,000	96,000	37,500	40,200	193,300	84,300	36,400	483,600	1,800
St. Nicholas National Bank.	1,054,900	200,000	350,000	122,500	180,800	48,700	225,700	242,900	230,700	540,300	1,700
National Shad and Leather Bank.	2,381,800	500,000	800,000	34,300	81,700	35,500	123,200	34,500	151,100	398,600	1,100
Continental National Bank.	2,638,800	23,500	807,000	116,300	10,000	211,800	635,600	141,400	933,400	3,682,600	1,100
Marine National Bank.	3,866,500	400,000	1,000,000	116,300	10,000	211,800	635,600	141,400	933,400	3,682,600	1,100
Impellers & Traders' Nat'l Bank.	1,950,400	1,850,000	1,950,000	779,900	83,400	839,600	668,800	23,700	173,700	3,035,100	4,500
National Park Bank.	9,051,400	156,000	344,000	6,000	12,900	15,500	24,700	3,800	31,000	69,800	—
National Mechanics' B'kg. Assn.	5,351,700	156,000	344,000	6,000	12,900	15,500	24,700	3,800	31,000	69,800	—
East River National Bank.	11,544,700	370,000	1,725,000	337,400	10,700	637,400	673,800	56,200	449,900	1,856,800	35,000
Fourth National Bank.	1,551,200	370,000	1,725,000	337,400	10,700	637,400	673,800	56,200	449,900	1,856,800	35,000
Central National Bank.	1,679,000	755,000	200,000	454,400	179,300	333,200	394,000	50,400	173,700	1,495,900	900
Second National Bank.	1,230,500	755,000	200,000	347,100	49,700	43,300	43,300	4,200	251,000	419,300	300
Ninth National Bank.	2,780,400	70,000	900,000	9,000	49,700	354,500	643,400	13,000	78,600	579,200	800
First National Bank.	4,418,800	1,848,100	15,849,000	913,300	39,000	354,500	516,900	8,000	83,200	1,177,800	12,300
Third National Bank.	4,581,700	800,000	1,500,000	15,849,000	144,600	61,500	511,900	8,000	83,200	1,177,800	12,300
New York National Exchange B'k.	672,900	300,000	300,000	44,600	1,400	4,300	114,000	27,600	31,000	524,000	300
Rowley National Bank.	785,600	260,000	300,000	34,600	1,400	4,300	37,400	24,600	41,400	203,700	400
New York County National Bank.	468,000	200,000	300,000	45,400	1,400	61,100	14,800	26,000	14,800	135,700	1,600
Fifth National Bank.	351,300	117,500	28,000	28,000	—	113,800	54,800	16,000	10,000	181,000	—
Sixth National Bank.	196,000	214,500	315,600	10,300	40,500	40,500	21,700	21,700	10,000	181,000	—
Chase National Bank.	450,100	167,800	1,360,000	9,800	19,800	4,600	121,700	17,000	224,300	249,300	1,500
Totals (47 Banks), Oct. 1, 1878.	169,575,000	11,564,000	9,343,000	1,767,100	9,646,900	14,346,800	3,325,300	13,294,300	37,882,400	46,945,300	119,400
Totals, June 29, 1878.	164,252,400	5,517,500	24,300,000	22,412,100	1,484,400	9,455,100	16,100,900	47,124,400	13,859,800	46,945,300	119,400
Increase	5,322,600	3,046,500	—	—	—	—	—	—	—	—	—
Decrease	—	—	104,500	13,069,100	—	—	1,754,100	1,237,100	565,500	9,063,100	—

## NOTES ON THE MONEY MARKET.

NEW YORK, OCTOBER 24, 1878.

*Exchange on London at sixty days' sight, 4.82 a 4.82½ in gold.*

The anticipations we have more than once expressed, are already, in part, realized in the advance of the rate of interest. It is important in forecasting the future of the money market to interpret correctly its present movements, and two principal facts have a conspicuous prominence just now. There is an abundance of idle capital seeking investment, and, so far as it goes, this circumstance favors easy rates for money. Secondly, the disturbance of credit and of confidence abroad, by the recent failures in Glasgow and elsewhere, have produced less influence here than was by many persons expected. Indeed, some of our well-informed bankers are expecting that the tendency of European capital to seek the soundest American investments must, before long, receive an impulse from the diminished credits of rival investments, which have heretofore competed with American securities in the money markets of Europe; as these competing securities decline in favor, the best American railroad and Government bonds, it is believed, will rise in public esteem and attract more and more of the capital of conservative investors, who prefer undoubted safety to the promise of large rates of interest with heavier risks of final loss. But the present movements of our money market are little affected by these predictions, which may not prove true for some time to come. What is important to note, is, that the recent heavy failures in England and Scotland, have not caused here the perturbation which usually follows a sudden demand for the payment of loans which we owe to foreign capitalists. From this, and other indications, it has been inferred that no efflux of capital from this centre to Europe, has, as yet, been fairly started. Whether it is likely to become active, is much disputed, and the course of events will be anxiously watched for evidence throwing light upon this most prominent question of international finance.

Besides these and other circumstances which still tend more or less

directly to keep the money market tranquil, there are various changes which are operating in the opposite direction. One of the chief of these is the out-flow of deposits and legal tenders, which has of late been quite active. This movement is healthy in proportion as it shows that the general industry of the country is thriving, and that its trade and commerce continue to show symptoms of hopeful recuperation. The rates for money are seven per cent. on call, with exceptional transactions at five to six. The best commercial paper is in demand at five to seven. The subjoined tables show the weekly averages at the Clearing House banks of New York:

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Sept. 28.....	\$ 246,322,500	\$ 18,199,600	\$ 45,680,700	\$ 19,617,800	\$ 216,332,000	\$ 9,797,300
Oct. 5.....	247,881,900	17,599,700	43,362,200	19,577,500	214,103,400	7,436,050
" 12.....	248,634,300	13,991,100	42,050,800	19,593,100	210,041,200	3,531,600
" 19.....	246,593,100	15,547,800	40,729,100	19,601,200	208,114,600	4,240,750

The Clearing-House statement of the Boston banks for the same time is subjoined:

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Sept. 28.....	\$ 130,759,400	\$ 3,047,600	\$ 6,086,900	\$ 76,687,800	\$ 25,427,700
Oct. 5.....	130,104,400	3,321,200	6,135,100	78,012,700	25,506,500
" 12.....	128,971,100	2,963,100	6,020,000	77,107,800	25,407,300
" 19.....	127,418,600	2,563,800	6,127,800	74,555,900	25,473,100

The Philadelphia bank statements for the past month are as follows:

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Sept. 28.....	\$ 58,207,864	\$ 1,995,806	\$ 12,814,627	\$ 45,555,908	\$ 11,243,085
Oct. 5.....	58,613,739	1,989,340	12,717,102	45,570,445	11,266,957
" 12.....	58,650,640	1,838,451	12,382,599	45,122,766	11,307,582
" 19.....	58,801,498	1,605,812	12,085,596	44,786,294	11,353,450

The stock market has been unsettled and irregular. Government bonds are still offered for sale here on account of foreign holders, but the bonds are so scarce in the London stock market just now, that the aggregate recently sold here has not been very large. We mentioned last month that this movement had begun. It seems now to have almost subsided. During the present unsettled condition of financial affairs in Europe, it is impossible to look far into the future, but the belief is, that the markets abroad have been so depleted of our Government securities that we cannot expect the return of any large further aggregates, but, that, on the contrary, a demand is more likely to spring up among investors in England and Continental Europe. Subjoined are our usual quotations of the range in prices of Government bonds, with the amount of each class outstanding at the beginning of this month:

	Range of Prices, 1878		Amount Oct. 1.	
	Lowest.	Highest.	Registered.	Coupon.
6s, 1881.....	105 $\frac{1}{2}$ Feb. 25	110 $\frac{3}{4}$ June 27	\$ 197,067,150	\$ 85,669,200
6s, 5-20s, 1865, new.coup..	102 $\frac{1}{4}$ July 22	105 $\frac{1}{2}$ June 6	44,459,400	37,274,750
6s, 5-20s, 1867.....	104 $\frac{1}{2}$ Aug. 12	108 $\frac{3}{4}$ June 27	110,174,800	200,439,300
6s, 5-20s, 1868.....	106 $\frac{3}{4}$ Jan. 2	111 $\frac{1}{2}$ June 28	16,071,500	21,393,800
5s, 10-40s.....	103 $\frac{1}{4}$ Mch. 1	109 $\frac{3}{4}$ July 29	144,280,800	50,285,500
5s, funded, 1881.....	102 $\frac{3}{4}$ Feb. 25	107 $\frac{1}{2}$ July 30	235,060,800	273,379,550
4 $\frac{1}{2}$ s, 1891.....	101 $\frac{1}{2}$ Mch. 1	105 Aug. 17	159,860,750	90,139,250
4s, 1907.....	99 $\frac{3}{4}$ Oct. 3	102 $\frac{1}{4}$ Jan. 9	103,209,600	48,290,400
6s, Currency, 1899.....	117 $\frac{1}{4}$ Apr. 5	122 $\frac{1}{2}$ May 25	64,623,512	—

To illustrate still further the changes which have been developed in the

market for Government bonds, we give the following quotations of the closing prices in London at various dates :

Quotations in London.	Oct.	Oct.	Oct.	Oct.	Quotations since Jan. 1, 1878.—	
	4.	11.	18.	23.	Lowest.	Highest.
U. S. 6s, 5-20s, 1867	107½	107½	107½	107½	105¼	109½
U. S. 5s, 10-40s	108¼	108	108	107	104¾	111¾
5s of 1881	108	107½	106½	106	103¾	109¾
New 4½ per cents.	105½	105½	105½	105	102¾	107¼

In State bonds there is less doing than usual, and prices favor the buyer. Railroad bonds are firm but less active, the advance recently made and the firm views of holders check business, while the unsettled condition of the stock market and the higher rates for money have also tended to restrict the inquiry. In railroad shares there has been considerable activity, with many fluctuations. Secretary Sherman's visit to New York, and the expectation that the Treasury would make gold easy by its new policy of paying for called bonds on demand, tended, with other events, to give renewed elasticity to the movements of the large stock operators, and prices advanced until they were checked by the Haar failure, and they have not since fully recovered from the blow. An exception may be made in regard to Western Union and Lake Shore, in which there has been some renewed activity, due in part to the large short interest. The market closes with an uneasy feeling and quotations have a drooping tendency. In gold there has been little doing since the speculative movement in the market was stopped by the order of Secretary Sherman to redeem called 5-20's on presentation at the Treasury. Subjoined are our usual quotations :

QUOTATIONS :	Sept. 27.	Oct. 1.	Oct. 8.	Oct. 15.	Oct. 23.
Gold .....	100¾	100¾	100¾	100¾	100¾
U. S. 5-20s, 1867 Coup.	105¾	105¾	105¾	105¾	105¾
U. S. 10-40s Coup.....	105¾	106	106½	105¾	105¾
West. Union Tel. Co..	95½	96½	95	91¾	93¾
N. Y. C. & Hudson R.	113¾	113¾	113¾	111¾	112¾
Lake Shore.....	68¾	68¾	69¾	67	68¾
Chicago & Rock Island	118½	116½	115½	113¾	114
New Jersey Central....	36¾	36	34¾	31¾	28¾
Del. Lack. & West....	54	55½	54¾	50¾	49
Delaware & Hudson..	50¾	51¾	51½	46¾	43¾
North Western.....	42	40	40¾	39¾	40¾
Pacific Mail.....	17¾	18¾	16½	16¾	15¾
Erie.....	13¾	13¾	13¾	11¾	11¾
Bills on London.....	4.81½-4.86	4.81½-4.86	4.80½-4.85	4.79-4.84½	4.82-4.88
Treasury balances, cur.	\$ 45,831,635	\$ 45,307,848	\$ 44,092,180	\$ 44,561,662	\$ 45,621,424
Do. do. gold.	\$ 118,071,413	\$ 121,582,990	\$ 124,800,616	\$ 123,357,525	\$ 117,408,760

Last week the sharp turn in stocks and in gold caused the failure of Messrs. Haar & Co., who had been operating heavily, as they claim, upon orders from a well-known speculative firm through Messrs. Belden & Co. But this firm declare that the failure was in no way caused by them, and that Haar & Co. held securities to a large amount which cannot now be recovered. The circumstances of the failure, and the charges and counter-charges made have caused more scandal and excitement than the failure itself. Meanwhile, the speculators have turned a sharp corner with singular agility, and though several large operators sustained losses, there was no notable failure except that of the firm above mentioned.

Foreign exchange has rapidly recovered from its recent depression. Quota-

tions have advanced under the returning ease in gold loans and have been sustained notwithstanding the rising tendency of the rates of interest in Europe. We quote sixty day bills at 4.82 against 4.80 a week ago, and three days sight at 4.88 against 4.86, or even lower, a week ago. The foreign despatches by cable are now examined with much anxiety, as the monetary situation abroad is an important factor in forecasting the movements of foreign exchange and of all our American markets. It is uncertain how long the English rate of discount will continue at six per cent., for the Bank of England shows a decline in its reserve to 27 $\frac{3}{8}$  per cent. on its liabilities against 33 $\frac{3}{8}$  per cent. last week, 40 $\frac{3}{8}$  per cent. the previous week, and forty-nine per cent. the week before. The Bank of France last week lost 39,200,000 francs of specie and bullion, and the Imperial Bank of Germany 4,448,000 marks. The Bank of France advanced its rate of discount last week as did also the National Bank of Belgium. Another point of interest is that the price of bar silver declined about the time of the action taken by Secretary Sherman in regard to the Treasury purchases for coinage. Among the circumstances affecting foreign exchange is that of our bread-stuff exportations, which are just now attracting some attention in Wall Street. To show how the demand of the world for our cereal exports is likely to be maintained statistics are circulated to show that Europe produces now an average of 5,000,000,000 bushels of grain of which Russia produces one-third, Germany and France 520,000,000 bushels each, and Austria 500,000,000. The United States produces 1,600,000,000 bushels, or about the same as Russia. In the United States, the population is 40,000,000, and therefore we produce forty bushels per head; while Europe, with a population of 300,000,000, produces only sixteen per head; Russia, twenty-six bushels per head, and Great Britain only four bushels per head. As the average quantity of grain consumed per head is fifteen bushels, we produce nearly three times as much as we want, Russia scarcely twice its wants, Europe on an average all needed, but Great Britain not much over one-fourth.

Besides illustrating what has been said as to the foreign demand for the best American securities, the purchase, October 8th, of \$6,900,000 bonds of the City of New York at 105.28 by Messrs. August Belmont & Co., Drexel, Morgan & Co. and Winslow, Lanier & Co., may be regarded as a practical estimate of the credit of the city by three of the most experienced investment houses in the country. The availability of this loan for foreign investors is believed to have been favorably influenced by the law enacted last winter which surrounds the bonds with the safeguard of the sinking fund. The bonds run thirty to fifty years, and are specifically payable, principal and interest, in United States gold coin instead of being payable in "coin," as are United States bonds. The loan is not an increase of the debt, but is issued to redeem an equal amount of bonds which mature November 1st, on which day the city also disburses about \$3,000,000 of interest. Heretofore nearly all the city loans have been issued in registered form; this loan has the advantage of being issued in coupon form with the privilege of conversion into registered form at any time.

The banks of our chief cities continue to feel the pressure of their heavy fiscal burdens. The Gallatin National Bank of New York is preparing to lighten its taxation by reducing its capital from \$1,500,000 to \$1,000,000, and the

Market National Bank has called a meeting to reduce its capital from \$1,000,000 to \$500,000. With the same view the Merchants' National Bank of Cleveland is contemplating a reduction from \$1,200,000 to \$800,000. In Boston, the Blackstone National Bank and the Merchandise National Bank are taking preliminary steps to reduce their capital one-fourth in each case. The present capital of the first of these institutions is \$2,000,000, and that of the second \$1,000,000. In New England, the bank-tax question has assumed a new phase. Under a statute of Connecticut, non-resident bank stockholders have been taxed in favor of the town where the bank was situated. In 1876, the Legislature attempted to repeal that act and to make the tax payable directly to the State. Several of the banks, under the advice of counsel, declined to pay the tax, on the ground that the act was void, being in contravention of the National Currency Act, and that they would be liable to the non-residents for the amount withheld, and the Superior Court of Connecticut has just rendered a decision in favor of this view. The State authorities state that they are not disposed to carry the case up to the Appellate Courts.

Considerable discussion has been elicited by the opinion just published by the Attorney General as to the taxation of National bank capital. A copy of this document will be found on page 392 of this number of the *BANKER'S MAGAZINE*. It corrects an error in the method of assessing National bank capital which has long been complained of. The question was raised by Mr. Rollins, President of the Centennial Bank, of Philadelphia, and the banks, National and State throughout the country, as well as the private bankers, should all alike be satisfied with the soundness and justice of the principles on which this decision rests. It is equally acceptable to the Internal Revenue Bureau, whose officers have always assessed the taxes on bank capital in accordance with the interpretation of the law now officially given by Attorney-General Devens.

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## DEATHS.

At NEW ORLEANS, LA., on Tuesday, July 16th, aged thirty-seven years, JAMES CHALARON, late Cashier of the Union National Bank.

At WILLIAMSPORT, PA., on Thursday, August 26th, aged thirty-eight years, ISAAC B. GRAINGER, late President of the Bank of New Hanover, Wilmington, N. C.

At PORTSMOUTH, R. I., on Friday, September 27th, aged seventy-six years, COLONEL ALMON D. HODGES, President of the Washington National Bank, Boston.

At LYNN, MASS., on Friday, September 20th, aged sixty-six years, HON. EZRA W. MUDGE, formerly Cashier of the Central National Bank.

At AUBURN, N. Y., on Monday, October 7th, aged sixty-one years, CHARLES P. WOOD, Treasurer of the Auburn Savings Bank.



THE  
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THE REPORT OF COMPTROLLER OF THE  
CURRENCY.

We publish elsewhere copious extracts from the report made this year by Mr. John Jay Knox, the Comptroller of the Currency. The reports of Mr. Knox are always able, but his report of this year is especially so, and it will have, at this moment, an additional interest from the fact that the uneasy and ill-informed classes are now being incited to attack what is undoubtedly the least vulnerable part of existing public policies. It is conceded that the National banking system is better than any system which preceded it, and to us it seems equally clear that it is the best possible system which is attainable under the circumstances, and that anything like a sudden overthrow of it would injure everybody, but would injure most the very persons who are clamoring against it. Of course reforms are possible in all systems, but the best reforms are those which are gradual, and in the direction, not of revolutionizing systems, but of improving them.

Much greater defects must be shown to exist in the National banking system than have yet been pointed out, before the country can be persuaded to bring on a crisis in trade and in the money market by suddenly winding up two thousand banks. To call in one thousand millions of loans and distribute the proceeds among shareholders and depositors, is an operation which involves too great a dislocation and shifting of investments, to be undertaken except in easy times and over a long term of years. No good reason

has been shown in this case why it should be undertaken at all. There is no real call for it anywhere. The clamor against the National banks is mere froth on the political surface. Every year increases the solid support which the present system has in the intelligence of the country. At the outset, many bankers had their misgivings about it, and went into it with reluctance, and rather from compulsion than choice. It has constantly grown stronger as its practical effects have been experienced and observed.

As to safety, the redemption of National bank notes is secured beyond the possibility of loss by the deposit of Government bonds. The total losses to depositors and other creditors in fifteen years have aggregated only \$6,400,000, a sum altogether insignificant in comparison with the losses during the same period from the failure of Savings, State, and private banks. Taking all the National banks together, the ratio of their capital and surplus, to total liabilities, is 54.73 per cent., whereas in Great Britain it is 23.07 per cent. Or to make a more particular comparison with the London banks, the five principal joint-stocks of that city, not including the Bank of England, with a capital of £7,782,500, owe their depositors £111,500,000, whereas the 2,043 National banks, with a capital of \$470,390,000, owe their depositors only \$677,160,000.

As to the taxes paid by the National banks, it appears that they have paid to the United States Government alone \$86,000,000 since the establishment of the system. During the past four years they have paid in taxes of all kinds, National, State and local, \$66,761,000. Considering how difficult it is to reach with taxation money which is invested in securities, and in how many ways such taxation may be and always is evaded, nobody will doubt that the capital now in National banks pays vastly more to the public exchequers, than it would pay if the owners of it were using it in private loans.

The report of Comptroller Knox disposes of the statement so often made, that the owners of bank shares are especially the rich, by showing that the average amount held by each shareholder is only \$3,100.

That the profits are not excessive, is apparent from the fact, that while it is free to everybody to go into National banking who chooses to do so, both the capital invested in it and the circulating notes in use, have distinctly declined since 1875, and have been substantially stationary during the past year.

## THE JOINT-STOCK BANKS OF GREAT BRITAIN.

The London *Economist*, of October 19, gives tables showing capital, etc., of seventy-three out of the 118 Joint-Stock Banks of England and Wales, including the Bank of England. The seventy-three banks reported, have eighty-four per cent. of the total capital of the 118 banks. The figures given were the latest obtainable, a small portion of them not being later than those given in similar tables published by the *Economist* in May. It may be concluded that the market prices of shares, as given in these tables, were the prices before October 2, the date of the failure of the Bank of Glasgow, since which time there has been a general fall in the prices of bank shares in England, ranging from five to ten per cent. The footings show the following results :

Capital paid up.....	£ 40,599,420
Reserve fund and undivided profits.....	17,530,345
<b>Total.....</b>	<b>£ 58,129,765</b>
Aggregate market price of all the shares.....	£ 104,229,500

The ten joint-stock banks of Scotland, not including the Bank of Glasgow, show the following results :

Capital paid up.....	£ 9,045,780
Reserve fund and undivided profits.....	4,857,882
<b>Total.....</b>	<b>£ 13,903,662</b>
Aggregate market price of all the shares.....	£ 26,511,000

The nine joint-stock banks of Ireland, including the Bank of Ireland, show the following results :

Capital paid up.....	£ 6,809,230
Reserve fund and undivided profits.....	2,895,955
<b>Total.....</b>	<b>£ 9,705,185</b>
Aggregate market price of all the shares.....	£ 20,081,000

Aggregating the whole, the assets claimed to be possessed by these banks, viz., their paid-up capital, reserve funds and undivided profits, amount to £ 81,738,612, but what may be called the *good will* of all of them, is esteemed to be worth, or was esteemed to be worth before the Glasgow bank failure, £ 69,082,888, so that their shares were salable in the market at a total valuation of £ 150,821,500.

The shares of the Bank of England were salable in the market for £ 37,110,000, while its actual assets, consisting of paid-up capital, reserve fund, etc., were only £ 18,321,531.

This high valuation of the *good will* of the British banks is based upon the enormous dividends which they have paid,

and perhaps earned in times past, and upon the expectation that such dividends would continue to be paid hereafter.

Taking the last year's dividends reported, they were at ratios per cent. upon the actually paid-up capital in certain banks in England, of the largest capital, as follows :

	<i>Paid-up capital.</i>	<i>Rate per cent.</i>
Bank of England.....	£ 14,553,000 ...	9½
Bank of Liverpool.....	625,000 ...	15
London and County Bank.....	1,500,000 ...	18
London Joint-Stock Bank.....	1,200,000 ...	16½
London and Westminster Bank.....	2,000,000 ...	14
National Provincial Bank.....	1,687,500 ...	21
Union Bank of London.....	1,395,000 ...	15

Two banks have paid thirty per cent. or more, and only one has paid less than six per cent. The Scotch and Irish banks averaged fourteen per cent.

The market price of the shares are based upon these dividends, and are naturally high, as Englishmen call anything worth 100 which pays four annually, and is deemed to be fairly safe.

The principal source of the recent profits of British banking, has been the immense amount of deposits, varying from five to six hundred millions sterling in all the banks, including the private as well as joint-stock banks. Interest is paid upon the larger part of these deposits. In London, as is well known, the rule regulating the interest on deposits demandable at call without notice, has been, that it should be one per cent. less than the minimum rate for the time being at the Bank of England. But it is said that outside of London, the rate of interest for deposited money is rarely below three per cent., no matter how low the discount rate of the Bank of England may go.

The general statement of the case is, that British banking is carried on mainly upon money borrowed by the banks, and very little upon their own capital. The paid-up capital of the English banks, not reported in the foregoing tables, is £ 7,713,582. The addition of that sum to the capital, reserve funds and undivided profits of the English banks which are reported in the tables of the *Economist*, and of the Scotch and Irish banks, makes a total of £ 89,452,194. But their debts upon deposit and current accounts amount to £ 332,211,406, or nearly four times as much as they possess of capital, reserve funds and undivided profits. Their ability to pay depends, therefore, upon the per-centage which they can realize from the investments which they have made of the money deposited with them.

In the case of the five London banks, the London and County, the London Joint-Stock, the London and Westminster, the National Provincial, and the Union, whose dividends are given above, the proportion of their own to their borrowed capital, is much smaller than in the general average

of the banks. These five banks have an aggregate paid-up capital of £ 7,782,500, and aggregate reserve funds of £ 4,253,083, making a total of £ 12,035,583. The London *Economist*, of August 31, said in respect to them :

“The enormous scale which deposit banking has reached in this country, is marked in a very striking manner by the fact that these five banks had, at their last published statements, liabilities to the public, of about £ 111,500,000.”

Banking upon borrowed capital may be a prosperous business in prosperous times, but it is a hazardous and dangerous business, and exposed to great catastrophes. The debts of banks, as a rule, are all payable on demand, while the realization of their assets is often attended with delay. Nor is that the whole of it, or the worst of it. They are exposed to losses on their loans, and however prudently and skillfully they may be managed, cannot escape some losses. When they are in such a situation, that a small per-centage of loss on their loans will result in their bankruptcy, the situation is never a safe one, and becomes an alarming one, in seasons of protracted commercial depression and depreciation of values.

The British banks have so far held up bravely under the terrible shock to credit from the blow of the Glasgow failure, and there are, as yet, no signs of any destructive bank panic. If the great disaster at Glasgow does not finally produce one, it will be a proof that the banks are generally sounder than they could have been expected to be, under the wearing and grinding process of a fall in prices continuous since 1873, and still in progress, and with the resulting prostration of nearly all the great British industries.

Subject, of course, to limited exceptions, as all rules must be, we believe the sound general rule to be, that banks should not become debtors for deposits demandable at call, beyond the amount of such deposits which may be left with them without interest. Their indebtedness, even if kept within that rule, will always be large enough, especially at commercial points. The National Banking Law of the United States prohibits the banks from borrowing on post-notes, but under the decision of Judge Dillon, given elsewhere in this number of the *MAGAZINE*, they may borrow in other forms without limit. In fact, they do rarely borrow in any other form than receiving deposits, and, as a rule, decline to swell their lines of deposits demandable at call, by the attraction of allowing interest on them. Contrary to the popular idea on the subject, the temper and notions of American bankers are very much more prudent and conservative than those of the British bankers. In fact, the description is accurate, that the whole British banking system is a top kept upright on a sharp point by the rapidity with which it spins. If the spinning relaxes, the top wobbles, and whenever the relaxation of

the spinning reaches a certain stage, the top must fall. The bankers and banks of London, outside of the bank of England, keep little or no money in their own tills, but rely upon their deposits in the Bank of England, and in recent years these deposits are so large, that their simultaneous withdrawal, to meet any simultaneous necessity of the depositing bankers and banks, would leave the great bank without a single sovereign.

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### RAILROAD PROPERTY IN THE UNITED STATES.

What the average rate of profit for the last twenty years has been upon the capital invested in railroads in this country is a question which nobody has undertaken to define with any precision. The off-hand opinions in respect to it, of such persons as have any opinion about it at all, would be found to be widely variant; and many persons would be found to doubt whether railroad property, as a whole, has yielded any direct profit to its owners, however profitable it may have been, in a public sense, in the way of developing the resources of the country, facilitating trade, and enhancing the value of real estate.

Those who adopt the last described opinion are, for the most part, those who mean by the term *capital*, as applied to railroads, that portion of their cost which is furnished by subscribers to shares in them, the aggregate of which is frequently spoken of as their capital stock. The English method of describing the ownership of railroads divides it into two parts, the share capital, and the bond capital, or debenture capital, as it is there called.

The English method of using the word *capital*, as applied to railroads, seems to be the most correct. The means for constructing railroads are as truly furnished by those who lend their money, as by those who subscribe for shares. Both classes are owners of them, but the priority of right is with those who lend their money, this priority being almost always specially assured by mortgages, or deeds of trust, but existing without mortgages or deeds of trust, under the general principles of law which protect the just interests of creditors.

From a National point of view the aggregate capital, invested in railroads by the holders of shares and bonds, may be said to pay well as an investment, if it yields a rate of profit greater than, or equal to, the average rate yielded by other descriptions of property. And this is not the less true, because, as frequently happens, the profit of railroad investments is so divided between the owners of shares and bonds, as to leave little or nothing for the owners of shares. Unequal divisions of that kind affect the interests of indi-

viduals, but do not concern the public. No general impoverishment can result from investments which return the rate of income yielded by the average of investments, however this income may be apportioned among the owners, unless the more fortunate class of owners happen to be foreigners.

This inequality of the division of profits, which is so common in respect to railroads, is not unfrequently met with in other kinds of investments, and especially in building operations, both those which are isolated, and those which are on an extensive scale. The rate of interest on the mortgages created in aid of such operations, often proves so much higher than the rate of net income from them, as to absorb the whole, or nearly the whole of it.

In all these cases we hear of the losses, but never hear of the gains. In fact, the gains are not only not spoken of as such by the general public, but are not regarded as such by those who receive them. Nobody treats the purchase of a security at the market rate, as an addition to the amount of his capital, although the security may yield an income considerably above the current average income of property. He may think and perhaps speak of it as a good investment of his money. In due time, the excess of income beyond the current ordinary income of other investments, will appear in the form of his increased capital, although the attention of himself and others may not be attracted to the increase while it is in progress.

It happens in this and other ways, that the losses made by shareholders in railroads, impress themselves more upon the observation of the community than do the gains of the holders of railroad bonds. Those gains often really exceed the losses of shareholders, and still oftener are the principal causes of the losses of shareholders. In other words, shareholders are frequently losers, not because the railroads in which they invest do not pay the average current rate of profit, but because they have made such bargains in the sale of bonds on them, as to deprive themselves of any share of the profit.

It is, of course, always true that shareholders make such bargains with their eyes open, and it is frequently true that they have local and personal reasons connected with the indirect advantages resulting from railroads, such as improvement of trade and real estate at particular points, to make them willing to pay for shares in them, even when they expect no direct income. It is also most commonly true that railroad bonds are sold to persons who have no other inducement to buy them than the rate of interest which they pay. But, although not a matter to be fairly complained of, it is none the less a fact, that it is the bondholders who get the lion's share of the direct profits of railroads.

What the average net rate of annual profit actually is, upon all descriptions of property in the United States, is a

question intrinsically obscure from the multiplicity and uncertainty of the elements which must enter into the solution of it. It is not wonderful that opinions about it differ widely, and nobody, unless very confident of his own superior wisdom, will presume to be very dogmatic in defining exactly what it is. But if the more common opinion, that it does not exceed three percentum, is any approximation to the truth, it will be admitted that if the holders of all the railroad bonds in this country, taken as a mass, receive one-half of the interest which those bonds promise to pay, they will receive a rate of interest on the prices at which these bonds were actually issued, quite equal to the average net income of all the farms, houses, mills, and ships in which they and others have invested. In point of fact, more than half of the interest promised in railroad bonds, taken as an aggregate, has been paid, and is likely to be. The excess realized beyond one-half of the promised interest on the bonds is, probably, greater than all the real losses in the shares of the railroads, considering that satisfactory dividends are paid on a considerable proportion of them. It is doubtful if the per centage of them on which no dividends are paid, exceeds the percentage which is ordinarily known as *water*, and for which no value was given. The effect of this, in a general view, is not altered by the fact that a good many shares which are mere water receive the best and most regular dividends. It is important to individual owners to have the particular shares which they hold, pay well, and quite unimportant how the shares of other people fare. But from the National point of view, and as affecting the question whether railroad investments as an aggregate have been directly profitable or otherwise, the only things to be looked at are the total sum really paid for all the railroad shares and bonds, and the total sum received from them by way of dividends and interest.

In this country, according to the latest returns in *Poor's Railroad Manual*, for 1877-8, the share capital, and bonded debts of the railroads were about equal, being as follows :

Capital stock.....	\$ 2,248,358,375
Funded debt.....	2,220,233,560

In the United Kingdom of Great Britain and Ireland the proportion of share capital, including the preferred shares, is greater. According to the latest returns, reckoning the pound at \$5, the amounts were as follows :

		Percent. of total capital.	
Ordinary shares.....	\$ 1,325,206,150	...	39
Preferred.....	1,185,240,750	...	35
Debenture capital.....	859,748,340	...	26
Total.....	\$ 3,370,195,240	...	100

In respect to preference shares issued in Great Britain since 1863, if there is a deficiency of income in any particu-



lar year to pay the dividends agreed to be paid, it is not recoverable out of an excess of income in subsequent years.

In considering the question of profit and loss in constructing and operating railroads, from a public point of view, certain great, and unfortunately too well-known, profits connected with both things, are to be taken into the account. The Credit Mobilier of the Union Pacific will at once suggest itself to the reader. That was the most conspicuous case of the kind, but cases similar in character are innumerable. One of the most solid and best paying roads in the country, that from New York to New Haven, besides declaring ten per cent. dividends, has been carrying for a generation, the load of an extra million made out of its construction, and of two millions stolen by Schuyler.

How much of the money represented as invested in railroads was diverted to other uses in ways like these is not exactly ascertainable, but is known to be vast.

In the case of the Erie road, it would be practicable for anybody having leisure enough and a sufficient taste for figures, to make an account, showing on one side all the moneys it had received from the beginning from purchasers of shares and bonds, and on the other side all it paid as dividends on shares and interest on bonds. With such an account, every person who had decided for himself what the average rate of profit on property has been in this country during the period of the existence of the Erie road, could allow that as an interest rate on all payments to and by the road, and thus arrive at an apparently satisfactory conclusion as to whether the road had paid less or more than the average rate of profit. But an element interposes itself here, which cannot be reduced to the form of an accurate account, and that is the element of stealing. When annual receipts and disbursements aggregate thirty or forty millions, and where so many men of the stamp of James Fiske have had an unchecked control for a large part of the time, it becomes a case for the imagination. Accountants only mystify it the more.

One of the apparent losses, which is not real, common in all recent fixed investments in this country, namely, the apparent loss arising from the recovery of the greenback currency from its great depreciation relatively to coined money, is very conspicuous in railroad building, because it was most actively prosecuted when that depreciation, although not so great as when the final issue of the civil war was undecided and deemed to be doubtful, was still very marked and serious. No direct real loss, or gain, can result in a National point of view, from a change in the money rating of a fixed investment, resulting from an appreciation or depreciation of money. The position of an owner, who is neither a creditor nor debtor, is in no way affected by either circumstance, and when the owner is either a creditor or a debtor, his loss,

if he is a loser, is necessarily offset in a public sense by an exactly equal gain to somebody else. If railroads built with greenbacks worth only fifty per cent. in coin, are now worth fifty per cent. of their greenback cost, they are worth precisely what they cost. It is true that those who invested their depreciated greenbacks in railroad building, might have invested them in certain classes of mortgages and certain classes of bonds, and have realized a great profit thereby. But missing an opportunity to make a profit, is a very different thing from making a loss.

Of course, the change in the value of the money in current use, from the appreciation of the greenback compared with coin since 1865, has greatly affected the position of the several classes of owners of railroads relatively to each other. The change has been to the prejudice of shareholders, and when the roads at the new money valuations have been inadequate to pay all the bonds, those secured by second, third and fourth mortgages, have been sacrificed to the bonds prior to them in right. But the general, public wealth is not affected by such cases of the good or ill fortune of individuals.

On the whole, while admitting that the direct profits of railroads to their owners are less conspicuously clear than their effect in advancing the general interests of the country, and while admitting also that these profits have been in some cases inequitably divided, and in other cases diverted into unworthy channels, we believe that in the aggregate, and after allowing for all losses, they much exceed the average rate of profit upon other investments.

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## GOLD CONTRACTS.

According to the present course of the decisions of judicial courts, contracts to pay particular kinds of money, as gold dollars or silver dollars, may lawfully be entered into and can be enforced by legal proceedings. Where there is no special stipulation to the contrary, such contracts, if they call for gold dollars or silver dollars, can be performed by the payment of dollars of the weight and fineness prescribed by law at the time of payment. It was to guard against the effects of a possible reduction of either the weight or fineness of coins, that the Act of Congress, of July 14, 1870, under which the debt of the United States is now being refunded, provided that the coins in which the bonds authorized by the act should be paid should be of the value existing at the date of that act and not at the dates when used in payment.

It is not surprising that during the civil war, and for

some years afterwards, when the depreciation of the greenback was heavy, money contracts were made payable specifically in coin or in gold. This was particularly the case with railroad and other bonds which it was desired and intended to negotiate in foreign markets. In some instances, the same object of negotiability abroad was accomplished by the method of making bonds payable in London and in sterling money. In the last case, the purchasers actually incurred the risk, which probably none of them took into account, that sterling money might be depreciated below gold by another suspension of the Bank of England.

These coin contracts have continued to be made notwithstanding the constant appreciation of the greenback to a parity with coin, and the number of such contracts, especially of those in the form of gold contracts, seems to be as great now as ever before. Considering the scale upon which they are being entered into, it is remarkable that so little attention is attracted to them. The bonds of New York city, running from thirty to fifty years, for \$6,900,000, principal and interest payable in United States gold coins, have recently been sold, without any comment by the city press upon the policy of such a transaction. And yet it would seem, on the face of it, to be a somewhat serious matter, to assume a liability to pay a debt in a particular metal, and to take all the risks of a rise in that metal, for so long a term as half a century. The city authorities have not informed the taxpayers what pecuniary inducement the city received for making these bonds payable in that way. They have not informed the taxpayers, how much less would have been obtained for the bonds if they had been made payable in coin, or in lawful money. In other words, the taxpayers do not know how much more the bonds sold for by reason of being made payable in gold, and until that is known, they are ignorant of the inducement there was to make them payable only in gold. There is too much reason to fear that it was a very improvident transaction. It is certain that the four-per-cent. bonds of the United States, payable in coin, so that the United States have the option of paying in silver, are being steadily and eagerly taken by investors. Unless some unanticipated explanation can be given of what has been done, the public will be apt to conclude that, at any rate, there was no necessity for making the five-per-cent. bonds of this city payable in gold. And it is probably true in all cases, that the risk of such promises overbalances what is received for incurring it.

The subject has many aspects, but for the present, we will confine our comments to two of them.

The first is, that if it is assumed to be the determination of this country to maintain the double metallic standard, public policy requires that contracts to pay metallic money should

be coin contracts. What is desirable under that standard, is, that the legal and market values of the two metals should as nearly as possible coincide. The most powerful cause tending to produce that coincidence is the option of debtors to pay in either metal, which option always shifts the demand from the dearer to the cheaper metal. To whatever extent contracts are permitted to be made, and are actually made, payable in a particular metal, this equalizing action of the double standard is nullified. If one of the metals is at any particular time the dearer of the two, the demand for it is not on that account withdrawn, but it must still be procured, at whatever cost, by those who have promised it.

The second is, that one of the objects aimed at, and perhaps the object principally aimed at, in these gold contracts, which is their greater facility of negotiation in foreign money markets, is something which legislation ought to discourage rather than encourage. However it may have been in former periods of our history when capital was relatively very deficient in this country, as compared with certain European countries, there can be no necessity now for submitting to the disadvantages of having the public and corporate securities of this country held abroad. The free trade *doctrinaires* may say that it is as clearly best to borrow money wherever it can be borrowed the cheapest, as it is to buy goods where they are sold at the lowest rates, but all theories are subject to practical limitations. It is a good thing to borrow money at low interest, if it must be borrowed at all, but it is also a good thing to have whatever interest we must pay, paid to our own citizens, who spend their incomes among us, and who, in various ways, contribute towards our public burdens, even if they are not taxed directly upon some of the bonds they may hold. Now that capital in the United States is already so abundant, and is still accumulating at so rapid a rate, we can have both those good things, moderate rates of interest, and home creditors, instead of foreign creditors. Some respect in such matters is due to the popular instinct and judgment, and they both strongly favor keeping our debts in this country. The people are not at all attracted by the apparently low rates of interest of foreign money. They look at that question on all its sides. They see that loans negotiated abroad are never realized in money, but only in the form of foreign goods, at enhanced prices, and that importations swollen in that way both encourage habits of extravagance, and interfere with domestic industries. They see, too, that to whatever extent foreigners take our bonds, they take so much the less of our staple exports.

Many of the observations which we have ventured to make, apply, not only to the case of contracts made payable in

gold, as distinguished from coin, but to the case of contracts made payable in metallic money, as distinguished from any other money which may, at particular junctures, be made "*lawful*," as the greenback was and is. And we confess that we believe that the policy of England, and France, and other financially strong European countries, as respects the terms in which their National securities are expressed, is much wiser than ours has been since 1862. England promises pounds sterling and France promises francs, but neither of them promises gold, or silver, or coin. They pay in such pounds sterling and such francs as are lawfully current at the time of payment. England paid its debts, principal and interest, from 1797 to 1821, not in coin, but in Bank of England notes, and France paid francs in the notes of the Bank of France during both the last suspensions of that institution. The contrary statement made in respect to France is erroneous, and is only true of a particular loan, called the "*Morgan loan*," which was negotiated during the recent Prussian invasion, and made payable in sterling money.

The power of Congress to impose stamp duties on contracts of all kinds, affords an ample and ready means to enforce any public policy in relation to contracts, which may be determined upon after a proper discussion of the subject. It is by an excise duty, that Congress suppresses the circulation of State bank notes, and that legislation has been sustained by the Supreme Court of the United States. (See case of *Veazie Bank vs. Fenno*, 8 Wallace, 533.)

Of course, nothing that is here said is intended to apply to contracts made payable in specific commodities. Money is well known to fluctuate in value in long periods of time, and sometimes in short ones, and very cautious persons endeavor to guard against such fluctuations, by stipulating for payments on long contracts, such as long leases, to be made in some commodity like wheat, of large production and general consumption. A conspicuous example of that kind, is the case of the leases of the English University at Oxford. A Boston millionaire at the beginning of this century, selected Russia sheet iron as the material in which some of his tenants were to pay their rents. Gold and silver, in their uncoined form, so much weight and of such a fineness, may be selected as an agreed mode of payment. But permitting contracts of that character is a very different thing from permitting money contracts to be made, payable only in a particular kind of money. The sound public policy is, not to increase the divergence in value between moneys of different kinds, but to diminish it, and not to recognize the divergence, when it can possibly be avoided.

## THE PARITY OF GOLD AND SILVER COINS.

It is agreed on all hands that if silver bullion continues at any sensible depreciation below the ratio of 15.98 to one of gold, the monthly coinage of two million silver dollars will finally cause them to be at the same depreciation as compared with gold dollars. The doubtful question is, at what point this result will be reached, or in other words, how many coined silver dollars will circulate at a parity with coined gold dollars. The question is doubtful, because it is new to our own experience, while no clear light is thrown upon it by the experience of other nations, and because, as to the facts which must influence the solution of the question, some cannot be exactly ascertained, and others may be changed by future events.

The subjection of the amount of the coinage of either metal to the will of the Government, is an entirely new thing in the history of coinage, except in respect to subsidiary coins. It is, in fact, not yet quite five years old, having been first adopted by the States of the Latin Union, in January, 1874.

It is, of course, true that the value of any species of money, with or without intrinsic value, can be fixed and maintained at any desired point by a limitation of its quantity. That is true, as an abstract proposition, of even paper money, but subject to the inherent, practical difficulty, that no limitation of its quantity can be relied upon against the overpowering temptations to increase the issues of it.

In the case of France we have an example on a larger scale than anywhere else, of silver coins maintained, by a limitation of their quantity, at a parity with gold coins. The difference between the bullion values of the two classes of coins is about three per cent. greater than it is in this country, the French legal ratio of the metals being  $15\frac{1}{2}$  to one, whereas with us it is 15.98 to one. Yet, notwithstanding this greater difference, the French silver coins are at a parity with the gold coins. The proportion of the two classes of coins has always been stated until recently as two of silver to three of gold, but the estimate of the silver coins is now increased. This is, probably, not a change in the methods of estimating, but a change in the facts, as large amounts of silver have lately flowed into France from the other States of the Latin Union, and especially from Italy.

If we should determine the probabilities in the United States by the experience of France, we should conclude that a number of silver dollars, equal to two-fifths of our total metallic money, would float at par with gold dollars, no matter what the relative values of gold and silver bullion might be. If we assume that after resumption our total metallic

money in all forms, in current use, in private hoards, and in bank and Government reserves, is to be from three to four hundred millions, 120 to 160 millions of silver dollars could be maintained at a parity with gold dollars. In other words, we should not expect any depreciation of the silver dollars, at the present rate of coinage, in less than four or five years.

But while we know that France, with two-fifths of its metallic money in silver, experiences no depreciation of it, we do not know, by any actual trial, that the same fact of non-depreciation would not have been witnessed if the silver coins had been three-fifths of all the coins. It merely happened that two-fifths was the actual proportion when the total suspension of the silver coinage was ordered in August, 1876.

In the case of Holland, where the proportion of silver is very much larger than in France, there is nothing in the course of its exchanges with other nations, which indicates that its currency has undergone any great change of relation to that of nations using gold, notwithstanding the marked change which has occurred in the world's markets in the relation of silver bullion to gold bullion. No silver coinage has been permitted in Holland for the account of individuals since June, 1875, and little or none is executed for the account of the Government. As respects gold coins, Holland had none when the law of June 6, 1875, was passed, having been an exclusively silver country since 1847.

The new gold coinage commenced July 1, 1875, and was as follows :

	<i>Florins.</i>
Last six months of 1875.....	41,100,000
During the year 1876.....	15,811,060
	56,911,060

The Dutch florin is worth about forty cents.

This coinage was wholly for the account of individuals. There was no gold coined during the year 1877 and probably there has been none since. The larger part of the actual coinage of gold was before the difference in value between gold and silver became very marked.

All the accounts we have seen point to the conclusion that, during the present year, gold has been rather flowing out of Holland than flowing into it.

The *Frankfurter Zeitung*, of May 8, 1878, said :

The gold bullion of the Bank of the Netherlands has experienced a considerable diminution recently. During the year 1877, £66,000 in Dutch gold coins and £1,767,000 in foreign gold and bars have been exported, and the process is still going on. In April, of this year, £417,000 has already been taken for the same purpose.

How much greater the proportion of silver is in Holland than in France, we have no means of stating with any pretensions to accuracy, but it is certainly considerably greater. If, therefore, the Dutch case is a fair precedent for us, we might conclude that the silver dollars will not depreciate at some

proportion considerably higher than two-fifths of our total metallic money.

The silver dollars, if our laws remain as they are, are just as valuable for all domestic purposes, that is, for paying debts and taxes of all kinds as the gold dollars, and in the form of certificates they are just as portable and convenient. They are much less valuable for export, and it is possible that they may remain so for a long term of time. At the present moment, this foreign availability of gold counts for nothing, as the balance of the foreign trade is now heavily in our favor. But the balances of foreign trade are never permanently in favor of countries which, like our own, are largely producers of the precious metals, and a change is certain to come at some time. An adverse balance of trade has not yet been encountered by France, since its limitation of the silver coinage, and how that might affect its power to maintain the parity of the two classes of coins, has not been put to the test of a trial.

Of course, the effect of an export of metal caused by an adverse balance of trade, would depend upon the amount of the export, compared with the amount of the exportable metal which was available. But it is difficult to predict exactly how much an export of gold from this country, equal, for example, to half the amount of it on hand, would raise the value of the gold dollars as compared with the silver dollars. If it is assumed that our total metallic money is at any given time \$300,000,000, divided into \$180,000,000 of gold and \$120,000,000 of silver, and that \$90,000,000 of the gold should be exported to settle an adverse balance of trade, it is plain that the value of the \$210,000,000 of metallic money remaining in the country would be decisively increased, but it is not so plain how much change there would be in the relative value of the gold and silver dollars. \$90,000,000 of the gold dollars would have been exported, but \$90,000,000 would still remain, having no special, distinctive utility for home purposes not equally possessed by the silver dollars. It might turn out that an export of gold, not actually proceeding to the length of exhausting it entirely, would create no greater premium on it than was necessary to cause its collection and concentration for the purposes of export.

Our conclusion upon the whole case is, that there is certainly no occasion to apprehend any early depreciation of the coined silver dollar, and it is among the possibilities that before it can occur from the existing depreciation of silver bullion, that last depreciation may itself disappear by a change in the markets. The results of mining are proverbially uncertain, and now that the value of the precious metals is so much affected by the action of Governments, we must take into account that new element of uncertainty which is found in the fickleness of legislation.



## INDIA'S LOSSES FROM THE SINGLE STANDARD.

The following letter from Professor Emile de Laveleye, of Liege, Belgium, to Mr. George Walker, of New York, has been translated and sent to us for publication, by request of the distinguished writer. Professor de Laveleye is among the most eminent advocates of the double standard in Europe; and his writings on this subject carry the greater weight from his known attachment to hard money, and to the most conservative principles of banking and financial management. There is a remarkable similarity between the condition of India when Europe was overtaken by a flood of gold, after the Californian and Australian discoveries, and the present condition of the United States when Europe is complaining of a flood of silver. There is, however, this difference, that in the former case, the natural increase of the supply of gold, was much greater than the present artificial supply of silver, which results from the action of the German and other governments.—EDITOR BANKER'S MAGAZINE.

LIEGE, *October 9, 1878.*

MY DEAR MR. WALKER :—The Monetary Conference lately assembled at Paris, on the invitation of the United States, has adopted resolutions which are the counter-part of those of 1867. In 1867 all the countries participating in the conference agreed that gold was the only metal to be used. On the present occasion, being alarmed at the formidable perturbations which such an attempt would involve, they have decided that it will not do to further abridge the functions of silver. This is a great point gained; but, as England is not willing herself to adopt the bi-metallic system, she is forced to admit that it is desirable that some countries shall have gold and others silver. The world would thus become bi-metallic, taken as a whole, but as no country would hereafter make a common use of both metals, there would cease to be any intermediary between the gold countries and the silver countries.

Certain facts, borrowed from the monetary history of India, which have recently come to my knowledge, go to show, at once the inconveniences of such a system, and the advantages of a simultaneous employment of both gold and silver. Previously to the Act of the Government of India, No. XVII, 1835, by which an uniform coinage was established for the British dominions of India, the gold mohur of India, and other gold coins of Madras, and Bombay, were a legal tender, being valued relatively to silver, in the proportion of one to fifteen. By the Act of 1835 gold coins of five, ten, fifteen, and twenty rupees, were authorized to be coined and received at the public treasuries, not as legal tender, but at a rate to be fixed by proclamation. A proclamation of Jan-

uary, 1841, authorized these coins to be received, without restriction, at the previous ratio of one to fifteen, thus introducing *in fact* a double standard.

In 1852, under the influence of the gold panic, then beginning to show itself, notice was given on the 22d December, that gold coins would no longer be received at the public treasuries; and thus India became silver mono-metallic.

Ten years afterwards, a severe monetary crisis burst over India. In consequence of the war in the United States, India sent large and unprecedented quantities of cotton to Europe. Hence arose those enormous exports of silver to pay balances, which alarmed Europe, and drove certain countries into a proscription of gold. India absorbed more than the entire annual production of silver. That production was estimated, at that period, at £10,000,000. The imports of silver into India amounted, in 1861-62, to eleven millions sterling, and in 1862-63, to fifteen millions. In spite of this extraordinary influx, the mediums of payment did not increase as rapidly as the exchanges. There was an inadequate supply of silver to pay for domestic products. The usual consequences of a scarcity of money manifested themselves. It will be useful to present a picture of the situation, painted from nature, and without any preconceived controversial purpose.

"The price of all securities has more or less declined, and other commodities have likewise been partially affected; but holders generally are too strong to succumb under a pressure which they feel to be only temporary; so instead of parting with their goods or produce for a smaller quantity of the circulating medium, they prefer retaining them. Prices, therefore, have not adjusted themselves to the reduced currency, but business has been altogether suspended. The demand for money continues great, and the bank rate of interest has been raised to twenty-four per cent., while those who have required to draw their capital from England, have been content to engage to pay 2s. 3d. there six months hence, for each rupee advanced in India. (W. R. Cassels, Esq., Bombay, to His Excellency, Sir Bartle Frere, K.C.B., Governor of Bombay, 1 January, 1864.) \* †

In view of these facts, Mr. Cassels very justly observes that: "the great desideratum of any monetary standard is that it should be as little variable as possible, and a general fall in the price of commodities is far more prejudicial to a community than a general advance." ‡

\* "The Mint Par between Calcutta and London is one rupee = 1s. 10½d."—Seyd on *Bullion*. (Trans.)

† The facts above presented are all taken from Parliamentary papers (*East India—Gold Currency*) published by order of the House of Commons, February 25, 1835.

‡ The Minute of the Hon. T. D. Inverarty, Bombay, February, 1864, quotes from the *Westminster Review*, of January 1864, the following remarks, which go to support the opinion of Mr. Cassels: "All the efforts which have been made to estimate the fall of value in gold by calculating the effect of the annual additions to the existing stock of metal, err, by ignoring the immense effect of the additions themselves upon the production and industry of the world, and by overlooking the direct tendency of such a stimulus to re-establish the old ratio between the

Thus it appears that, in 1864, India was subjected to a monetary crisis because there was a scarcity of silver, and, to-day, on the other hand, the largest part of the losses of that country are in consequence of silver having fallen in value. If India had had a currency of both gold and silver, it would have escaped both these crises. Moreover, in 1864, the Chambers of Commerce of Calcutta, Bombay, and Madras, the most intelligent financiers, and the Governor-General, in council, all demanded of the British Government that it should authorize the introduction of gold money side by side with silver money. The Governor-General, John Lawrence, was supported in this by the members of the council, R. Napier, H. B. Harrington, H. S. Name, C. G. Trevelyan, and W. Grey.

The following are extracts from a memorial of the Chamber of Commerce of Bombay :

"Showeth, that the monetary condition of India is in a most unsound and unsatisfactory condition, and that its exclusive silver currency is no longer adequate for the increased and increasing amount of commodities through its vast population; that the resources of India are only now beginning to be developed, and that its commerce and industry, now stimulated into healthy activity, are rapidly expanding in every direction; that the inevitable decrease in the amount of our currency, therefore, just at a time when the amount of commodities to be circulated has so enormously increased, with a consequent violent disarrangement of prices, cannot fail to be most disastrous to India; that our exclusive silver standard renders our direct trade with Australia and other gold producing districts impossible, and forces a country with abundance of the more precious metal to traverse half the globe in search of silver before she can pay for her commodities."

These several documents present, in a clear light, the inconveniences which result from the want of a common medium of exchange between different countries. Mr. Laing expressed a decided opinion on this point in introducing the Currency Act of 1861. He said that "it seemed to him a pity to enact that for all time to come, in transactions between countries such as Australia and India, an Australian merchant should not be able to pay for a cargo of Indian rice without resorting to the roundabout and expensive process of sending his Australian gold to London, thence to France or Germany to buy silver, and finally send that silver round the Cape to India."

In an excellent memoir addressed to the Governor-General (Minute on a gold currency for India; Simla, June 20,

circulating medium and commodities, upon which ratio the prices ultimately depend." This article, and the book of Dr. Nassau Lees, *The Drain of Silver to the East and the Currency of India*, demonstrate that there are no limits which may be safely assigned to the capacity for absorbing the precious metals possessed by a fertile country of 200 millions of people like India.

1864) Sir Charles Trevelyan correctly represents the advantages of a concurrent use of gold and silver.

"If, by an alteration in the regulation of the Indian mints, gold were placed on the same footing as silver, the course of trade would be as follows: The pastoral and mining population of Australia is supplied with clothes and other necessaries of civilized life from England. The proceeds of this trade would be invested in Australian gold and copper, and these would be sent direct to India to pay for cotton and other produce exported from India to England. The shipping would benefit as much as the mercantile interest. We should hear less of vessels coming out to India in ballast for the sake of the homeward freight. Some ships would make the triangular voyage; others would return to Australia with cargoes of sugar, rice, and other colonial produce. A regulated process, the successive steps of which might be certainly calculated upon, would be substituted for the present fitful and desultory trade, and all parties concerned would profit by the change."

Sir Charles Trevelyan, although at that time entertaining a general idea of the superiority of the single standard, remarks as follows:

"As in the British Colonies, so in the United States and France, the alternative legal-tender caused no inconvenience in reducing values, and the recent accession of gold did not affect in any perceptible manner prices, obligations, or interest of any kind whatever. It will be seen from papers describing the currency of Ceylon, which is an integral part of India, that Ceylon is considered to owe to its double standard its comparative immunity from this severe monetary crisis through which India has lately passed."

The documents to which Sir Charles refers are: first, a "memorandum by Mr. Pennifather, Auditor-General in Ceylon." We find in this document, that pursuant to Royal decrees of 1825 and 1857, British silver coin, and sovereigns, whether British or Australian, are a legal tender; each sovereign for twenty shillings or ten rupees. As proof of the potency of law in regulating monetary relations these different coins, although very unequal in intrinsic value, circulated side by side. The rupee containing 165 grains of silver was exchanged without preference for the English florin, which contained only 152.3 grains. In a letter of Mr. Moir, acting manager of the Oriental Bank, to the Governor-General of Ceylon, June 7, 1864, we read as follows: "A double standard of currency, gold and silver, is thus in use in this colony, and notwithstanding the objections which have been urged against this system in theory, I believe that no practical inconvenience has been found to result from it. On the contrary, Ceylon owes to the double standard its comparative immunity from the severe monetary crisis through which India has recently passed."

We find it said also in a memorandum by P. S. Melville, Commissioner at Umritsur, "that the best informed merchants are in favor of the measure that gold should be legal tender equally with silver, at the option of the payer."

Among these monetary documents we also find a very remarkable memoir from a financial economist enjoying in India the highest authority. This memoir is entitled "Minute by His Excellency, Lieutenant-General Sir W. Mansfield, K.C.B." Sir W. Mansfield is, in theory, a thorough going mono-metallist, nevertheless, he cannot shut his eyes to the evidence which proves the service rendered by bi-metallism. We quote from the document the following highly instructive passage. Speaking of France and the United States, he says; "Their enormous wealth and trading power demand a great mass of metallic currency and reserves, and the demand is ever increasing with the progress of their development, the daily augmenting multiplicity of the engagements and obligations they have to meet. For, as the trade of a country and its capacity for production increase, so also does its demand for metallic reserves. The reserves of France, and of the United States, must, as a matter of course, follow such a very simple and obvious rule, and we have evidence of it in the enormous gold coinage of both countries. The latter fact shows, besides, that their reserves are now held in gold instead of in silver, or part silver and part gold, as in former times. In these circumstances, and in the fact of the increasing wealth of Great Britain, France, and the United States, we find a chief reason why the value of gold has been but little affected by the gold discoveries, and the extraordinary production of gold, which has taken place in recent years, as compared with times antecedent.

"If, as was done in some other countries, gold had been artificially demonetized by France and the United States, subsequently to the gold discoveries, the result expected with much alarm, by some economists and Governments, would probably have ensued. It is certain that, according to the amount now producible in the known mines, silver could not have continued to supply the currency and reserves of these countries, amid their great development, without an extraordinary rise in its value, as compared with gold and other commodities. Had, then, those countries been as ill-advised as some others, it is really true that silver might possibly have taken the place of gold, and all loans and obligations, including public debts, nominally payable in silver, would, in such case, have been doubled, perhaps trebled in value.

"It perhaps may be said, then, that the course pursued by France and the United States, and by England, in the matter of metallic currency, has saved the world from a great revolution in the relative value of the precious metals, and

from the evils which could not fail to have followed from such a revolution. On the other hand, the conduct of other governments which acted under feelings of alarm, and from incapacity to grasp the reality of what they were about, was exactly calculated to cause the disaster, which was the object of their fears. In the countries under such other governments the fact was overlooked, that to demonetize gold, which had hitherto been used in aid of a silver currency, was to add to the effects of the change caused by the gold discoveries; in the absence of compensating foreign causes, to degrade the value of gold by arbitrarily reducing the demand for it, which had hitherto had the sanction of law and custom; to deprive it of the principal functions, on account of which heretofore it had been largely produced, viz., the functions of currency and deposit, of forming part of the National reserves, whether in the public exchequer or in individual hoards. Thus was gold reduced in those countries hastily and arbitrarily to the rank of a mere commodity of trade and manufacture, instead of being permitted to be the agent of vast operations involved in the character of being a legalized representative of value.

"In addition, therefore, to the mines discovered in California and Australia, *gold mines were artificially created by the inconsiderate conduct of the Governments alluded to.* To the best of their ability, these governments poured forth on the world the gold hitherto absorbed in their metallic currencies, or condemned it to idleness, when they degraded it from use in their domestic exchange. That took place which has been stated certain to occur in the absence of disturbing causes. Gold was relatively cheapened as regards silver, its price being determined by the artificial value communicated to the latter. For the value of silver could not but be proportionally raised, with regard to the amount of that metal existing and annually produced in the world being called on to perform the great function of money, or of representative of value, which had hitherto been divided between silver and gold. The consequence was, that in all the countries adopting this course, a positive injury was done to the community generally, and to all debtors, because the repayment of obligations, from the date of the legality of the gold tender being denied, had to take place in silver, the value of which had been thus artificially and arbitrarily raised, that being subsequent to the date on which the contract of the obligations had been made. This injury was to the detriment of the State in its character of debtor, as it was to all other debtors.

"It was a successful speculation in favor of the fund-holder, and of all creditors. It was also a successful speculation in favor of all those who happened to possess hoards of silver metal, while it was the contrary to the holders of gold, it

being understood that disturbing causes of the counter operations of wiser governments are put on one side, while the question and its conditions are stated with purity and absoluteness. Under such circumstances, there is small room for surprise that silver should rise five per cent. in value, which may be fairly attributed to the conduct just illustrated, and not to the new production of gold. We can only be thankful that it did not rise still more, a circumstance which, as above shown, can only be accounted for by the wise conduct of the three most wealthy and actively-producing communities in the world, those of France, the United States, and Great Britain, and by the fortunate era of peaceful progress, and of national development, in which that conduct took place. The progress and the development of these countries were sufficient to prevent any but slender changes in nominal value, on account of the increased production of gold, and their conduct was almost able to obstruct the mischievous regulations of other governments, which tended directly to raise the value of every debt, public and private.

"We cannot then resist the conclusion, that the conduct of the governments of Holland, Belgium, and India, in this matter, which has been mentioned in terms of commendation, as being an useful experience, by a great authority (the late Mr. Wilson\*), it being called by him an act of great caution, was in fact one of inconceivable rashness."

It would be difficult to present in a stronger light the absurdity of the decisions under which certain governments, like that of Holland and Belgium fourteen years ago, and of Germany six years ago, determined to sell the metal which had fallen in value, and to buy, at whatever cost, the metal which had risen in value, thus, by their own act, producing the very crisis which they dreaded.

In conclusion, Sir W. Mansfield proposed to adopt the French double-standard system, at the same time coining gold sovereigns to which the law should assign a value, equivalent to 10.4 rupees.

In consequence of the pressing urgency of the Indian Government, the Secretary of State for India, Sir Charles Wood, authorized the Governor in council, to give notice that the sovereign would be received by the government as the equivalent of ten rupees. Inasmuch as the rupee was already worth 10.5 rupees to the sovereign, this measure had scarcely any practical effect; and it became entirely nugatory when silver gradually recovered its normal value of 10.61 per sovereign.

The ratio of one to fifteen, which was admitted in India, put too low a valuation on gold, but if the ratio of 1 to 15½ were to be now adopted there, there is reason to hope that gold would enter into the circulation. The just remark of

\* James Wilson, first Finance Minister of India, and founder of the *Economist*.—(Trans.)

Sir Charles Trevelyan would be here applicable. It is precisely when gold cannot immediately enter into use, that it can be made a legal tender without doing injury to the rights of creditors. "The object is not to make a revolution and breach of faith by a sudden flood of gold, but to provide for the future, as the first Napoleon did, half a century before the discovery of the California gold fields."

The Council for India, in London, has, I am credibly informed, a majority favorable to bi-metallism. This is also indicated by a very interesting pamphlet lately published by Mr. W. T. Thornton, Secretary of the Council, under the title of "*The Indian Side of the Silver Question*"; four letters to Sir Louis Mallet, 1877."

From these monetary documents relating to the currency of India, the following conclusions are to be drawn :

(1.) That trade between India and England is embarrassed wherever there is either a rise or fall in the price of silver,\* and that this mischief would be immensely aggravated if it had not the double-standard systems of France and the United States to modify it.

(2.) That in the opinion of the most competent advisers in India, the only remedy is the simultaneous circulation (on equal terms) of the two metals.

(3.) That in 1862-64, bi-metallism saved Ceylon from the crisis which overtook India.—I remain, dear sir, truly yours,

EMILE DE LAVELEYE.

## WHAT GERMANY PAYS FOR THE GOLD STANDARD.

We find in the *Moniteur des Intérêts Matériels* of Brussels, of October 20th, the following extracts from a letter addressed by Professor de Laveleye to M. Paul Leroy Beaulieu, editor of the *Economiste Français*, with whom he has lately carried on a discussion of the bi-metallic question.

"I earnestly invite mono-metallists to consider the results attained by Germany. She determined, like England, to have the single gold standard, without reflecting that London is the centre to which flow the precious metals of all the world; and that, in spite of this fact, the Bank of England cannot protect its metallic reserve without a frequent resort to raising the rate of discount. Germany, to begin with, has lost about forty millions of francs in the sale of its surplus silver. It has coined about 420 millions of silver marks, and at the same time, by means of forced sales, has caused a decline in the value of this silver coinage of at least ten per cent., thereby losing another fifty millions of francs. (See the

\* Mr. Stephen Williamson, in one of his publications on the Silver Question, mentions the heavy losses which Liverpool merchants recently sustained in copper, bought in Chili when silver was at its lowest point, and paid for after the rapid rise which ensued.—(*Trans.*)



recent pamphlet of M. Ottomar Haupt, *Die Stellung der Scheidemunze im deutschen münz-system.*) Ninety millions of francs is, therefore, the sum which Germany has paid to indulge the theories of N. Soetbeer. But that is by no means all. The German gold pieces are drawn by the ceaseless force of attraction towards the crucibles of the mints of Paris, of London, and especially of Brussels. Many millions have already reached these melting pots. To prevent others following the same road, the Bank of Berlin (Imperial Bank of Germany) is obliged to keep its rate of discount, in general, at two per cent. above that of London, Brussels, Amsterdam, and Paris. With a double standard, and the right to disburse silver, there would be nothing to prevent Berlin from putting its rate on a level with that of other Western cities. The industry and commerce of Germany have, therefore, to pay two per cent. more for their capital than their competitors.

"I leave to M. Ottomar Haupt the trouble of calculating what the gold standard annually costs Germany. It is a tithe paid to the bankers. Accordingly we find that producers and merchants are beginning to think that they are paying too much for a theory. The newspapers and Chambers of Commerce are already uttering their protests. To the suffering which Germany is thus imposing on herself, are to be added the losses which she has inflicted on her neighbors. As Mr. Dana Horton has well expressed it (*The Monetary Situation, 1878*), money is international, "an institution not of one nation, but of the world." Whatever is done by one nation finds its counterpart in others. Germany has caused a loss to England of seventy-five millions of francs, merely in the Treasury bills drawn on Calcutta, not to speak of the still greater sums which individuals and merchants have lost besides. It has forced the Latin Union to close its mints. It has caused all silver-producing countries to lose from ten to fifteen per cent. on their production. It has thus brought confusion into the monetary circulation of the whole world, and has itself suffered more than anybody; such are the incontestable fruits of the mono-metallic experiment. As a compensation, it is true that it has gained this advantage of having the military chest in the citadel of Spandau to-day filled with gold, and no longer with the inferior metal—silver.

"To reduce the stock of money is to reduce prices, and to reduce prices is to impose a loss on all those who have merchandise to sell. It is, therefore, to arrest the spirit of enterprise in industry and commerce on the very threshold. To steadily and insensibly increase the metallic stock, is, as you have justly said, the economic ideal, and this is exactly what is done by the united production of the two metals"

M. de Laveleye communicates to the *Moniteur* the following additional observations: "Here are some facts in support of what precedes. From 1874 to 1877, the Brussels mint has made use of German gold marks to the extent of 69,748,000 francs, and in addition an amount of 64,566,000 francs in ingots, nine-tenths fine, probably derived from the same source.\*

"During nearly the whole of 1877, the exchanges have been so unfavorable to Berlin, that it has been profitable to draw gold from that market. We can judge, therefore, how much must have flowed out of it. In a single article of the *Economiste Français*, the organ of the bi-metallic party,† I find numerous proofs of the vices of the system. (See the *Money Market*, September 23, 1878.) At the end of August of this year, there was a new outflow of gold from Germany. In order to check it, "the Imperial Bank was obliged to raise its rate from four to five per cent., although at that time, the rate in the open market did not exceed three per cent.

"Thus, the protection of the gold reserve is costing two per cent. to the commerce and industry of Germany.

"In Belgium, sterling exchange is worth 25-31,‡ but if it even touched the figures at which it would be profitable to export gold, the operation would not involve any considerable amounts, as the National Bank would refuse to pay out gold for export, and offer silver." Thus, with the two standards, the metallic reserve is more perfectly protected than with gold only.

"London and Berlin, mono-metallic centres, are disputing with each other the possession of gold by successive raising of the discount rate, while the bi-metallic Bank of France has maintained its discount rate imperturbably at two per cent, since April 5, 1877. It sells to London, at one-half per cent. premium, the German marks which a favorable state of the exchanges has brought to it from Berlin. We could not ask for a more instructive picture, and yet it portrays the financial facts of only a few weeks time. Ceaseless anxiety with respect to its metallic reserve; restless inquiries as to the vessels arriving from Australia, to see whether they bring a little gold; raising the discount rate if America or Asia call for a small portion of this insufficient specie, such is the life to which the mono-metallic party desires to subject all Europe, and—to gain what practical advantage? That is a point which none of them has ever yet made intelligible."

\* English gold is eleven-twelfths fine, while German gold is only nine-tenths, and as France has been a creditor country, and, therefore, not exporting gold, the bullion spoken of by Professor de Laveleye, may fairly be assumed to have come from Germany.—(*Trans.*)

† This should be the *mono-metallic* party, M. Leroy Beaulieu, the editor, being a leading French mono-metallist.—(*Trans.*)

‡ The par of exchange is 25.22½, that is, 25 francs 22½ centimes to the pound sterling.—(*Trans.*)

## RESUMPTION—ITS DIFFICULTIES AND DANGERS.

The recent elections seem to indicate that the Greenback movement has reached its culmination, and that henceforth it must decline, and we trust, entirely disappear. If this should be the case, it will be fortunate for the country, and also for many ambitious men, for it will relieve them of the necessity of trying to face both ways. If it should be generally believed that the Greenback movement has spent its force, and that hereafter it will be no great factor in politics, we may hope to have more pronounced and rational views on the question of resumption. If I read the signs of the times correctly, they indicate that the majority of the people of this country desire resumption of specie payments, and look to those who are in power to bring it about, and that hereafter there shall be such a system of finance as will make it possible to have specie payments permanently. No half-way measures will do; Congress should repeal those laws which impede the work, and the Secretary of the Treasury should show that he is determined to do all within his power to make resumption a complete and permanent success. Failure there must not, and need not, be. Resumption is not only possible, but easy and sure if we only do what should be done. If we will we can make failure impossible. What is now most needed is a clear comprehension on the part of Congress and the Secretary of the Treasury, as to what resumption by Government is, with such a desire for its accomplishment as will lead Congress to give us the necessary legislation.

Specie payments can be maintained by the exercise of a little common sense, if accompanied by financial and political integrity—not otherwise. As yet it does not appear that these qualities dominate where they are the most needed, if this country is ever to have a sound currency. A review of the resumption laws and silver legislation will, I think, present clearly before us the course which we should pursue.

It seems to be considered unpatriotic to doubt the ability of the Government to maintain specie payments under the plan proposed. However unpopular it may be, I venture the assertion that it is not possible, and I cannot have much respect for the financial opinions of any one who shall assert to the contrary.

As the law now stands, resumption must begin January 1st, 1879. The law also provides that the legal-tender notes shall not be retired below 346 millions of dollars. If the notes are presented below this amount, they must be paid

out again, and the minimum of 346 millions maintained. With the channels of trade filled to repletion with paper money, how is gold to find a place and be able to keep it? If gold is put into circulation, and the legal-tender notes are kept in use, we shall have a positive expansion of the circulating medium which must be followed by a general rise in prices, a falling off of exports, and an increase of imports to such an extent as will require gold in settlement of the balance of trade. This would continue until such an amount of gold had left the country as would contract the volume of our currency to such an extent as to check the rise in prices and stop the outflow of gold. But, unfortunately, when this point shall have been reached, most of our gold will have left us, and we shall not have enough remaining with which to maintain specie payments, and we shall again have an irredeemable paper money. But if the legal-tender notes are destroyed as fast as redeemed, the coin will take the place of those retired. It will become a permanent part of the circulating medium, and thus maintain the volume of currency, and at the same time prevent a general rise in prices; or, at least, such a rise in prices as would not be the result of business improvement.

One might as well take a barrel filled with water and try to pour into it a barrel of oil, and expect both the water and the oil to remain and occupy a space only large enough for one, as to suppose that specie payments can be permanently maintained under the present law, or under Secretary Sherman's idea of resumption. In the one case the oil would be lost, and in the other the gold. Specie payments can be maintained only by substituting gold for the legal-tender notes. It will not do to meet this view with the charge that the writer is opposed to resumption, or that he is raising a dangerous discussion.

The next thing for consideration in this connection is the silver legislation. As the law now is, silver can be coined only for the Government, and such profit as there may be in the transaction goes to it. If the amount coined should not exceed that which could be used in the place of the one and two-dollar notes, it might be made to assist greatly in the work of resumption, but if coined in excess of this amount the tendency must be to make silver the money of the country to the exclusion of gold. If the law which compels the present monthly coinage of silver is not repealed, it will ultimately produce precisely the same results as would flow from free coinage. It is merely a question of time for the causes which now exist to produce this result. With or without free coinage the country must (if the law is not repealed) come to a single standard of silver. Not long after resumption gold would begin to leave the country, and not cease in its flight until

the amount held by the Government has been exhausted, though it would undoubtedly take some time—possibly two or three years—to accomplish that result. Then, the legal-tender notes would be redeemable in silver, and would necessarily sink in their purchasing power to the value of the silver in which they would be redeemable. This would somewhat enlarge the amount of currency which would be needed to maintain existing prices; but as there would be nearly, if not quite enough, paper money for this purpose, there would be little or no need of the silver coin, though it would, of course, be forced into circulation, and thus forcibly expand the circulating medium and inaugurate a general rise in prices. This rise in prices must continue until a point is reached where silver would, in its turn, purchase more elsewhere. It would then begin to leave the country, and continue to do so until the amount remaining would be so small as to form but a narrow basis for specie payment. Ultimately there would be a suspension of specie payments even in silver, and the country would again have an irredeemable paper currency, and be obliged once more to pass through a sea of trouble.

The last, and by far the most dangerous, proposition to be considered is the withdrawal of the bank notes, and the substitution of legal-tenders therefor, which Mr. Sherman says he should favor in preference to the retirement of the legal-tender notes. If this plan should prevail, and it now seems not improbable, we shall have the currency of the country entirely of Government legal-tender notes, redeemable in nothing, for it will not be possible for the Government to keep the coin necessary to maintain specie payment—at least not under existing laws. In the meantime we shall have passed through a period of business activity and of rising prices, until the currency of the land shall have found full employment, when we shall again witness a tight money market, and, having cut ourselves loose from the world's supply, we shall have no source from which to draw. We shall then be thrown entirely upon our own financial resources, the result of which must be that a panic will ensue, or the Government must issue more currency to relieve the pressure. Can we doubt the result? Would Congress resist the great pressure which would be brought on every side for more currency to avert the impending danger? If Congress should resist, a panic would follow, and once more the country would pay the penalty of folly and ignorance. But Congress would not resist the demand; more currency would be issued, and the danger would seem to pass away, business would go on, and prices would again advance, to be followed by another stringent money market, and the country would again be on the verge of a panic. Then we should have more currency; still higher prices;

again distress, and more currency, but the trouble would not pass away; there would be loss of confidence and distrust on every hand; a panic would surely come to arrest the folly and punish the country for the violation of well-known laws, and through general bankruptcy the country would come to a metallic currency, for there would be no other left which would have any value. Perhaps then we shall learn wisdom; but why purchase it at such fearful cost?

I may be asked how this can be averted? The answer is a simple one: Repeal the silver legislation of last winter, and limit the coinage of silver to the amount which will be needed to replace the one and two-dollar notes. While I believe that silver should be coined equally with gold by every nation, I cannot consider it wise for this country to take such an important step until other nations are ready to join hands with us.

*Second.* Pass a law compelling the Secretary of the Treasury to destroy the legal-tender notes as fast as they are redeemed, and to continue the redemption and destruction of them until the last one has disappeared. If this course should be pursued, failure of resumption would be impossible, and in three or four years all of the legal-tender notes would be out of the way, and the country would have a broad and solid foundation of coin on which the finances of the nation would safely rest. This would not cause any disturbance to business; but, on the contrary, it would restore confidence, and the country would enter upon an era of unequalled prosperity. Shall we grasp at the shadow and lose the substance, or will we be wise enough to secure the prize?

GEORGE A. BUTLER.

NEW HAVEN, Conn., November, 1878.

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THE CALL made by the Treasury Department, November 16th, for \$5,000,000 of the 5-20 bonds, was the first made since September 16. There was thus a substantial suspension for two months of the sale of the four-per-cent. bonds. For a part of that time, there was a pretty high premium on gold, which may account for the suspension, but the general explanation of it must be found in the increased rates of interest among bankers, since a money stringency has been caused in London by the Bank of England, and in the increased amounts of U. S. bonds sent from Europe to this country for sale. There is no reason to suppose that the capacity of our markets to absorb four-per-cent. bonds, has undergone any diminution, or that it will undergo any at present. Capital in the United States is accumulating rapidly, and there are as yet no great demands for it, either in railroads, or other public works, or in new industrial enterprises.

## THE EUROPEAN SITUATION ON THE SILVER QUESTION.

[FROM A FORTHCOMING VOLUME BY MR. GEO. M. WESTON.]

THE INTERNATIONAL MONETARY CONFERENCE OF AUGUST, 1878.

The conference at Paris had no other result than the adoption, without dissent, of a resolution, declaring in general terms that the interests of the world require that the position of silver, as one of the two metallic moneys, should be maintained. All accounts agree that the tone of the conference was in that particular materially different from the tone of the Paris conference of 1867. The events of the eleven years intervening between the two dates, have certainly been of a character to impair confidence in the project of a universal single standard of gold. The production of that metal is one-third less than it was during the five years of its greatest yield, ending with 1856, and twelve per cent. less than it was in 1867, and shows no signs of increasing again. In the meantime, the requirements for metallic money are constantly advancing, and in a year like 1878 of a general and marked fall in prices, the project of a universal abandonment of the monetary use of either gold or silver, would naturally excite more resistance than in 1867. And there was still another and perhaps quite as important a circumstance, in which the last conference differed from the first.

In 1867, the weight of the United States was thrown on the side of a gold standard, by its delegate, Mr. Ruggles, and still more by the presence in Paris and active co-operation of the then chairman of the Finance Committee of the United States Senate, Mr. Sherman. In 1878, the weight of the United States was thrown on the side of the double standard, by a thoroughly informed and able commission, which faithfully represented the National will as expressed in the law of February 28, 1878.

But the recent conference adopted no plan of the free coinage of silver by an international arrangement, and upon any agreed relation of value to gold, and the probability of such an arrangement in the future with the nations of Europe is quite as obscure as it was before the conference assembled. [*See Note.*]

The nation in Europe whose action is far more important than any other is France. It is one of the principal commercial nations, is specie-paying, and has a much larger

NOTE.—It is not improbable that the next international monetary conference may be held at San Francisco, which would be a convenient point for assembling representatives from Mexico, the Central American States, the silver-producing States of South America, and Asia.

metallic circulation than any country in the world. The French Minister of Finance, M. Leon Say, who is a sincere and steady supporter of the double standard, said in the conference that France intended to adhere to that standard, but could not resume the free coinage of silver until Germany had completed its silver sales. As the silver of Germany still to be disposed of is not estimated at more than \$75,000,000, and will probably be reduced by the use of a portion of it in an increase of the German subsidiary coinage, it is difficult to believe that the French mints would be kept closed to silver on account of it. If France took the entire \$75,000,000 in exchange for gold, it would only draw from France \$65,000,000 or \$70,000,000 of that metal, which is about one-eighth of the French stock. Some allowance ought to be made, undoubtedly, for the natural repugnance of Frenchmen to do anything, however harmless, or even useful to themselves, which would facilitate any German operation whatever. But, after all, it would seem that the real cause for the temporizing attitude of M. Say must be looked for in some other circumstance than the comparatively trivial one, to the suggestion of which he felt constrained to confine himself. No fact is known at this distance which can be this real cause, unless it is the existence of a gold-standard party in Paris, which is still strenuous and active. The concentration of banking and moneyed wealth at the French capital, has become in recent times second only and very little inferior to what is found in London itself. It would be irresistible if it was united in favor of gold. But there is no such unity. The Bank of France and the present French Baron Rothschild, at any rate, are unyielding in their adherence to the double standard.

Nothing is more likely than that the French policy on this question may continue a temporizing and expectant policy for several and even many years. Any immediate possibility of a gold standard for France was lost, when Germany got the first possession of that ground, by taking advantage of an extraordinary success in war, and of an enormous fine levied upon a conquered enemy, to decree a gold standard in 1871. The French silver coins, amounting, as M. Say estimated in August, to \$469,000,000, cannot be demonetized, because the gold can nowhere be found to supply their place, and because France cannot submit to a shrinkage of two-fifths, or more nearly perhaps one-half of her metallic circulation. Undoubtedly there is room for the extension in that country of the use of checks and clearing houses, and of the practice of making deposits in banks, by which it could part with a good deal of coin without reducing prices, but changes of that kind in National habits are not rapid.

But if France cannot demonetize its silver coins, it can,



for an indefinite period, refuse to strike any more. That policy, so far as it affects others, makes no demand on the markets of the world for gold, and tends to sustain the value of silver relatively to gold, to the extent, which is large, of the employment which it gives to silver in the French circulation.

In the specie-paying part of Europe, which is about one-half of it, the only debatable ground besides France, so far as this question is concerned, is Holland and Belgium. The gold-standard party is said to be rather gaining in both of them.

The influences which really control the actions of the governments of Europe, are hopelessly obscure at this distance from it. The information to be derived about it from newspapers and books is of doubtful value, and often absolutely misleading. There would be some basis for forecasting the policy of those governments, if it always conformed to the interests of the governed, which is by no means the case.

But this much is certainly true of the specie-paying half of Europe, that the gold party has actually controlled the legislation of England, Germany, and the Scandinavian States, and is strong and active in the remaining States, although its final success in France, the most important of them, must at any rate be a very remote event.

On that view of the European situation, the interest of the United States becomes so plain that he who runs may read. The double standard established by the wisdom of the fathers, will have demonstrated its adaptation to all emergencies, if we will only give it free play in the present most exigent emergency. It will give us practically, so far as the coin portion of our currency is concerned, an absolutely exclusive silver currency, and thus save property and industry from the ruin inflicted upon them by the enormous enhancement of the value of gold which has resulted from European policies, and from the surreptitious and now repudiated American legislation of 1873-4. Theoretical and abstract discussions upon comparatively unimportant aspects of the question of the standards become an unendurable impertinence, in presence of the plain fact that to attempt to make the small existing quantity of gold the sole metallic currency, at one and the same time, of Europe and the United States, must be fatal to labor and to every form of human possessions, excepting only money. The fanciful, or at best, trivial advantage of a concurrent circulation of the metals, weighs for nothing in the present circumstances, when it is only possible upon the condition that silver is forced up artificially, by a limitation of its coinage, to a ruinously high value which has been artificially given to gold.

The time has come for America to estimate its position, not according to old and traditional opinions, but according

to facts which exist, or are so near that they can be seen and anticipated. Europe was the source, but it is now by no means the exclusive seat of modern, civilization. In fact, if we leave out of view those portions of it which would be commonly regarded in England and France as only semi-civilized, we should have left an area far less than that portion of the United States in which the arts are quite as much advanced and diffused, and the general standard of civilization is quite as high, as in the best developed and most cultivated regions of Europe. Our population and wealth are less, but how much longer will they remain so?

Nobody in America underrates the inestimable legacy of law, literature, and science, which the New World has received from the Old, but we have inherited nothing from the present inhabitants of Europe. We have inherited what is priceless and beyond computation, jointly with them and from the same ancestors. We are neither their children, nor their younger brothers, but of the same generation, and as near as they to the sources of the common stock. It is not our merit, but our good fortune, that we possess a continent which is wider, and incomparably more abounding in the elements of natural wealth. If it is really necessary that the commerce of the world should be subject to any domination, it is quite apparent that the geographically natural seat of this domination is not Europe, but America which fronts both the great oceans.

While the situation does not justify an American opposition to a new system of metallic money, merely because it originated in Europe, it does justify the inquiries whether it did not originate in interests peculiar to Europe, and whether it is in harmony with our peculiar interests. We are, already, the largest producers of silver in the world, and we possess it in our mountains, awaiting the hand of labor, to an extent which is beyond estimation. Europe produces substantially none. Our most natural and promising relations of commerce are with those nations which use silver, or both use and produce it. Of the total exports of our next neighbor on the South, silver is fully three-fourths. It is quite plain that if the United States is a better market for silver than Europe, it will have by so much an advantage over Europe in trade with countries in which that metal is largely mined. And it is also plain, in respect to countries which use silver but do not produce it, that, inasmuch, as they are nearly all of them what are called non-commercial countries, it will be an advantage for the United States to have silver always in ample stock, for the purposes of trade with them, and that is only possible upon the condition that the United States retains silver in its monetary circulation.

The opinion is held by many persons in Europe, that even as between commercial nations, a difference in the material

of their money metals is an obstruction to trade. M. Cernuschi crossed the ocean to persuade us of the soundness of that view, and that if the money of Europe was to be gold, we could not, without grievous injury, adopt silver, or adopt the double standard, which, at the present market relation of the metals, would plainly cause our actual metallic money to consist of silver. America does not at all accept this new doctrine, or believe that it has any merit whatever. But if it is a sound doctrine, it is a two-edged sword. It can be no more true, that America must abandon silver because Europe chooses to use gold, than that Europe must abandon gold because America chooses to use silver. The trade between the two continents is quite as important to Europe as it is to America, and if it was abandoned altogether, it is not America which would be the greatest sufferer. America exports little to Europe except staple articles of prime necessity, and is looking forward to the time when these articles will be used at home, instead of being exported anywhere.

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#### THE NEW YORK STATE LAW AS TO LEGAL TENDER.

In a recent conversation with a representative of the New York press, Mr. B. B. Sherman, President of the Mechanics' National Bank, is reported to have said that "the banks of this city could not support a silver policy of the Government when their own State Government had established only gold as a legal tender."

He also said: "I know that there is a clause in the act that might be tortured into legalizing silver, but when the law was passed it was intended to establish a gold standard with silver only as a subsidiary coin."

Mr. Sherman refers to the law of 1875, so often quoted, which provides, in the first section, in respect to taxes, that they shall be paid in gold, or notes convertible into gold; and in the second section, in respect to obligations made or implied in dollars after January 1, 1879, that they shall be paid in U. S. coins. It is said in some quarters, that it is merely a clerical error that the word "gold" was omitted before the word "coins" in the second section, and the intimation is, as we understand it, that the omitted word "gold" may be supplied by judicial construction. It is said in other quarters, that as the coinage of silver was prohibited when the law of 1875 was passed, those who passed it must be assumed to have contemplated only gold coins.

The demand is now made that the Legislature of New York shall, at its approaching session, remove all doubts, and make the law of 1875 what it is claimed it was intended to

be, a law excluding any other metal than gold as a legal tender.

This demand is made upon the view that while the States cannot make anything except gold and silver a tender, they may make either of them a tender to the exclusion of the other.

We do not understand it to be claimed that the rights of New York are any greater than those of other States, and therefore it would not be denied that if New York can establish an exclusively gold standard, other States may, if they choose, establish an exclusively silver standard.

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### FRENCH METALLIC MONEY.

On the evening of the 14th of August, by order of the French Finance Minister, the 19,511 agents of the Treasury of all kinds who receive or hold money, made a count of all the five-franc silver pieces, and of all the twenty-franc and ten-franc gold pieces in their possession. 2,222,965 pieces of money were counted in all, of the value of 22,945,770 francs. So far as the nationality of these coins was concerned, the count showed that of the twenty-franc gold pieces, 15½ per cent. were foreign, of the ten-franc gold pieces two per cent., and of the five-franc silver pieces thirty-two per cent. It showed also, what was not expected, that of the foreign five-franc silver pieces, about as many were Belgian as Italian.

We see it stated in many financial journals, including the Paris correspondence of the London *Economist*, that the object of the Finance Minister was to ascertain the proportion of foreign coins in circulation. Doubtless, that was one of his objects, but that he had other objects is apparent from his orders that the dates of all the French coins should be noted and a return made of them. Many calculators undertake to predicate estimates of outstanding coins, upon information of the dates of considerable numbers of them. This method of reasoning may be illustrated by supposing that the coinages in 1825 and 1850 of twenty-franc gold pieces were equal, but that there is found in a large number got together from miscellaneous channels in 1878, a certain excess of twenty-franc gold pieces of the coinage of 1850, as compared with similar pieces of the coinage of 1825. From the magnitude of such excess, it is attempted to deduce some rule as to the rate per annum at which coins disappear by loss, export, or melting. Mr. Jevons indulges in some reasonings of that kind, in attempting to fix the number of gold sovereigns actually existing in the circulation of Great

Britain. Such methods of calculation are worth something, but many circumstances will suggest themselves, inconsistent with any theory of uniformity, year by year, in the rate of the disappearance of coins, and in particular, that the export of coins depends upon that very fluctuating thing, the balance of trade.

On the basis of the returns of the 14th of August, a writer in *L'Economiste Français*, of November 2, figures out the present existence in France of the following amounts of coins:

	<i>Francs.</i>
Gold coins.....	5,000,000,000
Five-franc silver pieces, being full tender.....	2,880,000,000
Subsidiary silver coins.....	120,000,000
	8,000,000,000

We give this estimate, sixty per cent. beyond the common one, as to the total metallic money, for what it is worth. There never was any possibility of exact accuracy, from the nature of such cases, but the incredulity of mankind has been greatly increased by the enormous excess of German silver, beyond any estimate which was made when the work of withdrawing it and substituting gold was first undertaken.

The French Finance Minister (M. Leon Say) was in possession of these returns of August 14, when he stated at the late International Monetary Conference that the full-tender silver coin in France was two and a half milliards of francs, or \$469,000,000, the common previous estimate having been about \$400,000,000. It does not appear whether M. Say's increase of estimate was based upon the large proportion of foreign silver coin found to be in circulation, or upon some other fact developed by the returns.

Taking all the coins together, French and foreign, reported in August, the proportion of silver was 26½ per cent., and of gold 73½ per cent. The proportions in the cash reserve of the Bank of France, on the 25th of last July, were quite different, being 1,182 millions of gold and 982 millions of silver, or a proportion of gold to silver of six to five. Or, to make another comparison, the value of the twenty-franc gold pieces in the August returns, is to that of the five-franc silver pieces in the same returns, in the proportion of fifty-nine to twenty-six, or rather more than double, whereas in the vaults of the Bank of France, the value in five-franc silver pieces is greater than the value in twenty-franc gold pieces. The explanation is, that the silver piece, being the heaviest, *sinks to the bottom*, to quote the expression of the writer in *L'Economiste*, or as he explains it, is found most abundantly in permanent reserves, whereas the August returns were of the coins *floating on the top*, or in the most active circulation.

## THE MINT REPORT.

The annual report of the mint, just made, states the total purchases of silver for the purpose of coinage into the silver dollar, during the seven months ending September 30, at 17,925,904 ounces of fine silver, at an average cost of 117.47 cents per ounce, and at a total cost of \$21,057,369. This silver will coin into 23,176,665 dollars, leaving a profit to the Government of \$2,119,296, less the cost of coinage, which would reduce the profit a little below two millions. The profit upon the earlier purchases was less than it is at present, as silver has considerably declined since last February.

The report contains, as usual, an estimate of the gold and silver production of the United States, for the fiscal year ending on the 30th of last June. The estimates of Wells, Fargo & Co. cover calendar years. The mint estimate is as follows:

	<i>Gold.</i>	<i>Silver.</i>	<i>Total.</i>
California.....	\$ 15,260,676 ..	\$ 2,373,389 ..	\$ 17,634,068
Nevada .....	19,546,513 ..	28,130,350 ..	47,676,863
Colorado .....	3,366,404 ..	5,394,940 ..	8,761,344
Montana.....	2,260,511 ..	1,669,635 ..	3,930,146
Idaho .....	1,150,000 ..	2,200,000 ..	3,350,000
Utah .....	382,000 ..	5,208,000 ..	5,600,000
Arizona .....	500,000 ..	3,000,000 ..	3,500,000
New Mexico.....	175,000 ..	500,000 ..	675,000
Oregon .....	1,000,000 ..	100,000 ..	1,100,000
Washington.....	300,000 ..	25,000 ..	325,000
Dakota .....	3,000,000 ..	— ..	3,000,000
Lake Superior.....	— ..	100,000 ..	100,000
North Carolina.....	150,000 ..	— ..	150,000
Georgia .....	100,000 ..	— ..	100,000
Other sources.....	25,000 ..	25,000 ..	50,000
<b>Total.....</b>	<b>\$ 47,226,107</b>	<b>\$ 46,726,314</b>	<b>\$ 93,952,421</b>

Since June 30, there has been a marked falling off from the closing of the Bonanza Mines for repairs, but this will not much affect the proportion of the two metals, as the Comstock lode yields about as much of the one as of the other.

During July, August, and September, the total gold and silver yield of the Bonanza Mines was \$1,649,984, compared with \$9,850,379 in January, February, and March, and with \$5,371,246 for April, May and June.

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USURY.—The statutes of New York forbidding corporations to plead usury does not make their usurious contracts lawful; and, therefore, where a corporation chartered in another State was sued in such State on its bonds delivered and made payable in New York, *held*, that it might well plead usury. *Commissioners of Craven County vs. Atlantic and North Carolina R. R. Co.*, 77 N. C. 289.

## LOANS BY NATIONAL BANKS TO DIRECTORS.

A case of marked importance, both from the amount of money involved and the principles upon which it depends, has recently been decided by Judge Dillon, of the U. S. Circuit Court, at St. Louis. The leading points involved were the right of National banks to borrow money, and their right to loan money to directors. The defendant was the National Bank of Commerce of this city. The plaintiff was the National Bank of the State of Missouri, located at St. Louis, which suspended payment in June, 1877, and is now in the hands of a receiver. The suit was for \$400,000 and interest, being the unpaid portion of a loan of \$1,000,000 made by the plaintiff to the defendant in December, 1866.

We have the official report of the decision but not of the facts, but gather that they were substantially as follows:

On the 31st of October, 1866, James B. Eads, James H. Britton, John J. Roe, Charles K. Dickson, Amos Cotting, Barton Bates and John A. Ubsdell, were, for the first time, elected directors of the National Bank of the State of Missouri. Previous to this election they had been in negotiation with the Bank of Commerce for a loan of \$1,000,000, but it was not finally arranged until December, 1866, and it then took the form, by written contract, of a loan to the Bank of the State of Missouri, with the above-named directors as sureties, and further secured by the \$1,000,000 in cash and \$680,000 in bonds which the Bank of the State of Missouri then had deposited in the Bank of Commerce. After the loan was obtained, the Bank of the State of Missouri placed the \$1,000,000 to a special account on their books called "Bank of Commerce, No. 3," and permitted the above-named directors to check it out. They checked it all out except \$3,000. Of the amount checked out, these directors repaid \$600,000, which was paid over to the Bank of Commerce.

Upon these facts, it was contended for the defendant—

That banks have no right to borrow money to lend again, and that this loan was therefore illegal and void.

Or that, at any rate, banks have no right to borrow money to lend to their directors.

That this loan was really made to the directors and not to the defendant bank, and that the plaintiff had the means of knowing, and must be held to have known, that the loan was taken by the defendant bank for the sole purpose of passing the proceeds over to the directors.

Judge Dillon's decision, which has been appealed from to the U. S. Supreme Court, is given below. As will be seen,

he decides (1) that National banks have in general the right to borrow money and lend the same for purposes of profit; (2) that they may lawfully lend money to their directors, if they keep within the statute limitation that not more than one-tenth of their capital be loaned to any one director; (3) that the evidence in this case would justify a jury in finding that the loan was made by the plaintiff with knowledge that the money was to be re-loaned to the directors of the borrowing bank; (4) but that the evidence would not justify a finding that the directors, when they received the money, "*intended to make any fraudulent use or disposition of it,*" and that unless such intention could be shown, the plaintiff must prevail in the suit.

#### JUDGE DILLON'S DECISION.

GENTLEMEN OF THE JURY:—Under the pleadings, the defendant's counsel conceded at the opening of the trial that the plaintiff was entitled to the sum of \$400,000, with six per cent. interest, amounting in all to the sum of \$445,582.10, unless the defendant established one or both of its special defenses to the action, and accordingly the defendant assumed the burden of proof to make out such defenses.

The defendant has accordingly produced its evidence, and at its close the plaintiff's counsel moves the court for a direction to the jury that such evidence has failed to establish these defenses, or either of them, and that, notwithstanding the defendant's evidence and all inferences which the jury can legitimately or properly draw from it, the plaintiff is entitled to a verdict.

The defenses relied on are two:

1. That the contract of December 26, 1866, between the defendant bank and others, and which is the basis of this suit and under which the \$1,000,000 was lent by the plaintiff bank, is *ultra vires* the lawful power of the defendant bank; that is to say, that this contract was one which the defendant bank had no power, under its charter, to make under any circumstances, or, at all events, had no power to make except in case the situation and exigency of its affairs required it to borrow money, and that its situation was such that it did not need to borrow this large sum of money, or any other sum of money, and that knowledge of this fact is, by the evidence, fairly brought home to the plaintiff bank. I am of opinion that a National banking association has, under the National Banking Act, the power to borrow money, and that the defendant bank, in the absence of fraud brought to the knowledge of plaintiff bank, had the power to enter into the contract of December 26, 1866, which is the foundation of this action. The legal power of the bank to borrow money does not depend upon any exigency or upon the existence of a critical condition of its affairs, or upon an actual necessity for the immediate use of the sum borrowed. It may borrow money to conduct and carry on the business of banking; and it may borrow for the express purpose of lending the same, either by discounting the notes, bills, etc., of others, or on personal security, with a view to profit by the transaction. The loan of money to a National bank is not invalid because the lender may know or have reason to believe that the borrowing bank intends to lend it, when received, to others. A National bank may lend its money to its directors as well as to other



persons, provided it acts in good faith, and does not exceed the limitation to any one person or director of "one-tenth part of the amount of the capital stock of the association actually paid in." There is no claim that this limitation was exceeded in this case, as the capital stock of the bank was \$3,410,000 actually paid in. If the law were that a National bank could not borrow money for the purpose of lending the same again to its directors, and that if the lender knew that such was the purpose of the borrowing bank, the transaction would necessarily be invalid, I admit that the evidence in the case is such as to justify the court to submit the question of the plaintiff's knowledge of such a purpose to the jury. But I am of opinion that where no fraud is intended a National bank may lend its money to its directors, and the fact that the lender knows, or has reason to believe, that when the money he lends is received it will be lent to the directors, does not, unless he knows or has good reason to believe, that a fraudulent use or disposition of it is contemplated by the directors when received, invalidate the transaction. The directors had no more power over the \$1,000,000 obtained under the contract in suit than they had over the \$1,000,000 which the defendant bank had on ordinary deposit with the plaintiff bank, or over the \$3,000,000 of capital actually paid in. A lender cannot knowingly aid an intended fraud, but he is not required not to lend because the borrowing bank may misuse their powers.

2. The second defense is that the money was procured by the defendant's directors (who signed the contract in suit professedly as sureties), not for the bank but for their own purposes, and that they fraudulently made use of the name of the defendant bank as principal, intending all the time illegally to appropriate the money when received to their own use, and that the plaintiff bank had knowledge of such intended illegal appropriation of the money,

These facts, if established, would constitute a defense, but after carefully considering all of the evidence touching this matter, I think that while it would justify the jury in finding that the directors of the defendant bank, when the money was received, intended to borrow the same from the bank of which they were directors, and thus get the use of it, I can see no basis in the evidence which would justify the jury in finding that the plaintiff bank knew that the directors of the defendant bank, when the money was received, intended to make any fraudulent use or disposition of it.

If the jury should so find I shall deem it my duty to set aside their verdict, and hence there is no propriety in uselessly submitting this question to them.

I therefore instruct you, gentlemen of the jury, that the defenses relied on have failed, and that you shall return a verdict for the plaintiff.

JOHN F. DILLON, *Judge*.

The jury brought in a verdict in favor of the plaintiff for \$445,582. The case has since been appealed to the Supreme Court of the United States.

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CORPORATION.—An assignee of corporate stock, who has caused it to be transferred to himself on the books of the company and holds it as collateral security for a debt due from his assignor is liable for unpaid balances thereon to the company, or to the creditors of the company after it has become bankrupt.—*Pullman vs. Upton*, (U. S. S. Ct.,) 17 N. B. R. 489.

## THE ACTION OF THE CLEARING-HOUSE BANKS.

We have given in another place an account of the arrangement made by the associated banks of New York with the Secretary of the Treasury for facilitating the resumption of specie payments. The resolutions adopted by the banks are given in full. The refusal to take silver on deposit is not to be confounded with the arrangement as made with the Treasury department. The department was no party to the silver resolutions and is understood to have deprecated the combining of them with the other terms of arrangement. It is perfectly competent for any bank, or for all the banks, to refuse to receive silver on deposit, but the wisdom of making it obligatory on the whole body of associated banks by a resolution of the Clearing House, is at least questionable. Measures of this sort are to be judged by their general effects and not by any narrow and special application. In the present attitude of hostility to the National banking system, to which a large popular party, if not two large parties, are committed, it would seem to be desirable not to add to that hostility by any hasty or ill-considered action. That the propriety of the silver resolutions is not unanimously accepted, even in New York, is apparent from the following passage in the *Journal of Commerce*, the leading organ of the commercial interests of this city:-

We do not believe in the silver dollar, but we do believe in a fair trial of the silver experiment, and the action of the New York banks seems very narrow and unwise, and can not fail to be provoking to many who do not love the banks any too well now. Theoretically the silver dollar is worth only ninety cents; practically it is worth as much as a gold dollar, for it will do the same work at the custom house, and in the seaboard cities the banks could easily manage their business and make no discrimination against the silver dollar,

Much more emphatic and minatory comments are made by newspapers and by public men in the West and South, and there is no doubt that a fresh irritation has been produced among the silver men which may show itself as soon as Congress assembles. One proposition of the Committee is certainly not true in any sense, namely, that "all those who receive silver dollars at their nominal value are subjected to an immediate tax of one dollar in every six of the business they transact." This proposition rests on a false assumption that the dollar passes only at its bullion value, which is absurd, so long as it is a legal tender between individuals and to the Government, and payable for all customs and other dues to the public treasury. It is nothing more than uncurrent money at bank in this city, and not being receiv-

able there at par must be used in the direct payment of debts between individuals or sold to brokers or to importers for payment of duties and taxes. This important function will, for a long time to come, prevent its depreciation by more than a small fraction whether the banks take it in deposit or not.

In the interior cities and country towns, silver is not likely to be a sufficient source of inconvenience to induce the banks to make any discrimination against it.

Among the comments made by leading newspapers we find the following :

The Philadelphia *Ledger* remarks that "The National banks of this city have been notified by the New York banks of the action taken by the banks there in reference to the resumption of specie payments, but the banks here probably will not call a special meeting of bank presidents, as requested by the banks to do, but will consider the matter presented to them at their next regular meeting, the first week in December. Every day's delay, and every action taken in connection with the New York bank movement, commends this slower action of the Philadelphia banks as wise. While we are disposed to accord to the banks the best intentions in aiding and maintaining resumption, it is questionable whether the means they have adopted, and are urging the banks of this and of other cities to adopt, will best effect the end desired. Whether the propositions suggested as the rule of government between the banks and the United States Treasury after the 1st of January next, discrediting silver and intended to increase the volume of gold in use, will work that result or not, many men intelligent in banking and currency matters doubt. As silver, which is legal tender, is discredited and made less valuable than gold, will the inducement be increased to use it in payment of debts. The cheapest money that will remove an obligation will be used for the purpose. That is a law of trade as fixed and as determined as the law of nature that forces water to run down hill. As in point. If a banking house here is drawn on by a party at New York through one of our banks for \$100,000 the bank notifies the banker of the fact, and expects, under the New York arrangement, payment in gold or its equivalent; but the banking house, looking over its funds, finds that it has 100,000 silver dollars with which, under the law, this New York draft may be paid, and so tenders those dollars to the bank holding the draft. Can the bank here refuse them and have the draft protested? We think not. Policy would be, as the law is, against it. Action under the proposed arrangement may have proceeded so far as to make it necessary to go on to a consummation, but care is now especially called for."

The Baltimore *American* of November 21st has the following report of the meeting of bank presidents in that city :

A general meeting of the Clearing-House Association of Baltimore was held on Tuesday, at the Union Bank, at which there was a full representation of nearly all the banks in the city. The object of the meeting was to take action in connection with the approaching resumption of greenbacks, and in view of the recent action by the Clearing Association in New York. It had been ascertained that there was a growing sentiment in local banking circles to sustain the Government and the New York banking interests in their efforts towards resumption, but it was stated that the Resumption Act of 1875 had a special application to New York which did not apply to other cities. The Act provided for the resumption to occur exclusively at the New York Sub-Treasury, and there was no provision for redemption at any other point. This clause had been overlooked by the bankers here, and was only brought to the surface accidentally in a conversation between one of their number and the authorities of the Baltimore Sub-Treasury. The law was referred to, and the fact was developed that while greenbacks will not be receivable for the payment of duties after

January 1st, 1879, the Sub-Treasury here will not be authorized to redeem them.

It was suggested that the Silver bill might contain some clause bearing on the redemption of greenbacks, and in the absence of definite information, which was considered necessary, no action was taken beyond the appointment of a committee to consider the subject.

The Baltimore *Sun* says that—

The interview with Secretary Sherman, given in a special dispatch from Washington to the *Sun*, bears upon the points which the Baltimore Clearing-House Association at their meeting expressed a desire to have explained. The Presidents at that meeting, it is understood, were not inclined to pass a resolution to take gold from the special deposits, because that coin might at any time command a premium, if redemption was only at New York. It is understood that they also will not by resolution indorse the action of the New York and Boston banks in relation to silver, on the ground that they desire to avoid any possible or apparent issue against a law of the United States. The right of banks to decide what character of funds shall be received on deposit is, however, claimed as a point well settled. No action, however, as before stated, has been taken by Baltimore banks.

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### CURRENT FINANCIAL NOTES.

The London *Statist* says that one cause of the present slack demand for silver for export to India is the high rate of interest in London and the low rate, stated at two or three per cent., in Calcutta and Bombay. This induces the Indian banks, including those in London specially connected with Indian business, to transfer funds, as far as possible, from India to England. This view of the *Statist* is the same as that of the following from the London *Economist*, of the 6th of last July:

The silver market is again decidedly depressed. The cheapness of money in India has, doubtless, contributed to this unfortunate result, and the Bank of Bombay has now lowered its minimum discount quotation to four per cent. A few months back it was nine per cent.

During the year 1877, the rates of bank discount in India were very high. For a portion of that year, they were eleven per cent. During the same year, 1877, the Bank of England rate was very steady at two per cent., and it was that great difference of interest rate, which was one of the causes of the enormous flow of money, that is to say, silver, to India, and which was never so great in any previous year. It is now the reversed fact, of high interest rates in England and low rates in India, which checks the flow of silver to India. The normal condition of things is a higher rate of interest in Bombay and Calcutta than in London, and when that normal condition is restored, the flow of silver to India will again become stronger, if other circumstances remain the same.

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The production of the precious metals in this country during the year 1877 was ninety million dollars. In their annular circular, issued on the 1st of last January, Wells, Fargo & Co. estimated the production of this year at 100 millions, but with the cautious condition that the mines on the Comstock lode should show no falling off. In point of fact, the yield of those mines has fallen off so largely, that the total metallic production of the United States, although

handsome increases have been made at several points, will fall short of ninety millions instead of rising to 100 millions. The San Francisco *Bulletin*, which has reports from nearly all the producing mines, states, in respect to the quarter ending September 30, that the yield from thirty-eight mines was \$7,159,300, compared with a yield of \$9,996,000 from thirty-four mines during the quarter ending June 30, and compared with a yield of \$14,439,900 from thirty-one mines during the quarter ending March 31. At the Paris Conference of 1867, Mr. Samuel B. Ruggles of this city stated that the production of this country was then about 100 millions, and that "*long before 1900*" it might reach 300 or 400 millions. Undoubtedly it may, but there is nothing at present which looks like it. It would take ten Comstock lodes, in simultaneous activity, and at the maximum yield, so far, of the present Comstock lode, to produce 300 or 400 millions. A production of 100 millions per annum is a very great production, and it requires the continuous discovery and development of new mines, as old ones give out, to maintain such a production. Our mines are in the remotest parts of our territories, and it takes time to make them largely available. The fabulous mineral wealth of Arizona has been talked and written about for a quarter of a century, but as yet we get very little beyond the promise of gold and silver. It is twenty years since the mines of Colorado have been exploited, and the production has not yet reached ten millions. We have had no great results, so far, except from the gold placers of California, and the bonanzas successively discovered in the Comstock lode. The greatest yield of the gold placers was over before the bonanzas were opened. If all those bonanzas, about thirteen in number, had been simultaneously found and worked, the result would have been something prodigious, but the actual workings of them have been spread over a period of nearly twenty years.

Some of the attacks upon Mr. Sherman's methods of preparing for resumption, notably the attack made upon him for not hoarding greenbacks, show an entire inattention to the actual laws of the country. Mr. Sherman is better advised as to his duty under those laws. He is told to make greenbacks scarce and more valuable, by withdrawing them from circulation, and to that end, to use gold for all the ordinary expenses of the Government. The law of May 31, 1878, expressly directs, as to all greenbacks coming into the Treasury in whatever way, that "*they shall be reissued, and paid out, and kept in circulation.*" So long as the Secretary of the Treasury has any greenbacks he must use them in preference to any other money, in all payments which can be lawfully made in greenbacks. For ourselves, we have no fear that Mr. Sherman will fail in carrying through a successful resumption on the basis of the existing laws, to which, so far as we can see, he conforms. The confidence in the public credit is and ought to be strong; there is no demand for gold for export and none is probable within any near period; the accumulation of coin in the Treasury is large; and what is more, the power to sell bonds to obtain additional coin is unlimited. There is really no good reason to doubt a perfectly successful resumption on the first day of next January, or if there is any doubt about it, it arises less from the inherent difficulties of the case, than from the constant criticisms upon Mr. Sherman, and predictions of his failure, in quarters from which he should receive support instead of opposition. Those who say that resumption is impossible without a withdrawal of greenbacks, are doing all they can, probably without

meaning it, to excite a public distrust which will make resumption really impossible, as it is perfectly certain that a reduction of the volume of greenbacks below 346 millions will remain prohibited during the terms of the present and the next Congress.

In a letter, under date of October 31, Secretary Sherman gives, as collected from the best authorities, the following statement of the paper currencies of the several countries named:

Country.	Circulation.	Population, (latest estimate.)	Per capita.
France.....	\$460,907,000	.. 36,905,788	.. \$12 48
United Kingdom...	213,965,000	.. 33,474,000	.. 6 39
Germany.....	148,015,000	.. 42,727,360	.. 3 46
United States.....	688,597,275	.. 47,000,000	.. 14 65

Upon this statement, Mr. Sherman proceeds to observe:

It will be seen that the aggregate, as well as the per-capita, amount of paper circulation is larger in this country than in any of the other countries named, and largely in excess, except that of France.

All this is true as respects the comparison of the paper currency of this country, with that of France, Great Britain, and Germany. But a comparison of the total currency of this country, metallic and paper together, with that of the nations referred to, would give very different figures. France, with a population one-seventh less than ours, is reported to have coined money to the amount of 1,000 million dollars. Great Britain is reported to have 500 million dollars of full-tender gold and 100 millions of subsidiary silver. Germany allows the circulation of no notes below the denomination of 100 marks, or \$25, and must, therefore, have a very large metallic circulation. If the United States have an excess of paper money, as compared with any of these countries, it is because we need such an excess from greater territorial extent and the superior activity of our people, and especially from our established habits of preference for small notes over coined money. We do not, however, understand Mr. Sherman as pointing out this excess of our paper money, by way of condemning it, but only as an actual fact, as it undoubtedly is. On the contrary, we have uniformly understood him as favoring the largest possible amount of paper money which is consistent with its redeemability.

Estimates of the coined money in different countries are well known to vary widely, and must be taken with allowance. As in France, Germany, Great Britain and the United States, a portion of the coined money is held in reserve for the paper money, it will not answer to add together the total amounts of the paper and coined money in getting at the *per-capita* amount in use. Thus in France, if we added to the 461 million dollars of Bank-of-France notes the 1,000 million dollars of coin supposed to exist in France, we should arrive at 1,461 millions as the aggregate. This would be too much by 400 millions, which is the amount of coin held by the Bank of France as a reserve to meet its notes. In the following table, we adopt the common estimates and give the amount of metallic money in each county, less what is reserved in banks, or in the case of the United States, reserved in the public treasury and banks to meet circulating notes:

	Coin not held to redeem paper.	Per capita.
France.....	\$600,000,000	.. 16.25
United Kingdom.....	450,000,000	.. 13.34
Germany.....	350,000,000	.. 8.32
United States.....	125,000,000	.. 2.65

If we add this *per capita* of metallic circulation to the *per capita* of paper circulation, as given by Mr. Sherman, we have the aggregate *per capita* circulation as follows:

	<i>Coin and paper circulation per capita.</i>
France.....	28.73
United Kingdom.....	19.73
Germany.....	11.78
United States.....	17.30

A city journal, *The Times*, apprehends a revival of the old system of State banks of issue, as the most probable result, if it has any result, of the existing clamor against the National banks. We quite agree with our contemporary, that this would be a most deplorable result, but wholly fail to see that there is the slightest danger of it. If it could be supposed that any law could be carried through Congress, abolishing the National banking system, without at the same time providing for another form of paper money to take the place of the National bank notes, it might be possible that the State banks, with their old powers of issuing notes, might subsequently be revived. But in the actual condition of public sentiment, so sensitively hostile to any contraction of the aggregate volume of paper, no law can pass Congress taking away the right of the National banks to issue paper, which does not in itself provide an equivalent issue from some other quarter. We cannot conceive of a condition of things, under which Congress would transfer the power of issuing paper from National banks to State banks. It is conceded by everybody, that of the two forms of bank notes, the National bank notes, everywhere of uniform value and acceptability, are infinitely superior to the old State bank notes, which were subjected to brokerages except in the immediate vicinity of the issuing banks. The present National banking system is really so good that it will probably survive attacks from any quarter, but if it is in danger at all, it is not from being superseded by State banks, but from the more plausible scheme of substituting greenbacks for National bank notes. But that scheme is only plausible, and will not bear any fairly thorough discussion. To say nothing of the great temporary difficulties which must attend such a substitution, the enterprising and trading classes will see that they cannot find in any conceivable system of greenbacks, a circulation which has the elasticity and capacity of adaptation to the wants of business, possessed by that of the National banks, upon the multiplication of which there is not now any restriction.

The London *Economist*, of November 9, said of the week ending on that day:

The rise in U. S. Governments has been unusually rapid, *stimulated by the fall in exchange.*

Some American papers have supposed that the rise during that week in those securities in London was due to the increased confidence of foreign capitalists caused by the defeat of the greenbackers in the election of November 5. We think it was due, not to the increased confidence of foreign holders, but to the increased confidence of American investors. The price of Government bonds is determined wholly in this market, the relative price in London being fixed by the course of exchange and by nothing else. Under the silver law, and the declared purpose of the Government to pay its

coin debts in either gold or silver, and, of course, in the cheaper of the two, Europeans do not purchase our bonds to keep, and only buy them for remittance hither. The only things which influence them are the price in New York and the course of exchange. But in this country, the popular repudiation of the fiat money schemes did substantially help, not only Governments, but all sound securities.

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A report comes from Washington, that Mr. Sherman proposes, after the 1st of January, on the application of persons desiring silver dollars in sums of \$1,000 and upwards, to send them free of transportation in exchange for greenbacks. The Treasury is authorized to redeem greenbacks at only one single place, viz., the office of the Assistant Treasurer in New York, and cannot exchange silver dollars or gold dollars for greenbacks anywhere else, or on any other demand than a demand made under the resumption law for the redemption of greenbacks. The act of May 31, 1878, makes it imperative upon the Treasury to keep all the greenbacks in circulation. This would authorize the giving out of greenbacks for gold or silver, but clearly prohibits any such operation as drawing in greenbacks in exchange for gold or silver, which would be hoarding greenbacks instead of keeping them in circulation. No such thing can be done unless the Act of May 31 is first repealed.

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Between August 31 and October 31, the retirement of National bank notes was \$1,062,090 and the new issues were \$1,037,810. The future is uncertain, and probably those are wisest who make the fewest predictions. But we anticipate within the coming year an increase in the number of National banks and a still greater increase of the volume of bank notes. The last is sure to come as the activities of trade increase, and will be stimulated by the confidence inspired by the elections and still more by the success of resumption on the 1st of January, 1879, in respect to which we have no apprehensions whatever.

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It is announced, and is probably true, that Switzerland either has given notice, or will before the 1st of January, 1879, of its intended withdrawal from the Latin Union which expires in 1880. Some accounts are that Switzerland is disposed to make a new treaty, but we apprehend that any new arrangement to suit that country must be confined to the treatment of subsidiary silver coins. Switzerland has been steadily in favor of a gold standard for several years, and although entitled to coin certain amounts of silver under the supplementary treaty adopted by the Latin Union in January, 1874, has not coined any since that date. It has now very little metallic circulation. The paper circulation consists of redeemable bank notes, and increased from 24,500,000 francs in 1872 to 83,500,000 francs in 1877.

The history and purposes of the Latin Union of 1865 are quite misunderstood in many quarters. It was not formed for any such purpose as establishing the double standard, or of agreeing upon a relation of value between gold and silver. It was formed between conterminous countries which were already on the double standard, and in which the relative valuation of the metals was, and long had been, identically the same, being the French relation of 15½ to one, as established in 1803. One of its objects was a mutual interchange



of their full-weighted and full-tender coins, but the principal object was the regulation of their subsidiary silver coinages, in respect to their amount and in respect to the obligation of each State to redeem such coinages on the demand of other States, or of the citizens of other States.

Switzerland may go to the gold standard and still have with France and the other States of the Union arrangements in respect to the use of gold coins and of subsidiary silver coins. No kind of money can be made international, except by treaty arrangements of some kind.

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The following telegram is dated at Bombay, November 12 :

Sir Andrew Clarke, a member of the Vice-Royal Council, has examined the Mynaad district in Madras, and declared it highly auriferous. Miners have been brought from Australia, and great results are anticipated.

The old-time commerce in the metals between Europe and Eastern Asia was an exchange of silver for gold, but that was when the gold washings of the East were yet unexhausted, and when Milton wrote of "the wealth of Ormus, or of Ind," and of "barbaric pearl and gold." It may, or may not be true, that these reported discoveries in Madras will restore the ancient auriferous repute of the Indies. The out-croppings of gold-bearing quartz are said to be abundant over a district thirteen miles by twenty-five. Other accounts are that these quartz gold mines are not new discoveries, but have been worked for some time without profit, under the auspices of an East India firm, which has gone under, with the failure of the Glasgow bank.

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The London *Statist* of November 2, says :

We learn from Berlin that the Savings banks and official bureaux have been instructed to report the proportion of gold coins and one-thaler silver pieces held. This order is thought to precede some step towards the withdrawal of the remainder of the thaler currency from circulation. Until that currency has been completely withdrawn, and sold or recoined by the German government, the silver crisis will be prolonged.

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It has been supposed that Germany would not resume the sale of silver until the demand for it in India revived. Much surprise was expressed in London at a sale made there by the German Government, on the 27th of September, of £100,000 of silver at 51¾. But on the 12th of November, it made another sale of the same amount at 50½, and on the 18th of November the still larger sale of £350,000 at 50½. We learn from the best authority that the German authorities have been made to believe that the silver law of the United States is to be repealed. The German Minister at Washington has been made to believe it. Such a repeal would, of course, produce a fall in the price of silver, and it is because they fear it, that the German officials are now selling at 50½, when they took the ground during the summer that they would not sell below fifty-four.

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The losses of the Glasgow Bank fall wholly on the shareholders, and they are all Scotchmen, with insignificant exceptions. All the stock held out of Scotland amounts to only £21,500. Glasgow held £288,700, and Edinburgh, £154,600. The deficiency call already made is five times the amount of the stock, and it is anticipated that at

least four such calls will be made upon such of the shareholders as hold out the longest under the demands made upon them.

The London *Economist* says that the fall-off in the securities held by the Bank of England, shows "a diminution of the pressure on the Bank for accommodation." If that is so, banking in England is a very different thing from what it is in the United States. The amount of discounting here is not so much regulated by the pressure for discounts, as by the disposition and means for lending of banks.

The Austrian Ministers admit that they have expended in the Bosnian occupation, twenty-five millions of florins in excess of the sixty millions credit. It is said that the total cost by the end of this year will be 102 millions (\$50,000,000).

The advertisement of the Northern Pacific Railroad for tenders for grading an extension of 200 miles, from Bismarck to the Yellow Stone River, to be completed during the year 1879, marks an era in the development of the new North-West. When the construction of that road came to a halt in 1873, it was commonly said to have been undertaken fifty years too soon, but it has started again after a breathing spell of only six years.

At a meeting of the Toronto Board of Trade, November 13, Mr. Worts read a paper on the Bankruptcies in Canada since 1874. The extent of the resulting losses of the banks may be judged of from the following statements:

Since 1874, they have charged off \$5,000,000 of losses, besides reducing their undivided profits, which are called Rest, by \$3,000,000, making \$8,000,000 in all of acknowledged losses. During the same period, the shrinkage in the market value of the shares of fifteen banks has been \$17,000,000, or 36 per cent.

But notwithstanding losses, the Canadian banks seem to be still declaring dividends, which, although reduced, ought to be satisfactory, if they are actually earned. Thus, the average dividends of seventeen banks, which were 8.76 per cent. in 1874, were 6.46 per cent. the past year.

Commenting on the subject, the Toronto *Monetary Times* says:

"Though the abuse of credit counts for much in the explanation of financial disasters, there is still a more potent cause than even this—the decline of prices. A great and general decline of prices cannot take place without heavy losses resulting to the holders of commodities; and if the goods be sold, a certain percentage of them will fail to be paid for."

Resolutions have been introduced into the Legislature of Vermont, demanding that the aggregate coinage of silver dollars shall be limited, or their weight increased so as to make them equal to gold. The most important of the resolutions, deprecating a rise in the present prices of commodities, is the following:

*Resolved,* That the commodities of this country are now based on gold values, and that if the silver bill is not modified a great inflation of values will in time take place, by free banking, based on a silver dollar of 84½ cents as a legal-tender reserve, and that it would be a great wrong to thus inflate values, and thereby necessitate another cruel shrinkage of values.

Even if commodities in this country continue to be "based on gold

*values.*" there can be no guarantee that prices may not undergo a still further "*shrinkage.*" That will depend upon the production of the gold mines, and upon variations in the demand for gold depending upon several circumstances, such as the state of trade, the greater or less exclusive use of gold, etc.

An estimate has been made that within the past fifty years foreign National loans have been negotiated in London to the amount of £614,000,000, of which £157,000,000 have been lost by the total bankruptcy of Turkey, Peru, Mexico, Venezuela, Honduras, Costa Rica, Paraguay, the Confederate States, Uruguay, Greece, Bolivia, Ecuador, San Domingo, Guatemala, Poyais, and Liberia. The entire debts of those States, upon which default has been made, very much exceed £157,000,000, which is given as the figure of the losses upon only so much of those debts as is held in London.

London holders are also sufferers to the amount of £175,000,000 by the partial default of other nations, notably Spain, £109,000,000 of whose stocks, really no better than those of Turkey, are held in London.

The aggregate loss in London by these total and partial bankruptcies is, therefore, £332,000,000, or fifty-four per cent. of the total foreign loans negotiated there.

How much real loss there has been, if any, depends upon how much was actually paid for these stocks. How much loss may arise hereafter will depend upon the fate of the forty-six per cent. of foreign stocks held in London not yet defaulted upon. The condition of many of them is known to be very precarious. A general European war would be immediate bankruptcy for such nations as Russia, Austro-Hungary, Italy, etc.

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## THE LATIN UNION.

The recent conference, at Paris, of the States of the Latin Union, ended November 5, after a session of several weeks. The *Journal Officiel* of the next day announced simply that the old arrangement was continued, with certain changes, "*called for by the new circumstances.*" In due time, the world will be informed exactly what these changes are. In the meantime, the Paris correspondent of the London *Economist* says it is well understood, at the French capital, that the old treaty is extended for six years from January 1, 1880, but that during that time no silver is to be coined by any of the States. During the remaining year, 1879, under the old treaty, none is to be coined except by Italy, and only to the extent of twenty million francs, or \$4,000,000. Italy also agrees to call in its paper issues below the denomination of five francs, so as to employ its own subsidiary silver coins at home, instead of (as at present) annoying other States with them. No special mention is made of Switzerland, which may therefore have consented to retain the double standard for six additional years, which was hardly expected, in view of its known tendencies to a gold standard.

Its has never been really possible for France to demonetize its immense mass of coined silver, but it was possible for Belgium to undertake such an operation. This new arrangement holds Belgium to the use of silver until January 1, 1886.

The announced suspension of silver coinage for a term of seven years, from the present time, must have some other object than that of holding Germany in check, as the German silver sales cannot be protracted for more than two, or three years longer. The thing aimed at, may possibly be to hold Holland in check. The intimations of M. Mees, President of the Bank of the Netherlands, at the August International Conference, were decidedly indicative of an increased Dutch tendency towards a gold standard. Holland is now notified that it will find no market for its silver in the Latin Union for seven years to come.

## THE REPORT OF THE COMPTROLLER OF THE CURRENCY.

The sixteenth annual report of Mr. John Jay Knox, Comptroller of the Currency, presents a table, in compliance with the Act of February 19, 1873, showing the total average of the capital and deposits of all the State banks, Savings banks and private bankers in the country, for the six months ending May 31, 1878. The figures are as follows :

	<i>Number.</i>	<i>Capital.</i>	<i>Deposits.</i>
State banks.....	853	\$ 124,347,262 ..	\$ 229,482,625
Savings banks with capital.....	23	3,237,342 ..	26,179,968
Savings banks without capital.....	668	..	803,299,345
Private bankers.....	2,856	77,798,228 ..	183,832,965
<b>Total.....</b>	<b>4,400</b>	<b>\$ 205,380,000 ..</b>	<b>\$ 1,242,794,000</b>
National banks.....	2,056	470,390,000 ..	677,160,000
<b>Total of all.....</b>	<b>6,456</b>	<b>\$ 675,776,000 ..</b>	<b>\$ 1,919,954,000</b>

Further, the report says :

The total number of National banks organized since the establishment of the National banking system on February 25, 1863, to November 1, of the present year, is 2,400. Of these, 273 have gone into voluntary liquidation by vote of the shareholders owning two-thirds of their respective capitals, and seventy-four have been placed in the hands of receivers, for the purpose of closing up their affairs, leaving 2,053 in existence on November 1 of this year. Included in the aggregate number organized, are nine National gold banks, located in the State of California, which redeem in gold coin their circulating notes at their places of issue, and in the City of San Francisco. These have an aggregate capital of \$4,300,000, and an aggregate circulation of \$1,468,920. During the past year twenty-eight banks have been organized, with an authorized capital of \$2,775,000, to which \$1,598,800 in circulating notes has been issued. Fifteen banks have failed within this period, having an aggregate capital of \$2,712,500; and forty-one banks with a total capital of \$5,200,000, have voluntarily discontinued business.

In relation to the origin and growth of the National banking system, Mr. Knox says :

"The establishment of the system was not advocated in the interest of any political party, and it has been free from the control of partisan or sectional influence, its benefits being now open to all who desire to engage in the business of banking. The opportunity occasioned by a great war was seized upon, in the interest of the Government, to get rid of a circulation issued by the authority of many different States, which had been, almost from the beginning of the Government, a grievous tax upon the business and the commerce of this country. It was shown from the discussions in Congress, at the time of the passage of the Legal-Tender Act, from the reports of this department, and from the uniform legislation since that time, that the National banking system was

intended to be permanent, the institutions organized under it being, by the express terms of the law, organized to continue for a term of twenty years; while it was equally evident that the Treasury notes issued, and still in circulation, were intended to be funded to constitute a temporary currency issued from necessity, and to furnish the Government with the means to save itself from destruction; that the amount was not to be increased, but to be withdrawn from circulation as rapidly as possible."

He denies that the National banks have at any time monopolized the business of banking, nor do they do so at present. On May 31, of this year, there were in existence more than 3,700 State banks and private banking houses, having an aggregate capital of \$202,000,000, and deposits of \$413,000,000. These banking establishments are located in all the principal cities and villages of the country, and it is to be presumed that if the privilege of issuing circulating notes were so great, as it is persistently claimed to be, these associations and individuals who are already engaged in the business of banking, and who are free to enter the National system, would hasten to organize under that system.

Further—on this subject of the alleged monopoly of the National banks, he says:

"The proposition for the substitution of Treasury notes in place of National bank notes, having been again revived and discussed, it is thought advisable again to answer the principal objections urged against the National banking system, even at the risk of repeating, to some extent, although with more recent data, what has already appeared in previous reports.

"Under the law then, as it now stands, any number of persons, not less than five, in any part of the country, who, together, may have \$50,000 of capital at command, may organize a National bank and receive circulating notes equal in amount to ninety per cent. of such capital, the law discriminating in the latter respect only against the large institutions, as no bank, since the passage of the Act of July 12, 1870, is entitled to a circulation in excess of \$500,000. A bank having a capital of between \$500,000 and \$1,000,000, can receive in circulating notes but eighty per cent. thereon; if between \$1,000,000 and \$3,000,000, it can receive but seventy-five per cent.; and if over \$3,000,000, but sixty per cent.

"Since the passage of the Act of June 20, 1874, the National banks, so far from considering the privilege of issuing circulation a profitable monopoly, have voluntarily surrendered \$66,237,323 of their notes, which is \$29,463,467 more than has been issued to all of the banks organized since that date; while 144 banks, with capital stock amounting to \$15,517,000, and a circulation of \$9,190,718, have gone into voluntary liquidation.

"The capital stock of the National banks is not largely in the hands of capitalists. Among their shareholders may be found persons in every station of life, and great numbers of women and children rely for their support upon the successful management of these institutions. It is not probable that the stock of any other class of corporations in the country is more widely distributed among people of moderate means than is that of National banks. It is also largely distributed among members of all political parties, and, as a rule, is free from the control of partisan influence."

#### PRESENT SYSTEM OF REDEEMING NATIONAL-BANK NOTES.

"If the New York system of redemption were to be applied to the National-bank circulation, in place of the existing method, it would probably at once raise the price of exchange to the rate current under that system, which was generally one-half of one per cent. Under the system now in vogue, the notes of the National banks, wherever located, have possessed a uniform value, and the prices of exchange have ruled at the lowest rate. The rates of exchange between St. Louis, Cincinnati, Chicago, and New York, have been frequently at par and under, never exceeding, say seventy-five cents for \$1,000, instead of from \$10 to \$15 per \$1,000, as was common under previous systems. Redemptions have not been so frequent under this, as under the previous systems of New York and New England, for the reason that the notes are more fully secured, and also because the demand for Treasury notes has not

been so great as was formerly the demand for gold under similar circumstances. The machinery of the law is, however, in operation, and the frequency of redemptions will, to a great extent, depend upon the demand for gold, after specie payment shall have been resumed. But the notes of the banks being secure beyond peradventure this demand will, in all probability, be much less than under former systems of unsecured currency."

The amount of interest per year accruing upon the bonds held by the National banks November 1, less the tax paid by them upon their circulation, is \$14,544,692 only, while the annual profit upon the entire circulation of the National banks is only \$8,961,519, or less than two-and-a-half per cent. upon their capital.

#### THE SAFETY OF THE NATIONAL BANKS.

The Comptroller declares that the organization of banks without capital was one of the greatest abuses of the former banking systems. He says it is impossible for a bank of circulation only, without capital, to be organized under the present system, if proper precautions be exercised, and if the examiner be competent and faithful in the discharge of his duties. The proportion of capital and of capital and surplus to liabilities, is much greater in this country than elsewhere, which is undoubtedly owing to the fact that the law of the United States requires the full amount of authorized capital to be paid in actually. In England, as a rule, only a portion of the capital is paid in, but the stockholders are individually liable for the full amount of their subscriptions. This restricted liability is true of the limited banks only, the stockholders of other corporations, not limited, being each liable for all of the debts of the corporation.

A table is submitted, compiled from statements in the *London Economist* of October 19, 1878, showing the amount of capital, reserve, and liabilities, and the ratio of capital and of capital and reserve to liabilities, of 3,417 banks (141 banks and 3,276 branches) of the United Kingdom. The total capital of these banks is \$450,000,000; the surplus, \$170,000,000, and the total capital and surplus, \$620,000,000. The liabilities are \$2,700,000,000. A comparison is made between this table and a similar statement as to the National banks, which have a capital and surplus of \$624,000,000, and liabilities of \$1,140,000,000. The comparison shows the ratio of capital to liabilities in the 3,417 banks in the United Kingdom to be 16.78 per cent., against 40.88 per cent. in America, and the ratio of capital and reserve to liabilities to be 23.07 per cent., against 54.73 per cent. in America, the ratios of the American National banks being, in each instance, more than double those of the United Kingdom.

#### THE PROFITS OF NATIONAL BANKING ARE MODERATE.

The surplus of the National banks amounted on October 1 to nearly \$119,000,000. A part of this sum represents the profits earned by former State banks previous to their conversion into National organizations, and brought by them into the system. The greater portion was, however, accumulated by banks during the years of business prosperity immediately succeeding the close of the war. A table is given, showing that the maximum surplus was reached in 1875, when it was \$133,169,095, since which time it has been decreased to \$118,178,531. The diminution has been caused by charging to the surplus, from time to time, portions of the losses sustained by the National banks; such losses aggregating during the last three years, \$64,119,415. The losses in 1876 were \$19,719,027; in 1877, \$19,933,588; in 1878, \$24,466,800; total, \$64,119,415. The report continues:

The greater portion of the losses mentioned has been cancelled by charging it to the account of current profits, in consequence of which 357 banks, with an aggregate capital of \$58,736,950 have in the last six months paid no dividends at all, while during the last three years the average number of banks semi-annually passing dividends on account of losses had been 288. This number is equal to about one-seventh of the whole number now in operation.

The average amount of capital upon which no dividends have been paid during that time is \$44,583,515, from which it follows that for a continuous period

of three years, more than one-tenth of the total capital of the National banks has been without profit to the owners.

The belief so widely entertained that the profits made by the National banks are excessive, is in great part due to the exceptionally large dividends paid by a few banks which are favorably located and have a large surplus, and which make large returns to their shareholders on the amount of their nominal capital. The profits of these banks are not to any considerable extent derived from their circulation, but from surplus and deposits. Many of the banks making these exceptional dividends have a much less amount of circulation than those making moderate dividends only, while a few of them have no circulation whatever.

#### TAXES PAID BY THE BANKS.

The total amount of United States taxes collected from the beginning of the system to the present time, is reported as follows: On circulation, \$39,775,817.35; on deposits, \$40,328,256.32; on capital, \$5,929,480.73; total, \$86,033,554.40. The rate of taxation upon the banks in the City of New York and in other cities has averaged more than five per cent. annually during the past four years, and the annual taxes collected from these institutions have been greatly in excess of the rate collected upon the capital of other corporations, private firms and individuals, which cannot be as accurately determined as that of the National banks from the published statements.

#### FAILURES OF NATIONAL BANKS, LESS THAN UNDER OTHER SYSTEMS.

Mr. Knox shows that the claims against all the National banks which have failed since the beginning, have been \$23,398,909, of which \$14,010,313 have been paid, and he estimates the eventual loss at \$6,515,423. He then adds:

"The average number of failures during each of the past fifteen years has been less than five, and the average annual loss less than \$430,000.

"The City of Glasgow Bank, which recently failed in Scotland, had a capital and surplus of less than \$8,000,000, and liabilities of more than \$50,000,000. It loaned to four debtors of the bank more than \$28,000,000, upon which there is a loss of more than \$21,000,000. The deficiency in the assets is nearly \$26,000,000, which is four times as great as the losses of all the creditors of National banks which have failed since the organization of the system. The bank Superintendent of the State of New York reports the liabilities of twenty-two Savings banks which have failed in that State during the last six and a half years at \$12,188,777, and estimates the losses to their creditors at \$4,303,616, which is more than one-third of their entire indebtedness. He estimates the losses during the last three years at \$3,400,000, which is more than one-half of the estimated losses to the creditors of all the National banks in the United States from the beginning of the system until now. The losses from five State banks in the city of Chicago during the last two years, which banks were organized under special charters, under which neither State supervision nor reports were required, are estimated to be \$3,819,500 on liabilities of \$5,785,572. The losses from the State and Savings banks of the country during the present year only are known to have been greater than the total loss resulting from all the failures which have occurred of National banking associations. The Government has had large amounts on deposit continually with a great number of National banks throughout the country for its convenience in making disbursements, but has suffered no loss during the past twelve years. Upon the circulating notes of the National banks there has been no loss whatever."

#### ASSISTANCE OF THE BANKS IN REFUNDING THE NATIONAL DEBT.

On this important subject, Mr. Knox says:—

"One of the chief objects in view in the organization of the National system was not only to furnish bank notes which were safe and convertible, but to supply a steady market for and facilitate the negotiation of United States bonds; and there is no doubt that the credit of the Government and its ability to borrow money at low rates of interest have been greatly increased by making its bonds a basis for the issue of National bank notes.

"Of the United States bonds held by the National banks on November 1, 1868, and deposited with the Treasurer, as security for their circulating notes,

nearly three-fourths bore interest at the rate of six per cent. The amount of this class of bonds has since been gradually reduced until it is now less than one-fourth of all the bonds held; while nearly one-fourth of the whole amount bears interest at the rates of four-and-a-half and four per cent., only about one-fifth of the entire issues of the latter classes of bonds is now held by the National banks. . . . The Government has still outstanding more than \$693,000,000 of six per cent., and more than \$703,000,000 of five per cent. bonds. The reduction of the interest on this amount to four per cent. would save the Government nearly \$21,000,000 of interest annually. The funding of the six-per-cent. bonds into four per cents has made rapid progress during the past year, and the banks have been of great service to the Government in this process of refunding by negotiating and absorbing a very considerable part of the new issues. Should the National system continue, there is no doubt that the present rapid reduction in the burden of interest will continue also. If the National bank system is to be abolished, and an additional amount of United States notes is to be issued, all hope of reducing the rate of interest on the public debt must be abandoned.

"The larger portion of the five and six per cent. gold-bearing bonds of the United States is payable at the option of the Government, and the remainder will be payable in 1881—two years hence. As already stated, \$21,000,000 yearly may be saved to the Government by funding these bonds into four per cents., while the amount which it is claimed may be annually saved by the repeal of the National Bank Act and the issue of \$320,000,000 of inconvertible Treasury notes is \$13,000,000 only. With the issue of this large amount of Government notes, the funding of the public debt will be rendered impossible, for the pledges of the Government will then be violated and its credit permanently ruined.

"Which is the wiser course—to continue the work of funding the debt which has so successfully progressed during the present year, thus saving the greater amount of interest named, while adding to the credit of the country; or to attempt, by the repeal of the National Bank Act, to save the less amount, and at the loss as well of reputation and credit? Is there not danger that attempts to remove an imaginary evil may be followed by the introduction of a real and much greater evil? Success in funding the National debt through the co-operation of 2,000 of the principal monetary institutions of the country may be assured; but the effects of the issue of a large amount of irredeemable Government currency cannot be foretold."

#### CERTAINTY OF RESUMPTION.

Mr. Knox refers to the amount of coin now in the Treasury, and says this amount is constantly increasing, and it is to-day "a solid basis" for circulation. Congress has fixed the day for the restoration of the specie standard, and the legislation needed is, that which will not overthrow, but cooperate with the present well-managed monetary institutions of the country in accomplishing this result.

When this is done the present banking system, if then thought desirable, may be modified without danger to the creditor or the business and commercial interests of this great nation.

Then follows a table showing that the amount of reserve held on the first of October last was greater than that required by law. The Treasury Department owns \$140,000,000 of coin, which is equal to more than forty per cent. of the entire issue of the legal-tender notes, and is available for their redemption, while the banks hold nearly one-third of the legal-tender notes. If, therefore, the banks of the country co-operate with the Treasury, it is impossible that resumption shall fail; but even if this co-operation should not be universal, it could not affect the ultimate result, for if any considerable portion of the legal-tender notes be exchanged for coin at the Treasury and withdrawn from use the notes will become scarce and can be forced into circulation to supply the requirements of business and fill the gap. The coin will soon thereafter be returned to the Treasury in payment of customs duties and internal revenue taxes, and offered in exchange for greenback coin certificates, which will be more generally acceptable to the people for the same reason that the notes of the Bank of England and of the Bank of France are preferred to coin.



## THE NEW YORK CLEARING-HOUSE AND SPECIE RESUMPTION.

On the afternoon of November 12, a special meeting of the Clearing-House Association was held to consider the report of the Clearing-House committee on their conference with the Secretary of the Treasury. Of the fifty-eight banks belonging to the Association, fifty were represented, all the important institutions in this city being included. Mr. William A. Dowd, President of the Bank of North America, presided. After reading the call for the meeting, the following letter was read :

OFFICE OF ASSISTANT TREASURER OF THE UNITED STATES, }  
NEW YORK, November 12, 1878. }

SIR:—In conformity with instructions from the Treasury Department, I have the honor to submit the following propositions for the consideration of the Clearing-House Association of the Associated Banks of this city :

*First:* Hereafter, drafts drawn upon any bank represented in the Clearing-House Association in the city of New York, received by the Assistant Treasurer in that city, may be presented to such bank at the Clearing House for payment.

*Second:* Hereafter, drafts drawn on the Assistant Treasurer at New York may be adjusted by him at the Clearing House, and the balance due from the United States may be paid at his office, in United States notes, or Clearing-House certificates.

*Third:* After the 1st of January next, payment of checks presented to the Assistant Treasurer by any bank connected with the Clearing House may be made by him in United States notes.

On the acceptance of these propositions, by resolution of the Association, entered upon its records, or in any other form that will convey its sanction, I am authorized to conform to them so soon as the necessary details can be arranged.—Very respectfully yours, etc.,

THOMAS HILLHOUSE,  
*Assistant Treasurer of the United States.*

Some slight discussion favoring the adoption of the proposition ensued, and the following resolution was unanimously adopted :

*Resolved,* That in order to facilitate the payment of checks and drafts between the Treasurer of the United States and the associated banks, the manager of the New York Clearing House is authorized to make such an arrangement with the Assistant Treasurer that will accomplish the purpose through the medium of the Clearing House.

Mr. George S. Coe then presented a communication from the Clearing-House committee, the substance of which is as follows :

NEW YORK, November 1, 1878.

In view of the proposed resumption of specie payments on the 1st January next, it is necessary to recognize the truth that a successful and permanent attainment of that great object cannot be secured without the cordial co-operation of Government and the commercial banks.

The Government cannot preserve coin for the payment of its issues, unless the current standard of commerce, whose exchanges are all made through the agency of banks, is maintained at the same high level. If this be not done, it is self-evident that the superior value of the coin provided by Government for resumption, will cause it to be rapidly drawn away into commercial channels, and exhaust the Treasury supply. It is not necessary to assume any antagonism on the part of banks, for there can be none, to produce this result. It would come from the natural operation of the law of trade. Government only responds to the requirements of commerce and to the highest instincts of the people, in

aiming to restore the universal standard of coin ; and the same forces, pressing more directly upon the banks, demand of them the same effort. There is no influence impelling the Government to re-instate itself in line with the most advanced nations of the world, that does not in a greater degree appeal to the interest of banks to work in the same direction.

Accepting these evident truths, the only question among intelligent bankers is this, how can this co-operation be best secured, and by what practical measures? When the Government freely offers to meet its currency issues in coin, upon presentation, the banks will have to provide means not only to redeem their circulating notes, but also to protect their larger obligations of deposits, and their exchanges with each other and with the people, at the same coin standard. Standing, as they do, in immediate contact and relation with every form of industry and exchange, upon them will mainly rest the labor of maintaining the coin measure in all commercial transactions.

There are diverse views honestly entertained respecting the relative merits and powers of circulating notes, of banks or of Government, as to which will best promote the public interest and meet the requirements of the people. Avoiding all discussion of this subject as not pertinent to the immediate occasion, let us accept the situation as it now exists, and as it will continue until after the day of resumption, and remit all such questions to the test of future experience.

At present there is a marked distinction made in the daily transactions of banks, between their deposits of gold and their deposits of currency, by treating the former as a special fund, payable in kind.

It must be evident that if this discrimination continues to be made after resumption, it will prolong the idea of the inferiority of circulating notes after they have been declared to be restored to an equality with gold by becoming interchangeable, and will therefore falsify the proclamation of the Government. It will not only be a practical denial by the banks of the sincere purpose of the Government to maintain its resolution, but, by affording protection and facility to those who draw coin from the Treasury, will place the moral force and power of the banks in direct opposition to the effort of Government.

Specie payments will not have been truly accomplished until all distinctions in the use of gold coin and currency, as money, are obliterated in ordinary commercial transactions.

To make resumption effective, the banks must cordially co-operate, by practically treating lawful currency and gold coin equivalent in value, as they did before the war, declining to receive all deposits of gold as subject to special contract as hitherto, and accepting it only as lawful money. They should also abolish all existing arrangements in which gold coin is preferred, by giving notice that they will expire on the 1st day of January next, the day of resumption, and terminate all special gold exchanges at the Clearing House.

If the Government also, forbearing all further legislation upon the subject, will discontinue the issue of gold certificates at the Treasury, and regard gold coin as practically the equivalent of lawful money in all its disbursements, the distinction which has so long existed between coin and currency will rapidly fade away, and natural law will re-assert its beneficent dominion over our financial affairs. Resumption of the coin standard being assured, it is entirely safe to leave the circulating notes to find their true place, as their constitutional merits and the demands of trade and the public interest may naturally determine.

But resumption of the gold standard can be successfully reached only by the fearless disbursement of gold by both banks and Government, and by such unreserved and confident action as will manifest to the public that they are working harmoniously together, and feel the utmost assurance of its practicability and permanence.

There is, however, a most serious obstacle standing directly across the path to coin resumption in the coinage and forcible issue of silver dollars not worth their nominal value, which demands the first consideration. The treatment of these, as they enter into the current of circulation, must be wisely determined before the question of the restoration of the commercial standard can be regarded as substantially settled. The Government, by law, now demands the entry of its sil-

ver coins into the currency upon equal terms with gold, when out of every five dollars' worth of silver bullion it creates more than six legal dollars, and appropriates one of them to its own use.

At the present value of silver bullion these inferior dollars can be made at a cost of 83 14-100 cents. The Government is therefore drawing into its Treasury a profit, upon every dollar's worth of silver bullion which it purchases, of over twenty per cent. An indirect tax of this magnitude, unequal in its operation, imposed upon the people under the power "to coin money and regulate the value thereof and of foreign coins," is certainly a most extraordinary and untimely exercise of power under a constitution formed "to establish justice and insure domestic tranquility." Just at the time when the best energies of the people are enlisted in the effort to re-establish financial order, and to return to harmonious relations of value with foreign coins and nations, this insuperable obstacle is encountered, which, if adopted in practice, will disturb anew domestic tranquility, subvert justice, and perpetuate discord in all business relations with other nations.

Whatever may be the local statute respecting these coins, the fact is indisputable that they are not a full commercial equivalent; that their issue, as such, is in conflict with the laws of trade and with natural justice, and that all those who receive them at their nominal value are subjected to an immediate tax of one dollar in every six of the business they thus transact.\* Upon the banks greatly depend the introduction of these coins into commercial use. The question practically presented to them is, whether they shall, by receiving these coins upon deposit, as money of full value, voluntarily devote their powers to the establishment of injustice as the custom of the country and the established measure of domestic trade, and shall also relinquish the property of their shareholders and dealers, to the extent of one-sixth of the millions intrusted to their care, and whether they shall voluntarily permit the gold coin, or its equivalents, now in their possession, to become transmuted into this depreciated value, through their desire to effect a nominal resumption of coin payments, which, after all, will result, not in elevating the commercial standard to the measure of the most advanced nations, but in degrading it even below the value of irredeemable paper currency now used. Such a resumption will not be an improvement upon present methods, for which the country may feel proud, but a further deterioration to be deplored. Standing, as they do, the commercial agents of the people, and subject to the universal laws of trade, which are now in direct conflict with this act of Congress, the banks have the right, and it is their plain duty, to pause before this serious dilemma. They are at liberty to accept or to decline these deficient coins when offered them upon deposit, to refuse them as money in their commercial exchanges with each other, and to withhold their influence in fastening them upon the community. And it is their most obvious interest and duty to do so. But the practical result of this action will be to raise the standard of bankable funds above that of the Government, to draw into banks and commerce the current gold of the country, and to create a general aversion to all transactions with the Treasury, and with all persons whose payments are made in this deteriorated coin.

A resumption of coin payments like this must prove a National humiliation, in which it will be found impossible to unite the active co-operation of banks, or to enlist the enthusiasm of the people.

We do not forget the fact that under existing law the Secretary of the Treasury is required to coin "not less than two millions of silver dollars of 412½ grains per month," and that these will constitute a portion of the resources of the Treasury. It is confidently hoped that Congress, in view of the unexpected fluctuations of silver bullion since the law was passed, will reconsider and repeal it at an early day. In the meantime, however, it is in the power of the Secretary to limit the coinage to the minimum sum allowed by law, and to find a place for it in the circulating medium in lieu of notes of small denominations, for which the silver dollars may be substituted. These could be held at gold value by permitting them, when excessive, to be exchanged at par at the Treasury for gold coin. By this means, the amount

\* This statement is surprisingly inaccurate.—Ed. B. M.

required to be issued within a year may be healthfully absorbed, within which time it is believed that the permanent restoration of the gold standard, with the commercial prosperity in the country naturally attending it, will have made the duty of Congress, respecting financial legislation, clear and unquestionable.

With this assurance from the Government, the banks may confidently and zealously combine their energies with the Secretary in the movement toward resumption upon a gold standard, with the conviction that they are at the same time fulfilling their highest duty to the nation and to their constituents, and promoting the best interests of commerce and trade. The following outline of policy is suggested as proper to be recommended for adoption by the banks in New York City:

AFTER 1ST JANUARY, 1879.

1. Decline receiving gold coins "as special deposits," but accept and treat them only as "lawful money."
2. Abolish special exchanges of gold checks at the Clearing House
3. Pay and receive balances between banks at Clearing House, either in gold or legal-tender notes.
4. Receive silver dollars upon deposit, only under special contract to withdraw the same in kind.
5. Prohibit payments of balances at Clearing House in silver certificates or in silver dollars, excepting as subsidiary coin in small sums (say under \$ 10).
6. Discontinue gold special accounts by notice to dealers, on 1st January next, to terminate them.

Short speeches were made by Messrs. Coe, H. F. Vail, President Bank of Commerce; J. M. Morrison, President Manhattan Company; George F. Baker, President First National Bank; Benjamin B. Sherman, President Mechanics' National Bank; F. D. Tappan, President Gallatin National Bank, and others, after which, the following resolutions were unanimously adopted:

*Resolved*, That the reported interview between the members of the Clearing-House committee and the Secretary of the Treasury, with the views expressed by them to him, in the paper presented to this meeting upon the subject of the restoration of specie payments, meets the cordial approval of this association, and that the practical measures recommended for adoption by the banks in respect to the treatment of coin in their business with the public and with each other, be accepted and carried into practical operation.

The policy recommended by the committee was then taken up, and each article separately adopted by a unanimous vote.

The following resolution was then adopted:

*Resolved*, That the managers of the Clearing House be requested to send copies of the proceedings of this meeting to Clearing Houses in other cities, with an expression of the hope that they will unite in similar measures for promoting the resumption of coin payments.

The meeting then adjourned.

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RECENT DECISIONS.

TAX.—1. A depositor in a bank took from the bankers a writing acknowledging the receipt of a certain sum equal to the amount of his deposit in United States bonds not taxable, and promising to return the same on demand. *Held*, that this contract was lawful, though made for the express purpose of avoiding taxation on the deposit. *Stilwell vs. Corwin*, 55 Ind. 433.

5. Tax acts are presumed not to intend the imposition of a double burden; and, therefore, where the whole capital stock of a National bank was taxable and taxed under State laws, it was *held* that no further tax on the real estate occupied by the bank for its business could be levied, there being no law expressly authorizing it. *Commissioners of Rice Co. vs. Citizens' National Bank*, 23 Minn. 280.

## THE TREASURY PLANS FOR RESUMPTION.

A committee of Baltimore bankers who visited Secretary Sherman on November 23d, expressed their desire to aid him in the work of resuming specie payments, and addressed him the following questions:

*First*—Are United States legal-tender notes to be received at the Baltimore Custom House on and after January 1, 1879, in payment of customs duties at their face value?

*Second*—Will United States legal-tenders be received on and after January 1, 1879, at their face value in the purchase of United States bonds from the Treasury?

*Third*—Will United States legal tender notes be redeemed in gold at the office of the United States Treasurer in Baltimore on and after January 1, 1879?

*Fourth*—Will standard silver dollars be issued in exchange for greenbacks in Baltimore on and after January 1, 1879, and contrariwise; that is, will greenbacks be issued for the standard silver dollars?

*Fifth*—Will there be an issue of certificates for the deposit of silver with the Assistant Treasurer of the United States at Baltimore, and will these certificates be treated as silver coin in payment of custom duties and other indebtedness to the government?

*Sixth*—Will the government, after January 1, 1879, continue the issuance of certificates of deposit of legal-tender notes, commonly known as Clearing-House certificates?

In reply the Secretary said:

"I inferred, gentlemen, from the appointment you made with me, that some such questions as you now propose would be submitted to me; but as the law requires me officially to report to Congress in a little more than a week upon the very topics you suggest, it would be manifestly improper for me now to discuss them in such detail as frankness would require. But I may say a few things which will substantially answer the object of this interview. It is true that actual redemption is confined by the law to the office of the Assistant Treasurer at New York. This is a wise provision; for it would be inexpedient to scatter the redemption fund so that it would not be readily available. Redemption in New York, the chief commercial city of the country, establishes the equality of the United States notes with coin, and this is the main thing, and carries with it their equality in all parts of the United States. The difficulties suggested by the Baltimore banks could be met by either of several expedients:

*First*—This department can now, by express provision of the law, sell or exchange coin for greenbacks. This has been done for years at Boston, Baltimore, Chicago and other leading ports, at the same premium for gold as the market rate at New York. This could be continued after January 1, when at New York the rate will be par, and therefore the same elsewhere.

*Second*—United States notes being at a parity with coin, can, I think, under existing law, be received for customs duties; and this is the only purpose for which coin is required by law to be paid to the government by a citizen, and it is the purpose for which it is usually desired. If there is any doubt upon this point Congress may expressly authorize it.

*Third*—If United States notes are taken for duties in New York, they must be taken for duties in every port of the United States. Otherwise an unconstitutional preference would be made in favor of one port over other ports in the United States.

*Fourth*—After resumption, United States notes must be held and maintained at par for all purposes, in all parts of the United States. They can be transported easily and speedily, while coin cannot be so readily and cheaply moved.

It would seem that if we secure absolutely the convertibility of United States notes into coin at the chief commercial city, we practically secure the same convertibility at every other place in the United States. Exchange is usually in favor of New York, but a temporary premium elsewhere will be insignificant, and cannot exceed the small cost of transporting United States notes to New York. That may occur, and has occurred, when specie payments were the rule everywhere, and is less likely to occur now when we have a uniform paper circulation, current in all parts of the United States.

"My general answer, therefore, to you is that the United States will maintain its notes at par in coin in all parts of the United States, and will do so by the redemption of such notes as are presented to the City Treasurer at New York, and by the receipt of United States notes for both customs duties and bonds. I think this can be done without a change of the law, but as to this Congress must be the judge. The Treasury will treat United States notes and coin as an exact equivalent in all transactions with the Government, and then all business everywhere in the United States will adapt itself to the same standard. Having stated this much, I do not think that I ought to go farther, and perhaps in my desire to be frank with you, I may have broached questions that should await the opening of Congress."

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## THE REDEMPTION OF NATIONAL BANK CURRENCY.

A LETTER FROM SECRETARY SHERMAN.

The following correspondence is published:

FARMERS AND MECHANICS' NATIONAL BANK, )  
HARTFORD, Conn., Aug. 29, 1878. )

SIR:—In a speech delivered by you at Toledo, Ohio, on the 26th inst., you state that National bank notes are payable in greenbacks, and not in coin, and that no coin reserve is needed by them for such redemption. Are we to infer that after the Resumption Act goes into effect January next that such will then be the case? And will the five-per-cent. redemption fund now deposited with the Treasury of the United States in National bank notes continue in the same kind, and then when our circulating notes are presented at our counters for redemption, are greenbacks a legal tender for the same, or will we be obliged to redeem them in coin? Thanking you in advance for an early reply, I remain very respectfully yours, (Signed) A. OATMAN, President.

HON. JOHN SHERMAN, Secretary of the Treasury, Washington, D. C.

Secretary Sherman's reply is as follows:

TREASURY DEPARTMENT, WASHINGTON, Sept. 5, 1878.

*President of the Farmers and Mechanics' National Bank, Hartford, Conn.:*

SIR:—In reply to your letter of the 29th ult., requesting to be informed whether National banks will be required after January 1, 1879, when the Resumption Act goes into effect, to redeem their circulation in coin, I have to inform you that there is at present no law requiring National banks, other than gold banks, to redeem their circulation in coin. Under existing laws, National banks are required to deposit with the Treasurer of the United States lawful money of the United States sufficient to redeem their circulation, and the Treasurer is required to redeem said circulation in United States notes. See Section 3, Act of Congress, approved June 20, 1874; also Sections 5,222, 5,224 and 5,226, Revised Statutes of the United States.

Very respectfully,

JOHN SHERMAN, Secretary.

## LEGAL MISCELLANY.

[FROM THE AMERICAN LAW REVIEW.]

## DIGEST OF CASES IN BANKRUPTCY.

**BANKRUPT.—1.** The bankrupt, until the appointment of an assignee, is a trustee of his estate for the benefit of creditors.—*In re Battey*, 16 N. B. R. (Mass. Dist.) 397.

2. And if he is indorser upon notes maturing before such appointment can be made he may waive demand and notice.—*Ib.*

3. And it would seem that he might, without leave of court, begin any suits that are necessary to save the Statute of Limitations, or are otherwise of immediate urgency, though he cannot, without suit, receive payment.—*Ibid.*

**CONVERSION.**—The defendant, a National bank, claimed a lien on certain shares of its stock, owned by the bankrupt, under its by-laws, to secure an indebtedness due it from the bankrupt, and refused to give the assignee a certificate for those shares, who thereupon brought an action for their value.

*Held*, That a judgment for conversion, since it vests the title in the wrongdoer, could not be entered in this action, as the bank could not hold the title to the shares under the National Bank Act.—*Meyers vs. Valley National Bank*, (E. D. Mo.,) 18 N. B. R. 34.

**PROMISSORY NOTES.—1.** Where the holder of accommodation paper, knowing it to be such, enters into and signs a resolution of composition in proceedings in bankruptcy, instituted against the indorsers, the maker is not thereby discharged from his liability.—*Guild vs. Butler*, 16 N. B. R., (Sup. Ct. Mass.) 347.

2. The bankrupt, nearly a year before the petition was filed, left for collection with his attorney a note signed by a third party, and afterwards drew several orders on him for payment out of the proceeds of the note, which were accepted. *Held*, That the several holders of the orders were entitled to be paid out of such proceeds in preference to the assignee.—*In re Smith*, 16 N. B. R. (Mass. Dist.) 399.

3. A note given upon the consideration, or with the intent specified in section 35 of the Bankrupt Act is void, even in the hands of a *bona fide* purchaser, as no reservation is made in favor of innocent holders of negotiable paper made in violation of that law. Giving a note indorsed by a third party on account of an indebtedness is not a fraudulent preference.—*Dalrymple vs. Hillenbrand*, (N. Y. Ct. App.,) 17 N. B. R. 434.

4. Defendant indorsed a note for the accommodation of A Bros., against whom proceedings in bankruptcy were pending, such proceedings having been commenced while A Bros. were endeavoring to effect a compromise with their creditors, which was accepted after the note was given. A Bros. gave the note to C Bros. for a debt due them, which was transferred to the defendant; and the plaintiff purchased the note before maturity, and without notice of any defect. In defense of the action on the note, defendant set up that it was used in violation of a condition imposed by him when he indorsed the note; that a compromise should first be made with all the creditors; also, that it was given on a secret understanding in fraud of the compromise. *Held*, Not to constitute a valid defense against the plaintiff.—*Ibid.*

5. Notes given by factors by way of advances to their principals, on the credit of goods consigned, are business paper, and not accommodation paper.—*In re Many*, (S. D. N. Y.,) 17 N. B. R. 514.

6. An indorser on a note is, in any event, liable to his indorsee, only for the amount actually paid by the indorser, with lawful interest thereon, and not for the face value of the note.—*Ibid.*

PROOF.—1. Where all the members of one firm are partners in another firm, they cannot prove its debt against the latter firm.—*In re Savage*, 16 N. B. R. (N. D. N. Y.) 368.

2. P & H composed a firm, and they were also partners in the firm of S & Co. P & H drew drafts upon S, an individual member of the latter firm. These drafts were discounted by a bank. *Held*, upon the bankruptcy of S & Co., the bank could not prove its claim on the drafts against the firm estate, but must look to the separate estate of S.—*Ibid*.

3. Where notes were exchanged, the holder of a note offering to prove against C as indorser, must deduct the amount of dividend received from the maker.—*In re Cochrane*, 16 N. B. R. (Mass. Dist.) 432.

4. The holder of a bill or note may prove it in full against the party primarily liable upon it, notwithstanding he may have received a part or all of the amount from a surety or quasi surety.—*Ibid*.

5. A former partner, or a joint covenantor with the bankrupt, who is liable for joint debts, and pays them, may prove the amount against the assets of his former partner, or of his co-contractors.—*In re Whiting*, 16 N. B. R. (Mass. Dist.) 497.

6. A note was signed by one member of the firm, and indorsed by the firm. Before its maturity, the partners were made joint bankrupts. *Held*, that the note could be proved against the joint assets, without protest and notice of its dishonor.—*In re Paul*, 16 N. B. R. (Mass. Dist.) 476.

USURY.—1. Notes made by the bankrupts were placed by the parties for whose accommodation they were made, in the hands of a broker, for sale, as business paper. The broker enclosed the notes to a trust company in Connecticut, asking if it would take them. The trust company returned a check on New York for the amount of the notes, less a discount of ten per cent. *Held*, that the notes were governed by the law of New York, that they had their inception when negotiated to the trust company, and were usurious and void.—*In re Dodge*, (S. D. N. Y.) 17 N. B. R. 504.

2. An assignee who moves to expunge a claim on the ground of usury, alleging that the note on which the claim is founded was made or indorsed by the bankrupt, for the accommodation of another, and took its inception in the hands of the present holder, who obtained the same at a discount of more than the legal rate of interest, must show clearly that the note was accommodation paper.—*In re Many*, (S. D. N. Y.) 17 N. B. R. 514.

3. When it appeared that the bankrupts were factors for a corporation, received goods on consignment for sale on commission, and habitually gave their notes to the corporation, by way of advances on consignments, and it appeared that some of the notes on which the claim was based were of that description, and were purchased by the present holder from one of the bankrupts, who was also treasurer of the corporation, at a discount of eighteen per cent. per annum, but it was not shown that any of these notes were given for an excess over the value of goods consigned. *Held*, that the assignee had not shown these notes to be accommodation paper.—*Ibid*.

SET-OFF.—1. Upon the bankruptcy of a depositor in a bank, his deposit becomes a security for the payment of the bankrupt's debt to the bank; but if the bank held mere contingent debts or liabilities, or a claim for unliquidated damages arising by contract, the deposit must be left in its hands until it could be ascertained what its probable debts would be, and then it might be used in set-off.—*In re North*, 16 N. B. R. (Mass. Dist.) 420.

2. The bankrupt in a composition case stands, as to set-off, in the position of an assignee, if none has been appointed.—*Ibid*.

3. The deposit of a bankrupt in a bank is to be set-off against the aggregate debt of the bank, not including any notes upon which the bankrupt is surety, unless the principals are insolvent.—*Ibid*.

TAXES.—Funds in the hands of an assignee are subject to State taxation.—*In re Mitchell*, 16 N. B. R. (Mass. Dist.) 535.



## BOOK NOTICES.

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*Resumption and the Silver Question: Embracing a Sketch of the Coinage and of the Legal Tender Currencies of the United States and other Nations.* A Hand-Book for the Times. By HENRY V. POOR. 1 vol., Crown 8vo. New York: H. V. & H. W. Poor, 1878.

This volume is the second book by H. V. Poor, on the same general subject, issued within a short time. Mr. Poor writes warmly against silver and against irredeemable greenbacks, and he is also decidedly opposed to any redeemable greenbacks which are invested with the function of being legal tender. His proposal is, to deprive the present greenbacks of the quality of being a tender, as to any debts contracted after January 1, 1880, and to provide for withdrawing them from circulation by funding them in a four-per-cent. bond. He has no faith in what he describes as the resumption plan of Secretary Sherman. He also insists that bank notes ought to be based upon large reserves of actual gold. The changes which Mr. Poor proposes in the existing policy of the country are very great and radical, and he probably does not expect their immediate adoption.

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*The Silver Question.* By GEORGE M. WESTON. New York: I. S. Homans, Publisher, 1878. 8vo. pp. 300.

In this volume, the author discusses the nature of metallic standards, the effect of a single standard on the volume of money, and the views urged in favor of the absolute superiority of the gold standard. He considers and combats the theory that the adoption of a gold standard by Europe compels its adoption by the United States, and presents a history of the demonetization of silver in this country. Mr. Weston is a strenuous advocate of the free coinage of silver by the United States, and argues the importance of this measure to the producers of exportable agricultural staples. He discusses, also, the European situation and the recent Conference. There are appended a number of papers which treat of the legal-tender power of silver, the effects of its demonetization, the disastrous results of diminishing money and falling prices, and of various other topics which bear upon the questions at issue and the arguments advanced. An extract from this work will be found in our present number.

In his treatment of the silver question Mr. Weston avoids statistics, as well as dry historical references, which are to be studied in such works as that of Jacobs on *The Precious Metals*, as well as the later reports of the British and the United States Silver Commissions. As Secretary of the latter, Mr. Weston has earned prominence for his ability in research and investigation. In the present work, he presents in a clear and vigorous manner the claims of the bi-metallists of this country for the full restoration of silver as the peer and complement of gold as money.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. IRREGULAR ACCEPTANCE.

We receive from a correspondent a draft on John Smith, dated November 6th, which reads: "In ten days, pay to the order of, etc." When presented to Smith he writes across its face, "Accepted payable in ten days. November 13, 1878. John Smith." Does this draft mature November 16-19, or 23-26?

REPLY.—The bill is *prima facie* payable in ten days from its date; and, if the acceptance had been simply in the words "accepted, Nov. 13th, 1878. John Smith," it would have been an acceptance according to the tenor of the bill, and due Nov. 16-19. The acceptor, however, has added the words "payable in ten days, etc.," and if it be held that this acceptance is due Nov. 16-19, those words have no meaning and are mere surplusage. But the acceptance should be so construed that, if possible, effect shall be given to all the words used; and giving effect to all the words, the only possible construction of the acceptance is, that it imports a promise to pay in ten days from the date of the *acceptance*. It is, therefore, due Nov. 23-26.

### II. "NO PROTEST" TICKETS.

Can you refer me to any authority showing that a printed "No Protest" slip pinned to a draft, is not sufficient instruction to warrant me in omitting protest in case the draft is not honored?

REPLY.—We are of the same opinion which we gave in March last, that a printed "No Protest" slip pinned to a draft, is not of itself, and without proof that it was so pinned by the holder, sufficient authority for not protesting the paper. It has been repeatedly decided that a waiver of protest may be made "upon a separate paper, written prior to, contemporaneously with, or subsequent to the indorsement." But there must be evidence that a "No Protest" slip was attached to a draft by the holder, or his authorized agent, and it is not safe to act without written evidence of that essential fact. We are not aware that there has been a judicial decision upon that point, but upon general legal principles the question seems to be free from doubt.

Upon inquiry of several banks in this city, we find, nevertheless, that it is their usual custom to obey such tickets, whether supported or not by written instructions, unless the amount of the draft is large. In the latter case the risk would not be taken.

### III. OVERDRAFTS AND COLLATERAL SECURITY.

A depositor gives a note with satisfactory indorsement as security for overdraft. Before maturity of note he overdraws full amount, re-deposits and *again draws full amount*. Is the overdraft properly secured by said note?

REPLY.—This will depend upon the agreement made when the security was given. If for the *then existing* overdraft only, the contract is ended when such overdraft has been made good. To cover any future overdraft, a stipulation to that effect should have been given.

## BANKING AND FINANCIAL ITEMS.

**Notice.**—The **BANKER'S ALMANAC AND REGISTER** for 1879 is now in preparation, and will appear at the usual time in January. The prospectus will be found at the beginning of this number. In addition to the improvements therein announced, the *capital* of banks will be so stated as to indicate when it is from official reports and when derived from other sources.

Bankers are requested to forward to this office, as early as possible, any information of further changes which should be made in the new lists.

The price of the work is Three Dollars. Subscribers will receive also a July edition, as in 1878. Orders for the *Cards* of Banks and Bankers will be received up to December 20th.

I. S. HOMANS, *Publisher*.

**THE BALANCE OF TRADE**—From the latest monthly statement of the Chief of the Bureau of Statistics to the Secretary of the Treasury, the excess of exports over imports of merchandise appears to have been as follows :

For the month ended October 31, 1878.....	\$ 27,743,464
Same month in 1877 .....	17,731,155

A comparison of the exports and imports of gold and silver coin and bullion exhibits the following :

For the month ended October 31, 1878, excess of imports.....	\$ 2,096,807
For the same month in 1877, excess of exports.....	293,169
Ten months ended October 31, 1878, excess of imports .....	2,416,261
Same period in 1877, excess of exports.....	24,999,949

The balance of merchandise exports over merchandise imports for the fiscal year ending June 30, 1878, was 258 million dollars. For each of the first four months of the present fiscal year, there has been an increase in the favorable balance, as compared with the corresponding month of last year as follows :

	<i>Increased balance.</i>
July.....	\$ 13,047,145
August .....	18,624,568
September.....	5,016,928
October.....	10,012,309
Total.....	\$ 46,694,950

Even if the balances for the next eight months should be only the same as last year, the total favorable balance for the year will be 304 million dollars.

**SMALL NOTES AND COINAGE.**—On the 1st of November, 1878, there were outstanding the following small notes :

	<i>National bank notes.</i>	<i>Greenbacks.</i>
Ones.....	\$ 4,284,219	\$ 20,368,531
Twos.....	2,582,146	20,332,920

The total number of standard silver dollars coined since their remonetization up to and including the 23d instant is 19,814,651. Of this number about ten and a half millions are in the United States Treasury, some 4,200,000 are in the Mint vaults, and the balance, a little over five millions, is in general circulation. The first coinage under the Remonetization Act of last session was on the 13th of March.

**THE FISHERIES AWARD.**—The United States Government paid, on November 23d, to the British Government in London, the \$5,500,000 required by the Halifax award. The payment was made by sterling exchange to the amount of about £1,100,000.

**CALLS OF FIVE-TWENTY BONDS.**—The seventy-second call, being for \$5,000,000 consols of 1865, was issued by the Treasury Department on November 16th. The principal and interest will be paid at the Treasury on and after February 16, 1879; interest will cease on that day. The numbers are as follows, all inclusive:

*Coupon Bonds.*—\$100, Nos. 140,001 to 142,000; \$500, Nos. 99,001 to 102,000; \$1,000, Nos. 193,001 to 197,000. Total coupon, \$2,000,000.

*Registered Bonds.*—\$50, Nos. 2,486 to 2,493; \$100, Nos. 19,151 to 19,222; \$500, Nos. 11,251 to 11,279; \$1,000, Nos. 38,651 to 39,000; \$5,000, Nos. 12,101 to 12,350; \$10,000, Nos. 23,541 to 24,120. Total registered, \$3,000,000. Aggregate, \$5,000,000. The calls now outstanding are as follows:

Call.	Date of Call.	Matures.	Amount.
70	.... September 4	.... December 4	.... \$5,000,000
71	.... September 16	.... December 16	.... 5,000,000
72	.... November 16	.... February 16	.... 5,000,000

This reduces the amount uncalled, of the consols of 1865, to \$26,085,750.

**REDUCTIONS OF CAPITAL CONTINUED.**—The Gallatin National Bank has decided to reduce its capital from \$1,500,000 to \$1,000,000. The stockholders will receive \$500,000 in cash, but the surplus of about \$670,000 will remain in the business. In 1873 the surplus of the bank was \$675,000; in June, 1878, it was \$672,000, showing a total loss in five years of only \$3,000. Including this reduction, a total of about \$21,000,000 capital has been withdrawn from the banking business in this city since 1873.

**THE GREAT BANK ROBBERY.**—On the morning of Sunday, October 27, the Manhattan Savings Institution, corner of Broadway and Bleecker street. New York, was robbed by burglars of \$11,000 in cash and a large amount of securities. The janitor of the bank stated to the police that at ten minutes past six o'clock, while he was dressing, seven masked men rushed into his room and handcuffed him and his wife, and ordered him to surrender the keys of the bank. They presented pistols, threatened to kill any one who made an outcry, and then carried the janitor into another room where, by threats of instant death, they forced him to deliver up the keys to the street doors. With these, four went down stairs, leaving three on guard in his room. At nine o'clock one of the men from down stairs returned, and after whispered consultation they all descended. The janitor then went into the hall, and seeing nobody, gave the alarm.

The fact that the outer doors of the vault were unharmed, even without a scratch, led Superintendent Walling to ask several searching questions, and Wertel made the extraordinary statement that, under threat of instant death, he had given to the robbers the combination unlocking the doors of the vault.

In the vault were a large number of tin boxes containing valuables which had been deposited by customers of the institution. These were broken open and their contents taken. There were also four safes containing the securities and cash of the bank. Two of these were broken open and \$11,000 in cash and a large amount of valuable securities taken.

The officers of the bank say that the combination was given to the janitor several months ago to enable him to take the books from the vault and have them ready for business by the time the clerks arrived.

The following is the statement of the officers:

The Manhattan Savings Institution was, on the morning of Sunday, October 27, robbed of securities to the amount of \$2,747,700, of which \$2,506,700 are registered in the name of the institution and are not negotiable, and \$168,000 are made payable to it, and \$73,000 are in coupon bonds and \$11,000 in cash. For the purpose of preventing loss to depositors it is deemed advisable that no payments be made without sixty days' notice, as provided by the by-laws of the institution.

New York, October 27, 1878.

EDWARD SCHELL, President.

CHAS. F. ALVORD, Secretary.

Among the stolen securities are \$1,396,000 in United States bonds, \$30,000 in New York State bonds, \$874,000 in New York city and county bonds, and \$25,000 Brooklyn water loan bonds.

A four weeks' search has resulted in no discovery of the robbers or their



booty. The audacity of this robbery, and its extent, have startled the community, while the fact that the janitor was allowed to know the combination of the vault lock is no less surprising.

**SAFETY OF REMITTANCES BY MAIL.**—The report of the Chief Special Agent of the Post Office Department, exhibits the investigation, during the past year, of 14,511 cases. Of 1,957 registered letters reported lost in transit, 1,117 were recovered without loss, and of the 840 actually lost, the value of 304, amounting to \$6,248.12, were recovered from the robbers and restored to the rightful owners. The number of registered letters sent during the year was 4,998,804; the number lost to the remitters was 536, or less than one letter in every 9,000.

**PURCHASE OF GOLD BULLION.**—On November 11th, the Treasury Department commenced the purchase of gold bullion at Denver, Col., buying it directly from the miners. The bullion is paid for in greenbacks, the purchase during the week amounting to \$15,000. The Department expects to buy at least \$20,000 a week for some time, and when the plan becomes known, to extend its purchase to all the gold of the Black Hills country. Heretofore, the miners have been selling their gold to brokers, paying them heavy charges in addition to the rates of transportation.

**FAILURES.**—The German-American National Bank and the German-American Savings Bank in Washington both suspended on October 31. The German-American National Bank grew out of the other, and was organized in May, 1877, with \$130,000 capital. It is said the Savings bank was the cause of the trouble, it having been unable to realize on loans on real estate. B. U. Keyser, the examiner and receiver of the German National Bank, reports that its liabilities are \$293,634, and its assets \$294,350. In addition to the assets the personal liabilities are estimated at \$100,000.

Joseph E. Hemann & Co., bankers, of Cincinnati, suspended on October 31st. The bank had been paying six per cent. interest on current deposits, and having experienced a steady drain for some time past, its suspension was inevitable. The liabilities are reported at \$268,000; the assets at \$133,000, of which only \$86,000 are considered available.

The United German Savings Bank of Baltimore suspended payment on November 9, requiring thirty days' notice from its depositors. A run on the bank was the cause. Its deposits are stated at \$123,000, its nominal assets at \$212,000, "of which \$132,000 are good." On November 15th, Judge Gilmore appointed Isidor Rayner, H. Wells Rusk and Thomas R. Clendennin receivers of the bank, fixing the bonds at \$50,000 each.

**MASSACHUSETTS.**—At a meeting of the fifty banks associated in the Boston Clearing House, held November 15th, to consider the matter of resumption, resolutions were unanimously adopted ratifying the action of the New York bankers on November 12, and pledging the Boston Association to the same procedure on and after the 1st of January next.

**NEW YORK.**—The Merchants and Mechanics' State Bank of Troy was closed October 31, by the State Bank Superintendent. Mr. Lamb, in his report to the Attorney-General, says:

"The result of this examination is a great surprise, in view of the character of the managers of the bank, and the reports which they have sworn to and sent to the Superintendent of this Department for a long time. The bank is, in my judgment, hopelessly and remedilessly insolvent. In evidence of this, I append hereunto the report of the Examiner, which shows an apparent deficit of \$465,664.64. Further, I regret to add that the Examiner reports that the officers have been guilty of grave irregularities in the transactions of the bank, and have in their sworn reports concealed from the Bank Superintendent, by false or equivocal statements, the true condition of the bank.

"The Examiner finds in particular that deceptive devices were adopted by such officers in September, 1877, to evade the searching inquiries then first made of the State banks in the schedules which I attached to blank forms for reports of such banks. It is only by such untruthful devices that the actual condition of this bank has been concealed for a year from me. I am convinced that the financial condition of this corporation is beyond any practical remedy for restoring it to soundness."

**REPORTS AND INVESTMENTS OF STATE BANKS.**—The following circular letter to the banks of New York State was issued on November 25, by Mr. Lamb, Acting Superintendent of the Bank Department :

"The question having been raised respecting the power of the superintendent of the bank department in prescribing the forms for the quarterly reports of the State banks, which have been in use since September, 1877, I submitted the case to the Attorney-General. His conclusions are stated in the opinion which I subjoin. From the examination of the statutes I came to the conclusion that it is not lawful for banking associations or banks, organized under the laws of the State, to purchase, for the purpose of investment, other stocks or bonds than those issued by the State of New York or of the United States. This judgment is sustained by the opinion of the Attorney-General. It will of course be the duty of the bank superintendent to maintain the lawful rule thus established in regard to investments in stocks or bonds by banks, so long as the laws regulating the banks and banking associations remain as they now are."

The Attorney-General, Mr. Schoonmaker, in the opinion referred to by Superintendent Lamb, says he is of opinion that the new forms for quarterly reports from banks, banking institutions and individual bankers "are not beyond the purview of the statute, but that the facts required to be reported may properly be called for by the Superintendent." After some reference to the laws, the Attorney-General says :

"The object of these reports is to furnish the Superintendent, who is the supervising representative of the State, with accurate and detailed information concerning the condition of the bank. The statute requires a true statement in respect to the various items and particulars enumerated. Manifestly the Superintendent must determine how full and detailed the statement must be to inform him satisfactorily of the condition of the bank. Mere general statements can give him no useful information. The statute contemplates a complete disclosure of its affairs on the part of the bank. The forms prescribed call for no more than seems essential to a thorough and necessary knowledge of the bank.

"In answer to your second inquiry respecting the investments which may lawfully be made by State banks, I am of opinion that they can only invest in the stocks, bonds or other securities expressly authorized by the statute. Corporations can only exercise the powers granted to them by law, and without a grant of power to a banking institution to invest in other securities, it has no right to do so. The only investments now authorized by law are stocks of the United States and of the State of New York."

**CANADA.**—The following dividends have been declared for the half year ending with November: Bank of Hamilton, 4 per cent.; Bank of Ottawa, 3½ per cent.; Canadian Bank of Commerce, 4 per cent.; Consolidated Bank, 3 per cent.; Federal Bank, 3½ per cent.; Merchants' Bank of Canada, 3½ per cent.; Molsons' Bank, 4 per cent.; Ontario Bank, 3 per cent.; Quebec Bank, 3 per cent.

**Prince Edward Island.**—The Merchants Bank of P. E. I., at Charlottetown, which suspended payment on October 10th, has resumed business. The directors and shareholders agreed to pay into the bank the sum of \$85,000, which is more than enough to cover its losses and place the bank in a good condition.

**AWKWARD INCIDENT.**—The officers of the Winnipeg (Manitoba) branch of the Bank of Montreal, thought it expedient, a few weeks since, to change the combination of their safe. After the change they were unable to open the safe for a whole week, and were obliged to send to St. Paul for an expert to relieve them from their difficulty.

**ADROIT THEFT.**—The Lille Branch of the Bank of France lately had 210,000 francs in notes mysteriously abstracted from a pigeon-hole above the counter, and all the clerk knew about it was that his attention had, shortly before the discovery, been occupied by a stranger asking some trivial questions.

NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from November No., page 398.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
COL....	Fort Collins...	Poudre Valley B'k, (Stover & Sheldon)	Kountze Brothers.
ILL....	Mt. Sterling... \$50,000	First Nat'l Bank, (2402)... Elias F. Crane, Pr.	Fred'k D. Crane, Cas.
" ..	Quincy .....	German Sav. Inst. (Henry Geise)	Imp. & Tra. Nat'l B'k.
KANSAS.	Minneapolis...	J. R. Penniman.....	Commercial N. B., Chicago.
MICH...	Caro.....	Tuscola Co. B'k, (John F. Seeley)	Fifth Avenue Bank.
NEB....	Fairmont..... \$15,000	Fillmore County Bank.... J. O. Chase, Pr.	Union National Bank, Chicago. J. B. Chase, Cas.
N. Y....	Little Falls..... \$125,000	Nat. Herkimer Co. B. (2400) Albert G. Story Pr.	Metropolitan & Nat'l Park B'ks. William G. Milligan, Cas.
" ..	Oneida .....	National State Bank (2401) Samuel H. Fox, Pr.	Nat'l Park and First National. Austin B. French, Cas.
" ..	Silver Creek...	Huntley, Holcomb & Heine	Third National Bank.
PENN...	New Milford...	Summers & Hayden.....	Irving National Bank.
TEXAS..	Round Rock...	Bank of Commerce, (J. T. Harris & Co.)	Kountze Brothers.

OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to November 27, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2400	Nat'l Herkimer County Bank.. Little Falls, N. Y.	Albert G. Story .....	\$ 250,000	\$ 100,000
		William G. Milligan.		
2401	National State Bank..... Oneida, N. Y.	Samuel H. Fox.....	60,000	60,000
		Austin B. French.		
2402	First National Bank..... Mt. Sterling, ILL.	Elias F. Crane.....	50,000	50,000
		Fred'k D. Crane.		

LEGAL LIABILITY IN STOCK TRANSFERS.—The Massachusetts Supreme Court has, by a recent decision established the principle that where the holder of a certificate of stock appears on its face to be not the absolute owner of the stock, but to hold it by such title that he may not have authority to transfer, the corporation is liable for neglect to make due inquiry into his authority to make the transfer. The case which brought out this decision was one where the trustee of an estate transferred some stock in the Salisbury mills. He held his appointment under a written instrument which empowered him to invest and re-invest the funds held in trust, with the provision that if the beneficiary of the trust was in the United States at the time of any transfer of stock she must give her consent. The corporation honored the trustee's order to transfer without examining the condition of his deed of trust, and as the beneficiary of the trust was in the country at the time and was not consulted, the corporation was sued for the value of the stock and has to pay it. This decision is to be welcomed as making it a little more difficult than before for dishonest and incompetent trustees to make way with trust funds in their possession.

—Springfield (Mass.) Union.

CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from November No., page 399.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
ALA....	City National Bank, Selma.....	Albert G. Parrish, <i>Cas.</i> ...	J. W. Love.
CAL....	Bank British Columbia, San Francisco	Fred'k Townsend, <i>Mgr.</i> } after Jan. 1. }	W. H. Tillinghast.
"	Merced Bank, Merced.....	Samuel C. Bates, <i>Pr.</i> ..... } J. B. Ralston, <i>Cas.</i> ..... }	J. M. Montgomery. A. Simon.
GA....	Merchants' Bank, Atlanta.....	James Henry Porter, <i>Cas.</i> ...	C. W. Henderson.
"	Commercial Bank, Augusta....	John A. Bell, <i>Cas.</i> .....	J. C. Fargo.
ILL....	Workingmen's Banking Co., East St. Louis	George W. Dausch, <i>Cas.</i> ...	W. A. Witte.
"	Will Co. Nat'l Bank, Joliet....	John J. Akin, <i>Ass't Cas.</i> .....	.....
IOWA...	Merch. Nat'l Bank, Burlington.	H. C. Garrett, <i>Act'g Cas.</i>	E. McKitterick.
KY....	First National Bank, Louisville.	Frank P. Schmitt, <i>Act'g during illness of Cas.</i>	.....
"	National Bank of Somerset....	H. H. Gibson, <i>Pr.</i> .....	J. M. Perkins.
MASS...	First Ward Nat'l Bank, Boston.	Charles R. McLean, <i>Pr.</i> ...	W. E. Sturtevant.
"	Mount Vernon Nat. B'k, Boston	Daniel H. Belknap, <i>Cas.</i> ...	H. W. Perkins.
"	Cape Ann Nat'l B'k, Gloucester.	Henry Center, <i>Act'g during absence of Cas.</i>	.....
"	Plymouth Nat. Bank, Plymouth	J. J. Russell, <i>Pr. pro tem.</i>	W. T. Davis.
MO....	Valley National Bank, St. Louis	S. E. Hoffman, <i>Pr.</i> .....	J. A. J. Aderton.
"	Waverly Bank, Waverly....	George H. Goddard, <i>V. P.</i>	M. J. Lipman.
"	.....	James W. Goodwin, <i>Pr.</i> ...	J. M. Hopkins.
N. J....	North Ward Nat'l B'k, Newark.	Wm. H. Faull, <i>Act'g Cas.</i>	A. Somerville.
N. M....	First National Bank, Santa Fe.	R. J. Palen, <i>Ass't Cas.</i> ...	S. B. Wheelock.
OHIO...	First National Bank, Bellaire...	John T. Mercer, <i>Pr.</i> .....	A. W. Anderson.
"	Merch. Nat'l Bank, Cleveland..	E. R. Perkins, <i>Cas.</i> .....	W. L. Cutter.
PENN...	City Nat'l Bank, Philadelphia...	John Baird, <i>Pr.</i> .....	T. Potter.*
"	Pittsburgh Nat'l Bank of Commerce, Pittsburgh	Joseph H. Hill, <i>Pr.</i> .....	A. Patterson.
"	First National Bank, Lebanon..	Charles I. Wade, <i>Cas.</i> .....	J. H. Hill.
"	First Nat'l Bank, New Castle...	Horace Brock, <i>Cas.</i> .....	G. D. Coleman.
"	Farmers & Drov. Nat. Bank, Waynesburg	William S. Foltz, <i>Pr.</i> .....	S. Foltz.*
"	.....	William T. Lantz, <i>Cas.</i> ...	D. Crawford.

\* Deceased.

THE PREMIUM ON GOLD AT NEW YORK.

OCTOBER—NOVEMBER, 1878.

1877.	<i>Lowest.</i>	<i>Highest.</i>	1878.	<i>Lowest.</i>	<i>Highest.</i>	1878.	<i>Lowest.</i>	<i>Highest</i>
November...	2½	3½	Oct. 28	¾	¾	Nov. 12	¾	¾
December...	2½	3½	29	¾	¾	13	¾	¾
1878.			30	¾	¾	14	¾	¾
January.....	1¾	2¾	31	¾	¾	15	¾	¾
February....	1¾	2¾	Nov. 1	¾	¾	16	¾	¾
March.....	¾	2	2	¾	¾	18	¾	¾
April.....	¾	1¾	4	¾	¾	19	¾	¾
May.....	¾	1¾	5	Holiday.		20	¾	¾
June.....	¾	1	6	¾	¾	21	¾	¾
July.....	½	¾	7	¾	¾	22	¾	¾
August.....	½	¾	8	¾	¾	23	¾	¾
September..	¾	1½	9	¾	¾	25	¾	¾
October.....	¾	1¾	11	¾	¾	26	¾	¾



## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from November No., page 400.)*

- CONN... Thompsonville. Thompsonville Savings Bank; enjoined.  
 D. C... Washington ... German-American National Bank; B. U. Keyser, Receiver.  
 " " " " German-American Savings Bank; suspended.  
 GA. .... Atlanta..... City Bank of Atlanta; suspended.  
 ILL.... Joliet ..... Knowlton, Higinbotham & Co.; withdrawing from business.  
 IND ... Auburn ..... First National Bank; resumed business, October 25.  
 " .. Indianapolis ... Lemon & King; closing.  
 IOWA ... Lenox ..... Lenox Bank; closed. Consolidated with Bedford Bank.  
 " .. Missouri Valley. J. S. Wattles; failed.  
 " .. Moulton ..... A. J. Morrison & Co.; assigned.  
 KY.... Princeton..... R. B. Ratcliff; closed.  
 MD.... Baltimore ..... United German Bank; Receivers appointed.  
 MICH... Carson City.... W. H. Acker; removed to Richmond.  
 MINN... Leroy ..... G. L. Henderson & Co.; failed.  
 NEV.... Pioche..... State Bank of Nevada; closed.  
 N. J.... Jersey City.... Mechanics & Laborers' Bank; closed.  
 N. Y... Troy ..... Merchants & Mechanics' Bank; closed by Attorney-General.  
 OHIO... Cincinnati..... Joseph A. Hemann & Co.; failed.  
 " .. Bellaire ..... Cowen, Sheets & Co.; failed.  
 PENN... Tamaqua ..... First National Bank; resumed business November 16.  
 TEXAS.. Hempstead .... R. P. Faddis; will discontinue, December 31.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from November No., page 400.)*

- IOWA... Bellevue..... W. L. Redmond & Co.; succeeded by Bank of Bellevue,  
 (B. W. Seaward).  
 MASS. . Boston ..... F. A. Hawley & Co.; admit George F. Lord, Jr.  
 MICH... Adrian ..... W. H. Stone & Co.; succeeded by Smith & Tobey.  
 MO.... St. Louis ..... Manufacturers' Bank; merged in Valley National Bank.  
 NEB.... North Platte... McDonald & Walker; now Charles McDonald.  
 N. Y... Little Falls.... Herkimer County National Bank; succeeded by National  
 Herkimer County Bank. Same officers.  
 " .. Oneida ..... State Bank; now National State Bank. Same officers.  
 OHIO... Cincinnati..... Gilmore & Co.; merged in National Bank of Commerce.  
 PENN... New Castle.... Foltz & Sons; Samuel Foltz deceased. No change of title.  
 " .. Wilkes-Barre .. Bennett, Phelps & Co.; Ziba Bennett deceased. No change  
 of title.

**Wanted**

A situation in a bank is desired by a young gentleman who has had eight years' experience as bookkeeper and teller in both National and Savings banks. Undoubted references as to competency and character will be furnished.

Address "W," care **BANKER'S MAGAZINE**.

## NATIONAL-BANK AND LEGAL-TENDER NOTES.

STATEMENT of the Comptroller of the Currency, showing Issue and Retirement of NATIONAL-BANK NOTES and LEGAL-TENDER NOTES, November 1,

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.....	<u>1,967,268</u>
Outstanding January 14, 1875.....	\$ 351,861,450
Redeemed and retired from Jan. 14, 1875, to date. \$	71,328,733
Surrendered between same dates.....	10,218,992
Total redeemed and surrendered	81,547,725
Issued between same dates.....	50,678,070
Decrease from January 14, 1875, to date.....	<u>30,869,655</u>
Outstanding at date.....	\$ 320,991,795
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.....	79,910,488
Total deposits.....	<u>83,724,163</u>
National-bank Circulation redeemed by Treasurer between same dates without re-issue.....	74,095,965
Greenbacks on deposit at date.....	<u>9,628,198</u>
Greenbacks retired under act of January 14, 1875.....	\$ 35,318,984
Greenbacks outstanding at date.....	<u>346,681,016</u>

JOHN JAY KNOX, *Comptroller of the Currency.*

TRANSFERS OF REGISTERED BONDS.—The following circular was issued by the Secretary of the Treasury on November 20 :

Hereafter the books of this department will be closed to the transfer of all the registered stock, whether held abroad or in the United States, of the five per centum funded loan of 1881, four-and-a-half per centum funded loan of 1891, and four per centum consols of 1907, as follows :

Five per centum 1881s on the evening of the last day of December, March, June and September.

Four and one-half per centum 1891s on the evening of the last day of January, April, July and October.

Four per centum 1907s on the evening of the last day of February, May, August and November.

The books will be reopened as follows :

Five per centum 1881s on the morning of the first of February, May, August and November.

Four-and-a-half per centum 1891s on the morning of the first of March, June, September and December.

Four per centum 1907s on the morning of the first of April, July, October, and January.

If bonds forwarded for transfer are not received prior to the date for closing the transfer books interest checks will be drawn in favor of the party in whose name the bonds stood at the closing, and the assignee must look to the assignor for the accrued interest for that quarter.

## 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 November 1, 1878, 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.....	\$ 1,379,680	\$ 41,200	\$ 600,000	\$ 641,200	\$ 40,024
New Hampshire..	499,265	27,400	10,800	38,200	2,030
Vermont.....	1,539,570	151,097	952,340	1,103,437	103,344
Massachusetts....	12,285,415	234,800	5,887,200	6,122,000	261,183
Rhode Island.....	523,350	32,350	617,385	649,735	21,230
Connecticut.....	1,709,610	65,350	1,249,490	1,314,840	21,508
New York.....	13,541,565	1,840,061	16,894,100	18,734,161	1,243,584
New Jersey.....	1,415,665	119,260	1,093,940	1,213,200	203,127
Pennsylvania.....	6,735,920	965,811	5,524,786	6,490,597	700,691
Delaware.....	155,275	—	—	—	—
Maryland.....	348,610	166,600	1,557,470	1,724,070	239,874
Dist. of Columbia.	453,900	393,164	427,500	820,664	68,671
Virginia.....	408,100	800,569	853,510	1,654,079	250,121
West Virginia....	45,370	731,060	270,000	1,001,060	171,533
North Carolina...	759,560	—	886,585	886,585	103,720
South Carolina....	45,700	—	953,380	953,380	61,025
Georgia.....	352,930	287,725	437,675	725,400	128,129
Florida.....	45,000	—	—	—	—
Alabama.....	198,000	—	94,500	94,500	688
Mississippi.....	—	—	—	—	506
Louisiana.....	932,630	645,750	2,099,250	2,745,000	393,403
Texas.....	116,100	4,000	229,340	233,340	135
Arkansas.....	135,000	—	135,000	135,000	18,523
Kentucky.....	2,632,240	575,867	1,378,033	1,953,900	433,150
Tennessee.....	430,100	235,901	488,959	724,860	73,277
Missouri.....	254,050	808,310	3,544,410	4,352,720	748,054
Ohio.....	1,388,240	1,403,319	2,397,762	3,801,081	905,238
Indiana.....	2,329,180	986,297	4,179,143	5,165,440	924,643
Illinois.....	1,427,335	1,350,274	6,134,906	7,485,180	905,983
Michigan.....	735,710	337,500	1,903,790	2,241,290	383,415
Wisconsin.....	206,000	493,460	837,939	1,331,399	270,041
Iowa.....	1,027,800	607,169	1,536,955	2,144,124	342,342
Minnesota.....	741,400	326,676	1,218,545	1,545,221	169,564
Kansas.....	38,300	781,721	190,550	972,271	330,444
Nebraska.....	45,000	45,000	188,080	233,080	39,464
Nevada.....	—	—	—	—	2,349
Dakota.....	54,000	—	—	—	—
Colorado.....	392,400	125,083	149,400	274,483	33,939
Utah.....	—	161,191	196,800	357,991	27,156
Washington.....	45,000	—	—	—	—
Montana.....	39,600	2,000	45,000	47,000	90
Totals.....	\$55,412,570	\$14,745,965	\$65,164,523		\$9,628,198
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....				3,813,675	
Total deposits.....				\$83,724,163	

JOHN JAY KNOX, *Comptroller of the Currency.*

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements—cents omitted.*

DEBT BEARING INTEREST IN COIN.		
	Oct. 1, 1878.	Nov. 1, 1878.
Bonds at six per cent. ....	\$ 713,494,900 ...	\$ 693,396,950
Bonds at five per cent. ....	703,266,650 ...	703,266,650
Bonds at four and a-half per cent. ....	250,000,000 ...	250,000,000
Bonds at four per cent. ....	151,500,000 ...	150,500,000
Total principal .....	\$ 1,818,261,550 ...	\$ 1,807,163,600
“ interest.....	27,551,158 ...	28,369,597
DEBT BEARING INTEREST IN LAWFUL MONEY.		
Navy pension fund at three per cent. ....	\$ 14,000,000 ...	\$ 14,000,000
Interest .....	105,000 ...	140,000
DEBT ON WHICH INTEREST HAS CEASED....	\$ 12,524,690 ...	\$ 15,026,370
Interest.....	373,585 ...	397,851
DEBT BEARING NO INTEREST.		
Old demand and legal-tender notes.....	\$ 346,743,096 ...	\$ 346,743,081
Certificates of deposit .....	40,710,000 ...	35,840,000
Fractional currency.....	16,297,429 ...	16,211,193
Coin certificates.....	34,674,670 ...	35,516,350
Total principal.....	\$ 438,425,195 ...	\$ 434,310,624
“ interest.....	9,547 ...	9,547
Total debt .....	\$ 2,283,211,435 ...	\$ 2,270,500,595
Interest .....	28,039,290 ...	28,916,962
TOTAL DEBT, principal and interest.....	\$ 2,311,250,726 ...	\$ 2,299,417,557
CASH IN THE TREASURY.		
Coin .....	\$ 232,659,646 ...	\$ 227,666,227
Currency .....	1,972,593 ...	1,711,246
“ held to redeem fractional currency.	10,000,000 ...	10,000,000
Special deposit held for redemption of certificates of deposit, as provided by law....	40,710,000 ...	35,840,000
	\$ 285,342,240 ...	\$ 275,217,473
Debt, less cash in the Treasury, Oct. 1, 1878	\$ 2,025,908,486 ...	—
“ “ “ Nov. 1, 1878	—	\$ 2,024,200,083
Decrease of debt during the past month....	\$ 3,196,534 ...	\$ 1,708,403
Decrease of debt since June 30, 1878.....	9,878,345 ...	11,586,748
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 .....	999,352 ...	1,292,470
Interest paid by the United States.....	39,835,039 ...	39,835,039
Interest repaid by transportation of mails, &c.	10,279,181 ...	10,416,104
Balance of interest paid by the U. S....	\$ 29,555,858 ...	\$ 29,418,935

## NOTES ON THE MONEY MARKET.

NEW YORK, NOVEMBER 25, 1878.

*Exchange on London at sixty days' sight, 4.82 a 4.82½ in gold.*

The course of the money market has been steady with a tendency at the close to easier rates. Two reasons are assigned for the opinion which prevails in some quarters that an early advance is possible in the rates of interest. First, the circumstances from which the present ease results are partly temporary. Just now, for example, there is in the chief financial centers an accumulation of unemployed capital seeking investment on call. To an increasing extent some of its owners are apprehensive of the effect of resumption and as they look for perturbation in the market they wish to strengthen themselves beforehand with as large a surplus as possible. Whether these expectations are to be fulfilled or not, their immediate result is that the funds laid by for the purpose indicated are withheld from many other uses, so that for the present they are available chiefly for demand loans or for loans payable at short notice on the best collaterals. Hence the drooping tendency of the rates for call loans in many cases. The accumulation from this class of causes if it should continue to withdraw funds from the avenues of commercial activity might tend to enhance the rates of discount, especially if any new circumstances should arise to disturb public confidence.

In the second place there is little special demand for money all over the country, but the belief is widely held that the demand will increase more rapidly than the supply of funds during the next few weeks, if nothing is done in Congress to check the probable course of events. In this point of view it is noteworthy that less agitation than usual prevails in financial circles as to what Congress will do in regard to the currency and financial legislation. For many years past the opening of a new session of Congress has been preceded by considerable excitement and incertitude, and the business of the country has suffered much from this perturbation, of which the indications at present are less conspicuous than at any like period since the panic of 1873. The rates for money, except as above indicated, remain with very little change, but exceptional transactions are reported at higher and lower rates than the quotations given below.

The returns of the New York City Banks for the past five weeks, are as below :

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Oct. 26.....	\$ 245,108,400	· \$ 19,860,500	· \$ 39,962,500	· \$ 19,889,700	· \$ 211,096,700	· \$ 7,048,825
Nov. 2.....	244,511,800	.. 24,144,100	.. 40,219,000	.. 19,904,300	.. 215,443,400	.. 10,502,250
" 9.....	240,224,200	.. 26,373,200	.. 39,155,400	.. 19,905,400	.. 210,737,600	.. 12,844,200
" 16.....	237,645,500	.. 25,405,400	.. 39,938,200	.. 19,909,400	.. 209,752,100	.. 12,905,575
" 23.....	234,917,700	.. 23,414,400	.. 40,588,200	.. 19,961,900	.. 207,184,800	.. 12,206,400

The Clearing-House statement of the Boston banks for the same time is subjoined :

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Oct. 28.....	\$ 126,876,100	..... \$ 2,557,600	..... \$ 6,524,300	..... \$ 74,480,000	..... \$ 25,388,000
Nov. 4.....	126,825,200	..... 2,588,000	..... 7,234,600	..... 75,541,300	..... 25,429,400
" 11.....	126,512,400	..... 2,950,800	..... 7,787,500	..... 77,019,600	..... 25,460,700
" 18.....	127,202,900	..... 3,135,000	..... 8,060,800	..... 78,129,700	..... 25,488,700
" 25.....	126,472,600	..... 2,933,600	..... 8,228,600	..... 77,805,700	..... 25,450,900

The Philadelphia bank statements for the past month are as follows :

1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Oct. 26.....	\$ 58,522,350	..... \$ 1,646,613	..... \$ 11,958,394	..... \$ 44,232,796	..... \$ 11,494,811
Nov. 2.....	58,414,244	..... 1,693,177	..... 12,575,827	..... 44,671,294	..... 11,396,121
" 9.....	58,270,111	..... 1,874,226	..... 12,334,845	..... 44,109,434	..... 11,430,703
" 16.....	57,656,695	..... 1,879,359	..... 12,506,345	..... 44,436,416	..... 11,393,116
" 23.....	57,344,124	..... 1,902,867	..... 12,618,399	..... 44,112,838	..... 11,393,361

The stock market shows considerable activity. Governments are firm with a good demand for nearly all the issues except the five-twenties. The home demand for our government securities is good and the foreign markets are expected to absorb them more freely when the monetary disquiet incident to the Afghan troubles passes away. Subjoined we give the closing prices of United States bonds in London :

Quotations in London.	Nov. 8.	Nov. 15.	Nov. 22.	Nov. 25.	Quotations since Jan. 1, 1878.— Lowest.	Highest.
U. S. 6s, 5-20s, 1867	109½	.. 109½	.. 108½	.. 108½	.. 105½ Jan. 2	.. 109½ June 8
U. S. 5s, 10-40s	109½	.. 109½	.. 109½	.. 109½	.. 104½ Feb. 25	.. 111½ July 30
5s of 1881.....	108¾	.. 105¾	.. 108¾	.. 108¾	.. 103¾ Mar. 1	.. 109¾ July 9
New 4½ per cents..	107½	.. 106½	.. 106½	.. 106½	.. 102½ Feb. 25	.. 107½ July 30

The transactions at the New York Stock Exchange are chiefly in the four-and-a-half per cents. and the new fives, and the currency sixes. The closing quotations compare as follows :

	Bid.	Asked.		Bid.	Asked.
U. S. Currency 6s.....	121¾	.. —	U. S. 10-40 Registered	107½	.. 107½
U. S. 6s 1881 Registered.	109	.. 109½	U. S. 10-40 Coupon...	107½	.. 107½
U. S. 6s 1881 Coupon....	109	.. 109½	U. S. 5s 1881 Reg....	106	.. 106½
U. S. 6s 1865 new Reg....	103½	.. 103½	U. S. 5s Coup.....	106	.. 106½
U. S. 6s 1865 Reg.....	103½	.. 103½	U. S. 4½ 1891 Reg....	103½	.. 104
U. S. 6s 1867 Reg.....	106	.. 106½	U. S. 4½ Coup.....	105	.. 105½
U. S. 6s 1867 Coup.....	106	.. 106½	U. S. 4 1907 Reg.....	100¾	.. 100¾
U. S. 6s 1868 Reg.....	109	.. 109½	U. S. 4 1907 Coup....	100¾	.. 100¾
U. S. 6s 1868 Coup.....	109¾	.. 109¾			..

To show the range of the quotations since January 1, 1878, we give the following table, adding our usual statement of the aggregates outstanding as reported by the Secretary of the Treasury, November 1, 1878 :

	—Range of Prices, 1878—		—Amount Nov. 1.—	
	Lowest.	Highest.	Registered.	Coupon.
6s, 1881.....	105½ Feb. 25	.. 110½ June 27	.. \$ 197,454,550	.. \$ 85,281,800
6s, 5-20s, 1865, new.coup..	102¾ July 22	.. 105½ June 6	.. 34,920,700	.. 26,715,500
6s, 5-20s, 1867.....	104¾ Aug. 12	.. 108½ June 27	.. 111,534,800	.. 199,079,300
6s, 5-20s, 1868.....	106¾ Jan. 2	.. 111½ June 28	.. 16,078,000	.. 21,387,300
5s, 10-40s.....	103¾ Mch. 1	.. 109¾ July 29	.. 144,280,800	.. 50,285,500
5s, funded, 1881.....	102¾ Feb. 25	.. 107½ July 30	.. 244,196,100	.. 264,244,250
4½s, 1891.....	101¾ Mch. 1	.. 105 Aug. 17	.. 161,549,400	.. 88,430,600
4s, 1907.....	99¾ Oct. 3	.. 102¾ Jan. 9	.. 111,058,100	.. 49,441,900
6s, Currency, 1899.....	117¾ Apr. 5	.. 122½ May 25	.. 64,623,512	.. —

In State bonds little is doing. Virginia sixes have advanced to 38 against 31 at the last reported previous sale. North Carolina sixes (old) advanced on small

transactions. Louisiana consols close dull, and for District of Columbia 3-65 there is little inquiry. In railroad bonds there is more disposition to invest and quotations are better. Railroad shares have been active and feverish with considerable fluctuations in the Wisconsin stocks and Lake Shore which close strong. Below are our usual quotations:

QUOTATIONS:	Oct. 28.	Nov. 4.	Nov. 11.	Nov. 18.	Nov. 23.
Gold.....	100½ ..	100¼ ..	100½ ..	100½ ..	100½
U. S. 5-20s, 1867 Coup.	105½ ..	106½ ..	106½ ..	105½ ..	105½
U. S. 10-40s Coup.....	106 ..	106½ ..	107½ ..	107½ ..	107½
West. Union Tel. Co..	98½ ..	96½ ..	94½ ..	96½ ..	96½
N. Y. C. & Hudson R.	112¾ ..	111½ ..	110¼ ..	111¾ ..	112
Lake Shore.....	70½ ..	68½ ..	67½ ..	68¾ ..	69¾
Chicago & Rock Island	115½ ..	116¾ ..	116¾ ..	118 ..	118¾
New Jersey Central...	29½ ..	29½ ..	29½ ..	32½ ..	31¾
Del. Lack. & West....	51 ..	50¾ ..	50½ ..	50½ ..	49¾
Delaware & Hudson...	46 ..	45¾ ..	46 ..	45¾ ..	43½
North Western.....	41¾ ..	41¾ ..	42½ ..	44¾ ..	44¾
Pacific Mail.....	16 ..	15¾ ..	15¾ ..	15¾ ..	15¾
Erie.....	12¾ ..	19½ ..	19½ ..	18¾ ..	18¾
Call Loans.....	4 @ 6 ..	4 6 ..	4 @ 5 ..	3 @ 5 ..	3 @ 5
Discounts.....	5 @ 7 ..	5 @ 6 ..	4½ @ 6 ..	4½ @ 6 ..	4½ @ 6
Bills on London.....	4.82½-4.88½..	4.81 -4.82 ..	4.81½-4.86½..	4.81¾-4.81½..	4.82½-4.87
Treasury balances, cur.	\$ 45,701,700 ..	\$ 46,324,056 ..	\$ 46,197,442 ..	\$ 46,709,421 ..	\$ 47,277,343
Do. do. gold.	\$ 119,941,458 ..	\$ 124,852,006 ..	\$ 126,885,666 ..	\$ 128,872,099 ..	\$ 132,333,492

Gold was active at the close, and the price this morning advanced to 100¼ on moderate transactions. Gold loans were made flat and at ½ per cent. for carrying. Foreign exchange is dull.

The U. S. Treasurer began to-day to make his currency exchanges through the Clearing House according to the recent arrangement, elsewhere referred to, between the Clearing-House Association and Mr. Secretary Sherman. Mr. William A. Camp, the Manager of the Clearing House, reports that the new arrangement works admirably in consequence of the perfect system of the New York Associated banks, but the transactions of the Treasury through the Clearing House were only about \$ 340,000. The system will be put to a more severe test when the time arrives for the payment of pensions by the Treasury.

In quoting the recent movements of U. S. bonds, we have referred above to the expected demand from foreign investors, who have suffered so much from their investments in dubious securities that they will, as is believed, be quite willing to absorb securities of undoubted stability, and to distrust and discard others formerly in favor. The total amount of money raised in London for foreign States during the last half century is reported at £614,000,000. Of this sum £157,000,000, or twenty-six per cent., is in entire default. The bankrupt States are Turkey, Peru, Mexico, Venezuela, Honduras, Costa Rica, Paraguay, the Confederate States, Uruguay, Greece, Bolivia, Ecuador, San Domingo, Guatemala, Poyais and Liberia. The loans in partial default amount to £175,000,000, or thirty per cent. Spain owes £109,000,000. That country has so lost credit that the chances of her paying her loans is on about a par with Turkey. The Egyptian loan is in better repute just now, and it is believed that the Khedive will keep his engagements. The loans, then, in entire or partial default amount to £332,000,000, or fifty-four per cent., of the total raised. These and other statements have been widely published in England, and in view of the facts it would appear that the number of rival securities is diminishing which have competed in the past in foreign markets with

our best known and most solid American investments. Of course, any change in the demand abroad for U. S. bonds will be gradual, and the full force of the conditions we have pointed out may not develop itself for some time to come. But as one of the circumstances to be considered in organizing large financial operations for the future, it is attracting considerable attention.

For several years one of the special sources of strength in our banking system has been the large capital of the banks compared with their liabilities. The rapid depletion of our banking capital has often of late awakened anxiety. A similar evil has been spoken of in Canada. Statements show that the aggregate capital of the Canadian banks since 1874 has diminished nearly \$5,000,000, irrespective of the reduction in the surplus which is nearly \$3,000,000 or so; thus the whole depletion is about \$8,000,000 in all. The \$3,000,000 of surplus which has disappeared, was as important a factor in the loan market and as useful in aiding business, as was the five million dollars of subscribed capital before it disappeared. The shrinkage in the market value of the shares of fifteen of the chief banks of Canada in the same period is reported as nearly \$17,000,000, showing an average depreciation of about thirty-six per cent. The average dividends paid by seventeen banks in 1874 were 8.76 per cent.; this year the average is 6.46 per cent. The reduction of 2.30 per cent. on the \$47,350,000 of capital employed involves a loss in the aggregate dividends this year, compared with 1874, amounting to \$1,089,000. It has been pointed out very justly that the investors and owners of capital have so much less of inducement now than formerly to put their capital into bank shares, while in the money market of Canada there is at the least \$2,000,000 less than there was in 1874 of capital in this form to lend. But this is not all. The Canadian financiers would do well to inquire how much the safeguards of banking solvency have lost of their old strength by the loss of so large a per centage of their basis of capital.

A sale of silver was made by Germany, on November 23d, to the value of \$1,250,000, at the rate of 50½*d.* per ounce. It is understood that 50¼*d.* will be demanded for any further amount.

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### *DEATHS.*

At SOUTH BOSTON, MASS., on Tuesday, October 16th, aged eighty-two years, JEREMY DRAKE, Cashier of the Freeman's National Bank.

At FERNANDINA, FLA., on Saturday, April 6th, aged forty-three years, JOSIAH O. FRIEND, late President of the First National Bank of Gloucester, Mass.

At ST. LOUIS, MO., on Friday, October 18th, aged seventy-eight years, ISRAEL S. PARKER, late Vice-President of the Atchison (Kansas) Savings Bank.

At BINGHAMTON, N. Y., on Wednesday, November 13th, aged sixty-four years, HON. SHERMAN D. PHELPS, President of the Susquehanna Valley Bank.

At PHILADELPHIA, PA., on Sunday, September 29th, aged sixty years, THOMAS POTTER, President of the City National Bank.

At GREAT FALLS, N. H., on Friday, August 16th, NATHANIEL WELLS, Cashier of the Great Falls National Bank.



THE  
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**SPECIE RESUMPTION AND THE AMERICAN FUTURE.**

The year 1878 will be regarded in the future as one of more than ordinary historical interest, because it marks the transition from an old to a new order of things in the United States. It closed the financial history of the war. Seventeen years after the suspension of specie payments and the consequent advance of gold to a premium, after passing through greater vicissitudes and being more widely separated from a sound basis than any currency heretofore in the history of the world, which was ultimately redeemed, the currency of the United States, by the triumph of natural causes, and by the still higher moral triumph of honest popular convictions and honest legislation, has been restored to the solid ground of the precious metals. On the day when this printed page is offered for public perusal, there will be no longer any distinction between gold and silver on the one hand, and the notes of the Government and of the banks on the other. Whether or not the quality of legal-tender money will still inhere in the greenback—about which considerable doubt is entertained—the fact will remain that, for all purposes of domestic commerce and exchange, the paper money of this country will be as readily received and as current as gold.

This would not have been the case with any paper circulation which existed before the war, and this fact has an important bearing on the resumption and maintenance of specie payments. The security either of the greenback or of the National bank note has never been doubted since the close of the war; or if doubted at any moment it was only on the

ground of possible bad faith on the part of the nation. Its ability to redeem its promises has never, since 1865, been seriously questioned. The excellence of the National banking system removes one of the principal fears which would have existed, and been well grounded, if resumption had taken place during the *regime* of the State banks. Gold would then have been in request, not for convenience, but for safety; and it might have been doubtful whether the amount now locked up in the public treasury, preparatory to resumption, would have been adequate for that purpose. A much smaller amount will accomplish the result if the paper circulation is intrinsically sound, and if the amount of it is not excessive. Gold will, under such circumstances, be chiefly required for foreign payments; since even if the customs dues and interest on the public debt continue to be paid in gold, the amount required will be very small, because the moment it is received, the convenience of the holder will lead him to deposit it in bank, whence it will readily find its way again to the public treasury, to be used over and over again for the same purposes.

Another factor, however, is needed to make this state of things secure and permanent. That is a continued favorable balance of trade. If the balance of trade were against us, and required the annual shipment of gold to liquidate it, there would need to be an equal influx from domestic sources to keep up the supply. Such an influx is likely to continue from the American mines, but it is to be hoped, however, that the United States will continue, as at present, to have the benefit of both currents of the most precious metal, the current from abroad and the current from the Pacific States. No country can be regarded as permanently secure in its monetary system, until it possesses such a metallic stock as will resist all ordinary, and most extraordinary changes in its foreign trade. It was the possession of this great metallic stock, and the, perhaps, providential inaptitude of its people to use credit substitutes for money, which kept France from financial shipwreck, when compelled to pay a war fine unequalled in the history of national penalties.

The United States seems to be in a secure position so far as her foreign trade is concerned. The very excess of industrial development which, for a time, seemed to be her ruin, has, in a manner, contributed to her present security. Without the speculative fever which was bred of paper money, numberless lines of transportation and industrial undertakings, on which the country now depends for the future acquisition of wealth, would never have existed; while, on the other hand, without the crash of 1873, and the prolonged depression which has followed it, the country would never have learned the lesson of economy, or the habit of plodding industry, which are indispensable conditions in all countries of permanent industrial success. If capital had not

been compelled by past losses, and a slowly-gained conviction that security is better than a hazardous profit, to abate its former demands, we should not have been able to market at home the four-and-one-half and four-per-cent. Federal loans, out of which Mr. Secretary Sherman has got the gold with which to resume specie payments. If the Savings banks, and other moneyed corporations, had not been so severely punished for their improvident loans on inflated land, they would not have subscribed so freely to those loans. If the mechanics and laboring men of America had not been pinched in their daily living, to a degree which this generation had never before witnessed; if they had not learned to draw the line more closely between comfort and luxury, the rate of wages would have remained too high for profitable production.

The prodigality of nature has largely helped to accomplish this great material and social revolution. Never were such abundant crops known as those with which Providence has blessed the United States in its period of sore trial. Food and cotton have been produced in such quantities as not only to bring about cheap living and cheap manufactures in this country, but out of the excess to pay a large part of that indebtedness to Europe, which has for years constituted the greatest feature of insecurity in our financial situation. The prices of all the necessaries of life are lower than at any former period within forty years, and to these may be added a low price for capital—the universal solvent—which is equally unprecedented.

Thus in the period of enforced idleness, of enforced saving, and of enforced reflection, which has followed the crisis of 1873, the country has settled down upon a bottom rock of solvency, security and promise, such as we have never before rested on.

The new year, therefore, witnesses the setting forth of the nation on a new and prosperous journey. The strength of our political fabric has been vindicated before the world; it has stood the shock of a civil war involving greater masses of men, greater social and sectional differences, more perfected, and therefore destructive, military appliances, and greater losses of lives and property than ever before involved a nation or a continent. Our National Resources have, in like manner, been triumphantly established. It is now admitted on all hands, even by our least generous rivals, that no country is so self dependent as the United States, and upon none is the rest of the world at present so dependent. Our fiscal system, so much derided by England, so much criticised by the doctrinaires of the continent of Europe, has proved equal to the task of bringing us back from the slough of depreciated paper money, to the solid ground of gold. The French revolution, which rescued the political system of France, did it at the expense of her pecuniary credit. Our

monetary system, which was born in the first throes of a revolution, and which was a revolution in itself, hardly less remarkable than the political and social one which gave it birth, has proved of such strength as to enable us to return to intercourse with other civilized nations on the basis of a common money, with a smaller accumulation of it, than would serve the purposes of any other people, in adopting a kindred measure.

And, finally, we have obtained a moral victory over ourselves, which will do more than all else to establish our future rank in the society of nations. In a great political campaign, when enforced idleness, and popular suffering and discontent were allied with political demagogism and every species of financial sophistry, the intelligence and honesty of the American people have asserted themselves, and have secured a victory which makes the material prosperity of the country immediately secure.

In contrast with the dawning brightness of our future, are the darkness and despondency which seem to be setting over our mother country. The condition of England, of which we had something to say in the August number of the *MAGAZINE*, in reproducing the statements of Mr. Rathbone, the member of Parliament for Liverpool, in his new celebrated paper, entitled, *Waste Not Want Not*, has come at length to excite general alarm in that country. While occupying, in many respects, the position of her leading rival, this country cannot witness a decline in the prosperity of Great Britain without the deepest solicitude. We are kindred peoples, and equally pledged to a common career of human progress. No other country can ever be to us what England is as an ally in the cause of political liberty and social improvement. We are fighting the same abuses and instituting the same reforms, and have never so sincerely respected each other, and valued so highly our mutual alliance and friendship, as now that we are so closely matched in material resources and in political power.

Mr. Gladstone has brought upon himself not a little criticism from the English press for his frank tribute of praise to the United States in his recent article in the *North American Review*. The average test of patriotism is the degree of loyalty shown to one's own country, and is summed up in the maxim, "Our country, right or wrong." Mr. Leonard Courtney, member of Parliament for Liskeard, who, it is said, is one of the editors of the *Times*, has, in like manner, invoked the criticism of the *Economist* for the gloomy view which he takes of the future of English industry, in a late article published in the *Fortnightly Review*. Mr. Courtney does not hesitate to predict that there will be before the century closes a large transfer of capital and population from England to the United States, and the future manufacturing prosperity of England is in serious peril.

## BRITISH WEALTH.

Mr. Giffen, in his paper read within the year past before the London Statistical Society, on Recent Accumulations of Capital, estimated that during the past ten years Great Britain had increased its wealth by 250 millions sterling annually, and had made foreign and colonial investments to the amount of 80 millions annually. He also reckoned the income of Englishmen, from foreign and colonial investments, not including trade profits, at 65 millions, although not more than 29 millions appear in taxable income returns.

In a paper read in April last before the British Society of Arts, Mr. Ernest Seyd estimated that in 1872-4, a period of prosperity and high valuations, Great Britain had 650 millions in foreign and colonial public stocks, 210 millions in shares and bonds of foreign and colonial railways and other public works, and 80 millions in estates, industrial enterprises, and bank stocks in foreign countries and British colonies. The total, being 940 millions, he supposed to have been reduced in 1878 to some figure between 790 and 840 millions. Among the losses he sets down 55 millions to the score of defaults by Turkey and certain South and Central-American States.

This is not so flattering a picture of the magnitude of British foreign investments, as that of Mr. Giffen, but it is a much lower, as well as more mildly-expressed, statement of British losses abroad, than that given in a recent speech at Wokingham (Eng.) by Sir Charles Russell, M. P., who declared that a conspicuous cause of the depression in Great Britain was the fact that it "*had been swindled in foreign loans*" to the extent of 200 millions.

In estimating how largely Great Britain holds the public debts of other countries, there is one element of the calculation which may be fixed with tolerable accuracy, and that is the total amount of the public debts of those countries, the debts of which are not held by their own citizens. Mr. Seyd's figures on that part of the case are as follows:—

United States.....	£ 450,000,000
Russia.....	375,000,000
Austria-Hungary.....	340,000,000
Italy.....	251,000,000
Spain.....	260,000,000
Turkey.....	215,000,000
India.....	136,000,000
Egypt.....	95,000,000
Mexico.....	79,000,000
Brazils.....	68,000,000
Portugal.....	66,000,000
British Colonies.....	63,000,000
South American, and other small States.....	295,000,000
Total.....	£ 2,708,000,000

Upon these figures, Mr. Seyd observes:—

The correct proportions of these debts held by these nations is not known, but some of them have placed their entire debt abroad; in any case the greater bulk is held chiefly in England, France, and Germany. From the last estimates to be obtained, and under reserve, it may be that England thus holds about £650,000,000; France, £450,000,000; Germany, £400,000,000; Belgium, Holland, Switzerland, etc., £100,000,000; total, £1,600,000,000. England's share is much enhanced by holding the greater part of the debt of her colonies.

From this table of countries, whose national debts are held abroad, it is now only a short and small anticipation of the future, to strike out entirely the £450,000,000 set down to the United States. Our Government bonds held by foreigners are already reduced to a small amount, and that is diminishing every day. Of the remaining debts, assuming that Great Britain owns the whole of the debts of her colonies and of India, it is difficult to see where there is more than £200,000,000 of other good foreign debts which are held in England. The £858,000,000 set down to Spain, Turkey, Mexico, South American (exclusive of Brazil) and other small States, is the merest trumpery. Great Britain is, no doubt, the largest foreign holder of the debt of Portugal, which is a semi-English colony. It cannot be a remarkably good debt, if, as English writers say, the interest has been mainly paid in recent years by additions to the principal. The Russian foreign debt, that is the debt payable in sterling money, or coin, was only £200,000,000 when the late war with Turkey broke out, and has only been increased £15,000,000 since. All the remainder of the Russian debt, which is now in the total a great deal more than £375,000,000, is domestic debt, either the paper roubles, or bonds payable in that description of currency. Great Britain has been a large holder of the Russian foreign debt, but, for various and obvious reasons, has been unloading it largely within two years, and especially to German buyers who have taken very optimistic views of Russian finance. The Italian debt is principally held at home, and was never much dealt in by the English. The Austria-Hungary debt is less held at home, but the foreign holders have been and are most largely the Germans. Very little of it, even now, is a gold debt, although the proportion of gold debt is increasing. If the English have any such annual income from foreign and colonial investments as sixty-five millions sterling, which is the estimate of Mr. Giffen, not more than one-third of it can be derived from the public debts of their colonies and of foreign countries. The remainder must come from municipal and corporate securities, and from the direct ownership of foreign and colonial bonds, railroads, etc. The English revenue from abroad in all forms is undoubtedly great. From India alone, it is stated at fifteen millions sterling,

including that coming from railroad debts guaranteed by the government of India.

The controversy continues animated among the English writers and statisticians, *first*, as to how many and how great deductions should be made from the apparent balance of trade against Great Britain, in order to get at the real adverse balance, and *second*, whether the actual balance is anything more than a mere realization of British incomes from abroad, or is reducing the principal of British foreign investments. And, if it should be decided that the principal of British foreign investments is undergoing a process of reduction, it might still be a matter of debate whether the aggregate of British wealth does not upon the whole increase, from an expansion of riches at home in excess of the riches called in from abroad. Manifestly, that will depend upon the question, whether the prostration of the British iron, coal, cotton and other interests proves to be temporary, or is the setting in of a permanent industrial and commercial decline. In the last case the (so-called) wealth invested in the great British establishments will disappear like dew under a hot sun. But no such collapse will happen except after a memorable struggle. The English have great qualities, and they will resist the fall of their manufacturing and commercial supremacy, if it must come, as stubbornly as the old Romans resisted the downfall of their empire, although they may not protract their fate as long. Wages will be crowded close down to the starvation point, and capital will go without any remuneration, if the necessities of successful competition with others demand such sacrifices.

Sir Charles Russell is quite mistaken in saying that Great Britain has "*been swindled in foreign loans*" to the extent of 200, or any other number of millions. Great Britain is rarely, if ever, "*swindled*" in anything. The Englishman is not addicted to confidence in strangers, but his confidence is absolutely childlike in other Englishmen, who happen, from whatever cause, to enjoy a *prestige* of any kind. English investors follow like a flock of sheep, wherever a "respectable" English banking house leads the way, the sheep in the rear never looking further ahead than to the sheep immediately before them. It was shown a year, or two years ago, in the report of a British committee of holders of foreign bonds, that in the case of the Guatemalian bonds, and other similar bonds, the swindles were concocted in London, and by London parties, and that the fruits of the swindles were divided and enjoyed in London. There was no defrauding of Great Britain for the use and benefit of other countries. The robbery of one set of Englishmen by another, was, however, on a scale truly magnificent, and so far as we have seen no attempt has been made to punish it, and it is a suspicious circumstance that no attempt was made to expose it until the mischief was irreparably done.

Doubtless, Great Britain has failed to obtain the fabulous and really impossible profits, which would have been obtained if all the bonds of other nations, promising extortionate rates of interest, and sold in London at enormous discounts, had been paid in full. But it has suffered no losses in such transactions, taken as a whole. Even the Turks, over whose bankruptcy the Englishmen are particularly sore, insist upon it that they have paid, under the name of interest, vastly more than they ever received from their national bonds from the financial go-betweens who manipulated them.

The great injury which England has suffered in the business of foreign loans, has not been in direct losses upon them, but from the fact that they were really made, not in money, but in wares and merchandise, and that their magnitude was so great during the loaning epoch, which terminated in 1872-3, that they stimulated extravagant investments in manufacturing and mining machinery and appliances. There was apparently no end to the capacity of the world to purchase all that England could produce, so long as bonds were accepted in payment; but the end came when England dared not take any more bonds, and from that part of the existing collapse in British industries there can be no recovery.

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#### AGRICULTURAL WAGES IN FRANCE AND PRICES OF LAND IN FRANCE AND PARIS.

In England, it is only within three or four years that attention appears to have been called to, or any attempt made to improve, the low condition of agricultural wages. In France, on the contrary, there is what seems to be good evidence that that class of wages has been sensibly rising for forty years past.

Reports made to the Minister of Agriculture in 1867, showed an advance in them of thirty per cent. during the preceding thirty years. An intelligent writer in *L'Economiste Français* of Oct. 19, 1878, states the advance since 1867 at from thirty to fifty per cent.

Questions of wages involve so many modifying circumstances, that they are rarely so entirely settled that no dispute remains. The difficulty is not so great of comparing the money wages of two or more different periods, but is immensely enhanced when it comes to a comparison of the real wages, that is to say, of the effective power of the wages received in providing for the wants of the laborer.

The question is freed from its principal difficulties, when



it is confined to the wages of those classes of laborers, who are fed and lodged by their employers. In respect to such laborers, employed on farms, or in the households of farmers, the writer referred to states, that since 1836, the wages of women and girls has risen from a range of from 80 to 120 francs per annum, to a range of from 200 to 300 francs per annum; that since the same date the average annual wages of men have risen from 250 to 500 francs, while first-class laborers and many capable shepherds have gained even more. He also states that within the same time the quality of food furnished to them has improved in an equal degree, and includes a good deal of meat and wine, formerly unknown except at harvest times and on *fête* days. French employers of agricultural labor are described as "groaning" over this advance in wages, but the writer referred to insists that it is no more than they can well afford, in view of the "improved processes of cultivation, the use of machines which reduce the amount of hand labor, and the new and cheaper modes of transporting crops to markets."

The writer concludes by saying :

These facts are of a nature to re-assure us in respect to the danger, so often predicted, of the depopulation of the rural districts, and of an abandonment of the labor of agriculture, for the industries of the towns. There has been no depopulation. There has only been a diminution of the increase of population in France, compared with its increase in countries where the people are more miserable. It is left to the reason and the conscience of the reader to say, whether it ought to be regretted that France has no more unfortunates to support, and whether it is not more economical to pay properly for the labors of the peasantry, than to have a mass of paupers to feed and take care of.

The last view should have more weight than it seems to have in England, where the support of the poor is a compulsory burden on the tax-payers, which it is not in France. Emigration has many advocates in England, but, after all, the average Englishman prefers to have the reports of the Registrar-General show an increase of the population of his country. This is especially true of the landowners, whose feelings were expressed in Lord Derby's speech, made two or three years ago, in which he endeavored to persuade the agricultural laborers that they were better off in England than they would be anywhere else. These landowners forgot that the same abundance of laborers, which enables them to hire labor cheaply, swells the poor-rates which the law compels them to pay. Or if they remember it, it fails to over-balance the other considerations which incline the governing classes of all countries to look unfavorably upon emigration. Even in over-populated China, the Emperor and the Mandarins have invariably discountenanced it.

An intelligent writer in *L'Economiste Français*, of Sept. 7, 1878, gives interesting statements of present and former prices of land in France and in Paris.

The average value of the land, per hectare (equal to 2.47 acres, or roughly  $2\frac{1}{2}$  acres) including all buildings, except public buildings and structures intended exclusively for agricultural purposes, is stated at different dates as follows :

	<i>Francs.</i>
.....	500
1789.....	700
1815.....	800
1821.....	1,000
1835.....	1,290
1851.....	1,850
1862.....	2,000

Saying nothing at present about the accuracy of the absolute value set down for each date, the rate given for the increase from date to date seems to be confirmed in a general way, by the following statement of the annual income of the real estate of France, as ascertained at various times by public authority for the purpose of taxation :

	<i>Annual income in Francs.</i>
1791.....	1,440,000,000
1821.....	1,580,597,000
1851.....	2,540,043,000
1862.....	3,096,102,000
1874.....	3,959,165,000

Official returns are quoted in support of the valuations given. The returns for 1851, of lands exclusive of buildings, are quoted most at large. They divide the lands into seven distinct classes, and fix an average value of 1291 francs per hectare. Only two classes are put at less than 1,000 francs, viz; woods at 642 francs, and lands of which no use was made at 155 francs.

Of the annual taxable incomes from real estate, given above, it is shown that only about one-fourth is charged to buildings of all kinds.

The table first given above, of the average value of all lands including buildings, is supposed by the writer in *L'Economiste Français* to be subject to a deduction of about fifteen per cent., in order to arrive at the value of the land proper. But whatever the proper deduction may be, it will not, if uniform, affect the percentage of increase of price of lands from date to date.

In respect to the prices of land in Paris, not built upon and vacant, two statements are given. The first was made officially fifty years ago, by the Inspector-General of Streets, in Paris, and returns the prices on the different streets per square metre (a square metre being equal to ten-and-two-third square feet), "*as estimated by the speculators.*" The range is the wide one from nine francs per square metre, to 450 francs, the average being eighty-seven francs. It requires a knowledge of the streets of Paris, not common in this country, to deduce any precise inferences from such a statement. But it is easy to see, by going to the next statement which covers

the years 1866-7-8-9, that the price of vacant land in Paris advanced greatly in the forty years after 1828. The second statement gives the prices, not by streets, but by districts (arrondissements), the range per square metre being from forty-six francs to 719 francs, and the average being 242 francs. This second statement is not of prices "*as estimated by the speculators,*" but of the average prices at actual sales. Stated in American currency and in American measurements, the average price of vacant land in Paris rose, according to these comparisons, from \$1.56 per square foot in 1828, to \$4.34 in 1866-7-8-9. Average prices are doubtless as poor a guide to land speculators in Paris, as they would be in New York, whereby nobody would think of buying or selling Wall Street property, on the basis of average prices from the Battery to Spuyten Duyvil, but these averages throw some light on the general advance of the prices in Paris of vacant lands.

France has been, during nearly the entire period covered by the foregoing statements, a specie-paying country. The intervals of suspension have been short, and the depreciation of paper slight, even when suspensions have occurred. The figures given have been very little affected in that way, and therefore indicate more accurately than they would in many other cases, the action of the economic forces which determine the rate of wages and the prices of land.

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## RENEWAL OF THE LATIN UNION.

The Paris *Journal des Debats*, of November 18th, contains an article by Baron Jules de Reinach on the new treaty which has been agreed upon by the representatives of Belgium, France, Greece, Italy and Switzerland, by which the so-called Latin Union is continued in existence until the first of January, 1886. The conference held at Paris for this purpose closed its eleventh and last session on the 5th of November. The unprecedented number of its sittings indicates that its discussions were more than usually interesting. M. de Reinach describes the Conference as differing essentially from that of 1865. The latter was, in a strict sense, a monetary conference, in which no questions of principle were put forward or debated. Its sole object was to assimilate the coins of several contiguous countries, so as to give them an international circulation, and a legal-tender character within the territory of the treaty-making States. The Conference of 1878 was of quite another character; it was a politico-economical conference, and the President, who is also one of the presiding officers of the Paris Society of

Political Economists, might well have imagined himself at one of the monthly meetings of that body.

The precise nature of these economical discussions can only be conjectured until the publication of the *procès-verbaux*, which will probably not take place till the action of the Conference has been submitted to the legislatures of the several contracting States and confirmed by them. M. Léon Say has already brought a bill into the French Chambers to ratify the treaty, but the full particulars of the measure, as reported by him, have not reached us. Meanwhile the article of M. de Reinach may be looked upon as semi-official, in view of the well-known intimacy existing between him and the Finance Minister, and the confidential position which he occupies towards the financial administration of France.

The Treaty of 1865 was to expire in January, 1880, provided a year's notice to terminate it was given by one of the signatories; otherwise it was to remain in force for fifteen years longer. Rather than remain bound together for so many years by a convention, the operation of which had essentially changed since it was entered into, the contracting States would have abrogated it altogether. Switzerland, therefore, which more than any other country has been dissatisfied with the treaty since the silver agitation begun, acting on her own behalf, and doubtless at the desire of all her associates, gave the notice which was necessary to terminate the union in January, 1880.

This being done, the question was whether to draw up an entirely new treaty, or to amend the old one. M. Leon Say proposed the latter plan and it was adopted. One of the most important new questions to be considered was as to the steps to be taken to wind up the treaty (*liquider la situation*) when the term of it shall have expired; and another and more immediately pressing one was how to deal with Italy and Greece, States which are under a suspension of specie payments, and to provide against the possible contingency of other States falling into the same difficulty. The treaty of 1865 did not provide for such a state of things, inasmuch as Italy did not suspend till May, 1866, and Greece, which joined the Union in 1878, was then a specie-paying country. As the case now stands, paper money has driven coin out of Italy, and the greater part both of its full-valued silver five-franc pieces and of its divisionary token money have taken refuge in France, Belgium and Switzerland. For all beneficial purposes to her associates Italy would be better out of the Union than in it.

The excessive accumulation of silver coin in certain parts of the Union, and particularly at the Bank of France, is an evil mainly due to the currency system of Italy. The Italian plenipotentiaries admitted this fact, and declared the determination of their government to relieve the situation by

a return to specie payments at the earliest day possible. On the 7th of September, 1878, there were in circulation in Italy, paper notes of the denominations of  $\frac{1}{2}$ , 1 and 2 francs to the amount of 112 millions of francs (\$22,500,000) and the maximum emission of such notes authorized was 135 millions (\$27,000,000). The total authorized issue of all denominations of paper money is fixed by royal decree of February 26, 1876, at one milliard (\$200,000,000). These are denominated *consortial* notes, and are issued by the six associated banks on the deposit by the government with them of its bonds to that amount. There are, besides, bank notes not so secured, but the latter are not a legal tender.

The Italian government having declared its willingness to suppress its notes of smaller denominations than 5 francs, the other contracting States have agreed to assist the operation by withdrawing from circulation, and refusing to take at their public treasuries, the silver divisionary coins of Italy. The arrangements for accomplishing these ends were made the subject of article 8 of the treaty, the essential provisions of which will be presently stated. By the treaty of 1865, the amount of divisionary coins permitted to each of the contracting nations was six francs a head of their population. By the latest census returns, this allowance gives to Belgium 33 millions of francs; to France and Algeria 240 millions; to Greece  $10\frac{1}{2}$  millions; to Italy 170 millions and to Switzerland 18 millions. Italy, however, owing to the loss of her small coins since the suspension of specie payments, has replaced them to such an extent by small notes, that the aggregate sum of her divisionary money coin and notes now amounts to 270 millions of francs, or 100 millions in excess of her allotted quota. The whole of this excess is supposed to be in the other countries of the Union, France being understood to have about 87 millions and the other States 13. It will be impossible to drive these small coins back to Italy so long as the other countries continue to give them currency, and, on the other hand, Italy cannot suppress her small notes until she has coins to put in place of them. Article 8 of the treaty, therefore, makes the following provisions:

It should be premised that each of the contracting States has agreed to redeem its divisionary coins, when presented in sums of not less than 100 francs, either in gold money or in silver five franc pieces. This obligation is to continue for one year after the termination of the treaty. By article 8 the other States have agreed not to receive Italian divisionary coins after January 1, 1880. France is to gather up these coins and deliver them to Italy, which is to pay cash to the other States for all received from them up to 13 millions of francs. The French contingent of 87 millions is to be paid—17 millions in cash and the balance in three annual install-

ments in 1881, 1882 and 1883, with three per cent. interest on the deferred payments; all above 100 millions is to be paid for in cash. The small notes which Italy engages to retire are not to be reissued. After the resumption of specie payment in Italy, her small coins will be again received by the other powers as heretofore.

Greece has coined silver *drachmas* under the treaty of 1865, and a considerable number of them now circulate in France, Belgium and Switzerland. They have increased in those countries since legal-tender paper has taken the place of metallic money in Greece. The delegate of the Hellenic government explained to the Conference, that during the last year, a loan had been contracted with the National Bank of Greece and the Ionian Bank, by which the privilege of legal tender had been conceded to their notes so long as the loan remained unpaid. The actual amount of such notes issued is 73 millions (\$14,600,000) and the maximum authorized 78 millions (\$15,000,000). The two banks have a specie reserve of about 16 millions, or more than 20 per cent. Before the suspension of specie payments there were about 45 millions of notes in circulation, the lowest denomination being of 10 francs. The Greek government is very anxious to resume specie payments, and will attempt to accomplish it by a credit operation, but it is not able to enter into any engagement with the other powers on the subject, nor to fix any date at which resumption can be accomplished.

The gold coins of the several States are to continue, as heretofore, of the denomination of one hundred, fifty, twenty, ten, and five francs; but the coinage of gold five-franc pieces remains provisionally suspended. This suspension is owing to the too rapid abrasion of those coins. Experiments made in 1868 showed that gold twenty-franc pieces used themselves up in about forty years, ten-franc pieces in twenty years, and five-franc pieces in eight years.

Both gold and silver five-franc pieces are to be admitted into the public treasuries of the contracting governments without distinction. The Bank of France and the National Bank of Belgium have come into this arrangement by agreeing, during the full term of the treaty, to receive those coins at their counters. Although the legal tender of the larger foreign coins seems not to be explicitly imposed on individuals, they will not hesitate to ratify it in fact, as the action of their respective governments and banks leaves no motives to private persons for refusing them. Token coins (those of less than five francs) are declared a legal tender in payments of not more than fifty francs.

The coinage of silver five-franc pieces is provisionally suspended, and cannot be resumed except by the unanimous consent of the contracting States. This agreement is also made applicable to the year 1879—the last year of the old

treaty. An exception has, however, been made in favor of Italy, which is to be allowed to coin twenty millions of francs. Though not so expressed in the treaty, it is understood that this contingent is allowed to Italy to enable her to replace her old silver coins with five-franc pieces. Even if she should elect to buy new silver of Germany for the whole amount, rather than melt down the coins of the Bourbon dynasties, no objection would probably be made, as the quantity of silver pressing upon the market would be thereby measurably reduced.

As already stated, the new treaty is to remain in force from January 1, 1880, to January 1, 1886. If, one year prior to the latter date, no notice shall have been given to dissolve it, it is to be continued thereafter from year to year.

Although no other provisions were made in the treaty respecting legal-tender paper in circulation in Italy and Greece than those under article eight, it was nevertheless agreed to be proper to insert in the *procès verbaux* of the conference certain declarations on that subject. Belgium, accordingly, declared that, if in future either of the States should establish the *cours forcè*, or should render the consequences of it more onerous to other States by increasing the issues of legal-tender paper, the Belgian government would admit that the other States might take any measures proper to protect themselves. The Belgian delegate further declared that a State which should be forced to suspend specie payments, should not be allowed to recover its liberty of action towards the other States of the Union, even after the treaty had expired, until it had relieved its associates from any burdens which such a state of things might have imposed on them. It is to be hoped that these cautionary declarations will never need to be acted on, and the considerable period fixed for the duration of the treaty will, in all probability, enable the States now under suspension to bring themselves into line, so that its indefinite prolongation may not be imperilled.

Baron de Reinach concludes his article, of which the foregoing is a summary, with the following passage :

“If we now cast our eyes over the labors of the Conference, we cannot but felicitate ourselves on the results arrived at, in view of the different ways in which the monetary question is looked at by the contracting States. Switzerland and Belgium do not conceal their sympathies for the single gold standard ; France is bimetallic ; but before pronouncing upon the propriety of continuing the coinage of silver five-franc pieces, which is, nevertheless, reserved in the treaty, she desires to know the results of the monetary laws recently enacted in America. In this state of things it was necessary, as far as possible, to relieve the present situation, which might become embarrassing by reason of the liquida-

tion which would have to be made at the end of the next year, when the treaty of 1865 would expire. To assist Italy, therefore, to establish her metallic circulation, was not only a proof of sympathy given to that State, but it was also an act of good policy on the part of the other contracting parties. If they had precipitated matters by not renewing the treaty, Italy alone would have profited by it.

"Thus, although there was a difference of opinion between the contracting parties on the theoretical side of the monetary question, the Latin Union has been renewed and consolidated. Both governments and people will, without any doubt, learn with satisfaction that the five nations are to continue to be united by the bond of a common monetary circulation; and it is to be hoped that this union established between them in respect to money will continue to exercise a happy influence on their political and business relations."

It is not the purpose of the present article to make any lengthened comments on the new Latin treaty as it bears upon the United States. It cannot, however, be overlooked, that the clause which suspends the coinage of silver for seven years longer, is likely to have a most important influence on the future monetary system of this country. For the largest part of the decade which is now opening, and which is so full of promise in all its material aspects, we shall be the only silver-coinage country of the civilized world. There can be little doubt that this will make us a silver country, almost as absolutely as India and China are silver countries, unless the restrictions imposed by the silver bill of last winter are rigidly adhered to—that is a coinage limited to two millions a month, with all the resulting profit reserved to the Federal Government. This is not such a double standard as the silver party bargained for, nor is it such a bimetallism as those who favor an international system desire to secure. No party will be satisfied with it, and further legislation, either forward or backward, seems to us, imperatively necessary. If we go forward, and open the mints to free coinage, all our gold will leave us, and we shall elect to become a silver country pure and simple, which is just what Mr. Goschen desires. If we go backward and repeal the silver bill, making silver token money only, with, perhaps, a large field given to it by a liberal legal-tender clause, we shall force England, Germany, and the Latin Union to face the situation, and to share with us the perils and inconveniences which a scramble for gold will certainly entail. In that scramble the United States would stand a better chance to come out unscathed than any other nation. This is the course recommended by M. Cernuschi, and we incline to think that it promises the earliest and most substantial victory to the bimetallic cause.

GEORGE WALKER.



## THE CURRENCY OF INDIA.

It is apparent that strong efforts are being made to raise the value of the Indian rupee, relatively to gold, by limiting its coinage, or perhaps by suspending its coinage altogether until the object is accomplished. To bring about such a change in existing policies, two things must be accomplished. The local Indian Government must be induced to reverse the decision which it made two years ago against the proposed change, and in the next place, the assent of the English Cabinet must be obtained. At present, the tone of the English financial organs seems to be decidedly adverse to the experiment. This is specially true of the London *Times*, which generally manages to keep itself in harmony with the prevailing English views on all subjects. The enemies of that important journal have always said that it appears to lead, only because it knows how to follow, public opinion. It is at all events true, even if the *Times* does not mould the average British judgment upon political affairs, that it is as good an indicator as there is of what the tendencies of that judgment are from time to time.

The present India monetary question is not that of introducing a gold currency into India. The impossibility of that is so apparent, from the deficiency of the metal, that it is not proposed by anybody whose opinions deserve attention. But it is not impracticable to raise the Indian currency, which is silver, to its former valuation relatively to gold, by keeping the amount of it within certain limits to be ascertained by a trial. Merely suspending its further coinage might not be sufficient. It might be necessary to withdraw from circulation some of the silver already coined, but that is a thing within the power of the Government to accomplish.

The London *Economist* suggests the danger of a private coinage of rupees, if a value is artificially given to them, very much above the cost of the silver of which they are made, added to the charges of coinage. Apparently there would be danger of that, but the experience we have had in this country, and the still longer experience which the French have had, seems to suggest that the danger is not very great. When the silver in our dollar is worth eighty-five cents in gold, the silver in the French five-franc piece is worth only eighty-two per cent. of the value of the coined piece. That is a good margin of profit for private coinage, but if any such coinage is going on, the French authorities do not know or suspect it. They have given an artificial value for quite five years to the five-franc piece, by first limiting and finally

suspending its coinage. This artificial value has not been so much as eighteen per cent. all the time, but it has even exceeded that for some short periods.

Having an annual interest account to settle in gold in London, the Indian Government, which collects its revenue in rupees, has been put to an expense, as high in some years as thirty million rupees, by way of premium on sterling exchange. The Indian Government would save these great sums if the rupee was brought up to its old relation to the pound sterling. The Indian taxpayers would gain nothing by that however. So far as their taxes are concerned, they can just as easily pay an additional twenty or thirty million rupees of the present value, as to have an equivalent addition made to its present value. In one form or the other the cost of paying gold in London must be met. Either by present taxes or by loans which will call for future taxes, more rupees must be obtained, or existing taxes, while left nominally the same, must be really increased by making the rupee more valuable. But when governments have a free choice they naturally incline to modes of taxation which are most likely to escape observation. The Indian revenue is principally from land taxes, which are viewed in Eastern countries more as rents than as taxes. The land occupiers might be restive under a demand for more rupees, when they would hardly know with whom to find fault if the rupees became more valuable and harder to obtain. They would perceive that it was harder to pay their taxes, but might not perceive that their taxes had been increased.

There is thus a great temptation operating upon the Indian Government to get the new revenue it needs to meet the increased cost of its London payments, rather from augmenting the value of the rupee, than from demanding more rupees from the taxpayers. The dissuasive is the apprehension that an augmented value for the rupee, which means a fall in the prices of Indian products, would dangerously cripple the industry and internal commerce of India.

There is a large class of officials in India, civil and military, receiving their salaries in rupees, who would gain by an increase in their value, and it is not to be doubted, either that their influence with the Government of India is considerable, or that it is in various ways exerted in favor of the proposed new policy. That portion of them, which is very large, who transmit portions of their salaries to England for the support of families, and are obliged in doing so to pay high premiums for sterling exchange, probably feel that they are thereby suffering both a loss and an injustice. Whether they have in fact suffered either depends, of course, upon the question, whether the pound sterling, which now costs twelve rupees, has, or has not, gained one-fifth in purchasing power, as compared with the pound sterling when it was

purchasable for ten rupees. They are not very likely to go into speculative questions of that kind. It is sufficient for them to know, when they deal with their bankers, that they obtain less sterling exchange than they were formerly accustomed to obtain for the same number of rupees.

The London *Times* says in a recent article :

It [the Indian Government] has to remit annually between fifteen and twenty millions to England, and at the present price of silver the loss by exchange, reckoning the par of the rupee at 2s, is three millions sterling. This is the amount of loss actually entered in the Budget for the current year. The amount of the loss is not only great, but it is liable to vary from year to year by what are, for Indian finance, very large sums. Such variations are most distracting to the financier, and are probably even more demoralizing in their effect on the Indian Government, by the simultaneous loss inflicted on the whole class of Anglo-Indian officials, whose salaries are calculated in rupees, but whose remittances to England must be reckoned in gold.

But although fully appreciating the power of these and other motives and influences brought to bear on the India Government in favor of raising the Indian currency to a parity with gold, the *Times* stoutly resists the proposed policy. In the same article, it further says :

To tamper with a metallic coinage of this description, amounting, it is believed, to two or three hundred millions sterling, would be a most formidable undertaking, and could only be justified, in our opinion, by the most urgent and extreme necessity. India having got a sound money, why run the risk of changes which may affect its soundness? Some doubt may, at least, be felt as to the alleged losses being sufficient excuse for such changes. The loss by exchange to the Indian community as a whole, except in so far as gold may have appreciated, is plainly only one of account. The tribute they pay to England is really paid in tea, cotton and other goods, the value of which is determined by the gold price they realize in the markets to which they are exported. Whether Indian money is silver or gold is of no consequence. If the Government loses on the face of its accounts because it receives its revenue in silver, this only means that the Indian community has so much less nominal taxation than it would otherwise have. The way to rectify the balance is to increase the nominal taxation, which may be a difficult thing to do at once, but may as well be done directly in the end as indirectly by the suggested appreciation of the rupee, which would come to the same thing. There is also a presumption against changes of the kind suggested in the fact that it would probably tend to increase the appreciation of gold, and so aggravate the real burdens on the people of India. If India is to have a gold standard, there would in the future be a certain demand from India for gold, even if the present rupee circulation continues as a token currency, and a much greater demand if any part of that circulation has to be withdrawn. *Already the annual supply from the mines is scanty enough, and gold is appreciating; but with this new demand added the supply would be still scantier and the appreciation of gold all the greater.* It would be still more difficult for India, therefore, to obtain the gold with which to discharge its

foreign indebtedness. It would have to export more cotton and other articles, and this increase of the real burden would be felt somehow, although the loss in the Government accounts might be concealed by the real increase of its revenues which it had obtained through a silent appreciation of the standard.

There are the most ample reasons, therefore, for counseling the Indian Government to be chary of any schemes for finding a short cut out of the financial difficulties which the depreciation of silver produces. These difficulties, after all, are more superficial than real, and are as nothing to the probable and possible mischiefs which may arise from mistakes in altering the monetary system of India. If additional reasons were required, they might be found in the individual interests of many of the advisers, official or volunteered, of the Government itself. The personal interest of Anglo-Indian officials in an appreciation of the rupee is palpable, and it is only natural that they should exaggerate an evil which comes home to them so closely. But others among the probable advisers of the Indian Government have even stronger interests involved, though not of so obvious a kind. The bankers and chief merchants in the trade with the East would all be enriched by a rise of the exchange. The assets of Anglo-Indian banks invested in the East would gradually rise in value from about 1s. 8d. to 2s. per rupee. It may be quite true that the rise would not be shown in the accounts of all these banks very much, for by some of them only the assets which are brought home are valued at the exchange of the day. But the rise would be felt all the same, and would give a new sense of wealth and security to bankers and others who have drawn money from home, by deposit or otherwise, for investment in India. Just as they gained by the exchange during the cotton famine, when silver rose to 62d., so now they would gain by an advance of the rupee from its present low point. But the gain of merchants and bankers in the Indian trade, as of Indian officials themselves, would not be the same thing as the gain of the Indian people.

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BRITISH SAVINGS BANKS.—According to a Parliamentary return just printed, the number of "old" Savings banks in Great Britain and Ireland, as distinguished from the new P. O. Savings banks, is 458; the amount deposited is £44,238,686, and the number of depositors 1,508,347. As compared with the last annual return, the aggregate of deposits has increased £954,986, and the number of depositors has increased 16,446. The annual interest allowed on £100 is £2 19s. 5d., or a minute fraction less than three per cent., whereas only 2½ per cent. is allowed on deposits in the P. O. banks. All the money deposited in these banks is required to be invested in Government funds, and is therefore regarded by the British public as entirely safe. These returns indicate either that savings have not as yet been much drawn upon in consequence of the depression in British trade and industry, or that, if such drafts have occurred, more than an equal amount of deposits has been made in consequence of a distrust of other investments.

## OF THE TRUE AND FALSE IN MONEY AND BANKING.

Two elements determine the value of money, as the true measure of price; one is the volume of currency, estimated in gold, in relation to the quantity of circulating capital; the other is the rapidity of circulation. Obviously, if money does not circulate it has no effect upon prices; and it has more or less effect as the circulation is more or less rapid. To the average trader it is all the same whether he receives twice as much money for his sales in a given time because the volume of currency is doubled, or because the rapidity of its circulation is doubled. He has no occasion to know why the money comes; all he cares to know is that he gets it. Keeping a certain quantity of goods on hand all the time, by buying and selling, he will discover the varying proportion of his money to his goods and raise his prices the same in the one case as in the other. On the other hand he will reduce his prices the same, when he finds but half as much money offered, whether because of a contraction of the currency or because of a contraction of its circulation.

The rapidity of circulation is a somewhat awkward phrase, but it is the best that political economy affords to express the idea, and it is perfectly intelligible to any one who desires to understand it. It explains significantly the present condition of money and trade. A contraction, not of the currency, but of the rapidity of its circulation, has raised the value of money in the fall of prices almost to the specie level; it has crippled trade, sunk assets, ruined debtors, destroyed enterprises, thrown labor out of employment, and caused wide-spread misery in society. But it is a cause within a cause; it is itself a consequence of inflation with false money, and only the pain of getting sober after the pleasure of getting drunk. It is but the revolt of commerce against the violation of its laws. Commerce requires money, the commodity, the product of labor, as the equivalent of other commodities, and we feed the money channel with debt, the equivalent of nothing, and the very opposite of money. Commerce depends upon capital, and we expel capital to substitute embarrassment, and force the exchanges of commodities through a ramification of debt and credit as utterly needless as a fifth wheel to a coach. Were the currency money it would be borrowed, as capital, for trade as for any other enterprise, legitimately when needed, and buying and selling would be for cash on delivery of the goods, almost without exception. Ten thousand dollars thus borrowed and employed would support a business of \$100,000

a year in the sale of goods, on an average, with ordinary enterprise and industry, and require no indebtedness beyond the \$10,000. Whereas the same amount of business, under our discount system of making currency requires the trader on borrowed capital to owe \$50,000, and have \$50,000 owing to him, besides his profits, which, if he makes any, are almost sure to be unrealized for a long time among lagging and more or less doubtful receivable debts. Moreover he will involve, and be involved with, his friends in the indorsement of discounted paper for probably twenty or thirty thousand dollars on each side at a moderate estimate. And the business of the country, in the aggregate, will be so much the less as there is less capital to do it with in the absence of money.

Instead of permitting money to remain in the country, or flow in from other countries, maintaining its normal value by non-interference, and exporting merchandise, we degrade its value by interference, and export it under such degradation, by paying our own false prices for foreign goods, in absolute loss. Instead of using it as the common equivalent to buy and sell for cash, we entangle ourselves in debt, which, being organized into currency by discounting, occupies and obstructs the money channel, and drives the money out. And this we call the "Credit System." It is a miserable fallacy; more properly, it is the counterfeit system. Money is the product of labor, never of credit. Credit borrows capital legitimately, not by producing currency; when it produces currency it produces false money and is but legalized counterfeiting. Money is naturally in repletion; by no possibility can it be sent out or kept out of the country, till it is in natural excess, but by adulterating it in the currency with false money, so as to make it cheaper than merchandise.

The French economists and bankers understand this, and France has a paper currency issued against, and covered with, specie, but no "paper money." Napoleon the First understood it. On his return to Paris from Austerlitz, "he drove directly to the Tuileries," says Abbot, "and ascended the stairs, with hasty strides, to his cabinet. Without undressing, or even throwing himself upon a couch for a moment of repose, he sent for the Minister of Finance. The whole of the remainder of the night was spent in a rigid examination of the state of the Bank of France. The eagle eye of the Emperor immediately penetrated the confusion in which its concerns were involved. Writing from the camp of Boulogne, in the midst of all the distractions of the march to Ulm and Austerlitz, Napoleon had thus addressed his Minister of Finance:

"The paper of the bank is issued in many, perhaps a majority of the cases, not on real capital, but on a delusive

supposition of wealth. In one word, in discounting in this manner the bank is *coining false money*. So clearly do I see the danger of such a course, that, if necessary, I would stop the pay of my soldiers rather than persevere in it."

The Bank of France no longer "coins false money;" it no longer discounts an evidence of debt out of itself, and therefore does not increase the currency, the notes it issues being merely instruments to circulate the pre-existing currency of specie in its vaults, or credits and vouchers unused for money absolutely and honestly borrowed and lent. It is immaterial whether a bank issues notes or inscribes credits in its books for its demand debt. The notes are but items of an account current in principle, the same as the book credits. Debit a bank to the value loaned on its note when the same is received, and credit the bank by the value received when the note is disposed of, and you demonstrate the principle of an account current; but there is nothing of the nature of money in it. You simply lend to the bank for nothing the value of the capital you dispose of for the note; it may be dry goods or groceries or any sort of commodity or labor. The note has nothing to do with money, it does not represent money, unless it is covered with money held in reserve against it; in which case it serves as a certificate to circulate the ownership of the money so held, as a storage certificate serves to circulate the ownership of merchandise. If there is no money received and held, in the one case, or merchandise in the other, the respective certificates or promises are equally false.

The French have a habit of hoarding, and they hoard bank notes as well as specie. A commercial bank is not required or expected to cover its liabilities for borrowed money with specie, any more than a Savings bank. Such liabilities are not current deposits; they are invested by their owners and earning interest; there is no principle or effect of currency in them; of course they do not affect the value of money or general prices. But the deposits in daily use, offered in market as merchandize in store is offered, and liable to be drawn upon as freely as the gold in one's counting-house safe, are current deposits; they constitute, usually, the chief item of running cash in the accounts of merchants and men of business; they are potentially currency, and if they are not money actually in the bank vaults they are a swindle. The true theory of such deposits is safe-keeping; they are not lent to the bank nor borrowed by it on any honest principle; and they cannot be lent by it without inflating and debasing the currency, or, in the words of Napoleon, "coining false money." This evil principle the Bank of France avoids, but the commercial banks of England, and of Europe and America, in general, do not. Here in the United States it is the one great temptation to the establishment of banks; it is the very principle on which banking is supposed to depend

for its profit and its existence, and, in the long run, it is the ruin of the business. It is ignorantly and generally believed here that without this paradox of holding while lending—having your cake and eating it too, in the bank deposit, there would be no such business as banking. It is owing to this principle that Germany has been financially ruined, almost, by receiving the war indemnity of \$1,100,000,000 which France paid without feeling it. Germany used this money to increase the capital of her old banks, and more than double their numbers in chartering new ones, and the false money they produced was used, as such money always is used, in creating debt, and in promoting extravagant enterprises and wild adventures, that have fallen to ruin. And England is suffering cruelly from the operation of this principle to-day.

The Bank of France, including the branches, held on the 14th November, in coin and bullion, \$400,000,000; a sum undoubtedly exceeding its liabilities for the running cash of its creditors, such being all that come within the category of currency. Every thing it owes, beyond this, is for capital borrowed in the pre-existing currency, on the principle of a Savings bank, to be loaned out without the ridiculous theory of cash on hand to be checked upon at sight, when there is no such cash in existence. Hence, as the bank does nothing to increase the currency, it does nothing to degrade money and drive it away; so that France maintains a metallic system as pure as if there were not a bank in the nation. No one estimates the specie in France at less than \$1,300,000,000; some place it as high as \$1,600,000,000. She suffers more or less, as every commercial nation must suffer, from the perturbations of commerce and financial mismanagement elsewhere; but her trade is better conducted, more equal and reliable, and less disturbed by defalcations and bankruptcies, than that of any other nation outside of Asia. One would think, at times, that her bad politics would ruin her; but her sound money system outlasts her kingdom, her rotten empire, the crazy commune, and all the wild fancies of the most unpractical and fanatical set of politicians that ever tampered with human government. To-day, if her government should ask for a loan, the requirement would be promptly and far exceeded in offerings of capital by her own people.

I commend to our banks, and our Government, the example of the Bank of France, with its devotion to the true principle of banking, in avoiding the making of deposits or currency by discounting; in other words the making of false money.

CHARLES H. CARROLL.

WEST NEWTON, MASS., December 10th, 1878.



## TUNIS AND EGYPT IN THE HANDS OF RECEIVERS.

It is not the duty of the people of the United States to right all the wrongs in the world. Neither the philosophy nor the temper of modern times favor crusades or expeditions of knight-errantry. The age of chivalry in that sense was gone, long before Burke lamented its departure. But acts of injustice inflicted upon even distant peoples, cannot be indifferent except to those who feel no interest in the condition of the human race, and the opinion of the United States may possibly do something towards restraining such acts within narrower bounds.

Tunis, which lies on the Mediterranean, east of and adjoining the Franco-Algerian province of Constantine, has an area (including a part of the Sahara desert) of 42,000 square miles, or a little less than that of the State of New York. In ancient times, when it was one of the granaries of Rome, its population was dense, but is now estimated at only 1,500,000, consisting most largely of Bedouin-Arabs and Kabyles. It has neither wealth nor arts, and its commerce is in that condition which is praised by British writers as the happiest for all the world except England, viz., the exchange of raw products, notably wheat and esparto grass, for cotton cloths, and other foreign manufactures. From the nature of the civilization, such as it is, of the country, the statistics of it are meager, and there is probably very little in the country to be the subject matter of statistics, unless it is population, and of that there was never anything like an actual enumeration. The amount of the public revenue, the sources of it, and the purposes to which it is applied, constitute a remarkable exception. Here we have exactitude to a shilling, according to the most rigorous rules of fiscal management known in the practice of the most advanced States.

For the Tunisian fiscal year 1874-5, the latest reported by accessible authorities, the figures were as follows:

REVENUE.	
Customs duties on exports.....	£ 117,623
"    "    imports.....	17,557
Taxes and tithes on olive trees.....	35,459
Tobacco and salt monopolies.....	18,173
Miscellaneous receipts, including stamp duties.....	84,481
	£ 273,292
EXPENDITURE.	
Cost of General Administration.....	£ 6,053
Interest and management of public debt.....	223,105
Payment of arrear coupons of the debt.....	22,716
	£ 251,861

The proportion between the sum applied to government uses and the sum applied to the use and behoof of the fortunate owners of the public debt is the Falstaffian proportion of a half-pennyworth of bread to an intolerable deal of sack.

The explanation of the matter is, that since 1869 Tunis has been in the hands of foreign receivers, who care very little about the administration of the country beyond collecting revenues and paying them over to the parties for whose account and benefit the receivership was instituted. About the same date, 1856, when Turkey was first initiated by the London and Paris fund-mongers into the art and mystery of creating a National debt, Tunis was also taken in hand, and with so much vigor, that by 1868, the lenders of money to Tunis had paper vouchers for the fact that its permanent debts were £7,280,000, to say nothing of an unknown amount of floating debts. Those who have read the accounts of the way things have been managed at Alexandria, Cairo, and Constantinople, between sharpers on one side and needy and careless official borrowers on the other, will have little difficulty in supposing that the cash actually received by Tunis bears about the same proportion to the £7,280,000, figured up in 1868 as the amount of the Tunisian debt, that the public revenue, now applied to the public service, bears to the total amount collected. The general outline of the methods used with the Egyptians and the Turks, was to sell stocks to the public at a round discount, and take the proceeds partly in cash, but largely in evidences of floating debt, which had been accumulating at an interest of from two to five per cent. per month, and to divide the cash received, in some unreported proportion, between the borrowing governments and the manipulating bankers and financial go-betweens. It was doubtless by such methods, and similar ones, that in 1868, in addition to floating debts, a permanent debt of £7,280,000, or thirty-five million dollars, was figured up against Tunis. Nobody will believe for a moment that cash approximating to that amount was ever furnished to the government of Tunis by the holders of its securities, or that the actual cash furnished could have been swollen to any such figure by any rate of interest known outside of pawn-broking establishments.

Tunis made default, as was to be expected, on a debt which was doubtless in the main an aggregation of fraudulent claims, and which, however that might be, was enormously disproportioned to its ability to pay. Thereupon, in 1868-9, the governments of England and France, acting in the interest of the English and the French financial classes, whose influence is paramount in London and Paris, proceeded to make what are diplomatically called "reclamations," it being understood that "reclamations" when used by strong

powers against a weak one, mean threats, backed by the proper display of force. The outcome was, that Tunis, with all its Bedouin-Arabs, Kabyles and olive trees, passed into the hands of receivers, called an International Finance Commission, and there it is likely to remain for the present.

This Finance Commission is divided into two sections. The first is called the Administrative section, and is composed of a French Inspector, the Tunis Prime Minister, and some other Tunisian functionary. The second is called the Section of Control, and consists of six delegates elected by the English, French and Italian creditors. It is prudently stipulated that without the consent of the Section of Control, in which Tunis is not represented at all, nothing shall be done which can in any way affect the public revenue, or the interests of the creditors in whose behalf the receivership was instituted. The foreigners who are members of the Finance Commission receive annual salaries ranging from \$1,200 to \$2,400, and in addition, control a convenient contingent fund of \$30,000, out of which something more than \$10,000 is allowed as bankers' commissions on the payment of coupons.

As will be seen, while the "reclamations" were made by England and France, whose money-dealers probably enjoy the greater part of the spoils, it was deemed expedient to admit Italians into the Finance Commission. That concession was needed in order to allay Italian sensitiveness in respect to the establishment in a country so near to Italy of a receivership, which is only another name for subjugation.

The Finance Commission concluded to fix the debt of Tunis at £5,000,000, or \$25,000,000, and the interest of it at five per cent., it being doubtless concluded that no more could be extracted out of the olive trees and the limited commerce of such a country as Tunis. When the Turks reconquered Crete a few years ago, they are reported to have cut down the olive trees in their barbaric rage. The more politic humanity of Christian civilization carefully preserves what yields not only fruit and oil, but tithes and taxes.

The capacity of Egypt to pay is magnificent, and presented a much more tempting prize to the cupidity of the money lenders and bond-dealers of western Europe. Instead of Bedouins, Kabyles and olive trees, it offers the inexhaustible fertility of the Nile, and in the lower valley of that river, or Egypt proper, a population of more than five millions, accustomed to high taxes and the bastinado, and broken to industry and self-denial by immemorial habits and traditions. The loans (so-called) to Egypt commenced after the Crimean war which made the English and French influence paramount throughout the Turkish dominions, and with which dates the commencement of the Turkish debt. Alexandria and Cairo swarm with the representatives of English, French and Italian banking houses, and the progress of cashing the

Khedive's floating due bills at from two to five per cent. per month was so rapid, that the point of "reclamations" was fully reached in 1875. In that year, the British Government dispatched the Right Hon. Stephen Cave, for the purpose, as the British writers express it, of "assisting the Khedive to establish an equilibrium in the finances of the country." The next merit to that of doing things handsomely is the merit of expressing them handsomely, and what can be more attractive than the idea of an equilibrium in finances?

Mr. Cave reported the Egyptian revenue to be £10,689,070, the charges of administration (exclusive of interest) to be between five and six millions sterling, the debts (including the personal debts of the Khedive) to be from eighty-six to ninety-one millions sterling, and that, as the result of the whole, the "*equilibrium*" could not be restored without reducing either the charges of administration, or the interest account, or both.

In the following year, Mr. Goschen and M. Joubert, designated respectively by the English and French Governments, and representing the English and French creditors (so-called), reported the Egyptian revenue to be £10,922,000, and that the much desired "*equilibrium*" could be obtained by a complete separation of the public debts of the country from the Khedive's personal debts which were secured on his private property (called the Daira property), and by the consolidation and reduction of certain bonded public debts into a new stock to be called the "Unified Debt." After that operation was performed, the total of the permanent public bonded debt was stated to be £78,283,820, bearing an interest of six per cent. But this did not include either the Khedive's personal debts, then estimated at £13,194,360, or the floating debt, the then dimensions of which were not exactly known, but which were supposed to have reached in September, 1877, the figure of £15,000,000, under the Cairo and Alexandria interest rates of from two to five per cent. per month.

Under the arrangement insisted upon by Mr. Goschen and M. Joubert, as the representatives of the English and French Governments, and agreed to by the Khedive in November, 1876, the control both of the debt of Egypt, and of its general revenue and expenditures, was passed over to a financial commission consisting chiefly of Europeans. There is, among other machinery, a permanent "Commission of the Public Debt," into whose hands certain revenues, pledged to pay the interest on it, are directly paid.

Everything so far seemed complete for the transfer to the associated fund-mongers of western Europe of the net proceeds of the Egyptian taxes, that is to say, of the gross taxes, less whatever may be allotted for the service of the

Government of the country. These taxes are upon a liberal scale, about \$10 *per capita*, if we assume, as we may, that they are extracted principally from the inhabitants of Egypt proper, or from Lower Egypt as it is otherwise called. Under the highest tax figures in this country at and immediately after the close of the civil war, no such *per capita* revenue was attained, allowing for the difference between the paper money in which our internal duties were collected, and the hard money in which Egyptian taxes were and are paid.

The arrangement of 1876 still left to the Khedive the control of his immense private estates. In a certain sense, they were encumbered. He owed debts quite equal to their full value, and some of these debts were in the shape of bonds, called the "Daira bonds," which had a lien, so far as specific agreements could give such a lien, upon the Khedive's real estate. But the agreements, general or specific, of absolute sovereigns, who rule after the Eastern fashion, are not the kind of security satisfactory to European money dealers, although it may be tolerated where the business done is the cashing of floating debt due-bills at a monthly interest of from two to five per cent. The Goschen-Joubert arrangement of November, 1876, had shown them the possibility of getting better security, and after two years of manipulation, the exact nature of which may never be known, they have succeeded in obtaining it.

On the 1st of November, 1878, the Messrs. Rothschild signed a contract with an English gentleman, Rivers Wilson, who is at the head of the Treasury of Egypt since the English and French financial subjugation of that country. This contract was for putting on the market a gold loan for £8,500,000, secured on so much of the private property of the Khedive of Egypt, commonly called the *Daira* property, as he had been compelled by foreign pressure to give up.

On the 2d of November, the London *Economist* gave the following account of the transaction:

It would appear that there has been some delay in obtaining a recognition from the English and French Governments that the revenues derived from the 425,000 feddans of land (the feddan is about an acre) appropriated as security should be received by the bondholders' representatives, and it is reported that some sort of guarantee to this effect has now been forthcoming. The revenues, even under the present faulty administration, are in excess of the amount required for the service of the loan, and, under the control of the Anglo-French trustees, are expected to yield much more largely. The proceeds are to be devoted to paying off floating debts, to the coupon due to-day, etc.

The guarantee obtained was the designation by the Governments of England and France of two of the three commissioners, or trustees, to take charge of the property, but it is probable that the thing mainly aimed at in that, was not security for the good management of the property, but

security for the possession and enjoyment of it against any interference of the Khedive, who will not venture to involve himself in a quarrel with the representatives of two of the greatest powers of Europe.

It appears from a dispatch to Lord Salisbury, of the British Foreign Office, dated October 18, from Lord Lyons, British Minister at Paris, that he was approached on that day by M. Waddington, the French Minister of Foreign Affairs. According to Lord Lyons—

M. Waddington attached very great importance to securing the co-operation of the French and English houses of Rothschild in placing the finances of Egypt on a sound and satisfactory footing. He went on to say that Baron Alphonse, the head of the Paris house, had insisted on the necessity of some countenance and support being given to the arrangements in regard to the Daira bonds.

M. Waddington's proposition was as follows :

That the Frenchman and Englishman who are on the Board of Management of the Daira bonds shall be nominated by the two Governments, and these two nominees shall manage the estates with an Egyptian, collect and remit the rents to the Rothschilds.

On the 24th of October, Lord Salisbury in behalf of the British Cabinet, accepted this proposal in the following language :

They undertake the proposed nomination in order to furnish to the holders of the loan a security, that the person nominated shall not be divested of his functions without their previous assent.

This pledge from the Governments of England and France to maintain the English and French trustees in their places, was security enough to enable the stock to be put on the market at seventy-three. How much of the proceeds was retained by the Rothschilds for negotiating it does not appear, and probably never will, but such eminent negotiators never charge small commissions. And what is more important, it is not fully shown what became of the proceeds after the negotiators were paid. It is only certain that neither the Khedive nor Egypt got any part of it. It was applied to various debts of both, designated at the will of the manipulators, and of course to such particular debts as they were the largest owners of. Among others, the holders of a past due coupon of the Unified Debt were made happy by payment, but not, we will venture to say, until the great mass of those coupons had passed at a round discount into the right hands.

The annual revenue of the surrendered property was stated by the Khedive at £422,426, but it is said that under good management, this can be increased to £700,000, which would furnish the £425,000 needed for the interest of the debt, and leave something considerable, either to sink the principal, or to provide salaries, commissions and contingent expenses for the managers, including, if the example of Tunis

is followed, dignified commissions to bankers for paying coupons.

The net result of the whole is, that everything in Egypt has gone to the fund-mongers, tithes, taxes, customs and lands. The revenues are to be enjoyed in London and Paris, and nothing is left for the inhabitants except the bastinado.

The basis for European receivership, in the existence of fraudulently exaggerated debts, is no greater in the cases of Tunis and Egypt than it is in the islands and continent of America. The only reason which has prevented their establishment in America is the fact that the United States will not tolerate European subjugation on this side of the Atlantic, whether it is called a Financial Commission, or Receivership, or whatever other name may be given to it. What was attempted in Mexico, during the temporary disablement of this country during the civil war, shows well enough what would be the fate of the Central and South-American States, which have been entrapped by the arts of London and Paris fund-mongers, if no such power as the United States existed.

San Domingo has a foreign debt of £757,700, negotiated at eighty on the London Stock Exchange, in 1869. It is true that in the report (1875) of an English committee on Foreign Debts, it was shown that San Domingo did not receive at the outside more than £50,000 of the money, and that the remainder was divided among London sharpers. Hayti, which had an outlawed debt to France, dating as far back as 1825, of £1,281,994, was taken in hand in 1875 by Marcuard & Co., of Paris; who disposed of Haytian stocks in that market at unknown rates to the amount of £3,338,120, the avowed purposes being to adjust the old debt of 1825, and to obtain means for two lines of railways. All we know is, that no single dollar has been expended on any railway line, but until the French appoint a Committee on Foreign Debts, we may never know how much money, if any, Hayti received out of the operation. Peru has a debt held in Europe of £40,900,000, with some arrears of interest, nominally salable to-day at eleven or twelve cents on the dollar (see London *Economist* of November 2, 1873), and that is probably a higher rate than Peru ever received for it. From Mexico, whose debt to Europe was figured at £63,471,450 as far back as 1865, running down through the Central-American and South-American States to Chili, we see public debts held in Europe, swollen by fraud and usury to impossible proportions, and we should see European receiverships if this country would permit them. The excuse and the temptation are the same as on the Mediterranean. Peru, with its fabulous beds of nitrate of soda, mountains of silver and deposits of guano, is as inviting a field for an International Finance Commission as the Delta of the Nile. The fund-mongers of western Europe, with one or two frigates lying conveniently

off Callao, could coin money quite as abundantly in Peru out of the labor of Chinese coolies worked under the lash, as in Egypt from the labor of fellahs worked under the bastinado.

Great Britain, by the debt and funding system into which it entices its Canadian, Australian and African colonies, and which it imposes by the *vis-major* of military domination upon India, draws to itself the revenues of no small part of the globe. China has been repeatedly threatened with British and French subjugation, and its best defense against it to-day is not its own strength, but the fact that the United States has now a Pacific as well as Atlantic front, and is very little likely to be passive if any more of Asia is attempted to be brought under European domination to the injury of American commerce.

On the Mediterranean, we can have no motive for interference, and can only be observers of what passes. The indications are that success in Tunis and Egypt, instead of gorging, has only whetted the appetite of the financiers of Western Europe. The Paris correspondent of the London *Statist* says:

It is evident that something must be done for the Turks, and what would be the least expensive way of acting is just the mode which was applied in the Egyptian case. *Special income must be set apart under the control of European delegates*, and the creditors must find in enhanced security a compensation for reduced interest. At least, this seems to us the only way of coping with the financial embarrassments of the Ottoman Government.

GEO. M. WESTON.

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### MR. BUCKNER ON FIAT MONEY.

Among the financial measures advocated by recent State platforms, that of the Democratic party of Missouri demands that treasury notes shall be substituted for the present amount of National bank notes, and it also demands that the quality of legal-tender shall be given to such substituted treasury notes to the same extent as it is now enjoyed by the treasury notes which are already in existence. An able letter in opposition to this last demand has been published by Judge Buckner, of Missouri, who is the Chairman of the Committee of the U. S. House of Representatives on Banking and Currency. He goes even farther, and denies that it was constitutionally competent for Congress to give the legal-tender quality to the treasury notes issued during the civil war.

Mr. Buckner takes the positions of Daniel Webster and Albert Gallatin, that the entire jurisdiction in respect to contracts and legal tenders belongs to the States; that Con-



gress has no power to intermeddle at all with it; and that the exercise of the jurisdiction of the States is controlled by the prohibition that they shall make nothing but gold and silver coin a tender in payment of debts. He says:—

There is no power, either in the State or the general governments, to make anything but gold and silver coin a legal tender, and with the exception of the legal-tender acts passed during the rebellion, and the subsequent adjudication in 12 Wallace's United States Reports, by five to four of the Judges of the Supreme Court, there is one unbroken line of authority against the exercise of such power.

Holding these opinions, Judge Buckner supported the law of last session, directing that the coinage of the silver dollar should be resumed.

His exposures of the fallacies of the *fiat* money scheme is clear and vigorous, and will have the more weight as coming from the extreme West. He says:—

On the supposition that the opinion of the majority of the Supreme Court applied to the issue of Treasury notes in peace as well as in war, and not exclusively to "seasons of exigency," it has been urged that the stringency of the times and the universal depression of the industrial interests of the country would present a like exigency to justify an emission of legal tenders. I am not of those who believe that either the wants of the Government or the depression of business are measures of the powers of this Government. But, aside from this, the proposition assumes that the function of legal tender gives the promissory notes of the Government a value which they would not otherwise have. This appears to me an error, and one which our own history has demonstrated beyond cavil. The legal-tender, when first issued, stood at the value, and no higher, of the notes of the solvent suspended banks of the States. At no time have they been more valuable than the notes of the National banks—which have no legal-tender quality. During our Revolutionary conflict not only was the Continental money, both of the Confederation and of the States, made a legal tender, but stringent penalties and heavy fines were superadded to prevent their depreciation, and all to no purpose. Limitation of the amount of Treasury notes, connected with receivability for Government dues, and exchangeability for Government bonds, offer a far better guarantee against depreciation than the attribute of legal tender. In truth, a circulation that is forced upon the people without their consent, amounts to a proclamation of bankruptcy on the part of the Government. Being a debt from the Government to the people, it is a confession that the credit of the Government has reached a point when it cannot borrow money at a fair rate of interest, and is forced to take it from the people without their consent, without interest. If the entire field of circulation is occupied by the Treasury notes, to the exclusion of State and National bank paper, and the volume of paper circulation is not in excess of the legitimate demands of business, no necessity can exist for endowing these notes with legal-tender quality; nor need there be any apprehensions that the currency, which will discharge all dues to the general Government, will be refused by the State and corporations in payment of local taxation, or by individuals in payment of debts.

Aside from its obvious want of constitutional warrant, the legal-tender theory has served the bad purpose of giving countenance to the pernicious heresy of "absolute" or "fiat money," and the absurd proposition that it is the stamp of the Government that alone makes money. For it needs no argument to show that if Congress has the power to invest the promissory note of the Government with the attributes of money, it is a power without any limitation, and it may as well fabricate money out of the paper on which the note is engraved, or out of any other material, however valueless. In abandoning the firm and safe ground of the Constitution, we necessarily rush into the quicksands of absolute money, repudiation, and national and individual bankruptcy.

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### RESUMPTION AND REGULATION OF CURRENCY.

Resumption means, of course, that paper money is to be made convertible at will into coin; and that means that the United States henceforth submits its currency to the regulation of the laws of international trade. For a convertible currency, like a purely metallic currency, is regulated, not arbitrarily, but by trade balances. The volume of such currency any country can maintain is determined wholly by exports and imports. With trade in a normal condition, that is, when no obstruction to the free movement of money to or from a country exists, balances are made up by transfers of the precious metals. With trade in that condition a balance due to the United States of a million of dollars would be covered by an inflow of a million in coin or bullion; a balance of fifty million in a year would require the abstraction of fifty millions of the precious metals from the currencies of other countries to be added to ours. The equilibrium of currencies and of prices would be thus naturally maintained. Under such conditions of trade, if the paper part of a mixed currency be limited to such proportion of the whole as the people will choose to have in paper, because of its greater convenience over coin, then convertibility is secured. But if the paper exceeds that proportion, so that the whole volume, coin and paper, is made excessive, as compared with the currencies of other countries, the excess will be first felt in prices, then in the exchanges, and through the exchanges be drawn down by the exportation of the metallic part, and convertibility will sooner or later fail; and if the metallic part consists of both metals, then that part of the metallic currency which has the highest value abroad will be first exported. In other words, no country can fill its channels of circulation with a volume of legal-tender paper, arbitrarily determined, and then have coin circulate with it. If the coin and paper together make up more than would naturally fall to such country in the course of its trade, then the excess,

taken from the coin part, and from the undervalued part of the coin, will leave the country.

But the natural course and regulation of the currency of a country, as here presumed, is based upon the supposition that there are no barriers to the movement of the precious metals, any more than of commodities generally; and that the replenishment of the stock of money of one country—not made directly from mines—is necessarily concurrent with the depletion (comparatively) of the stock of other countries. Such was the state of trade in 1837, 1847 and 1857; and this country then recovered from panic in that natural way, and in a comparatively short time. But is the trade of the world, and especially the trade of the United States, in that normal condition now?

It is very easy to see that, with no barrier opposed to the movement of the precious metals, a balance of trade of \$300,000,000 in a year in our favor would be utterly impossible. Imagine three hundred millions of coin taken from the metallic money of other countries and added to ours! Long before one-half of this sum had been taken from the stock of money of the countries with which we trade and added to ours, prices would have risen here and fallen in such countries, and the equilibrium have been thus restored. No more could England have a balance of six hundred millions against her unless offset by credits. What, then, is the real meaning of this large balance of trade in our favor, unattended with a natural replenishment of our currency by an inflow of coin? The explanation is very plain. The countries with which we trade have something with which to make up balances besides gold and silver. They have coupons, and when these are exhausted they can have recourse to the bonds themselves; and these they send us in the place of money. And just as long as these conditions exist, so long will a currency *not* be naturally regulated, and the maintenance of convertibility, that might be easy under normal conditions of trade, becomes well-nigh impossible.

Is it true, then, it may be asked, that a debtor nation can not have its currency naturally regulated, or at least without being placed at great disadvantage with other countries? The whole problem of resumption may be said to lie in the answer to this question. The truth is, that while there are plenty of avenues open by which coin may leave the country, they are practically closed to the inflow of coin, if we owe debts or interest that may be returned to us by those with whom we trade, in settlement of balances, instead of making payment in money. A nation that is in debt to other countries to which it sells commodities is like an individual who sells his products to one he owes; he pays debts, but does not get money.\* The interest on debts held abroad is a con-

\* On this point Prof. Cairnes quotes some comments made by the *New York Journal of Commerce*, in October, 1873, respecting the increase in our exports and decrease in imports,

stantly recurring demand, whatever the balance of trade may be; but when commodities here are cheap, then the bonds themselves come home in exchange for commodities. To be sure, we are paying debt, but we are paying it with commodities ruinously low, and lower than they would or could be if our currency were replenished by an inflow of coin equal to our trade balance, as it would be with international trade in a normal condition. Two million bales of cotton paid more debt five years ago than three million bales will pay now.

But the question we are considering is not are we paying our debts, but can we safely submit our currency to the regulation of the laws of international trade with a debt abroad? Reasoning *a priori*, if the laws of monetary science can be relied upon at all, we can not.

Then what does experience teach? What has been and what is now the experience of other countries?

The total coin held in Europe, taking a medium estimate, is about \$3,300,000,000. Of this, eight States—England, Germany, France, Belgium, Holland, Switzerland, Denmark and Sweden—have \$2,700,000,000. The total population of these States is 130,000,000. This gives a little over \$20 *per capita*. These States are all creditor nations, at least none of them owe debts to other countries. Nearly all have balances of trade against them, but this is more than made up by the interest they receive, or through profits on insurance or the carrying trade.

The rest of Europe, with a population of 180,000,000, have, altogether, according to Mr. Seyd, not more than \$600,000,000 of coin, or little more than \$3 *per capita*. The nations comprising this population are all debtor nations, and all have, practically, an inconvertible currency; while Portugal, Spain, Turkey and Greece are unable even to meet the interest on their national debts. Russia has an inconvertible paper circulation of \$800,000,000, Austria, \$460,000,000, Italy, \$240,000,000. These States have trade balances in their favor, but they do not get coin with which to keep up their currencies. Their balances are consumed in paying debt or interest on debt.

Thus it appears that four-fifths of the coin of Europe is distributed among eight States containing but little more than forty per cent. of the whole population, while inconvertible paper makes up the deficiency in the other States. Suppose these large debtor States should undertake to accumu-

with remarks, as follows: "The *New York Journal of Commerce* is jubilant at the prospect; declares that the tide of gold must flow toward America, and announces that the balance of trade being in our favor the 'sovereigns of Great Britain must melt their pride in the crucibles of the American mint.' The *New York Journal of Commerce* is over hasty in its conclusions. In its exultation it overlooks the circumstance that the favorable balance will be all too small to discharge the liabilities of the United States to Europe on account of interest and dividends on American securities held on this side. The sovereigns of Great Britain, therefore, will have no need to melt their pride in American crucibles for the present."

late coin by loans, as we have done, and resume specie payments; that is, submit *their* currencies to the regulation of international trade. What would be the result? Is there a statesman or economist in the world who would believe that as long as an excess of exports brought no coin, convertibility of their paper could be maintained, or that their currencies would be long naturally regulated? Victor Bonnet says: "There are countries which export more than they import, and are not enriched thereby: it is thus of Russia, Austria and Italy (and he might have included the United States). In each of these countries the exports generally exceed the imports, but in spite of this they cannot keep the exchanges in their favor, nor maintain the value of their paper money. . . . It is owing to the fact that the excess of exports is devoted to the payment of interest on debts which they have contracted abroad. They receive nothing in exchange for exports of this character. Whenever they shall have paid off these debts, their exports will approach more nearly to their imports, and they will become richer." Thus not only science, but the experience of all debtor countries, it would seem, proves that as long as favorable trade balances are not responded to by an inflow of coin, so long the currency of a country will not be naturally regulated.

The equivalency of a paper currency with the general currency of the world may be secured by limitation of volume alone. But to maintain convertibility, as shown, involves quite different principles.

The amount of debt held abroad becomes, then, a question of primary importance in connection with resumption.

The President, in his St. Paul speech, gives from 800 to 1,000 millions as the Treasury estimate of Government bonds held outside the United States in 1871, on which there was from \$50,000,000 to \$60,000,000 annual interest paid. He further estimates that only about one-sixth of the whole bonded debt, or about 300 millions, still remain abroad. The Secretary of the Treasury in his report, just out, reduces this estimate to 200 millions. How these conclusions are reached, or upon what data the estimates are based, are not given.

To get the effective debt abroad that may influence our trade or our currency, there must be added to Government bonds, State and municipal bonds, railway stocks and bonds, real estate mortgages, etc. David A. Wells estimated the total debt abroad, in 1869, at \$1,440,000,000, and the total interest actually paid at \$80,000,000. Dr. Edward Young's estimate for 1873, based upon various data, including exports and imports, for a series of years, was 1,200 millions.

Authorities generally agree that Government bonds have not constituted more than about one-half of the entire foreign holdings of our debt. But if the Government bonds

held outside of the United States in 1871 be taken at the minimum estimate of the President, or 800 millions, and all forms of other debt at only half that amount, or 400 millions, we had a total foreign debt of 1,200 millions that year.

The balance of trade against us in 1872 and 1873, was something over \$300,000,000. In 1874 and 1875, the exports and imports were so nearly equal (being about \$19,000,000 one way in 1874 and \$19,000,000 the other in 1875) that no account of balances need be taken for these years.

If it be assumed that the interest on debt abroad from 1872 to 1875, inclusive, was offset by exports of coin and bullion over imports—which averaged about \$60,000,000 annually—(and which is but little more than the President's estimate of foreign interest paid at this time on Government bonds alone) then this merchandise balance of \$300,000,000 against us for the years 1872 and 1873, must have been offset by debt in some form, and if by stock or bonds, of any kind, at par, then our debt abroad was increased three hundred millions from 1871 to 1876, and if 1,200 millions in 1871, it must have been about 1,500 millions at the beginning of 1876, which, though less by more than five hundred millions than Mr. Seyd's estimate, and less than the estimate of Mr. Wells for 1869 would indicate, is more by one hundred and fifty millions than the reduced estimate of Dr. Young for the same year.

If we take the above estimate of 1,500 millions—based upon the official minimum estimate of foreign holdings of Government bonds in 1871, and the low estimate of half that amount of other debts—as our total debt abroad when trade turned in our favor in 1876, and relying, as we must, upon trade balances and coin and bullion exports since then for reduction by payment, it is impossible to show that any such liquidation has taken place, as many recent estimates would indicate. The balance of trade in our favor, beginning with the fiscal year of 1876, up to November 1, 1878, has been \$569,000,000. To this sum should be added the exports of coin and bullion over imports, which, for the same period, have been, in round numbers, \$57,000,000, making a total excess of exports over imports, to November 1st, 1878, (including coin and bullion) of \$626,000,000.

If the whole annual interest on the foreign debt for the same years, actually paid, be taken, as before, at an average of \$60,000,000—\$20,000,000 less than the estimate of Mr. Wells for 1870—we have left for reduction of principal, as given for 1876, \$446,000,000, which would still leave as our debt abroad, on the first day of November last, \$1,054,000,000. Or, if we start with the reduced estimate of Dr. Young, of 1,350 millions for 1876, and make the same deduction for balances in our favor since, it leaves 900 millions yet against us.

Considerable allowance, however, should doubtless be made for the debt that has been practically wiped out through failures (although the estimate of Dr. Young was made after the most of such losses had taken place), but otherwise minimum figures have been taken, and only the most careful and intelligent estimates made in previous years have been used. But after minimum estimates have been taken, and most liberal allowances made for loss through insolvency, by what reckoning our entire debt abroad at this time can be made less than from 800 to 1,000 millions,\* or how the foreign holdings of Government bonds—if 800 to 1,000 millions in 1871—by any rational computation (even if the whole reduction of debt has been in these bonds) can be made less than from 350 to 550 millions now, is nowhere explained. Indeed, rational deduction from data heretofore accepted as reliable would indicate that higher rather than lower figures would be required to cover actual liabilities remaining against us in foreign countries, than are here given.

It will be noted that in the above computations no account has been taken of coin spent in foreign countries by American travelers, or paid to foreign insurance companies, or for freights in foreign vessels; it is assumed, moreover, that Custom House figures show *actual* balances, which all know they do not.†

Are we not, then, starting to climb the hill of resumption half a generation before we have reached it?

At any rate, the fact stands, that so long as this debt, or any considerable part of it, remains abroad, our currency will not, as in former times, be naturally regulated through international trade. To what extent an artificial regulation may be kept up by the sale of bonds, or how far the production of our mines may be controlled and utilized for resumption purposes remains to be seen.

A. J. WARNER.

MARIETTA, OHIO, December 14, 1878.

\* Since writing the above the writer has been shown a careful estimate made up by Dr. Young for April last, giving as our debt abroad then—eight months ago—\$975,000,000, which Dr. Young informs the writer he considers an under, rather than an over, estimate.

† Mr. Wells' estimate for these two items, in 1869, was \$49,000,000. As our freights in foreign bottoms have increased, and the expenditures of travelers not diminished, these items would be larger now.

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A CURIOUS DETAIL in the business of the City of Glasgow Bank has been brought to light. The "Bank of Mona," an institution in the Isle of Man, was incorporated with it, and a large circulation of notes existed in that island. The "House of Keys," which regulates these matters with more foresight than the House of Commons, in 1845, required adequate security on real estate to be held, not only against every note which was issued, but against every note signed by the authorities of the bank, whether held by them or by the public. The manager of the "Bank of Mona," faithful to his trust, while his superiors at Glasgow were so unmindful of theirs, has published a statement that the security is intact and immediately available.

## WHO SHALL ISSUE THE CURRENCY?\*

The intrinsic and nearly uniform value of gold and silver, coupled with their physical properties, peculiarly fit them for a measure of value and medium of exchange. Though still remaining the only international money and the basis of all sound financial systems, since property has become secure, law supreme and credit systematically organized, paper currency or representative money, owing to its greater economy and convenience, has largely superseded the use of coin in all domestic transactions.

The extensive use of a credit currency being an assured fact, the practical question is: How shall it be issued to best promote commerce and industry, avert a departure from coin values and loss to holders?

It may be issued either by Government or by banks, and either in a convertible or inconvertible form.

The value of an irredeemable currency has not the remotest reference to the demands of trade or movement of commodities, and as the issues are increased the value of the pre-existing mass is correspondingly depreciated.

The serious evils and injustice of a "fiat," or inconvertible, currency, are so obvious that the system must be regarded as wholly indefensible and untenable.

I start with the premise that paper money, whether issued by banks or Government, in order to be a perfect measure must conform to coin in value, and must be so automatic in its ebb and flow that it will respond as naturally as coin itself to the changing requirements of commerce.

Can banks, even under the most stringent regulations as to reserves, issue a currency of this character?

If they were to cover every note issued by an equivalent in coin, undoubtedly they could, but as there would be no profit in such issues, which, on the contrary, would be a burden, no bank would undertake the enterprise. Moreover, the great economy of a paper tool over one costing labor would not be secured.

In the United States, prior to the war, we tried the experiment, under different State laws, of a bank currency nominally redeemable, and it must be confessed that no American can review it with feelings other than of mortification and humiliation. The system broke down whenever it needed strength, and, by the violent fluctuations in the volume of its

\* [NOTE.—It seems to us proper that our readers should see and be prepared to consider the arguments advanced by intelligent men upon both sides of those questions which specially interest them. For this reason we give place to articles such as this one, albeit the views advocated do not agree with those of the BANKER'S MAGAZINE.—ED. B. M.]



currency, promoted speculation and produced disaster. To illustrate: in 1836 the circulation of the U. S. was about \$150,000,000, in 1842 about \$58,000,000, and in 1847 \$128,000,000. In some individual States the facts were worse, as in Mississippi, with \$1,500,000 currency in 1834, and over \$15,000,000 in 1840. The average per-centage of specie even in New England, prior to the panic of 1857, was only fourteen per cent. on circulation and deposits. The currency uttered by the provincial banks in Great Britain, prior to 1844, was only nominally convertible and contributed greatly to the financial disorders of that country. The Bank Act of 1844 prohibited any increase of bank circulation other than that of the Bank of England, and provided that all lapsed issues of country banks should be transferred to it.

But we will be told that there is no danger of returning to this loose system of mere nominal convertibility, so we must treat the plan which the most careful advocates of a redeemable bank currency regard as safe. I believe I do not misstate their theory in regarding  $33\frac{1}{3}$  per cent. of specie as an ample coin reserve, when rigidly enforced, to enable a bank to maintain specie payments.

Upon this hypothesis we are at liberty to assume that a bank with \$100,000 coin capital is authorized to issue, at its pleasure, \$300,000 in bills, which are paid out in loans to its customers. These note issues are expected to return as deposits, in payment of discounts to move commodities, and are not expected to return for redemption in very large quantities at any one time.

Trade runs in cycles. First there is a state of quiescence, then of activity, when men are willing to borrow the banks' maximum issue to engage in new enterprises; business is buoyant and the channels of circulation are full of money, and as confidence expands over-trading ensues, and finally distrust and convulsion. As these last stages approach our bank is called upon, by a panic-stricken public, to redeem an unusual quantity of its notes. Its specie reserve is impaired and, by cancellation of notes, curtailment of discounts, and sudden collection of debts, it must retire three dollars of note issues for every dollar of reserves lost in order to maintain the ratio of  $33\frac{1}{3}$  per cent. of specie to circulation. Does it require any genius to discover in this system an inverted pyramid of credit which is wholly unnatural? Under a sound system a draft on the specie reserves, instead of involving a diminution in the volume of the circulation three times as great as the loss of specie, would produce an equal, and only an equal, contraction in the amount of paper currency. A little later we will see if such a system cannot be devised.

Again, as a rule among bankers, instead of a stipulated coin reserve being held exclusively for the redemption of notes, it is usually customary to merge with it the specie

designed to secure deposits. Thus it is impossible to define and establish the separate rights of note-holder and depositor. This system is essentially vicious and its evils led to the separation of the issue from the banking department of the Bank of England in 1844.

But there is a very grave question whether the right to issue notes to serve as money is a privilege or prerogative incidental to banking. M. Wolowski argues that this is a function distinct from the ordinary operations of a banker, and Prof. Jevons and Mr. Gladstone are among those who regard the distinction as a vital one.

Prof. Jevons, in his *Money and the Mechanism of Exchange*, expresses the view that "the issue of notes is more analogous to the royal function of coinage than to the ordinary operation of drawing bills. We ought to talk of *coining notes* as John Law did, for though the design is impressed upon paper instead of metal, the function of the note is exactly the same as that of a representative token. As to right to issue promises, it no more exists than the right to establish private mints. As almost every one has long agreed to place the coinage in the hands of the executive Government, so I believe that the issue of paper representative money should continue to be practically in the hands of the Government or its agents acting under the strictest legislative control."

A very casual reading of European finances plainly indicates that it is the policy of the leading commercial nations to take the power of issue away from the banks and transfer it to the Government, or to an agent acting directly for the Government, and as entirely subservient to its dictation as if it were a Government department. The financial writer of the *Encyclopædia Britannica* advocates removing the issue department of the Bank of England, and locating what is now a Government issue, resting so far as it is uncovered by specie upon Government credit, in a Government office.

By the Bank Act of 1844, provincial banks were authorized to surrender their circulation to the Bank of England, receiving therefor an indemnity, and when, from failure or any cause, their note issues lapse the Bank of England can issue its notes to two-thirds such amount.

In Germany, when, from any cause, the present limited bank issues cease the Imperial Bank of Germany shall increase its issues to a like amount. In France, since 1848, the sole right to issue paper money rests in the Bank of France.

In harmony with the tendency of European thought, Senator John Sherman, now Secretary of the Treasury, said, in March, 1876: "I am one of those who believe that a United States note, issued directly by the Government and convertible on demand into gold coin or a Government bond equal in value to gold, is the best currency we can adopt, and that it is to be the currency of the future."

If, however, it is understood from this that the U. S. Treasury should attempt to maintain a convertible currency upon a certain ratio of reserves to liabilities, I would emphatically pronounce it far inferior to a bank currency issued in a like manner under some uniform system, similar to our present National banks. When it comes to questions of discretion, prudence and skill, the Government is far inferior to the personal responsibility which ownership imposes upon bank managers.

Is there not a way, however, to surmount this objection to a Government issue—some plan which, in its execution, will require only administrative honesty? Let us see.

We know that in every commercial country there is a minimum of circulation which is constantly in the hands of the people. For three years after the suspension of specie payments in England, in 1797, the currency, though inconvertible, remained at par because the country required the then existing volume of circulation as a minimum, and had it afterward not been issued in excess, the currency would have remained near par as it has remained in France during the past eight years from a restriction of issue.

With our extended domain and scattered population, with a thrifty people accustomed to carry considerable sums on their person, and with the large reserves required to protect the deposits in our 6,000 banks, it is evident that this minimum in our country will be quite large.

Admitting that an estimate of this minimum can only be approximate and is purely a *practical* question, it is safe, perhaps, to assume that we will never need a less circulation than \$500,000,000. Let the Government, then, through an independent "Bureau of Issue," emit bills to this amount, resting, as do its bonded and interest-bearing obligations, on its credit, with the distinct and inseparable proviso that every note issued in excess of \$500,000,000 shall be covered by an equivalent in specie, and that the sum uncovered by specie shall be absolutely fixed by constitutional amendment. Every holder of coin or bullion should be permitted to obtain notes equal to his deposit, and the notes should be a legal tender redeemable in coin. If we are right in assuming that \$500,000,000 will always remain with the people, and in the form of paper by their preference, as long as the credit of the issuer is unquestioned, it would probably not be presented for redemption; but it would be wise to provide that in the improbable event of the exhaustion of coin the Bureau of Issue should pay in Government bonds of value equivalent to coin. The saving of interest to the Government and people would be merely incidental, for I do not believe that questions of profit in currency issues ought to exercise any influence in efforts to procure a perfect credit currency.

The distinguishing characteristic and merit of this currency would be its freedom from the sudden and unnatural contraction of a nominally redeemable bank currency, which we have seen was so disproportionate to the diminution of coin reserves, and the substitution therefor of a circulation varying in amount as if it were metallic.

Relatively a very much larger proportion of coin is used in Great Britain than in our country, but in principle this is very much upon the plan of the issue department of the Bank of England.

It issues £15,000,000 (subject to increase as other bank issues cease) upon Government securities, and covers all issues in excess of this by coin reserves. Under this arrangement there has been no suspension of redemption and it is not likely there ever will be. The panics in England have been purely commercial, affecting of course the banking department of the Bank of England which is nothing but a big joint-stock company which is authorized to manage the public debt. It has lost much of its prestige during the past few years, but it still is subject to very severe criticism for its mischievous influence upon the money market.

The issue department is, however, entirely distinct from the banking department, and as a manager of the currency it is guided by what Lord Overstone calls the sound rule "that against the amount of notes out it should hold at its disposal securities and specie; that the amount of securities shall be invariable; and that consequently all fluctuations in the amount of notes out shall be met by a corresponding fluctuation in the amount of specie on deposit and thus the public and not the bank will be made the regulators of the amount of the circulation, and that it will, by this principle, fluctuate precisely as it would have fluctuated had the currency been purely metallic."

If, as an objection to my plan for a U. S. currency, it be complained that it will not do to trust the Government, I reply that: "The supply of money is not to any extent or in any manner influenced by the Government. The supply of money, like that of all non-monopolized articles, is wholly dependent upon, and is determined by, the free action of the public."

If, on the other hand, it be objected that it limits the currency and makes no provision for the increasing demands of the public, I reply that: "It allows money (*i. e.* specie) to be imported or exported, retained or sent elsewhere just as it is wanted, and what it does limit is the uncontrolled issue of paper representatives, which experience proves are too often issued without reference to the reserves kept to maintain convertibility." All it requires of Government (which, with us, is supposed to be the people) is common honesty, such honesty as we have always found in the U. S. Treasury in its administrative capacity.

If it be said that it will not do to trust such power with Congress, that it might regard the reserves as a treasure to be seized to save taxes (as Mr. Nourse, of Boston, fears might be done), I reply that: "A representative or credit currency implies trust and faith somewhere, and that under proper economic restrictions we cannot reasonably expect the currency to be more vitiated by the downright dishonesty of the Government, than by the avarice of individuals who would use the delicate prerogative of issuing a credit currency for their private profit. Furthermore, it is no greater power than we confide to Congress in legislating on our private interests and all the concerns of life, and especially in maintaining the integrity of our coinage.

If Congress is wholly corrupt, our standard of coin may be debased, our revenues misappropriated, and the bonds now deposited by National banks as security for circulation may be seized and sold to procure money rather than by taxation! It is easy enough to conjure up a vision of anarchy and repudiation, but is it imminent?

That my plan, if once adopted, might be modified or abolished, is true, but it is equally true that *any* system created by legislation—for instance, the National banking system of issue—is of equal instability.

Now, I do not believe in a paternal government, I do not believe in Government undertaking what is essentially and intrinsically a private business. I do not believe in the Government's ability or right to do a banking business (*i. e.* a discount and deposit business); and in the *BANKER'S MAGAZINE* (December, 1877), I endeavored to point out objections to the Postal Savings-Bank system being tacked on to our Post-Office Department; but when it comes to a question of issuing a currency, that which measures the value of services and commodities, there is reason to believe that that is as much a prerogative of Government as the coinage of standard money or token pieces, for which it is a mere substitute.

I believe with Professor Jevons, that "private issues should disappear like private mints, and each kingdom should have one uniform paper circulation issued from a single central State department, more resembling a mint than a bank. The manner of issuing this paper currency should be strictly regulated in one sense; the paper circulations should be made to increase or diminish with the amount of gold deposited in exchange for it. At the same time no thought need be taken about the amount so issued. The purpose of the strict regulation is not to govern the amount, but to leave that amount to vary according to the natural laws of supply and demand." Subject, perhaps, to some modifications, I believe my proposed plan for a currency issue is economically sound and practicable. There is some force in the political objections to it, and many will doubtless regard them as insuperable, but will

these political dangers be much more serious than would beset any system of banks incorporated under National law and subject to Congressional action? By avoiding the evils which we have seen pertain to nominally convertible bank issues, and securing a circulation varying in volume precisely as a metallic currency, can we not take our chances on Congress possessing "the common honesty of a common country?"

GEORGE R. GIBSON.

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### ORGANIZATION OF THE TREASURY DEPARTMENT DURING THE REVOLUTION.

If the organization of a department of Government be always a difficult task, especially true was this of the various departments of the American confederation, whose beginning was enveloped in war with a powerful foe possessing a well-disciplined army and a never-failing exchequer. America was poor; the specie coming thither quickly found its way to Great Britain by the operation of a policy long pursued and deemed wise by the mother country. The members of Congress were ignorant of legislative proceedings, save in the small and partially stifled provincial assemblies. The colonists had never administered the affairs of State. How unreasonable, therefore, to suppose them capable of organizing a Treasury, War, Navy, and other departments immediately, and of putting all the affairs of Government in smooth running order? The several departments of the British Government were not the thought of the day; they were the growth of centuries. The departments of the Government of the United States were created more rapidly, though not without trial and heavy cost, before reaching their greatest efficiency.

The Treasury department was organized earlier than any other department of the Government. By the genius of Hamilton, during the first administration of Washington, its province was pretty clearly defined and the mode of conducting business practically established; yet no one can understand how it came to be thus organized until he has learned how the finances were administered during the revolution.

As independence was not at first debated in Congress, and everyone was seeking to find a peaceful solution of the difficulties with Great Britain, the early financial measures of that body were of a temporary character. Committees were appointed to do specific things, to raise money, to pay accounts, and the like, but not to do anything requiring much investigation or outlay of money. The method of de-

vising measures through committees thus early adopted has been continued to this day.

The first financial committee were appointed on the 3d of June, 1775, to prepare an estimate of the money required to pay the expenses of Congress. This committee reported six days afterward in favor of issuing bills of credit, and their report was subsequently adopted. On the 19th of July, another committee were appointed to prepare an estimate of the expenses incurred by the resolutions of Congress. Having failed to report as soon as Congress desired, on the 3d of November, a third committee were chosen for the purpose, who, in addition, were required to ascertain what money remained in the Treasury unapplied, to form an estimate of the public debts already incurred and which were likely to become due by the first of June the following year. This committee lived until the 17th of February, 1776, when a standing committee of five for superintending the Treasury were appointed. The powers granted to them were more specific and extensive than the powers delegated to either of the previous committees; they were required to examine the accounts of the treasurers who had been appointed to receive funds from the colonies, and occasionally to report to Congress the condition of the Treasury; to consider the ways and means for supplying the army in Canada with gold and silver; to employ and instruct proper persons for liquidating the public accounts including those of the paymasters and commissaries in the Continental service, committees of safety, and all others who had been or should be entrusted with the public money, and to report the condition of such accounts to Congress; to superintend the emission of bills of credit; and lastly to obtain from the different assemblies and conventions of the United Colonies the number of inhabitants in each colony.

From time to time the powers of the committee were enlarged and the work of administering the finances was systematized. They were authorized to employ clerks for keeping and liquidating the public accounts, and to provide books and a suitable office for their business. Power was also given them to call upon the various committees of Congress, assemblies, conventions, councils or committees of safety, Continental officers, and private persons who had been or should be entrusted with public money for their accounts and vouchers, and for such other materials and information as the committee deemed needful "in stating, checking, and auditing the public accounts."

As the resolution conferring this power was deemed too indefinite, more explicit resolutions were soon after adopted. A treasury-office of accounts was instituted to be kept wherever the sessions of Congress should be held, which was put under the direction and superintendence of the standing committee of the Treasury. An auditor-general, also, together

with a proper force of assistants, was authorized for keeping the public accounts. In respect to the presentation of accounts at this time, a portion of them went to the committee on claims; but all accounts and claims of articles, the price of which had been previously fixed by contract, or otherwise ascertained by Congress, were liquidated and settled at the treasury-office and reported to Congress for allowance and then passed and entered at the place of liquidation. All contracts, securities and obligations belonging to the United Colonies were lodged and kept in the treasury-office of accounts; and any one receiving public money was charged with the same in the books of the treasury-office, and every warrant drawn therefor, previous to its payment, was entered there, while entry was also made upon the warrant itself by one of the committee of the Treasury, the auditor-general, or one of his assistants or clerks. An exception, however, was made in those cases where orders or warrants were issued by committees appointed by Congress to draw on the treasurers for particular purposes. These orders were paid directly and then charged to the committee who drew them and afterwards settled by Congress. Other resolves were also passed at this time, yet as they were but little more than an affirmation of previous instructions already described they need not be repeated.

This committee were known by several names, though the most common, were the Board of Treasury, and the Treasury-Office of Accounts. During the year 1776 three more members were added, making eight in all.

In respect to auditing and paying accounts, perfection in these matters could not be expected in the beginning. The first auditing board was composed of the delegates from Pennsylvania, concerning whom it was resolved to place 10,000 dollars in their hands, which sum was to be paid for the expenses incurred in raising and arming rifle companies, expresses and other small charges, of which Congress had not been able to procure exact accounts.

As soon as Congress re-assembled in 1775, the Pennsylvania delegates reported that on account of various difficulties they had not executed the duties assigned them, and desired that some members from other colonies where debts had been contracted might be added, whereupon five other persons were chosen.

Shortly afterward the committee made a report. They had drawn on the Treasury for nearly 12,000 dollars to settle the accounts mentioned, and as only 10,000 dollars had been previously placed at their command, Congress voted an appropriation sufficient to pay the balance. The committee having discovered other outstanding accounts which they were not authorized to liquidate, but which it was the duty of Congress to settle, the discovery led to the appointment of a



Committee of Accounts or Claims, consisting of one member from each colony, to whom all accounts "against the Continent" were to be referred, and who were to examine and report upon the same "in order for payment." The appointment of this committee gave rise to a lively discussion which John Adams has reported in his diary. When Sherman, of Connecticut, made a motion for the appointment of such a committee, Harrison, of Virginia, supposed it was a reflection upon the one which had just reported concerning the public accounts, and he exclaimed: "Is this the way of giving thanks?" Samuel Adams, who seconded Sherman's motion, replied that he meant no reflection upon the committee, and "was sorry that the worthy gentleman from Virginia conceived that any was intended; he was sure there was no foundation for it." Another member, Paine, thought that justice and honor required a careful examination of all accounts and how the public moneys were expended, "that the minister would find out our weakness, and would foment divisions among our people; he was sorry that gentlemen could not hear methods proposed to settle and pay accounts in a manner that would give satisfaction to the people, without seeming to resent them." As this explanation satisfied Harrison, he rapidly cooled, the motion for the appointment of the committee prevailed, and the members having been chosen, the former committee were directed to deliver to the new one all the books, accounts, and papers in their possession.

Their mode of adjusting accounts was to examine them and determine what was due, and report thereon to Congress without recommendation, whereupon that body would order payment. The committee then drew orders in conformity with the direction of Congress upon the Continental treasurers who had been appointed a few months previously; these were signed by the President of Congress, after which they were ready for presentation to the treasurers who paid them without further delay.

When the powers of the Board of Treasury were more minutely defined in April, the following year, it was provided that all accounts and claims against the United Colonies for services or supplies, the prices of which had not been ascertained by Congress, should be presented to the Committee of Claims, liquidated by them, and reported to Congress, and having been allowed by that body should be "passed at the Treasury-office." Thus the duty of examining the accounts of Congress was divided between the Committee of Claims and the Board of Treasury and so continued for about four months, when all unsettled claims and accounts were referred to the Board of Treasury and the Claims Committee were discharged. From this time forth the Board of Treasury were required to provide funds for sustaining the

Government, and to examine and liquidate all public accounts.

From time to time commissioners were appointed to settle particular accounts, like those growing out of the Canadian expedition, or the claims between the confederation and New York and Virginia, the accounts of the Northern department, army accounts and others which had grown large and could not be easily ascertained.

As thus organized, the Board of Treasury continued nearly two years, though the system was very cumbrous and inefficient. One of the greatest defects was that requiring the delegates of Congress to transact the business of the Treasury department, as they had not time to do this properly and also perform their duties in the sphere of legislation. Morris clearly saw the inefficiency of the system. Writing to Hancock, the President of Congress, at the close of '76, he very plainly says: "If the Congress mean to succeed in this contest, they must pay good executive men to do their business as it ought to be, and not lavish millions away by their own mismanagement. I say mismanagement, because no man living can attend the daily deliberations of Congress and do the executive parts of business at the same time. I do aver there will be more money lost, totally lost, in horses, wagons, cattle, etc., for want of sufficient numbers of proper persons to look after them, than would have paid all the salaries Payne (a delegate who has usually found an ante-type in every assembly of similar character since) ever did or ever will grumble at." Yet nothing more was done for nearly two years, at the end of which time the board reported several important changes in the mode of administering the finances.

The report was debated several weeks when it was resolved to provide a house at Philadelphia for the several offices of the Treasury which were to be the following: a comptroller, annually appointed by Congress, who was authorized to employ two clerks; an auditor and two clerks, the three to be chosen in like manner; a treasurer and one clerk, similarly chosen, and two chambers of accounts, each chamber consisting of three commissioners and two clerks who were to be appointed by Congress. The auditor, treasurer, and comptroller were not to be appointed by the votes of less than nine States, and they were to be responsible for the conduct of their clerks, a provision worthy the serious consideration of legislators in these days when so much dishonesty and incapacity abound in almost every department of the public service.

The duties of each officer are next stated. The auditor was to receive all accounts against the "United States" for money lent, expended, or advanced; goods sold or purchased; services performed or work done, with the vouchers; and he was to refer them to one of the chambers of accounts after

endorsing them in a specified manner; then the commissioners were to deliver them to their clerks to be stated, and to number and arrange the vouchers, examine the castings and make copies, and after completing their work, they were to make a proper endorsement thereon, after which process it was the duty of the commissioners to examine the authenticity of the vouchers, reject all which did not appear to be genuine, compare them with the articles to which they related, and determine whether they supported the charges. They were to reduce such articles as were overcharged, reject improper charges, and then endorse the accounts in the manner prescribed by the resolution, and transmit them with the vouchers to the auditor "and cause an entry to be made of the balances passed." Having received the vouchers and accounts from the commissioners, the auditor, or rather his clerk, was to examine them. The articles were to be compared with the vouchers, and if a person appealed from the judgment of the commissioners, he, as well as they, was to be called before the auditor to be heard, from whose decision no appeal lay except to Congress. Having examined the accounts in this manner, they were to be endorsed, and a duplicate of the endorsement was to be filed in the chamber of accounts, while the accounts with their vouchers were to be sent to the comptroller.

The duties of the comptroller are next described, which were numerous and important. He was to keep the Treasury books, and seal and file all accounts and vouchers, and direct the manner of stating and keeping them. He was to draw bills under seal upon the Treasurer for sums due by the United States on accounts that had been audited, which, however were to be countersigned by the auditor previous to payment. He was also to draw bills in a similar way for such sums as Congress from time to time should order. When moneys were due the United States on accounts which had been properly audited, he was to notify the debtor, and after hearing him, if he desired to be heard, fix a day for payment, as the circumstances of the case might require, not exceeding ninety days, of which time he was to give notice in writing to the auditor.

The Treasurer was to receive and keep the moneys of the United States, and to issue them on bills drawn by the comptroller, as previously described, and file duplicates thereof with the auditor day by day as he should make payment. On the receipt of moneys he was required to give a receipt therefor and transmit the same to the comptroller. He was also required to "draw out" and settle his accounts quarterly, "giving the same in to the auditor for examination, by one of the chambers of accounts, to be from thence transmitted, through the auditor, to the comptroller" who was required to compare them with the Treasury books, ascertain the balance, and return a copy thereof to Congress.

The resolution further provided that the comptroller should receive from the Treasurer all receipts signed by himself, and after entering them, charge the Treasurer and credit the proper accounts; this done, the comptroller was to endorse them and deliver them to the party who made payment; and every quarter of the year he was to cause a list of the balances on the Treasury books to be made out by his clerks and lay the same before Congress. To this provision another was added relating to the collection of money due the United States which clearly displayed the weakness of the Government. In all cases of delinquency the comptroller was to give the debtor a reasonable time to appear, and in case he did not, the auditor, on proof that proper notice had been sent, made out a requisition, the form of which was prescribed in the act, which was sent by the comptroller to whom? To the debtor? No, but to the executive authority of the State wherein the debtor resided. Congress dared go no farther than to recommend the States to enact laws for the seizure of property and persons of debtors to the United States neglecting to discharge their public obligations.

This act indicates the great progress made in collecting and disbursing the public revenues. Several of its more important features are still preserved, and it would be quite difficult to improve them. If to any one, either at that time or afterward, Congress seemed slow in organizing the Treasury department, the vastness as well as the suddenness of the revolution—for after all the event was unexpected notwithstanding the long unconscious course of preparation—and the febleness of the country's resources must be remembered as among the chief causes of dilatory action by that memorable body.

More than a month elapsed before filling the several offices of the Treasury. Jonathan Turnbull, Jr., was elected comptroller; John Gibson, auditor, and Michael Hillegas, who had held the office of Treasurer from the beginning, was continued in the same position. Since the resignation of Mr. Clymer, Hillegas had acted as sole Treasurer, and from his continuance in that office, had probably administered it in a successful manner. Commissioners of the chambers of accounts were also chosen. To the comptroller and Treasurer was given a salary of 4,000 dollars; the auditor received 3,500 dollars, and the commissioners, each 3,000 dollars. Subsequently a Secretary of the Treasury was appointed with a salary of 2,000 per annum.

Marked as were the improvements in the Treasury department, within twelve months another reorganization occurred. A very considerable portion of the former organization was retained, the principal new feature was the abolition of the comptroller's office and the addition of a board consisting of three commissioners who were not members of Congress.

besides two other persons belonging to that body. These five members were elected by Congress, the former three annually, and the latter two for the term of six months, nor could a State be represented at any time by more than one member in the board. The other officers of the Treasury were retained, with the addition of six auditors for settling the accounts of the army.

“The Commissioners or Board of Treasury,” as the new body is called in the ordinance, were to have the general superintendence of the finances of the United States and of the officers entrusted with the receipt and expenditure or application of the public money; to inspect the Treasury; to lay before Congress estimates of the public expenses and necessary supplies; to execute the will of Congress respecting the emission of bills of credit and of exchange, loan-office certificates or other securities, and establishing lotteries; deposit the public funds in proper places; look after the keeping of accounts and the punishment of public debtors; instruct all officers in any way connected with the finances needing instruction, and to suspend any of them for negligence or misdemeanor until the pleasure of Congress was known; register and preserve all contracts and securities; grant, under the seal of office, “a quietus” to accountants on final settlement, and various other duties which do not need specifying. The duties of the auditor-general, Treasurer, and the chambers of accounts were more minutely defined: the auditors of the army were sorely needed to adjust the numerous accounts growing out of the neglect, or rather impossibility, of the Board of Treasury to settle them. These auditors were to report to the auditor-general, and were directed to adjust all other accounts, besides those specifically mentioned, ordered by the Treasury Board. The officers under the old system, except those belonging to the comptroller’s office, were continued until the 9th of November, when a new election was made, though many of the former officers were elected to various positions in the new organization.

As thus organized, the Board of Treasury continued in power until the appointment of Robert Morris as superintendent of finance in February, 1781; and, indeed, for several months thereafter, when the organization was finally abolished. As the appointment of Morris marks a new era in the finances of the revolution, we shall wait until reaching his administration before describing the machinery employed to administer the finances during that period. We have traced the history of organizing the Treasury department through the embryonic, or rather chaotic, period of the Government; we have seen order gradually arise out of confusion, which was the more remarkable because Congress, in the earlier days, was expecting to make peace with Great Britain.

When this delusion faded away and Congress undertook seriously the work of organizing permanently the several departments of Government, ought not the members to be praised rather than blamed, considering the grave difficulties besetting their path, for creating a practical financial system as rapidly as they did?

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### THE BANK CLERKS' MUTUAL BENEFIT ASSOCIATION OF NEW YORK—TENTH ANNUAL MEETING.

Chickering Hall was crowded to overflowing on the evening of December the 3d, the occasion of the celebration of the first decade in the history of this Society.

Bank officers and clerks, stockholders, merchants, and others with their lady friends entered into the spirit of the hour. On the platform, in addition to the officers and ex-officers of the Association, were Presidents—Fry, of the Bank of New York, Tappen, of the Gallatin National Bank, Wheelock of the Central National, Hall, of the Oriental, Thompson, of the Chase National, Morrison, of the Manhattan Company, Smith, of the Metropolitan Savings; with Cashiers—Buchanan, of the Fulton National, McDonald, of the Merchants' National, Watson, of the Grocers', Baltes, of the Mechanics and Traders' National, W. A. Camp, Manager of the Clearing House, and other gentlemen.

Mr. John P. Townsend, Vice-President of the Bowery Savings Bank, acted as Chairman, and delivered an address in behalf of the objects of the Association.

Mr. W. Coggeshall, President, read the annual report, by which it appeared there has been received during the year, from dues and assessments, \$14,469.50, interest, \$1,103.73, donations, \$1,164. Cash in hands of Treasurer, \$3,226.

The payments during the year were as follows: to families of deceased members, \$13,200; to disabled members and their families, \$2,600. General expenses, \$883.60.

The amount of Permanent Fund is \$57,418. Permanent Fund Interest Account, \$20,178.04. Total assets clear of all claims, \$80,822 70. There has been paid during ten years to families of deceased members, and for relief of those disabled, \$111,598 50. The new members received during the year number forty-three, and the active membership at this date is 1,109.

Eloquent addresses followed by the Hon. Chauncy M. Depew, and the Rev. Frederick Courtney, in the course of which they sought to impress upon bank officers the great benefits resulting from such an organization, and suggested that it was in their power largely to increase the usefulness

of the Society by annual contributions from each bank of fifty or one hundred dollars to the Permanent Fund. Their remarks were interrupted by frequent outbursts of applause.

Choice selections of music were furnished by the St. Cecelia Quartette. The proceedings closed with a vote of thanks to the Chairman and Messrs. Depew and Courtney.

We regret that our space will not admit the publication of both the speeches, and present, slightly abridged, that of Mr. Depew:—

ADDRESS OF HON. CHAUNCEY M. DEPEW.

You belong, gentlemen of the banking fraternity, to one of the oldest guilds into which society divides itself when once organized. From the earliest dawn of history there has been a finance system. There is no study so interesting and so improving to the individual in his social and domestic relations, to the merchant in his trade and commerce, to the statesman providing for the welfare of his country, as a sound system of finance. Job was familiar with bankers in his prosperity, and knew usurers in his adversity. The Bible mentions both in the Old Testament—bankers and lawyers—but nowhere speaks in complimentary terms of either. I have endeavored to find some reason for this. One may have been that the ancestors of our profession were not worthy of commendation; but I think the better and the more reasonable view to take is that eighteen hundred years of Christianity, culture and progress have brought the world up to the proper appreciation of both bankers and lawyers. In pagan times, when there was wealth and commerce, the temples of the gods served for banks. The great shrine of a Diana at Ephesus, and the more famous one of Apollo at Delphi, were the safe-deposits of the companies of Antiquity, in which peasants and princes left their possessions for safe keeping, which received money and paid interest upon it, and loaned money to those who wanted it; but they proved that bankers, as such, make poor churchmen, and churchmen who are wholly such make poor bankers: for greed overcame piety, and with the loss of piety there fled reverence for the depository, and both were robbed. Gibbon says that the few hundred years of the height of Roman imperial power were the happiest of human days, and the happiest men of all that period—in that gross, materialistic view—were the Roman bankers. The power under which they prospered stretched out its arms until it embraced all known climes and all known people, and the vast tribute of the world, pouring into the Eternal City, was controlled by the bankers. They were governed by no laws of usury. Money was merchandise and was governed by the trade value of the hour; and they accumulated fortunes, and lived in splendor and magnificence, and surrounded themselves with the sensuous enjoyments of art and sculpture in a manner which their successors have never equaled. In all time commerce has been successful and has prospered only in those places where sound and honest finance presided. At various times in the history of the world, its great trade centers have been Geneva, Florence, Venice, Amsterdam, Holland, England; but in each, whenever speculation, through prosperity, has outrun the ability to meet the promise when it became due, then, in the inevitable crash which followed, Commerce and Prosperity have both folded their wings and flown to that spot where they could find wiser and better treatment. There is

nothing so inspiring, nothing which produces such high endeavor and grand results in this world, both to nations and to trades and professions, as an honorable background of glorious achievement; and it is one of the incentives that to-day makes banking so honorable, and makes the profession the synonym of high integrity and truthfulness, that for so many ages it has accomplished such important results, and produced such mighty and powerful men. In this country we have but a hundred years of national life, yet into that hundred years we have crowded such progress, such magnitude of achievement, such history and revolution, that those hundred years present a spectacle and a background equal to a thousand years of more peaceful states. And yet so recent is our ancestry that all nationalities look beyond our dawn to the lands from whence they sprang for inspiration.

The Irish go back to Ireland to hear poetry, and song, and eloquence; the English point to Magna Charta, and the Common Law, and Shakespeare, and Milton; the Dutch point to civil and religious liberty as their contribution; and, while we are indebted to all the countries for all they have done, it is the pride, the glory, the special boast of the bankers of New York, that they have contributed more to the finance of the old world than they have derived from it. It is the wisdom of the banking system of New York which has made her imperial among her sister States, and made her metropolis the financial centre of this continent. It was in New York and out of her experience that the true system of modern banking was evolved; that the paper promise of the bank should be met, not in the vaults of the bank, but by public funds held by the State to redeem it, whatever became of the banks.

When Sir Robert Peel, succeeding as Finance Minister to the control of the destinies of England, after years of bankruptcy and disaster, and years of an irredeemable paper currency, saw the effects of this system of New York, he instantly adopted it into the finance system of the old country, and from that day to this there have never been those old and terrible commercial revulsions in Great Britain; and from that day to this the Bank of England note has never been discredited or dishonored. And when the United States Government needed, in its trial, a system large enough and elastic enough to meet its great and expansive needs, it looked to New York and adopted as the national system the well-tried system of our own State. Prior to that, how was it? Why, in the old days of the State laws, every man, when he engaged in a transaction, whether it was great or small, took his pocket-book on one side and his "bank note-detector" on the other; and before he concluded the transaction, he looked over the "detector" to see whether the bill he received belonged to a bank that had burst the day before, and ere the sun went down he got rid of that bill, for fear it would be a worthless piece of paper in his pocket, because it was the bill of a bank that would burst before the morrow. But under the system of New York, adopted into our national system, no such results are any longer feared. In our ordinary relations, in our trifling domestic concerns, in our great commercial transactions, we do not care whether the National bank note in our pocket or in our hand was issued by the Bank of California or Maine; we do not care whether by an institution in the mountains of Colorado or in the North-Western wilderness; we know that Uncle Samuel holds the bond that will pay it, whatever becomes of the bank.



In looking back over the history of the country and recalling its earliest period, we bring forward only those names in our imagination which have been famous in the field or in the council. Instantly before our eyes pass in review the names of Washington, Wayne and Greene, of Jefferson, Madison and Hamilton; and there was one man in the revolutionary era, without whose genius and patriotism Washington could not have kept his armies in the field, and the Federal Congress could not have continued its existence. That man first contributed his private fortune, and then, with a skill and a resource and a genius unparalleled in the history of finance, without credit abroad, without resources at home, he devised the schemes and furnished the money that kept the Continental soldiers fed and clothed and armed, and kept the few ships upon the ocean until independence was secured, and the Republic of the United States recognized everywhere; and that man was Robert Morris, of Philadelphia—banker. And when, in our last great contest, its history comes to be written up, and its records read in the future, there will, outside of its generals and its statesmen, be one name that will shine conspicuous—the name of that cabinet officer who raised the enormous sums and devised the systems that did it, that kept a million of men in the field until the nationality of the country and the perpetuity of its liberty and its institutions were secured; and that man, to whom we will be forever grateful, was Salmon P. Chase.

Now then, gentlemen, you are bankers, engaged in bank business, and in an avocation which you have taken up for a life pursuit; but in this country, with its great opportunities, with its vast demands, with its imposing duties upon every citizen, no man, whatever his calling, can be a mere specialist. There is no rule in this land for that political system which makes one man make blades and another handles for jack-knives, and do nothing else and know nothing else for all their existence. I have a poor opinion of that man who carries home to his dinner-table and his fireside his books and ledgers and nothing else. I have a poor opinion of that man who takes to both places vacuity and semi-idiocy. There is to the bank officer, probably more than to most avocations, opportunity. Banking hours begin late and they close early; and outside of them is the opportunity for that attention to public duties, for that broad and liberal culture, for that pursuit of the specialty which accords with taste or which we have taken up, that so broadens and enlarges a man that he not only becomes greater in the vocation he has adopted, but more useful to everybody and more grateful to himself. I met last summer, in the White Mountains, a gentleman of large affairs, who, outside of business, had devoted himself to the microscope until he had mastered all organic life. I knew a man in large business affairs, who, in the hours of the morning and evening, became one of the best amateur artists of his day; and I have known others to learn languages or to have some special talent. To such men, when shipwreck comes, as it may, in the overthrow of the institution in which they work, they do not sink down and groan because they cannot find just the chair that they sat on all their lives, but in the versatility of their structure they look around and find some plank that floats them safely to the shore. There is to-day one of the most scientific men in England, who is also one of its most successful bankers. Samuel Rogers said, "I keep the shop because the shop keeps me." He so kept it as to win the

admiration of business men in his own vocation, and at the same time so cultivated his muse that he gave delight and still gives it to succeeding generations, so that he became the banker-poet of all time.

Since the organization of banks in this city there have been fifty thousand men connected with them in one way and another. Through their hands have passed fifty thousand millions of dollars. They have been the custodians of the secrets of individuals, and of firms, and of corporations. Summon them here to-night. Let them stand in grand battle array—this vast army who have served these great interests at limited compensation. Call the roll of those who have defaulted or been faithless to their trust, and they would not make the staff of a major-general. It is not for every man to become a Peabody or a Morris, but so long as out of the system such men came, so long in the system such men reside. It is not the conspicuous who alone make success in the world. The Bank President, no matter how eminent he may be, would lose his eminence unless he was backed and supported and sustained by the integrity and ability of the efficient corps who surround him; and the man who diligently performs his duty, however light it may be, is fit to receive his own praise, and the promotion to follow it when it will—as it surely will—come. One of the proudest instances that I know of in all those that stand out among the anecdotes of history, is that of the private soldier of France, La Tour D'Auvergne. He lived to die in the ranks, and yet he won for himself a fame far beyond that of the generals under whom he marched. First in the foremost ranks, last in the retreat, he fell upon his hundredth battle-field, fighting boldly for his country; and the imperial decree was that forever upon the muster of his company his name should stand, and that every morning at roll-call it should be called, and the sergeant should step from his ranks and answer, "Dead upon the field of honor."

Gentlemen, you are met here to-night for the purpose of celebrating your first decade. Ten years is not long in the history of an institution like yours; and yet it is ten years full, as I gather from the report of the president, of honorable record, and of charitable, admirable deeds. Men perform their duties, not so much by the size of the compensation, if it be adequate for their wants, as by the certainty of the place and the sureness of the compensation. These gentlemen who belong to the Association know that their banks will not fail. They know their places are secure. They feel that promotion will come as the opportunity offers and as it is well earned, and this Association seeks to take from them that great care that saps the energies of a man—the fear that in his age or infirmity, or in his death, there may be no provision. The Permanent Fund to-night stands \$80,000. If these banks knew thoroughly their own interests, if these bank directors and stockholders knew thoroughly their own best needs, they would, while reducing their capital, reserve out of the fund which they pay back to the stockholder an amount that would make, before the first of January, that Permanent Fund an even \$100,000. And I trust that an enlightened spirit of wisdom and of self-interest may lead them to understand that their interests are identical with those of this excellent Association; and I trust that when next you gather, we can congratulate you upon a grand success.

## BANKERS AND BANK CLERKS' MUTUAL BENEFIT ASSOCIATION OF THE CITY OF PITTSBURGH.

The fifth annual meeting of this Association was held on November 18th, in the Directors' room of the Germania Savings Bank. L. Halsey Williams, Cashier of the Fifth National Bank, was called to the chair, and John T. Woods, of the Exchange National Bank, was appointed Secretary. The annual report of the Board of Directors was read by the President of the Association, and the reports of the Secretary and Treasurer were read by the Secretary, after which the election of officers for the ensuing year was held. There being no other business the meeting adjourned.

The Corresponding Secretary's Report states the membership to be: honorary members 12, active members 115, a gain of five active members since last report. The Treasurer's Report shows receipts for the year, \$1,168.23; losses paid, \$500.00; current expenses, \$79.75; U. S. bonds on hand, \$2,500; cash in treasury, \$585.15, a gain, after paying expenses and loss, of \$588.48; and also shows the current expenses to be but little over one-half the amount received for interest on the deposit. At the last meeting of the Board, acting upon the suggestion of several of the Trustees, the officers were authorized to purchase \$2,500 Registered U. S. bonds, which now appear in the 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.

The following-named gentlemen were elected officers for 1879: President, William N. Riddle, Cashier Penn Bank; Vice President, George R. Duncan, Cashier Iron City National Bank; Recording Secretary, John T. Woods, Teller Exchange National Bank; Corresponding Secretary, Samuel C. Applegate, Cashier Odd Fellows' Savings Bank; Treasurer, Robert Wardrop, Cashier Pennsylvania Lead Company.

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THE CROP REPORTS FROM CHINA, JAPAN AND INDIA are all good. This is especially favorable, as both India and China have been terribly impoverished by recent famines. In China, the rice crop is large and the cotton crop is said to be double an average. A Yokohama telegram says that the Japanese rice crops will furnish a surplus for exportation. Some English trade journals say that these large Asiatic crops will be felt between January and April, in furnishing the means for larger purchases of English goods.

## CURRENT FINANCIAL NOTES.

THE EAST INDIAN RAILWAY, including a branch, is 1,503 miles in length, some considerable portion of it being double track, and its capital is £30,750,000, or \$150,000,000. It was built upon a guarantee of five-per-cent. dividend from the Indian Government. There is about as much capital in other Indian lines constructed on the same guarantee. The cost of the East Indian Railway is said to be about one-fourth of the total cost of all the railroads built in British India. Some of them were constructed by the Indian Government directly, and without the intervention of companies. All the guaranteed lines were built upon the condition that they should become the absolute property of the Government at the end of ninety-nine years, which has been the general rule of the French Government in authorizing railroad construction by companies. In India the Government made the further reservation of the option of buying in the guaranteed railroads, on certain principles of valuation, and at certain times. With the East Indian Railway, these times were at the end of twenty-five years and of fifty years from its completion. With some other guaranteed roads, the right to buy does not occur until after fifty years from their completion. These purchases are to be made by annuities running for the unexpired term of the ninety-nine years. The annuities are to be such a rate of interest as is currently paid upon India Government bonds at the time of the purchase, and this rate is to be cast upon the average market value of the railway shares during the three years preceding the purchase. The annuities are to include also a sufficient sum to sink the principal of the shares within the term of the annuities. In the present case of the purchase of the East Indian Railway, the Indian Government is supposed to have made a good bargain, as it gives an annuity, terminating in 1953, of £5, 12s. 6d. for shares now earning annual dividends of nine pounds.

TREASURY GOLD CERTIFICATES.—The Treasury programme was to discontinue, after the first day of this month, the issue of certificates of gold deposits. In fact this was so stated in the regular annual report of December 2, 1878, of the Secretary of the Treasury. But on the very next day, December 3, the Secretary issued an order to the Assistant Treasurer here to discontinue the issue at once. The Secretary's action was as salutary as it was prompt. The gold operators had worked up the premium on that day from  $\frac{1}{4}$  to  $\frac{1}{2}$ , but it fell back instantly on the announcement of the new order. The BANKER'S MAGAZINE has been insisting for months that the storing of gold in the Treasury, by relieving speculators of the expense and risk of taking care of it, was calculated to keep up the premium on it. The Secretary is entitled to credit for his decisive action on the 3d of December. What we want now is legislation, that all certificates of deposited metallic money shall be for the payment, not of gold or silver, but of *coin*, which means either gold or silver, at the option of the Government. If the owners of metallic money do not choose to make deposits on such terms, they can keep their money in their own hands, or in such other places as they may select.

FOUR-PER-CENT. LOANS are the order of the day. The State of Georgia has issued four-per-cent. currency bonds, payable in six years, for \$ 500,000, in denominations as low as \$ 5. They have been readily taken. The proceeds are to be applied to pay off a State debt on which the interest is now eight per cent. Georgia hopes to make a similar reduction of interest on its entire State debt, which is about \$ 10,000,000. The city of Boston has offered for popular subscription, four-per-cent. currency bonds payable in twenty years, being a part of \$ 9,000,000 expected to be borrowed for sewerage purposes. Under the laws of Massachusetts, municipal loans for such purposes are required to be supported by a sinking fund which will extinguish them in twenty years. The financial managers who recently committed this city to a loan of \$ 6,900,000, no part of it to be reimbursable in less than thirty years, and at an interest of five per cent., *payable in gold*, acted precipitately and with very little discretion.

THE BULLION YIELD for the ten months ending October 31, 1878, of the thirty-six producing mines from which the San Francisco *Bulletin* is able to obtain returns, compare as follows with the corresponding period of last year:

1877.....	\$ 40,603,600
1878.....	33,846,200
Decrease in 1878.....	\$ 6,757,400

The decrease in October was \$ 2,329,800, being almost identical with the amount (\$ 2,377,800) of the decrease of the two bonanza mines, the California and the Virginia Consolidated.

Comparing the quarter ending September 30, 1878, with the corresponding quarter of last year, the bullion product of Storey County, in which the Comstock lode is situated, was as follows:

1877.....	\$ 9,505,900
1878.....	1,683,600
Decrease in 1878.....	\$ 7,822,300

In the earlier part of 1878, the Comstock lode yielded more than during the same part of 1877.

Comparing this year with last, the production of gold is probably gaining somewhat upon that of silver.

SILVER DOLLARS.—A report sent to the Senate, December 17, from U. S. Treasurer Gilfillan, gives the figures of the general fact, well understood before, that the silver standard dollars flow back into the Treasury almost as soon as paid out. From June 30, to November 30, the Treasury received from customs, payments of four-per-cent. bonds, etc., 5,178,345 of these dollars, of which about 1,500,000 are computed to have been received for customs duties. During the same time, \$ 11,600,000 were received for customs in silver certificates, but as some of them were paid out and received more than once, Mr. Gilfillan estimates that this work was done with only \$ 6,717,000 of certificates issued at San Francisco in the purchase of silver bullion. Since the silver law went into operation, 1,534,785 silver dollars have been exchanged with the public for gold, the exchange of about two-thirds of that sum having been made when the silver dollars were first issued and were in request as curiosities and for pocket pieces.

**THE SHRINKAGE OF PRICES.**—The *Public* (New York) of December 12, referring to its tables of wholesale prices in New York of all the financial articles of foreign and domestic merchandise, says:

The approximate correctness of the following ratios, reducing quotations to gold, may be affirmed, viz.: \$100 in 1860 equals in purchasing power \$126 in 1864, and \$124 in 1873, and \$81.67 November 1, 1878. The shrinkage in the average gold value of commodities (exclusive of all stocks, or bonds, and of all real estate), from January 1, 1873, to November 1, 1878, appears to have been about 34.1 per cent.

**BRITISH JOINT-STOCK BANK SHARES.**—The following table shows the aggregate market price of British and Irish joint-stock bank shares the day before the Glasgow Bank failure and on two subsequent days:

	Oct. 1.	Oct. 10.	Nov. 20.
English .....	£125,460,000	£122,480,000	£115,650,000
Scotch .....	28,950,000	26,500,000	20,700,000
Irish .....	20,100,000	20,080,000	19,530,000
	£174,510,000	£169,060,000	£155,880,000

In the list of Scotch banks is included the failed Glasgow Bank. The market price of the shares in it, on the day before the failure, was £2,350,000.

The total fall to November 20, in the Irish banks was only 2½ per cent. In the English banks it was eight per cent. In the Scotch banks it was 28½ per cent., or, if the Glasgow Bank is taken out of the account, it was twenty per cent.

Since November 20, another Scotch bank (the Caledonia) has gone into liquidation.

**ENGLISH BANKING RESERVES.**—As is well known, the London banks and bankers have always kept a large share of their cash in the form of deposits in the Bank of England, and this practice has increased to such a degree in recent years, that the aggregate of these deposits of bankers has become about equal to the entire reserve of the Bank of England. At the present time, when these bankers find it prudent to hold more cash than ordinarily, these deposits actually exceed the entire reserve of the great Bank. The *Fortnightly Review*, for December, says:

The Bank of England must be compelled by law to separate the bankers' balances which it holds from the money of its own customers. At present the Bank of England holds no reserve at all against its liabilities to its own customers. It trades on the bankers' money, and its total reserve at the present moment probably does not cover by several millions the actual cash which bankers have deposited with it, and which they might any day require. That state of affairs is so unsound as to be absolutely intolerable in a community anxious to conserve its mercantile credit. Were the Bank of England to throw out the bankers' balances altogether the position would be more sound than it is now.

**BRITISH LAND-OWNERS AND THE FOOD SUPPLY.**—In a recent work on "The Landed Interest and the Supply of Food," Mr. Caird, the principal British authority on such matters, shows—

1. That thirty years ago the home supply of cereals for British consumption was three-fourths of the whole; ten years ago, three-fifths, and now only one-half.

2. That ten years ago the home supply of meats and of animal

productions was nine-tenths of the consumption; now only three-fourths.

3. That the prices of cereals are now wholly fixed by the prices of the imported cereals, and that the prices of meats and of animal productions are beginning to be sensibly affected by the importations.

In former times British farmers were more or less compensated for short crops by high prices, whereas present prices do not depend upon the amount of grain raised at home. With the frequent conjunction of short crops and low prices, it is the common apprehension of British landowners that rents must fall. It is noted in this connection that lands, as assessed for income tax, only increased from sixty-two to sixty-six millions sterling in the ten years ending with 1876. This is an almost stationary condition in contrast with the rapidity of the increase of the amounts of all kinds of property assessed for that tax, which were :

In 1848.....	£ 256,000,000
In 1872.....	435,000,000

Mr. Caird estimates that the average cost of importing live cattle is four pounds per head, and that advantage in favor of the British cattle raiser, is a compensation for an extra land rent of two pounds per acre. If British farmers can really pay such a rent and compete in cattle-raising with countries where the fee simple of lands costs little, or nothing, the rent-rolls of British landlords are tolerably secure.

THE PAUPER RETURNS OF ENGLAND AND WALES for St. Michaelmas day (September 29), of this year, show the number of paupers receiving relief to be 660,289. This is only 1,192 more than the numbers receiving relief for the corresponding date of last year, although 12,579 more than for the corresponding date of 1876, but even that increase in two years is less than two per cent., or exactly 1.9 per cent. The London *Economist* says that these returns "show that the distress arising from the long-continued trade depression is now becoming acute." It is undoubtedly true that the trade depression in England has been distinctly intensified within two years past, but these returns do not show it. The addition in one year of 1,192 paupers to a list of 650,087, is too small to prove of itself anything in relation to the condition of the classes liable to require public relief. The trifling increase of the English pauper rolls within one and two years is really remarkable. It proves, under the known circumstances of falling wages and of lack of employment, either the very active exertion of private charities, or a great reluctance of the people to apply for public relief, or a diffused accumulation of previous savings, or possibly it proves all those conditions.

THE MANCHESTER FAILURE.—The London financial papers give the following account of the affairs of Heugh, Balfour & Co., who were shippers of Manchester cottons to India :

The liabilities are £ 391,928 and the net assets £ 56,000. In 1869, on the late Mr. Balfour's death, John Heugh liquidated the affairs of the old firm and commenced afresh in 1870 with a capital of £ 40,760. In 1873 this capital was reduced to £ 252. In 1874 the deficiency in capital account was £ 62,700 which went on increasing from year to year, until it culminated in bankruptcy in 1878, with a deficiency of £ 345,928. The statements show that this deficiency was caused mainly by the drawing of money out of the concern by

the partners. John Heugh commenced by drawing out in 1871 £41,500, or rather more than all the capital. His total drawings to 1878 amounted to £156,100. Heugh Heugh took out in all £21,400, and another partner (Symonds) £21,500. The total takings by all the partners were £199,000.

The firm was reported in 1861 to have a capital of one million sterling. Mr. Balfour, who died in 1869, had an interest in it of £300,000, which was paid over to his executors.

The London *Statist* says:

Not the least singular part of the deficiency is a sum of £27,307, which has been extracted for the expenses of an orphanage, besides £6,610 for charities and gifts, outlays which no doubt helped to maintain the repute of the firm.

It is true everywhere of confidence that it is a plant of slow growth. It is also true of it in England that it is a plant which dies slowly. When an Englishman has once made up his mind, he does not like to change it, and he will steadily believe that a banking or mercantile firm, the ability of which is once established, is still sound and good until he sees it actually blow up. It is for this reason that so many concerns run along for years after they are mere shells. Times like these break many such shells.

No such failure as that of Heugh, Balfour & Co., or of the Glasgow Bank, would be possible in this country, although there is even here quite too much credulity in respect to large financial concerns. But no such childlike confidence exists in this country as was shown by the current sales of Glasgow Bank shares at 135 per cent, premium twenty-four hours before it blew up with a deficiency of assets equal to five times its capital. The actual loss to shareholders in Mr. Biddle's U. S. Bank, from the highest prices, was as great, but it was spread over a long period of time and there were successive steps in the progress of depreciation.

SCOTTISH BANK SHARES.—Not long after the failure of the Glasgow banks the London papers made the mysterious statement that the Edinburgh Stock Exchange had reduced the quotations of shares in all the Scotch banks £20, which could mean nothing else than that a reduction was made of twenty per cent. It being the business of Stock Exchanges to transact the operations of buying and selling, and to report actual sales and purchases, and not to fix prices themselves, it was a little puzzling to understand how the Edinburgh Stock Exchange derived its power to reduce the prices of all the Scotch bank shares by a uniform per centage. The explanation is now given in a letter from Mr. Begg, one of the members. Immediately after the Glasgow failure, and for the purpose of preventing a panic, the Stock Exchanges of both Edinburgh and Glasgow were closed for two weeks to any operations in bank shares, and no sales were publicly made. Of course, there were private sales and at falling and irregular rates. Before the exchanges were again opened to dealings in bank shares, lists of what were called current prices were published, which were made up by a committee on the basis of an assumed uniform fall of twenty per cent. Of this reduction, Mr. Begg says that it "*was the very least*" the committee could make in view of known actual sales and offers.

A LOT OF LAND IN MELBOURNE, 66 feet front and 320 feet deep, has been purchased as a site for a banking house for £33,000, or at the rate of about \$7.75 per square foot. This lot was purchased from the Government in the early days of Melbourne for £16.



SCOTTISH FAILURES.—At a meeting of the creditors of the firm of Smith, Fleming & Co., Mr. Fleming stated that in 1870 they owed the Bank of Glasgow \$750,000, and were then in their own opinion insolvent, and would have suspended but for the opposition of the Bank, the managers of which hoped to carry them through, and thus save the debt due to the bank. From that time forward to 1878, while this debt was constantly growing larger until it reached the enormous sum of \$7,500,000, the affairs of the firm were constantly under the supervision of the managers of the Bank, who staved off the bankruptcy to the last possible moment, hoping against hope that something might turn up to avoid it. These statements of Mr. Fleming were regarded by the creditors as shifting the responsibility of the catastrophe from the firm to the Bank.

The London *Times* writes gloomily in respect to the probably long continuance of the depressing effects of the Bank failure. It says that it took twenty years to liquidate the affairs of the failed Western Bank of Scotland; that it is not to be supposed the affairs of the Glasgow Bank can be wound up in less than five years; that it will be necessary to collect £7,000,000, or \$35,000,000 from the shareholders; that even if they are able to pay it, which is doubtful, it will bring on throughout Scotland a protracted period of depression and forced sales of property and numerous insolvencies; and finally, that even if the creditors are at last paid in full, it can only be after such delays as will subject those of them who are not in a condition to bear delays to discredit and losses. In short, the *Times* insists that even now the full force of the blow is not appreciated either in Scotland or in London where many of the creditors are found.

STAMP DUTIES IN FRANCE.—The Paris correspondent of the London *Economist* says that the Budget Committee of the Chamber of Deputies propose to reduce the stamp duties on bills of exchange, but that the Finance Minister resists such a reduction, unless they will compensate the Treasury by increasing the stamp duty on a certain class of cheques drawn on banks. The present French stamp duties are ten *centimes* (one cent and nine mills) when the drawer and bank are in the same city, but twice as much under other circumstances. The ministerial proposition is to impose the same duty on cheques on banks not located at the residence of the drawer, as is imposed on bills of exchange.

The correspondent of the *Economist* says:

It is to be hoped that the committee will not give way on that point, for the public are becoming only very slowly familiarized with the use of cheques. Payments are still generally made in bank-notes and coin, and few tradesmen keep banking accounts. A stamp would only prolong the present antiquated system of commercial payments, which causes large sums of money to remain idle in tradesmen's tills.

There are two sides to the question of economizing the use of money by the extension of the practice of depositing it in banks and making payments by means of checks. The convenience of it is sure to cause that system to become constantly more general. But the contrary present practice of the French traders, of keeping their own money in their own tills, keeps more money in use, and is one cause of the well-known greater steadiness of French trade, as compared with that of England, where the actual use of money is reduced to a minimum.

MORTALITY RATES IN PARIS.—A writer in the *Economiste Français*, for the purpose of illustrating how much greater the mortality is in Paris among the poorer classes, than among those better off, divides the districts, or *arrondissements*, into four groups, and makes the following comparison of the amount of personal taxes on the occupants of each house in the four groups, with the deaths per one hundred inhabitants :

	Annual personal tax on occupants of each house.	Annual per cent. of deaths.
First group.....	769 francs. ..	1.96
Second ".....	289 " ..	2.20
Third ".....	96 " ..	2.60
Fourth ".....	20 " ..	2.92

MUNICIPAL TAXES IN ITALY.—It is stated in a book just published by M. Korosi, an Italian economist, that the cost of local Government in the Italian cities last year was 489,585,000 francs. Although 201,688,000 of that amount was raised by loans, the taxes are very heavy, equal on an average upon real estate, it is said, to be thirty per cent. of the rents. In Bologna, they consumed forty-one per cent. of the rents, according to the Marquis Pepali. The Paris octroi duty of nine francs the quintal on fresh meat is complained of as high, but it is twice that in Turin, Rome, Milan and Florence.

GERMANY'S SILVER.—The sudden resumption, in October, by the German Government of its sales of silver at a fraction above 50d., after announcing all summer that it would not sell below 54d. is, of course, only explainable on the hypothesis that the German officials have adopted the opinion that silver is more likely to fall still lower than to rise. We stated in our last number that they have recently supposed that the repeal of the U. S. law, directing a silver coinage of from two to four millions per month, was probable. We then had it on very excellent authority that the German Minister at Washington held that opinion. If he did, he, of course, communicated it to the Berlin Cabinet.

As is well known, Dr. Soetbeer has been the principal adviser of the German authorities as to the manner of proceeding in the substitution of gold for silver. The opinion is universal and, we think, just, that his advice has been bad, or, at any rate, unfortunate, from the beginning. The substitution of gold for silver having been resolved upon, the sales of silver for the first two or three years were very small. They did not become large until silver fell seriously. Under Dr. Soetbeer's advice, they are now resumed again, just when the India demand is at a minimum.

We find some of his recent views, as given in the *Borsen Halle*, copied in the London *Statist*. They are, in brief, that the resolution of the Latin Union to coin no silver for six years, and the determination of the Executive of the United States to keep the coinage down to the legal minimum of two millions per month, give so bad an outlook for silver that it will not answer to take the risk of a revived demand in India. He says:

The darker the future of silver seems to be, the more urgent is it for Germany to sell with all possible haste, upon the London and Vienna markets, the silver she has still to dispose of, even though the loss should be greater than hitherto, and to withdraw at once the thaler pieces, which are still current, from circulation.

If Germany uses up, in an enlargement of its subsidiary coinage, twenty-five of the sixty or seventy million dollars of silver supposed to be left in its circulation, the remaining quantity is not large, but if thrown upon the markets with the desperate spirit manifested by Dr. Soetbeer, it is large enough to produce a very considerable temporary disturbance. It will be less, however, from the fact that the Comstock lode is just now yielding comparatively little.

From Germany, it is denied, by a journal said to be officially inspired, that any project of proposing an increase of the subsidiary silver coinage has been as yet considered by the Executive Government. There is evidently a difference of opinion about it among the German public. Many newspapers insist that at present there is a scarcity of small silver. *Per contra*, the majority of the Chamber of Commerce of Upper Bavaria declare that there is no scarcity, and they cite in proof of it the alleged fact that the Imperial Bank has on hand two and a half million dollars in twenty-pfenning pieces (about five cents). This is the first statement we have seen of what the coin in that bank consisted. It carefully avoids stating, and it is always understood in Berlin to be a State secret.

THE LOANS OF AUSTRIA AND HUNGARY, since May, 1868, have been contracted and are to be paid by each separately. The public debts then existing are treated as common, Hungary's contribution towards the payment of interest being thirty per cent. Within the past ten years the Austrian financial management has not been very successful, but the Hungarian management has been so much worse, or so much more unlucky, that an Austrian gold stock sells thirty per cent. higher than a Hungarian gold stock promising the same rate of interest. It was reported in Vienna, in the early part of November, that Hungarian stocks were so much out of public favor that the Rothschilds had refused to accept them as collateral security for loans. However that may be, it is certain that the Hungarians are clamoring to have the funds for the Bosnian occupation raised by a joint loan of Austria and Hungary, as the only open way out of the difficulties of the financial situation.

METALLIC CIRCULATION OF HOLLAND.—In an article in our last number upon the proportion of silver to gold in the Dutch circulation, we stated that it greatly exceeded the proportion of silver to gold in the French circulation. In a recent number of the *Siddele*, M. Cernuschi says:

In Holland, gold has been a legal tender for only a short time, and very few gold florins have been coined, while there are at least 350 millions of silver florins in circulation.

In Paris, the information on that subject ought to be very nearly exact, but M. Cernuschi probably refers to both Holland and its great West Indian possession (Java), in stating the circulation of silver florins at 350 millions. European Holland has a population of only 3,700,000, or one-tenth of that of France, and can hardly have a silver circulation of 350 million florins added to (perhaps) forty millions of gold florins. The two amounts would be equal to \$156,000,000. The metallic reserve of the National Bank of the Netherlands averages about 120 million florins.

Holland has been an exclusively silver country since 1847, as in fact it had been for two centuries, with the short interval between 1816 and 1847 when it was on the double standard. In 1875 Holland

made gold a legal tender as well as silver, and decreed that no more silver should be coined except at the discretion and for the account of the Government, and it is understood that none has in fact been coined since. By the end of 1876 the coinage of gold amounted to 56,911,060 florins. During 1877 none was coined and probably none has been since. The Dutch florin is about forty cents. During the past year Holland has exported more gold than it has imported.

Of course, silver bullion rates in Holland relatively to gold bullion, as it does in other markets, but the Dutch silver florin is at a parity with the Dutch gold florin, just as in France four silver five-franc pieces are the market equivalent of one gold piece of twenty francs.

In the French case, silver coins float at a market parity with gold coins, the silver coins being at least two-fifths of the whole amount of coined money. In the Dutch case, a very much larger proportion of silver coins are maintained at a parity with gold coins. But in comparing France and Holland with the United States, we must remember that they have more realized cash capital and are both creditor countries, and are less exposed to drains of the precious metals. It is, therefore, not safe to assume that we could maintain as great a proportion of silver coins at a parity with gold. We can tell better after a trial of it. It is a new experiment in metallic money. The only thing which seems to be clear is that for three or four years, with an annual silver coinage of \$25,000,000, there is no reason to apprehend any depreciation of it.

RUSSIAN TRADE AND FINANCE.—In the recent annual cotton circular of Ellison & Co., of Liverpool, it is stated that Russia is the only bright spot in the condition of the cotton manufacture on the continent of Europe. All the Russian mills are active, consuming more cotton than ever before, and selling their productions at good and advancing prices. It is true that they are sold for paper roubles, and that the continuing depreciation of that currency may, by-and-by, be productive of abundant evils. But for the present, the operation of it is stimulating, just as our greenback money was when it was in the expanding stage.

The British *Mercantile Gazette*, of November 15, says:

Reports received from the interior of Russia represent the state of trade and manufactures as being most satisfactory. The fairs at Nishni-Novgorod and Charkoff were very successful, and the factories in the Government of Vladimir have had a favorable year.

With the exception of an increase of the tobacco tax, and even that did not come into operation until last January, the Russian Government has put off the evil day of imposing taxes to meet war expenses. But it cannot be put off forever, unless a bankruptcy is in contemplation. On the 16th of November, the Finance Minister presented his plan of new or increased taxes, which he expected to yield fifty millions of paper roubles, equal to about twenty-five millions hard dollars. He proposes to obtain eighteen or twenty of the fifty millions from the railroads by taking thirty per cent. of the gross proceeds of their passenger and fast freight business, and eight per cent. of their slow freight business. He proposes to get fifteen or twenty millions from Custom House and excise duties on spirits, and three millions from import duties on raw cotton.

## THE INTERNATIONAL MONETARY CONFERENCE.

## REPORT OF THE U. S. DELEGATES.

We print below the principal portion of the report made to the President by Messrs. Fenton, Groesbeck and Walker, delegates from the United States to the Paris Monetary Conference last August. There is scarcely anything omitted, except the resolutions of the Conference and the response made thereto by the American delegates, both of which were printed in the *BANKER'S MAGAZINE* of October last :

The early sessions of the conference disclosed two facts: First, that political complications would combine with economical objections to prevent the accomplishment of the immediate object of the act under which your commission was constituted, namely, the establishment, by international agreement, of a fixed ratio, in the coinage, between gold and silver; second, that the views of the delegates from the majority of the countries represented, and especially the more populous and territorially extensive countries, were favorable to the ultimate object of the act, namely, the restoration of silver to its rank as money of full power in Europe and America.

In the latter respect, the congress of 1878 presented a strong contrast to its sole precursor, the monetary conference held in Paris in 1867. That conference, animated by a controlling desire to secure a uniformity of money prices among the nations there represented, and deeming that it saw in gold mono-metallism the means of doing this, recommended that policy, with very little consideration of the sacrifices it would require from production and trade. By an almost unanimous vote, that conference pronounced in favor of gold, silver to be retained as money of full power only during the period of transition to gold, which might be longer or shorter in the case of different states.

It was the unmistakable sentiment of this conference, convoked by the United States, that the demonetization of silver had proceeded farther than was compatible with the interests of Europe and America; and while diplomatic considerations prevented the formal declaration of any opinion which would have been offensive to the minority, the conference did not hesitate to declare that the monetary functions of silver ought to be maintained as well as those of gold. Mono-metallism, in the sense of the conference of 1867, was advocated in that of 1878 by only three delegations, none of which represented populous states.

In this connection the position of England is worthy of especial remark. That nation had set the example of demonetizing silver, and after the conference of 1867 recommended the general adoption of gold mono-metallism, the chancellor of the exchequer, in Parliament, congratulated the country that Europe was preparing to follow in the same course. The conference of 1878 was attended on behalf of Great Britain by a delegation eminent for experience and economical authority, whose chairman, the head of the parliamentary committee of 1876 on the "depreciation of silver," declared that universal gold mono-metallism was not only utopian, but would prove a false utopia; that the consequences of German demonetization had been greatly to derange trade and disturb international exchange; and that were the movement for the rejection of silver as money of full power to proceed from state to state the results would not be less than disastrous.

It is as the greatest commercial nation of the world that England has had especial occasion to experience the necessary effects of the demonetization of silver; and it is to the severity of that experience, even in the first stages of the movement, that the conference of 1878 owed the earnest warnings against further progress in the same direction which were given by the English commission. Under the bi-metallic system which remained in force in

France and the countries associated with her until suspended in consequence of the German demonetization, these countries acted as "equalizing machines," taking the metal which fell and selling the metal which rose, and thus kept the relative value of the two close to a given point, viz., one ounce of gold for fifteen and a half ounces of silver, the ratio fixed by the French coinage law. Thus it was, and thus only it could have been, that silver came to have a so-called "normal price" (of nearly 61*d.* per ounce at the British standard), from which it never departed widely prior to 1873.

The effect of the German demonetization, and of the closing of the mints of the Latin Union to silver, has been to destroy the par of exchange between Europe and Asia; to introduce into the commercial dealings of two of the great divisions of the world a degree of uncertainty making trade highly speculative, the fluctuations in the price of silver often far exceeding the usual rates of business profits. The intercourse between gold countries and silver countries has thus been subjected to difficulties precisely the same in kind as those which beset the intercourse of specie-paying nations with those suffering from an irredeemable paper circulation. These difficulties, it is manifest, must be perpetuated in time and aggravated in degree should the movement for the rejection of silver continue. We have here the explanation of the change in the attitude of England since 1867, and of the willingness of the delegates of that country in 1878 to assist, so far as could be done without compromising the position of England as a gold-using state, in promoting the use of silver equally with that of gold.

The states which had, in the past, performed this grand service to the world appeared in the conference of 1878 with a divided opinion; and it is, we think, to the delicate relations, political and financial, of the Latin Union, that the failure of the conference to adopt any positive measures is primarily to be referred.

Switzerland appeared as the uncompromising advocate of gold mono-metallism for Europe.

The delegation from Belgium, also, was unfavorable. The position of this state was a source of disappointment. Of late years Belgium, as a member of the Latin Union, has supported the bi-metallic principle. Into the causes which resulted in a delegation at the present conference openly favoring gold mono-metallism it would not be proper for your commissioners to inquire; but whether these causes were economical or political, the defection of Belgium at this juncture proved a most serious obstacle to the accomplishment of the mission with which we were charged. Not only did it substitute a hostile for a friendly vote; not only did it deprive the metallic cause of some of its ablest champions, but in view of the crisis in the affairs of the Latin monetary union, involved in the necessity imposed upon its members of deciding before January 1, 1879, whether the union shall be dissolved the year after or shall be continued, the changed attitude of Belgium made the French delegation solicitous that nothing should be done in the conference which should drive any state into revolt.

While thus the two smaller Latin states appeared with views opposed to the object of the conference, France, the leading state of the union, declared through her finance minister, the president of the conference, that, in suspending the coinage of silver, she did not incline to the single gold standard, but, on the contrary, she occupied a position in which she might await the favorable moment to re-enter upon the system of the double standard.\*

Italy, the next state in population and wealth within the union, occupied, throughout the conference, the most advanced ground in defense of the bi-metallic system.

\*"In the French Chambers, at the time of the suspension of silver coinage, there were long and earnest debates concerning the meaning and effect of this measure. Was it a movement toward the gold standard, or was it a provisional condition which would commit France to await the favorable moment for re-entering upon the double standard? The government made a full explanation on this point. It declared very categorically that we were not proceeding towards the single standard of gold. We are, in its view, in a situation of expectancy, a situation which we shall not abandon, except for good reasons, when they present themselves, and then probably to return to the system of the double standard." (Remarks of Mr. Leon Say. Third Session.)

The Kingdom of Greece, which in 1868 became a member of this union, announced its full accession to the views of France, as expressed by the president of the conference.

Austria-Hungary was hardly less pronounced than Italy in asserting the importance of maintaining the monetary functions of silver, and committed itself unreservedly to the principle of the concurrent circulation of the two metals by virtue of laws establishing a ratio between them.

The Government of Russia, through its delegate, announced its intention to reserve its decision upon the questions before the conference until such time as it should be prepared to resume specie payments.

A disposition was manifested by some of the advocates of gold monometallism to make it matter of disparagement that the advocacy of silver came so largely from states laboring under financial embarrassments and suffering the circulation of irredeemable paper money. The delegation of the United States, however, refused to admit this as a valid objection. That states heavily burdened with debts, representing the cost of wars, of vast military establishments, and extensive public improvements, should earnestly protest against a financial policy which, by diminishing the stock of gold and silver in which debts may be discharged, must greatly enhance the weight of those obligations, and make taxation more oppressive, certainly affords no justification for reproach.

We conceive that there can hardly be dissent from the proposition that it would be both a political wrong and an economical injury of the gravest character to adopt a monetary policy which should increase the pressure of debts by diminishing the amount of the precious metals in which they may be paid. With the enormous public debts of Europe and America, amounting to not less than twenty thousand millions of dollars, contracted at a time when silver formed an important part of the monetary circulation, the project to reduce that metal to the rank of token money, allowing it to remain in Europe and America only as the small change of retail trade, and banishing the residue of the accumulated stock to India and the East, is one which might well arouse the liveliest apprehensions of public disaster. So far from accepting it as a reproach that the states referred to gave a cordial support to the proposition of the United States, your commissioners hold it to be a legitimate argument that the retention of silver would greatly facilitate the resumption of specie payments by all countries having a forced circulation of paper, a result primarily of great importance to themselves and to be desired by the commonwealth of nations.

The position of Holland at the conference was one of great interest. The senior member of the delegation, Mr. Vrolik, president of the Netherlands Society for the Promotion of Industry, was unavoidably absent; but at the last session he by telegraph authorized the presentation to the conference of his address of July, 1876, to the King of Holland, recommending an international monetary conference, for the purpose of establishing the bi-metallic system throughout the civilized states.

The remaining member of the delegation, Mr. Mees, president of the Netherlands Bank, is a well-known economist, who in 1872 advocated the adoption of a monetary union between the nations of Western Europe, establishing the ratio between gold and silver of 1 to 15½. In consequence, however, of the action of Germany in rejecting the use of silver and precipitating a large stock of it upon the mints of the neighboring states, Mr. Mees appeared at the conference in opposition to free coinage, declaring that while England and Germany adhered to gold monometallism, Holland, standing between them both geographically and financially, must conform to their action.

Under the explanation of the terms of the invitation given by the United States minister at London, delegates had been appointed by the Government of Sweden and Norway, with instructions to refrain from participating in measures which might compromise in any way the mono-metallic position of those states.

The foregoing enumeration comprises all the states from which delegates appeared at the conference. The Empire of Germany was not represented.

The United States appeared at the conference at a disadvantage, by reason of the belief, quite commonly entertained in Europe, that the action of Congress had been mainly determined by the consideration that the United States are largely producers of silver. This opinion exhibited not a little vitality, and your commissioners found it necessary to combat it. They showed that not only has the Government of the United States no royalty on the production of the mines of the precious metals, but that, through the absence of any accumulated stock, it has in fact far less of a special interest in the question under consideration than many, or even most of the states represented in the conference; that the effect of a given decline in silver had been, and would continue to be, a more serious loss to the accumulated wealth of France, Belgium, Holland, and especially Great Britain, through its Indian dominions, than to the United States; that as a branch of industry the production of silver is but one of many occupations to which our available labor and capital have hitherto been inadequate; and that even as a debtor the United States, a country of vast undeveloped resources, could better bear the weight which would be added to its debts by a diminution of the money supply of the world than could other states with less recuperative power and a narrower margin for future growth.

Your commissioners have reason to think that these views, during the course of the conference, prevailed over the opinion referred to respecting the motives which had actuated the United States in the recent legislation respecting silver. They believe that the European delegates came to fully recognize the preponderating motive of that legislation as springing from a general interest in an undiminished money supply, and not from the wish to support a particular branch of American industry. We are glad to report that the allegation so erroneously made that the act of February 28, 1878, was passed as a measure of partial repudiation, and with the object of paying the debts of the United States in money of inferior value had made very little impression on the public mind of Europe, so far as could be judged from the tone of the conference.

Such being the attitude of the nations represented at the conference, so general the consent that silver should not cease to be money of full power in Europe and America, so almost universal the abandonment of the *propaganda* of gold mono-metallism, it seemed to the American delegates, as it had to Congress in the enactment of the law under which the conference was invited, that measures should be adopted to restore silver to its rank as a money metal. An object of so much importance would justify some sacrifice, should it be found necessary, and the encountering of some risks, in a movement out of the false position into which the civilized world had been brought by the hasty political action of Germany. Your commissioners did not fail to urge the adoption of a policy of courageous action. But this policy was not accepted, and whatever the causes which disinclined some of the countries most firmly adhering to the principle of a bi-metallic circulation to accept it, it was apparent that the two following were especially influential in preventing action at the present time. The first was the existence of the German stock of silver still remaining, and now estimated by high authority at about \$75,000,000. Mr. Feer-Herzog, the distinguished delegate from Switzerland, was disposed to deny to the German stock any considerable influence upon the general market of silver; but the delegations from England and France were agreed in attributing to it great importance in its bearing on the price of silver, and on the practicability of a resumption of free coinage by the bi-metallic states. Mr. Gibbs, former governor of the Bank of England, declared the influence of the German stock upon the silver market to be very serious.\* In his view, in which the

\*"The German stock was not like silver in the bowels of the earth, to be extracted at the cost of certain labor and capital, but was a definite quantity held by the sellers, who could sell whenever they chose. It was a weight thrown into the balance, necessarily damaging the equilibrium between gold and silver. An abnormal quantity, whether large or small, beyond ordinary production and consumption, must always depress the market. The portion of German silver already sold had lowered the price, and the portion unsold was the cause of the continued fall. It could not be compared with the total production of the world, but only with the surplus which each State had to sell after satisfying its own wants, and the German stock was very large in proportion to this. Until that stock was exhausted it would be impossible to predict what the value of silver would be." (Remarks of Mr. Gibbs, Fourth Session.)



French delegates substantially concurred, this body of silver hung like an avalanche over the market, and exerted a permanently depressing influence upon the price of that metal. The existence of this large accumulation in a single hand, subject to instantaneous control, would also, in the opinion of the same authorities, render exceedingly dangerous the resumption of silver coinage, inasmuch as the whole mass of it might be precipitated upon the mints of the bi-metallic countries, with the probable result of breaking down their system at an early date, and also enabling Germany to dispose of its stock upon advantageous terms—a feature which did not seem to be contemplated with satisfaction by any considerable portion of the conference.

The second cause which was largely influential in producing the conviction that present action for resuming the general use of silver was inexpedient was found in the wide divergence between the market rate of silver and the mint rate generally prevailing in countries having a bi-metallic system. With gold ruling at 17.50 to 17.75 in terms of silver, it was held by the majority of the conference to be unsafe to coin silver at 1 to 15.5, or any other ratio near to that. In view of a divergence so wide it was thought impossible to bring the market ratio up to the legal ratio merely by opening the mints to silver. It was, indeed, admitted, as expressed by Mr. Goschen, that the position involved a "vicious circle, states being afraid of employing silver on account of the depreciation, and the depreciation continuing because states refused to employ it." (Remarks of Mr. Goschen, third session.) But from the joint effect of these two causes, it was the disposition of the European delegates, even of those most favorable to the restoration of silver to its proper monetary function, to observe events and await the melting away of the mass of German silver, and a fortunate turn in the quotations of silver, due to a diminution of the supply, or to the continued effect of the East Indian demand.

In answer to these views, presented by men to whose judgment great respect was due, the delegates of the United States urged, first, that a policy of expectancy is in danger of passing into a policy of endurance; secondly, that in the present situation there was a temptation to individual states like Belgium, Holland, or France, having considerable supplies of silver, to anticipate each other's action and dispose of their stock, more or less suddenly or surreptitiously, which course, should it be resorted to by a single state, might inaugurate a panic and depress silver to a point which would involve incalculable disasters.\*

The interests involved in the retention of this metal being, then, so great, and the danger from delay so manifest, it was urged that something should be done at once, and that the necessary cost and risk of an effort to restore it to the rank of which it had been deprived by the political action of Germany and the closing of the mints of the Latin Union should be unhesitatingly incurred by the nations interested. If, according to the view previously expressed, the German stock were, indeed, so important a factor in the financial problem, the provisional accumulation of silver bullion in public treasuries, in definite proportions as should be agreed upon among the states consenting, might be made the means of absorbing this mass, without encountering the risks apprehended from coinage. This would involve a certain definite expense and a temporary loss of interest on the amount so held, but these should be regarded as trivial in comparison with the advantages which might be expected to result, or with the possible mischief of a failure of the attempt to carry on coinage. When it is considered into how vast a body of

"From a commercial point of view the existence of this mass of coined silver, which is there all ready, of which man is already master, which he holds under his hand, and can let go or hold back as he wishes, according to the course of events, exercises an influence far more decisive than that of a mass of silver which is not produced, and which does not arrive in the money market except gradually—a little at a time." (Remarks of Mr. Leon Say, Third Session.)

\* "If other States were to carry on a *propaganda* in favor of a gold standard and the demonetization of silver, the Indian Government would be obliged to reconsider its position, and might be forced by events to take measures similar to those taken elsewhere. In that case a scramble to get rid of silver might provoke one of the greatest crises ever undergone by commerce." (Mr. Goschen's remarks, Third Session.)

commercial transactions disorder has been introduced by the destruction of what is termed the "normal price" of silver, and consequently of a par of exchange between the gold countries and the silver countries, the neutralization of the German stock,\* which otherwise might appear formidable, would be seen to be the part of common prudence.

Your commissioners trust that an examination of the journal of the conference will show that they urged the adoption of a policy of action, and proposed, on behalf of the United States, liberal contribution and co-operation in the work of re-establishing silver in its function as money.

The causes which have been referred to, however, proved sufficient to prevent concurrent action at this time.

An unfortunate feature of the situation was found in the existence of irredeemable paper money in three of the countries seemingly most deeply interested in maintaining the monetary *role* of silver. This fact, if it did not diminish the moral authority with which the delegations of those countries could enter into such a conference, would at least greatly impair the practical value of any co-operation they might proffer.

In speaking of the obstacles which prevented an agreement as to the resumption of silver coinage, or the establishment of a legal ratio in the coinage between gold and silver, your commissioners do not desire to be understood that all the delegates who have been mentioned as showing themselves favorable to the continued use of silver as money admitted the practicability of a concurrent circulation of the two metals in the same country, or professed a willingness to recommend to their governments action to that end. The English delegation, while strongly deprecating the crusade against silver, nevertheless declared that England would not recede from the monetary legislation of 1816 establishing the "single gold standard." At the same time they claimed that England had done more for silver than any other power by refusing to limit the rupee coinage in India, and submitting to all the losses, both to trade and to government revenue, resulting from the depreciation of silver. The remarks we have made above refer, therefore, only to those countries which stood committed, more or less fully, to the concurrent use of the two metals, but deemed themselves precluded by the considerations detailed from undertaking at the present juncture any practical measures for the full restoration of silver.

As it was early in the course of the proceedings shown to be impossible, under the complications existing, to secure an agreement for giving circulation to silver as money of full power, your commissioners assented to the views of leading members, afterward embodied in the response made to the propositions of the American delegates, that it was useless to discuss the particular ratio—whether 1 to 15.5, 1 to 16, or some other—which should be adopted were a monetary union to be formed. Your commissioners were unanimous in believing that any particular ratio, without provision for actual coinage thereupon, would be futile; while with provision for coinage, creating a demand for the metal, any one of many ratios within reasonable limits of choice might be upheld to the benefit of the industrial and commercial world.

\*"If this same sum were in the United States Treasury, in place of an equal amount of gold, the aggregate stock of silver would be unaltered, but this £15,000,000 would no longer weigh upon the market, and silver might be restored to a normal position." (Remarks of Mr. Goschen, Third Session.)

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SURETY.—A promissory note indorsed, due and unpaid, was replaced by a bond executed by the maker and indorser of the note to secure the same debt. *Held*, that the indorser, though in form a principal, was in equity only a surety on the bond. *Merriken vs. Godwin*, 2 Del. Ch. 236.

## THE PURCHASE OF NOTES BY NATIONAL BANKS.

SUPREME JUDICIAL COURT OF MASSACHUSETTS, SEPTEMBER, 1878.

*National Pemberton Bank vs. Porter.*

The defense that a promissory note sued upon by a National bank has been purchased by it in violation of the National banking law cannot be set up in Massachusetts.

Action upon a promissory note for \$10,000, payable to defendant, Edward F. Porter, or order, and by him indorsed, waiving demand and notice. At the trial in the court below it appeared by the testimony of the president of the plaintiff bank that the note in suit was purchased of one Benyon, president of the Exchange Bank, Boston, and full value was paid for it. The defendant did not deny the signatures of the makers or of the indorser. The defendant contended, and asked the judge to rule, that upon the evidence the action could not be maintained; that the plaintiff, under the laws of the United States relating to National banks, had no power or authority to purchase the note in suit; and that, therefore, it had no title to the note. The judge declined to rule as requested; and directed the jury to return a verdict for the plaintiff. The defendant alleged exceptions.

*L. W. Howes*, for defendant.

*D. & C. G. Saunders*, for plaintiff.

LORD, J. The plaintiff bank brings this action against the defendant as the indorser of a promissory note. The note is in the possession of the bank as the holder of it. The defense is that the plaintiff purchased the note of one Benyon; that the plaintiff is a National bank; that a National bank has no authority to buy a promissory note; that the purchase of it was, therefore, *ultra vires*, and the conclusion of law which the defendant claims to be the legal result of these facts is, that no action can be maintained upon the note by the bank. It is important that we do not confuse our ideas by the use of words, and it is, therefore, necessary to determine what is the exact contract in suit. The contract is in writing. In form it is a negotiable promissory note. Its legal effect is an absolute agreement on the part of the maker to pay to the payee, or to any indorsee of the instrument a sum certain on a day certain; while it is also a conditional promise on the part of the indorser to the indorsee to pay the same sum upon the default of the maker and due notice to himself. In this case, it is conceded that such condition has been performed or waived, so that the promise of the indorser has become absolute. On these points there is no controversy. The contract, therefore, in itself is one which may lawfully exist between these parties. It is the precise contract which exists between the parties as to every note discounted by a bank in the ordinary course of banking business which National banks are authorized to transact. No claim is made that the promise was not made upon a full consideration, or that any fraud was practiced upon any party to the contract, or that it has been paid; or that any equities exist between the maker or any indorser and the holder; or, that under the form of a lawful contract was concealed any usurious device; so that the contract in itself has no taint of usury, of fraud or illegality.

What is the contract which, it is said, is *ultra vires*? Not the contract in suit, but another contract, to wit: the contract with Benyon, who is not, in any sense, a party to the contract in suit; nor is it necessary to the maintenance of this action to connect him with it.

The contract with Benyon, assuming such a contract to have been made, and for the purposes of this discussion, assuming it to have been *ultra vires*, is not executory; this suit is not to enforce it; but it has been fully and completely executed. It is true that the contract with Benyon was one of which the contract in suit was the subject-matter. The question, then, arises, can a

party to a contract, in itself lawful, and into which all the parties to it had authority to enter, be made null, or be incapable of enforcement, because the plaintiff has entered into, and fully performed with another and totally distinct party, a contract in reference to it which was unauthorized, even though by such a contract he becomes a party to the contract in suit?

There is nothing of mystery or of sanctity in the use of the words of a dead language—*ultra vires*; and although it is a concise and convenient form by which to indicate the unauthorized action of artificial persons with limited powers, still it is as applicable to individual as to corporate action. An illegal act of an individual is as really *ultra vires* as the unauthorized act of a corporation. We do not see in what respect there is any difference in legal effect, between the obtaining of a note by an individual or by a corporation, if it be obtained wrongfully.

Applying the rule to a natural person, would it be a defense by a maker of an unpaid promissory note, to prove that the plaintiff obtained the note in a fraudulent bargain? or that the plaintiff took it from one not a party to it, in payment for intoxicating liquors illegally sold? or that he took it from a third person in discharge of a gaming debt? or in any transaction in which the person had no right to be engaged? These are all cases in which the party would acquire his title by transactions beyond his authority. These are questions which, under the law of this Commonwealth, it is not necessary to decide or consider. In this Commonwealth it is not necessary that the plaintiff in a suit upon a promissory note should have the legal title, or beneficial interest in the note, nor, indeed, that he should have any title or any interest in it. Adjudications of this point, commencing with *Little vs. O'Brien*, 9 Mass. 423, are scattered through more than a hundred succeeding volumes of reports, embracing a period of about seventy years, which have been unquestioned during all that time, and are duly recognized as the law of this Commonwealth. In *Little vs. O'Brien* this very question of *ultra vires* was raised by the defendant, and both the question whether a contract with a corporation was *ultra vires*, and whether a plaintiff having no title could sue, was raised and elaborately argued for the defendant by Mr. Story, who afterward, and for so long a time, adorned the bench of the Supreme Court of the United States. The cause was argued before that eminent magistrate, Chief Justice Parsons, and his distinguished associates, Justices Sewall and Parker. In announcing the decision the court uses this suggestive language: "Whether for this misbehavior of the corporation the government might not seize their franchises, upon due process, is a question not now before us." In *Chester Glass Co. vs. Druey*, 16 Mass. 94, there was a claim for goods sold and delivered to the defendant, and among other defenses was the defense that the sale of the goods was *ultra vires*; that by their charter the plaintiffs were prohibited from engaging in such a trade; and in addition it was claimed that the corporation was never legally organized, and therefore had no existence as such. As to the last objection, it was said that even if it existed it would not be open to a member of the corporation, which had been in operation *de facto*, doing business for a number of years. In relation to the claim that the sale of goods was *ultra vires*, Parker, C. J., after expressing a conviction that the sale as made was not a violation of the spirit and intention of the act of incorporation, adds: "But the Legislature may enforce the prohibition by causing the charter to be revoked, when they shall determine that it has been abused." Without deeming it necessary to decide that these two cases are authority for saying that it is not open to an individual to raise the question whether a collateral act of a corporation is within its corporate power, it will be found when that question is directly presented, that there are many decisions of courts which tend to that result.

In this Commonwealth, the only questions which are involved are: *First*. Has the plaintiff legal capacity to sue? *Second*. Is the plaintiff the holder of the negotiable note declared on? On neither of those questions can there, in this case, be any doubt. Even if it were necessary to show that the contract was one which the plaintiff is competent to hold, then, as we have already seen, this contract is such a one; and the fact that the holder became possessed

of it in the manner claimed is a wholly immaterial fact. To illustrate further the fact that it is not necessary that the plaintiff bank be the owner of the note in order that an action may be maintained upon it, suppose that this note had been discounted in the ordinary course of business, and the bank had filled the blank indorsement, as at any time it had authority to do, and as before judgment is entered it is proper to do, by writing over the indorser's name the words "pay the within to the National Pemberton Bank," and under its authority to negotiate the note, it had transferred it, without indorsement, for its full value, to a third party; such third party could maintain an action upon it in the name of the present plaintiff, although the present plaintiff has no interest in it. Suppose, for the sake of argument, that the plaintiff is not the *bona fide* holder of the note within the meaning of that phrase, when used in law in relation to the holder of a negotiable promissory note, what would be the result of such admission? Simply this, that any defense might be made to the note which could be made between any of the parties to it, as between one another, nothing more. But in this case there are no equities which could be pleaded to the note in the hands of any party.

If the act of purchase was wholly unauthorized, the utmost legal effect is that the transaction was wholly void, and Benyon is still owner of the note. What then? The most that could be claimed is that the bank receives the payment of it in trust for the real holder, precisely as it would if it had recovered the amount as in the case above supposed, after it had sold the note to a third person. With the equities between such parties, this defendant has no concern. It is said that if this be the correct view of the law, the statute in relation to usurious contracts would be nullified. That a bank could say to a customer, "we cannot discount this note, but we will buy it," and thereupon does buy it, at a rate at which they were not authorized to discount it, and thus avoid the penalty of usury. Such result by no means follows. If, in this case, the intervention of Benyon were a mere device for the purpose of obtaining, as between the original parties to the note, a loan of money at a usurious rate of interest, the question presented would be a very different one. There is here no such claim or pretense. The amount given for the note was the face of the note, less the legal interest from the time of the alleged purchase to the maturity of the note. There are, however, other appropriate considerations in such case. The suit, then, must be between the parties to a wrongful contract still executory; and whether in such case the plaintiff would not be estopped to deny that such contract arose in any other mode than by discount, we must not discuss. It is quite sufficient to deal with questions as they arise, without speculating upon what would be the legal effect of a totally different condition of facts.

Two cases have arisen in Minnesota, one in 1876, *Farmers and Mechanics' Bank* (which was a State bank) vs. *Baldwin*, the other in 1877, *First National Bank of Rochester* (which was a National bank) vs. *Pierson*, in each of which it was decided that the plaintiff could not recover upon a promissory note purchased by it, because such purchase was *ultra vires*, and consequently conferred no title to the note. If we accept the result of these decisions, there is nothing in either of them in conflict with these views. By the law of Minnesota, no action can be maintained upon a chose in action except by the real owner; and, as will be seen by references to those decisions respectively, the question which the court passed upon was whether the plaintiff acquired a title to the note in suit. In *Farmers and Mechanics' Bank vs. Baldwin*, 23 Minn. 198, the discussion of the subject by the court is thus opened: "Inasmuch as the ownership of the note by the plaintiff is put 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." And the concluding paragraph of the opinion commences thus: "Having no corporate capacity to make the contract of purchase the plaintiff never acquired any title to the note in suit," etc.

In *First National Bank vs. Pierson*, 24 Minn., the finding of the court below, which came before the Supreme Court, for revision, as quoted by the

judge who delivered the opinion, was, "that the plaintiff, a National bank corporation, had no authority to purchase or traffic in promissory notes as choses in action, and did not in law acquire, by the supposed purchase, any title to the note in question, and cannot recover in this action." The judge then, having previously referred to the fact found by the court below, that the plaintiff purchased the note, proceeds: "Upon the fact thus found it will be seen that the only question presented is whether a National bank, created . . . is authorized to deal or traffic in promissory notes as a species of personal property, or to acquire any title to such paper by a purchase." It appears, therefore, that in those cases the only question raised was the question of title to the notes in the plaintiffs; and that question, as we have seen, is, in this Commonwealth, wholly immaterial; for we have no such statute as the statute of Minnesota requiring a suit to be brought in the name of the real owner of a chose in action, and it is the established law that the holder of a negotiable promissory note may bring suit upon it, whether in law or in fact he be or be not the real owner of it.

There is also the case of *Rohrer vs. Turrill*, 4 Minn. 407, in which the defense to the note was that the plaintiff was not the owner of the note, but had disposed of it to a third person in fraud of creditors. The court say that the fact that the plaintiff had disposed of the note to a third person is a complete defense to the action, and add that it is no concern of the defendant whether that disposition was fraudulent or not; as he had not paid the note, but owed it, it was not a matter for him to inquire by what arrangement it went into the hands of a third party; the actual transfer was to him a perfect defense, and the court cannot avoid suggesting the incongruity of the claim of the defendant, that the title of the third party was fraudulently obtained, which, if competent, would simply show that such transfer passed no title, and that the suit was properly brought in the name of the plaintiff, who would be the real owner in such case.

We are, therefore, of opinion that there was no error in the refusal of the presiding justice to rule as requested by defendant's counsel. The ruling asked was, upon the facts of the case, a wholly immaterial one, upon which the court was not called upon to make any ruling.

Exceptions overruled.

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## THE TRANSFER OF CHECKS THROUGH A FAILING BANK.

SUPREME COURT OF INDIANA—NOVEMBER, 1878.

*First National Bank of Crown Point vs. First National Bank of Richmond.*  
Appeal from Wayne Circuit Court.—Affirmed.

Perkins, J.—On January 15, 1875, Wiggins & Cheesman gave to the First National Bank of Crown Point, in payment of a debt, the following check: "Richmond, Ind., January 15, 1875, Richmond National Bank, pay to E. A. Bundy, cashier, or order, five thousand dollars (\$5,000), Wiggins & Cheesman."

On the next day the Crown Point Bank sent the said check by mail to the Cook County National Bank of Chicago, Illinois, indorsed as follows: "Pay A. West, cashier, collection for account of First National Bank, Crown Point, Indiana. A. E. Bundy, cashier."

There had been extensive mutual dealings between said banks. On January 18, 1875, said Cook county bank received said check, and on the same day sent it by mail to the said Richmond bank, indorsed thus: "Pay J. F. Reeves, cashier, or order, for collection for Cook County National Bank, Chicago. A. West, cashier." Said First National Bank of Richmond received said check on the morning of the 20th of January, 1875, and between the hours of 9 and 11 o'clock of said day, its cashier, Reeves, presented the check

for payment, and received the sum of \$5,000, and credit for that amount was given on the books of said bank to said Cook county bank. There was no revocation of authority by any of the parties prior to the payment of the check; but soon after its payment the Crown Point Bank, by telegraph, notified the Richmond National Bank to refuse payment of the check. This suit was begun on the 20th of July, 1875, and just prior to its commencement the Crown Point bank demanded of the First National Bank of Richmond the proceeds of said check. On the morning of the 20th of January, 1875, and before the check was presented to said Richmond National Bank for payment, the cashier and teller of the First National Bank of Richmond had notice by newspaper report of the failure and suspension of said Cook County National Bank, but no information of the report or rumor was given to the Richmond National Bank. The Cook county bank suspended payment, at the close of business hours, on the 18th of January, 1875, was insolvent, and on the 20th of said month was indebted to the First National Bank of Richmond, between which banks there had been extensive mutual dealings, in the sum of \$10,450.49. On the 23d of January, 1875, the Crown Point bank was credited, and the First National Bank of Richmond charged, on the books of the Cook County National Bank, with said check.

This cause, which was an action by appellant against appellee to recover the amount of the check, was tried by the court and judgment rendered in favor of appellee.

The judgment of the court below was correct, because: 1. The First National Bank of Richmond was entitled, by virtue of the check, and the letter enclosing it, on the receipt of the five thousand dollars, to appropriate the same to its own use. The money became the property of the First National Bank of Richmond. As a general rule the transfer of a check upon a bank passes to the transferee the right to the money called for by the check. (2 Daniel on Negotiable Instruments 558; Story Prom. Notes 670; 2 Ill. 21; 28 Ill. 168; 43 Ill. 497). But checks may be transferred upon special contracts. In this case the terms of transfer of the check were contained in the indorsement upon the check, and in the letter in which the check was transmitted, and they authorized the Chicago bank to collect the check for the Crown Point bank, and when it received the \$5,000 to hold the same as its own, but required it to credit the amount on the books of the Chicago bank to the Crown Point bank, thus making the Chicago bank the debtor in that amount, to the Crown Point bank. Hence the Chicago bank had the power to transfer the check to the First National Bank of Richmond, and authorize that bank to credit the Chicago bank with the amount, the First National Bank of Richmond retaining the money as her own. (1 Howard 234.)

2. The First National Bank of Richmond may have had a lien by law on said money, if it was not its property, for the balance in its favor against the Chicago bank. (9 Ind. 217, 170, 572; 54 Barb. 230; 1 Handy 496; 36 Mo. 596.) And, there being no fraud in the case, if the First National Bank of Richmond could have been affected by any notice, the newspaper report of the failure of the Chicago bank was not sufficient to affect the title of the First National Bank of Richmond. (6 Otto 51.)

3. If it was not its money, said First National Bank of Richmond was not liable to be sued for the money by the Crown Point Bank, there being no privity of contract between them. The First National Bank of Richmond was not the agent of the Crown Point Bank, nor had the First National Bank of Richmond committed any tort upon the Crown Point Bank. The First National Bank of Richmond, if the agent of any one, was the agent of the Chicago bank. Conceding it, for the purposes of this case, to have been the agent of that bank, as that bank was not empowered by the Crown Point Bank to appoint a sub-agent for the collection of the check, the First National Bank of Richmond did not become the agent of the Crown Point Bank, and liable to be sued by it for the money. (13 Blatch., 237; 1 Otto, 308; 7 Bissell, 156.) Judgment affirmed.

## THE TREASURY DEPARTMENT.

### EXTRACTS FROM THE REPORT OF SECRETARY SHERMAN.

The ordinary revenues, from all sources, for the fiscal year ending June 30, 1878, were :

From customs.....	\$ 130,170,680	20
From internal revenue.....	110,581,624	74
From sales of public lands.....	1,079,743	37
From tax on circulation and deposits of National banks.....	6,863,052	96
From repayment of interest by Pacific Railway Companies.....	1,366,954	36
From customs fees, fines, penalties, etc.....	1,046,864	36
From fees—consular, letters-patent, and lands.....	2,055,515	13
From proceeds of sales of Government property.....	249,469	88
From premium on sales of coin.....	317,102	30
From profits on coinage, etc.....	1,690,762	33
From miscellaneous sources.....	2,341,109	07
	<hr/>	
Total ordinary receipts.....	\$ 257,763,878	70

The ordinary expenditures for the same period were :

For civil expenses.....	\$ 16,551,323	16
For foreign intercourse.....	1,229,216	78
For Indians.....	4,629,280	22
For pensions.....	27,137,019	08
For the military establishment, including river and harbor improvements, and arsenals.....	32,154,147	85
For the naval establishment, including vessels, machinery, and improvements at navy yards.....	17,365,301	37
For miscellaneous expenditures, including public buildings, light-houses, and collecting the revenue.....	35,397,163	63
For interest on the public debt.....	102,500,874	65
	<hr/>	
Total ordinary expenditures.....	\$ 236,964,326	80

Leaving a surplus revenue of..... \$ 20,799,551 90

Which was applied as follows :

To the redemption of United States notes, etc.....	\$ 13,119,825	33
To the redemption of fractional currency.....	3,855,368	57
To the redemption of six-per-cent. bonds for the sinking-fund.....	73,950	00
To increase of cash balance in the Treasury.....	3,750,408	00
	<hr/>	
Total.....	\$ 20,799,551	90

The amount due the sinking-fund for the year was \$ 35,429,001.80, leaving a deficiency on this account of \$ 14,629,449.90.

Compared with the previous fiscal year, the receipts for 1878 have decreased \$ 11,984,796.09, viz: in customs revenue, \$ 785,812.87; in internal revenue, \$ 8,048,783.09; in semi-annual tax on banks, \$ 215,498; in sales of Government property, \$ 84,485.08; in profits on coinage, \$ 1,582,476.75; and in miscellaneous items, \$ 1,267,740.30. There was an increase of \$ 748,088.17, as follows: in proceeds of sales of public lands, \$ 103,489.69; in premium on sales of coin, \$ 67,521.52; and in miscellaneous items, \$ 577,076.96. Total decrease in receipts, \$ 11,236,707.92.

The decrease of revenue is principally due to the falling off in the receipts from internal revenue, which was probably caused by the agitation in Congress, for a long time, of the reduction of the tax on spirits and tobacco.

The expenditures show an increase of \$ 7,781,729.08, as follows: In the Navy Department, \$ 2,405,366.01, and in the interest on the public debt, \$ 5,376,363.07, the latter of which was due to the large balance of \$ 7,426,619.81



unpaid interest at the commencement of the year, and to the change from semi-annual to quarterly payments of interest on six-per-cent. bonds converted into four per cents., which would not otherwise have been made until after the close of the year. There was a decrease of \$9,477,411.21, as follows: In the War Department, \$4,928,588.05; in the Interior Department, \$1,474,460.13; and in the civil and miscellaneous, \$3,074,363.03—making a net decrease in the expenditures of \$1,695,682.13.

## EXPORTS AND IMPORTS.

The gold values of the exports of merchandise from the United States, and imports of merchandise into the United States, during the last fiscal year, as appears from returns made to, and compiled by, the Bureau of Statistics are as follows:—

Exports of domestic merchandise.....	\$ 680,709,268
Exports of foreign merchandise.....	14,156,498
Total exports of merchandise.....	<u>\$ 694,865,766</u>
Imports of merchandise.....	437,051,532

Excess of exports over imports of merchandise..... \$257,814,234

Compared with the previous year, the importations are less by \$14,271,594, and the exportations greater by \$92,390,546.

The annual average of the excess of imports over exports of merchandise, for the ten years ended June 30th, 1873, was \$104,706,922; but, during the last three years there has been an excess of exports over imports as follows: in 1876, \$79,643,481; in 1877, \$151,152,094, and in 1878, \$257,814,234.

The total amount of exports and imports of specie and bullion, during the last fiscal year, has been as follows:—

Exports of specie and bullion.....	\$ 33,740,125
Imports of specie and bullion.....	29,821,314

Excess of exports over imports..... \$3,918,811

The importation of specie and bullion was less than for the preceding year by \$10,953,100, and the exportation less than for the preceding year by \$22,422,112.

The excess of such exports over imports has decreased from \$71,231,425 in 1875, to \$3,918,811 in 1878, as above stated.

The excess of exports over imports of merchandise during the first four months of the current fiscal year amounted to \$81,415,477, and during the corresponding months of the last fiscal year to only \$34,295,076.

During the first four months of the last fiscal year there was an excess of exports over imports of coin and bullion amounting to \$3,430,737, whereas, during the first four months of the current fiscal year, there has been an excess of imports over exports of coin and bullion amounting to \$3,355,882, making a change in this respect of \$6,786,669.

The total gold value of exports of domestic merchandise, from the United States, has increased from \$269,389,900 in 1868, to \$680,709,268 in 1878—an increase of 153 per cent. The increase consisted mainly of breadstuffs, provisions, agricultural implements, iron and manufactures of iron, copper and manufactures of copper, manufactures of cotton, leather and manufactures of leather, and petroleum. The exportation of these manufactured articles increased from \$14,287,486 in 1868, to \$37,250,882 in 1878.

Of the exports of domestic merchandise during the year, the products of agriculture comprised seventy-seven per cent., and exceeded the entire value of our imports of all classes of merchandise from foreign countries. The exports of these products have risen from \$368,852,972 in 1872, to \$536,039,951 in 1878, and the capacity for their further increase would seem to be limited only by the demand therefor.

Attention is invited to the decrease of our imports of merchandise from \$642,136,210 for 1873, when they reached their maximum, to \$437,051,532 for 1878—a decrease of \$205,084,678.

This decrease of imports consisted chiefly of manufactures of cotton, flax,

and silk, of wool and manufactures of wool, and of iron and steel and manufactures thereof.

Of the latter, the importation of railroad bars of iron and steel decreased from 595,321 tons in 1872, to twelve tons in 1878; but their product in the United States increased from 2,958,141 tons, during the five years from 1867 to 1871, to 4,056,340 tons, during the five years from 1873 to 1877.

#### RESUMPTION.

The report sets forth the preparation for resumption and the means adopted to accumulate coin.

At the close of the year 1877 the coin reserve, in excess of coin liabilities, amounted to \$63,016,050.96, of which \$15,000,000 were obtained by the sale of four-and-a-half-per-cent., and \$25,000,000 by the sale of four-per-cent. bonds, the residue being surplus revenue. Subsequently, on the 11th day of April, 1878, the Secretary entered into a contract with certain bankers in New York and London, for the sale of \$50,000,000 four-and-a-half-per-cent. bonds for resumption purposes. The bonds were sold at a premium of one-and-a-half per cent. and accrued interest, less a commission of one-half of one per cent. The contract has been fulfilled, and the net proceeds, \$50,500,000, have been paid into the Treasury in gold coin. The \$5,500,000 coin paid on the Halifax award has been replaced by the sale of that amount of four-per-cent. bonds sold for resumption purposes, making the aggregate amount of bonds sold for these purposes \$95,500,000, of which \$65,000,000 were four-and-a-half-per-cent. bonds, and \$30,500,000 four-per-cent. bonds. To this has been added the surplus revenue from time to time. The amount of coin held in the Treasury on the 23d day of November last, in excess of coin sufficient to pay all accrued coin liabilities, was \$141,888,100, and constitutes the coin reserve prepared for resumption purposes.

#### COINS AND COINAGE.

The annual report of the Director of the Mint exhibits in detail the operations of the several mints and assay offices, and also presents interesting information relative to the production of gold and silver in the United States, the estimated amount of gold and silver coin and bullion in the country, the depreciation of silver, the position of the American trade dollar in the Oriental trade, and other subjects connected directly or indirectly with the coinage.

The value of the coinage executed during the last fiscal year was:—

Of gold .....	\$52,798,980 00
Of trade dollars .....	11,378,010 00
Of standard silver dollars.....	8,578,500 00
Of fractional silver coin.....	8,339,315 50
And of minor coin.....	30,694 00

A total coinage of.....\$81,120,499 50

At times the fractional coins of the United States accumulate at certain places and are wanted at others. It is recommended that this Department be authorized to redeem them in United States notes when presented in sums of \$100, or any multiple thereof, at the mint in Philadelphia, where they can be recoined, if necessary, and distributed.

The amount of gold coin and bullion in the country September 30th, is estimated by the Director at \$259,353,390, and of silver coin and bullion at \$99,090,557—a total of \$358,443,947.

#### FUNDING.

The amount of four-per-cent. bonds sold during the present year, prior to November 23, is \$100,270,900, of which \$94,770,900 were sold under the Refunding Act, approved July 14, 1870. Six-per-cent. bonds, commonly known as five-twenties, to an equal amount, have been redeemed, or will be redeemed as calls mature. . . . The large absorption of United States securities in the American market, by reason of their return from Europe, together with the sale of four-and-a-half-per-cent. bonds for resumption purposes, tended to retard the sale of four-per-cent. bonds. As from the best advices, not more

than \$200,000,000 of United States bonds are now held out of the country, it may be fairly anticipated that the sale of four-per-cent. bonds, hereafter, will largely increase.

The three-months' public notice required by the fourth section of the Refunding Act to be given to the holders of the five-twenty bonds to be redeemed, necessarily involves a loss to the Government by the payment of double interest during that time. The notice should not be given until subscriptions are made or are reasonably certain to be made. . . . The Secretary, therefore, recommends that the notice to be given for called bonds be, at his discretion, not less than ten days, nor more than three months. In this way he will be able largely to avoid the payment of double interest, as well as the temporary contraction of the currency, and may fix the maturity of the call at a time when the interest of the called bonds becomes due and payable.

#### SAVINGS.

The report suggests that the Department be authorized to issue certificates of deposit of the United States, of the denomination of \$10, bearing interest at the rate of 3.65 per cent. per annum, and convertible at any time within one year after their issue, into four-per-cent. bonds authorized by the Refunding Act, and to be issued only in exchange for United States notes sent to the Treasury by mail or otherwise. The Secretary recommends the prompt passage of such a law.

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## REPORT OF THE TREASURER OF THE U. S.

The annual report of United States Treasurer Gilfillan to the Secretary of the Treasury shows that the total resources in coin and currency were, on September 30th, 1876, \$188,024,472.39; in 1877, \$243,681,111.25; in 1878, \$337,424,964.74. The coin resources have steadily increased from \$67,586,705.95 on the above date in 1876 to \$133,585,072.24 in 1877, and to \$238,007,574.59 in 1878.

Under the operation of the passage of the Resumption Act of 1875, providing for the retirement of legal-tender notes equal to eighty per cent. of National bank notes issued, the aggregate amount retired from 1875 to 1878 is \$35,318,984. At the time of the passage of the Act, May, 1878, forbidding the further retirement of legal-tender notes, action under the former Act ceased, leaving the amount of legal-tender notes outstanding at that time, \$346,681,016, at which volume they remain.

The aggregate amount of legal-tender notes in circulation, June 30th, 1877-78, were \$359,764,332 and \$346,681,016, respectively. The retirement of legal tenders during the fiscal year of 1878 was \$13,083,316.

It requires to maintain the outstanding legal-tender note circulation at the present volume, \$346,681,016. While there are daily redemptions a reserve of United States notes is kept on hand at all times. All the notes delivered to this office daily by the Bureau of Engraving and Printing are deposited in this fund, and charged to it at the time of delivery, and an amount equal to each day's redemption of United States notes is each day taken from the reserve fund and issued, thus keeping the volume outstanding at the amount required by law. This fund is kept separate from all other money in the vault by itself, and is in the custody of two officers, each having a combination unknown to the other.

The total amount of standard silver dollars coined under the Act of February 28th, 1873, to date is \$18,282,500, of which amount there is in the mints and offices \$13,359,877, and in circulation \$4,922,623. The amount of fractional currency redeemed since June 30th, 1877, is \$4,191,934.15. The total amount redeemed under the Act of Congress, approved April 17th, 1876, to October 30th, 1878, was \$25,297,539.29.

Since April 18th, 1876, there has been issued, of fractional coin, \$39,728,166.

The stock on hand amounts at this time to \$6,067,960.18. The amount paid out since June 30th, 1877, to date, is \$6,542,893. The amount of fractional silver paid out, at the several offices of the Treasury, from April 18th, 1876, to October 31st, 1878, amounted to \$39,728,166.

The receipts of public money by the depository banks during the fifteen fiscal years, from 1863 to 1878, amounted to \$3,308,750,346.80, or over \$220,000,000 a year, of which only \$255,000 stands on the books of the Treasury Department as unavailable by reason of the failure of any depository bank, and the Government has security for a large portion of the latter sum.

The operations of the National Bank Redemption Agency for the fiscal year again show an increased amount of work performed at a reduced expense. The number of National bank notes redeemed, assorted and charged to the banks of issue was 22,927,842, an increase of 182,294 over the number assorted in the preceding fiscal year. The expenses of assortment, under which head are included all of the expenses of redemption, with the exception of the charges for transportation, on the other hand, decreased from \$167,704.05 to \$144,521.88, a diminution of \$23,182.17, or nearly fourteen per cent. A saving was effected in every item of expense as compared with the preceding year.

The outstanding circulation of the National banks at the close of the fiscal year was \$324,514,284. The cost of redemption, when computed upon this amount, was considerably less than one-tenth of one per cent., or less than \$90 per annum for a bank of \$90,000 circulation. When weighed against the advantages flowing from a prompt and effectual system of redemption, this expense is scarcely worthy of consideration. The actual legal-tender reserve required to be maintained for circulation ranged from six per cent. for country banks to twenty-five per cent. for banks in the city of New York, with interest at six per cent. per annum.

Under the circular issued on the first of October last, requiring the parties making the remittances to defray the charges on all National bank notes forwarded for redemption, redemptions have been considerably reduced; but the order has not been in force long enough to warrant a conclusion concerning its permanent operation. Of \$210,390,437.56 in bank notes received for redemption, \$80,527,000, or 38.26 per cent., was received from the city of Boston, and \$66,273,000, or 31.48 per cent., from the city of New York—nearly seventy per cent. of the entire redemptions having been received from these two cities.

Under section 5,214 of the Revised Statutes there has been assessed and collected by the Treasurer from National banks since 1864, at an expense of not more than one-tenth of one per cent., \$86,045,771.11, as follows: on circulation, \$39,777,879.14; on deposits, \$40,332,341.43, and on capital, \$5,935,550.54. The highest amount of duty on circulation was received for the six months ended December 31st, 1873, being \$1,704,902.76. In the last six months it was \$1,492,224.57. The highest amount of duty on deposits was received for the six months ended December 31st, 1875, being \$1,782,161.52. In the last six months it was \$1,622,862.24. The highest amount of duty on capital was received for the six months ended December 31st, 1876, being \$341,986.96. In the last six months it was \$266,023.34. The total amount collected on the three items for the six months ended June 30th, 1878, was \$3,379,252.07.

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GREAT BRITAIN.—The Caledonia Bank of Glasgow decided, on December 3d, to go into liquidation, in consequence of its holding some of the stock of the City of Glasgow Bank. The other Scotch banks will take the Caledonia's notes and pay its depositors. Its general business is solvent, and it has a paid up capital of \$750,000 and deposits to the amount of \$5,215,000. Its paid-up capital is to be set aside to await the result of the liquidation of the City of Glasgow Bank.

## INSTRUCTIONS CONCERNING RESUMPTION.

### OPTIONAL PAYMENTS OF CHECKS UNDER THE RESUMPTION ACT.

TREASURY DEPARTMENT, WASHINGTON, D. C., December 14.

The following provision of law and instructions thereunder are published for the information and guidance of all concerned :

AN ACT to provide for the resumption of specie payments.

SECTION 3. And on and after the first day of January, Anno Domini eighteen hundred and seventy-nine, the Secretary of the Treasury shall 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 \$ 50.

As the effect of the above section will be to remove any practical difference in the value of coin and notes as a circulating medium after the first of January next, no distinction between them will be made in keeping, rendering or settling the accounts of public officers involving transactions which occur subsequently to that date.

Matured coupons of the United States and checks issued by the Treasurer of the United States for interest or principal of the public debt by law payable in coin will be paid by the Assistant Treasurer of the United States at New York upon presentation in coin, or, if the claimant prefers such coupons and checks, will be paid by the Assistant Treasurer or by any other independent Treasury officer in United States notes.

Such registered interest, payable by law in coin, as is paid on schedules at any other cities than New York, will also be paid the claimant in coin by check on the Assistant Treasurer of the United States at New York, which checks may be cashed in United States notes if the holder prefers, or, if the claimant prefers, such interest may be paid to him direct in United States notes by the officer charged with the payment of the schedule.

Any check or draft hereafter drawn in payment of a public obligation by law payable in coin will have that fact plainly noted thereon.

JOHN SHERMAN, *Secretary.*

## GOVERNMENT BALANCES IN NATIONAL BANKS.

The following letter from the Secretary of the Treasury was laid before the House of Representatives, on December 20th, with reference to the balance on loan accounts standing to the credit of the United States, in National banks :

I have the honor to acknowledge the receipt of the resolution of the House of Representatives, dated the 16th inst., as follows :

*Resolved*, That the Secretary of the Treasury be directed to inform this House, at the earliest day practicable after the close of the coming Congressional recess, whether there were any balances on loan account in cover standing to the credit of the Treasurer of the United States, in any National banks on the first day of March, 1876, and on the first of each succeeding month, to, and including, the first of January, 1879, and the names and locations of the banks which held such balances, and the amount held by each at the respective dates indicated, and in reply to state that there were no balances on loan account standing to the credit of the Treasurer of the United States, in any National bank, from March, 1876, to January, 1878.

A complete list of National bank depositaries with balances on loan account to the credit of the Treasurer of the United States, held by each, February 1,

1878, and on the first of each succeeding month to and including December 1, 1878, is herewith inclosed.

The House will be duly advised in another communication, of the balances on January 1, 1879, as soon as the returns from the respective banks shall have been received at the Department. These banks have been designated from time to time under the provisions of the Department circulars inviting all National banks of the United States to become financial agents of the Government, and depositaries of public money, for the special purpose of receiving deposits on account of subscriptions to the funded loan, and they were permitted, upon proper security, to hold the amount of any subscriptions made or obtained by them subject to the drafts or orders of the Department as occasion required for the payment of called bonds matured.

\* \* \* \* \*

No coin has been deposited with these banks, or any of them, by the Treasurer of the United States. These banks represent exclusively coin received for subscriptions made or obtained by the respective banks, and left on deposit during the running of the ninety days as required by law to be given for the payment of called bonds, partly to prevent the withdrawal of so large an amount from the channels of business, and partly as an inducement to these banks to act efficiently in procuring subscriptions.

The very large balances reported as held by the First National Bank of New York were caused by the temporary deposits of the proceeds of the four-and-a-half per cent. bonds sold through the Syndicate, of which the bank was a member, and also by the very large subscriptions of that bank to the four-per-cent. loan. The balances reported as due from the banks on the loan account are, however, to some extent nominal, the bonds furnished as security being largely made up of called bonds, which to all intents are a payment to their amount of the balance due, but cannot be credited to the bank until the bonds are carefully examined, the precise amount due on them ascertained, and certificates for the amount issued by the Treasurer. It is proposed to continue the same mode of deposit in aid of the sale of the four-per-cent. bonds during the next year, and attention is called to the recommendation in the annual report for a discretionary shortening of the period now required for calls.

Very respectfully, JOHN SHERMAN, *Secretary.*

The tabular report of balances in the different banks shows the aggregates for the months named, and the amounts held by the First National Bank and the National Bank of Commerce, of New York, and by the Maverick National Bank, of Boston, to be as follows:

Month.	Aggregate.	First National Bank of New York.	National Bank of Commerce.	Maverick Nat. of Boston.
February.....	\$ 28,078 19	—	—	—
March.....	299,195 94	—	\$ 125,867 25	\$ 50,153 43
April.....	3,023,069 31	\$ 2,511,638 40	249,562 36	100,600 01
May.....	20,732,025 94	19,566,652 35	279,938 93	351,082 21
June.....	21,108,168 95	15,865,082 85	2,052,481 82	1,004,369 91
July.....	40,041,930 90	32,655,492 85	3,931,852 16	940,071 31
August.....	50,095,737 36	36,875,220 35	4,859,434 66	2,427,910 01
September.....	60,161,031 03	41,914,915 85	6,006,446 02	3,393,049 27
October.....	64,207,814 63	45,097,661 95	6,107,075 63	3,302,212 50
November.....	43,287,228 50	28,892,882 91	3,590,745 04	2,392,204 10
December.....	32,446,483 91	15,404,242 16	1,973,187 84	2,958,423 04

The list embraces seventy-three depositaries, but, excepting the above named, there are but few instances where an amount exceeding one million of dollars was held.

## THE EXCHANGE OF STANDARD SILVER DOLLARS.

*Circular from the Secretary of the Treasury.*

TREASURY DEPARTMENT,  
 WASHINGTON, January 1, 1879. }

The Treasurer of the United States has been directed, upon the receipt by him from any person of a certificate issued by any Assistant Treasurer, designated depository, or National bank designated as a public depository of the United States, stating that a deposit has been made to his credit in general account of the sum of \$1,000 (that being the smallest amount shipped by express at Government rates), or any multiple thereof, to cause a shipment to be made from some mint of the United States, to the person in whose name the certificate is issued for a like amount of standard silver dollars, the expense of transportation to be paid by the mint. Until further notice, upon receipt by the Treasurer of the United States of United States notes or National bank notes sent for redemption, in multiples of \$1,000, standard silver dollars will be returned under the provisions of this circular.

It is expected that the coin furnished as above, will be put into circulation by being furnished to public disbursing officers, and to all persons or corporations who desire it for use or distribution as current money. The Assistant Treasurers of the United States are also authorized to use the standard silver dollars in their vaults for the general purpose approved in this circular.

United States disbursing agents and paymasters who obtain funds for disbursement from Assistant Treasurers or depositories, are requested to procure standard silver dollars, when practicable, for disbursement. Shipments, as above indicated, however, will be made only to points in the United States reached through established express lines by continuous railway or steamboat communications.

JOHN SHERMAN, *Secretary.*

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## GRACE ON SIGHT BILLS.

1. The statute of this State (Indiana) reads: "On all bills of exchange payable within this State, whether sight or time bills, three days grace shall be allowed." Would a draft drawn as follows be considered a "sight" bill, on which grace should be allowed:

*"Pay to the order of A. B. one hundred dollars for value received, and charge to account of*

*"To E. F., Indianapolis, Ind.*

*C. D."*

2. Suppose the words "on demand" were inserted before the word "pay," would the paper then be a "sight" bill?

3. Is the maker of a promissory note entitled to grace on such a note, whether it be payable in bank or not?

REPLY.—1. This bill is not a "sight" bill, but, no time of payment being mentioned, is payable on demand. In the law merchant there is this difference between a bill payable at sight and one payable on demand, viz.: that grace is allowed on the former and not on the latter. The Indiana statute, however, says that grace shall be allowed upon "all bills," and it appears to be its intention to include bills payable on demand under the head of "sight" bills. We have seen no construction of this statute by the courts of Indiana, but, in the absence of such construction to guide us, we think that grace should be allowed in this case.

2. No.

3. No. The statute says nothing about promissory notes, and, the fact that the note is payable in bank, has no legal effect in this connection.

## BANKING AND FINANCIAL ITEMS.

**LEGAL-TENDER NOTES** of the denominations of \$5,000 and \$10,000, are to be issued after January, 1, 1879. They differ somewhat in appearance from the legal-tender notes now in circulation; the size of the notes will, however, be the same. The \$5,000 note has a portrait of Madison at the left, and a lathe-work panel in the right center, with the figures \$5,000 engraved upon it. Underneath are the signatures of the Register of the Treasury and the Treasurer of the United States. The legend and the Treasury seal, printed in red, are in the center. The figures 5,000, engraved with classical statues upon their faces, are in the upper center in a gold tint, and the numbering panels are of the same color. The \$10,000 note is modeled upon the same design, except that the head of Jackson is used instead of that of Madison, and the lathe-work is of a different pattern. The back of the \$5,000 note has a large vignette, with a cliff in the foreground, upon which is an eagle with outstretched wings, standing upon a shield. On the right is an expanse of water, with a ship in the horizon. Some pine trees and the dome of the national capitol are on the left. A lathe counter, with 5,000 engraved upon it, is upon each end, and the legend, in fine lettering, is just outside of those counters. The vignette on the \$10,000 back is bolder. A large circle is in the upper right hand corner, with the letter "X" with a dash over the top, indicating the value of the note, and each letter of the word "America" in the lower center has engraved on its face the full title, "United States of America."

**CALLS OF FIVE-TWENTY BONDS**—The seventy-third call was issued November 27th by the Secretary of the Treasury for the redemption of five millions of dollars of 5-20 six per cent. bonds of 1865, upon which the interest will cease on the 26th day of February, 1879. The bonds outstanding and represented by the numbers mentioned were issued under the Act of March 3rd, 1865, and are dated July 1, 1865. The following are the numbers called, all inclusive:

*Coupon Bonds.*—\$100, Nos. 142,001 to 146,000; \$500, Nos. 102,001 to 104,000; \$1,000, Nos. 197,001 to 200,000. Total coupons, \$2,000,000.

*Registered Bonds.*—\$100, Nos. 19,223 to 19,260; \$500, Nos. 11,280 to 11,320; \$1,000, Nos. 39,001 to 39,300; \$5,000, Nos. 12,351 to 12,700; \$10,000, Nos. 24,121 to 25,350. Total registered, \$3,000,000. Aggregate, \$5,000,000.

The seventy-fourth call was issued December 9th, and the seventy-fifth on the 18th. The following are the numbers of bonds called, all inclusive:

Seventy-fourth call, dated December 9th, 1878. Matures March 9th, 1879.

*Coupon Bonds.*—Dated July 1st, 1865, \$100, Nos. 146,001 to 147,000; \$500, Nos. 104,001 to 105,000; \$1,000, Nos. 200,001 to 204,000. Total coupon, \$2,000,000.

*Registered Bonds.*—\$100, Nos. 19,261 to 19,279; \$500, Nos. 11,321 to 11,326; \$1,000, Nos. 39,301 to 39,304; \$5,000, Nos. 12,701 to 12,704; \$10,000, Nos. 25,351 to 25,700. Total registered, \$3,000,000.

Seventy-fifth call, dated December 18th, 1878 Matures March 18th, 1879.

*Coupon Bonds.*—\$100, Nos. 147,001 to 148,720; \$500, Nos. 105,201 to 106,695; \$1,000, Nos. 204,001 to 210,542. Total coupon, \$2,439,250.

*Registered Bonds.*—\$50, Nos. 2,494 to 2,503; \$100, Nos. 19,280 to 19,297; \$500, Nos. 11,327 to 11,337; \$1,000, Nos. 39,305 to 39,316; \$5,000, Nos. 12,705 to 12,722; \$10,000, Nos. 25,701 to 26,586. Total registered, \$8,556,850. Aggregate, \$11,996,100.



**VERDICT AGAINST A BANK PRESIDENT.**—A suit of John F. Bissell against Dorr Russell was tried in December in the Supreme Court Circuit, New York City. The plaintiff is a farmer, and the defendant was President of the Loaners' Bank. The complaint charges that the defendant, by false representations as to the soundness of the bank, induced plaintiff to invest \$5,000 in its stock; whereas the bank was insolvent, and failed in May, 1876, with a deficiency of \$325,000. The plaintiff sued for damages to the amount of \$15,000 for the alleged deceit and fraud. It appears that the bank was started when William M. Tweed was in power, with a charter giving it illegal powers. The Receiver has declared no dividend, and none is expected except five-per-cent. The answer in the suit was that the defendant made no false representations, and that the plaintiff acted on his own judgment. A verdict of \$6,108 was given to plaintiff.

**DISTRICT OF COLUMBIA.**—The result of the suspension of the German-American Bank of Washington City, will be the loss, by the stockholders, of their entire investment, and it is understood that they will be assessed for about \$15,000 additional to make up further deficiencies. The capital is \$130,000, and the assets \$305,642. The debts are about equal to the assets, and it will cost \$15,000 additional to wind up the bank.

**GEORGIA.**—The Legislature of Georgia has passed a law, which was approved by the Governor, December 11, which authorizes the municipal authorities of any incorporated city or town in the State to compromise and settle its bonded debt. The act provides that where there are outstanding bonds and coupons of any incorporated town or city of the State, whether due or to become due, it shall be lawful for the municipal authorities of such town or city to issue new bonds with coupons attached, to be exchanged for such outstanding bonds and coupons; provided that the new bonds so issued shall not exceed in amount the previously outstanding total bonded debt, with interest thereon. The act authorizes the municipal authorities of any city or town to pass any ordinance to provide for the issuance and exchange of such new bonds to stand in the place and stead of outstanding bonds and coupons, and to determine the mode and method of such issuance and exchange and to fix the length of time such new bonds shall run and the rate of interest they shall bear. It also authorizes the establishing of a sinking fund for the redemption of such bonds and to create a commission for the management of such fund, to consist of not less than three nor more than five persons.

**EXECUTIVE PARDONS.**—In May, 1877, James L. Chapman, formerly cashier of the Farmers and Mechanics' National Bank of Hartford, Connecticut, was sentenced to State Prison at Weathersfield for five years for embezzlement of the bank's funds. On December 22d he was pardoned by President Hayes on a petition of numerous citizens.

On December 23d, pardons were granted by Governor Carroll to Felix A. Savin, who was cashier of the Union Banking Company of Baltimore, which failed some time since, and Marcus D. Savin, his brother, of New York City. They were indicted for conspiracy to defraud Sargent Bros. of New York by fraudulent certificates of deposit of the Union Banking Company, and were convicted and sentenced to one year's imprisonment, which would have expired in March next.

**BANK NOTES STOLEN.**—The Comptroller of the Currency has received a letter from the National Bank of Pontiac, Illinois, stating that a package of new five dollar notes, amounting to \$600, had been stolen. The bank numbers of these notes are 711 to 740, inclusive, and the Treasury numbers 252,081 to 252,110, inclusive. These notes were signed by the officers of the bank. There were also stolen at the same time, \$600 of five dollar notes, bank numbers 741 to 765, inclusive. Treasury numbers, 252, 111 to 252, 135, inclusive. These latter notes were unsigned, and their redemption will be refused at the Treasury Department and at the counter of the bank.

INDIANA.—The Indianapolis Savings Bank has suspended, and goes into liquidation. It has 3,000 depositors, and its statement shows \$260,000 assets and a nominal surplus of \$7,000. The bank, it is thought, will pay fully 75 per cent., and it is now paying the depositors 25 per cent. of their claims.

NEW HAMPSHIRE.—The Hon. Mason W. Tappen, Attorney-General of New Hampshire, in reply to a communication from the Bank Commissioners, has given the opinion that Savings banks have no authority under their charter to carry on a special deposit business for the accommodation of business men who desire their notes discounted and checks made and cashed for their convenience; nor have the officers of such institutions any right to carry on a private banking business, using therefor the regular deposits of their banks. To such practices, he says, are largely due the losses and misfortunes that have overtaken several Savings banks in the State during the past few months. The Attorney-General deems it a part of the business of the Commissioners to report all cases that may hereafter occur to some Justice of the Supreme Court, that such action may be taken as public safety may require.

*Savings Bank Failure.*—The Penacook Savings Bank at Fisherville, N. H., failed December 2d, and its doors were closed by the Bank Commissioners. The failure was caused by the recent suspension of Messrs. Henry F. Brown and D. Arthur Brown at Fisherville, and by losses in other directions. The liabilities of the bank are: To depositors, \$284,718; surplus, \$7,047; while the nominal assets are \$297,319.

Nearly one-half of the resources of the institution are invested in personal and collateral securities. There is connected with the bank a private banking house, operated by Messrs. Samuel F. Brown, Treasurer of the institution, and John S. Brown. This private firm has, it is alleged, used the funds of the Savings bank in operations which the law does not allow Savings institutions to pursue. The Bank Commissioners are decidedly opposed to the connection of private banking houses with Savings institutions; but they say in this case all their investigations have proved honorable and honest conduct on the part of Samuel F. and John S. Brown.

OHIO.—The banking house of C. F. Adae & Co. suspended on the afternoon of December 18. The firm had sustained a steady drain upon its deposits for the past year, and as there was apparently no prospect of a change in its affairs an assignment was made to Augustus A. Bennett and Philip H. Hartman. The liabilities are stated at \$780,000, of which amount \$680,000 is in time certificates and the remainder due on call. The assets are stated nominally at \$400,000. All demands were paid over the counter up to 3.15 o'clock, and the firm had about \$8,000 to its credit at the Clearing House at the close of business. The creditors of the firm are mostly Germans, and are numbered by hundreds. Great excitement prevailed among them.

MISQUOTATION.—A paragraph in our December number attributed to the New York *Journal of Commerce* an utterance which was in fact that of the Boston *Commercial Bulletin*. The mistake was aggravated by our allusion to the opinion as that of a "leading organ of the commercial interests, etc." We beg pardon of the vivacious and sagacious contemporary whose name was omitted, and now take pleasure in placing the cap upon the right head.

CANADA.—The following dividends for the last half year are announced since our last issue: Eastern Townships Bank, Sherbrooke. P. Q., 3½ per cent.; Union Bank of Lower Canada, 2 per cent.; Exchange Bank of Canada, 3 per cent.; Banque Ville Marie, 3 per cent.

*Montreal.*—At the annual meeting of the shareholders of the Banque Jacques Cartier, held December 19th, the statement submitted showed a deficit of \$209,000 in assets from the previous annual account. A reduction of capital from \$1,000,000 to \$600,000 was recommended.

"ORGANIZATION OF THE TREASURY DEPARTMENT."—The article under this heading upon page 534 of our present number, is a chapter from a forthcoming *Financial History of the United States*, by Hon. A. S. Bolles, of Norwich, Conn.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from December No., page 479.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ARK.	Hot Springs ... \$25,000	Bank of Hot Springs..... A. B. Gaines, <i>Pr.</i> Van L. Runyan, <i>Cas.</i>	National Park Bank.
DAK.	Sioux Falls ....	Citizens' B'k, (Robt. Nation & Son.)	First Nat. B'k, Chicago.
IND	Valparaiso .... \$50,000	Farmers National Bank ... Joseph Gardner, <i>Pr.</i> George F. Bartholomew, <i>Cas.</i>	Metropolitan National Bank.
IOWA	Sheldon .....	A. W. Sleeper & Brother..	.....
MASS	Marlborough ... \$100,000	People's National Bank.... Elbridge Howe, <i>Pr.</i> John L. Stone, <i>Cas.</i>	.....
MINN.	Moorhead.....	Bruns & Finkle.....	First National Bank, St. Paul.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from December No., page 480.)

	Bank and Place.	Elected.	In place of
N. Y. CITY.	Produce Bank.....	J. F. Satterthwaite, <i>Pr.</i>	S. Conover.
	Oakland Bank of Savings.....	W. W. Garthwaite, <i>Cas.</i>	C. Roberts.
	Bank of Ventura..... San Buenaventura }	Thomas R. Bard, <i>Pr.</i>	L. Snodgrass.
ILL.	Second Nat'l Bank, Galesburg.	O. T. Johnson, <i>Act'g Cas.</i>	W. Arnold.
IND	First Nat'l Bank, Kendallville..	J. G. Waltman, <i>Cas.</i>	E. H. Schulze.*
IOWA	German Bank, Dubuque.....	A. Kammann, <i>V. P.</i> ..... P. J. Lee, <i>Cas.</i> .....	J. Christman. L. Boisot.
KY.	First National Bank, Louisville	Frank P. Schmitt, <i>Cas.</i>	R. M. Cunningham*
	German Nat'l Bank, "	C. S. Mueller, <i>Cas.</i>	G. Vissman.
MAINE	Ocean Nat'l Bank, Kennebunk.	Joseph Dane, <i>Pr.</i>	J. Titcomb.
MASS.	Quinsigamond N. B., Worcester	Edward L. Davis, <i>Pr.</i>	I. Davis.
MICH.	National City Bank, Marshall..	John R. Bentley, <i>Cas.</i>	S. V. R. Lepper.
MO.	Greene Co. N. B., Springfield..	Charles E. Harwood, <i>Pr.</i>	W. J. McDaniel.
NEB.	Kearney State Bank, Kearney..	C. E. White, <i>Cas.</i>	.....
N. Y.	Manufacturers' N. B., Brooklyn	John M. Furman, <i>Pr.</i>	G. Mahon.
OHIO	Bank of Akron, Akron .....	George W. Crouse, <i>Pr.</i> ..... George T. Perkins, <i>Cas.</i> .....	G. T. Perkins. .....
	First Nat'l Bank, New Lisbon..	J. F. Benner, <i>Pr.</i>	J. McDonald.
PENN.	Columbia National Bank....	Samuel Schock, <i>Pr.</i>	G. Bogle.
	Columbia }	Simon C. May, <i>Cas.</i>	S. Schock.
	First Nat'l Bank, Glen Rock..	Charles Fry, <i>Pr.</i>	J. V. Hoshour.
	National Bank of Kutztown....	John G. Wink, <i>Pr.</i>	J. H. Fogel.
TENN.	First National Bank, Nashville.	Samuel J. Keith, <i>Pr.</i>	M. Burns.
PR. ONT	Bank of Montreal, Brockville..	W. J. Anderson, <i>Mgr.</i>	C. Brough.

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Authorized to December 24, 1878.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2403	Farmers' National Bank..... Valparaiso, IND.	Joseph Gardner.... George F. Bartholomew,	\$50,000	\$30,000
2404	Peoples' National Bank..... Marlborough, MASS.	Elbridge Howe..... John L. Stone,	100,000	50,000

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from December No., page 481.)*

- ILL.... Kane..... Casey & Leigh; failed.  
 IND ... Indianapolis... Indianapolis Savings Bank; suspended.  
 " .. Lima..... J. C. Kinney; closing business.  
 IOWA... Council Bluffs.. Pacific National Bank; voluntary liquidation.  
 N. H... Fisherville..... Penacook Savings Bank; failed—closed by Commissioners—  
 deposits scaled down thirty per cent.  
 N. Y... Saratoga Spr'gs. Commercial National Bank; suspended.  
 " .. " .. First National Bank; suspended.  
 OHIO... Cincinnati..... German Savings Institution (C. F. Adae & Co.); suspended.  
 PENN... Beaver Falls.... Barker Bros.; going out of business.  
 " .. Wilkes-Barre... Wilkes-Barre Savings Bank; winding up.  
 PR. ONT Aylmer..... Daniel Stewart; failed and closed.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from December No., page 481.)*

- ARK.... Hot Springs... Gaines & Walker; succeeded by Bank of Hot Springs.  
 ILL.... Evanston..... T. C. Hoag & Co.; now T. C. Hoag.  
 IND ... Fort Wayne... First National Bank; capital reduced to \$300,000.  
 " .. Valparaiso..... Joseph Gardner (Valparaiso Savings Bank); succeeded by  
 Farmers' National Bank.  
 KY.... Louisville..... Quigley & Green; now John W. & D. S. Green.  
 " .. Versailles..... J. Amsden & Co.; now chartered as B'k of J. Amsden & Co.  
 MASS. . Boston..... Fogg Brothers & Co.; J. E. Nichols retires. Remaining  
 part. continues, same style.  
 MICH... Big Rapids .... Fairman & Potter; now F. Fairman.  
 NEB.... North Platte... McDonald & Walker; now Charles McDonald.

## THE PREMIUM ON GOLD AT NEW YORK.

NOVEMBER—DECEMBER, 1878.

1877.	Lowest.	Highest.	1878.	Lowest.	Highest.	1878.	Lowest.	Highest.
December...	2½	3¾	Nov. 27	⅞	¾	Dec. 12	⅞	¾
			28	Holiday.		13	⅞	¾
1878.			29	⅞	¾	14	⅞	¾
January.....	1¼	2¾	30	⅞	½	16	⅞	¾
February....	1¾	2¾	Dec. 2	¾	½	17	—	¾
March.....	¾	2	3	¾	¼	18	—	—
April.....	¾	1¾	4	¾	¾	19	—	—
May.....	¾	1¾	5	¾	¾	20	—	—
June.....	¾	1	6	¾	¾	21	—	—
July.....	½	¾	7	¾	¾	23	—	—
August.....	½	¾	9	¾	¾	24	—	—
September..	½	½	10	¾	¾	25	—	—
October.....	¼	1¾	11	¾	¾	26	Holiday.	—
November..	¾	½						

## NOTES ON THE MONEY MARKET.

NEW YORK, DECEMBER 23, 1878.

*Exchange on London at sixty days' sight, 4.83 a 4.83½ in gold.*

Secretary Sherman and Treasurer Gilfillan have been in conference with the bank officers of this city, and with Assistant Treasurer Hillhouse, on the preliminary arrangements for resumption; and their belief appears to be that the transition to the specie basis at the time appointed by law, can be successfully made without any of those evils which have been anticipated, and with a prospect of a new impulse to financial and industrial activity throughout the country.

The monetary movements usual at this season have given a firmer tendency to the loan market and there is some decrease in the legal reserves. This change is only temporary and is due to well-known causes. The chief topic of interest, next to the decline of gold to par, is the state of the foreign demand for American securities. The opinion is gaining ground that the distress prevalent among the industrial classes in England and on the Continent of Europe must of necessity retard the growth of the foreign market for all but the best descriptions of our bonds. In the general movements of the money market the opening of the new session of Congress has produced less excitement than in some previous years resulted from crude schemes of finance which emanated from influential members and were embodied in various bills presented to the House. It seems to be tacitly understood by the chief Committees of both branches of Congress and by the leaders of all parties that no financial legislation of much importance is likely to be perfected during the third session of the forty-fifth Congress. What the next Congress will do it is impossible to foresee, as so large a proportion of its members have been elected for the first time. Any anticipated trouble from this source is regarded however as too distant to exert any perceptible influence in the present sensitive condition of the money market. Call loans have ranged from three to seven per cent. and prime commercial paper passes at five to six per cent. with exceptional transactions at higher and lower rates. The averages of the New York City banks compare as follows with former returns:

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Circulation.</i>	<i>Deposits.</i>	<i>Excess of Reserve.</i>
1878.						
Nov. 30.....	\$ 236,438,400	\$ 22,967,400	\$ 41,275,700	\$ 20,007,000	\$ 206,797,200	\$ 12,543,800
Dec. 7.....	239,815,500	20,169,700	39,961,000	20,058,200	207,058,600	8,366,050
" 14.....	238,047,200	20,882,900	40,478,500	20,141,600	206,134,400	9,827,800
" 21.....	235,974,100	20,911,500	39,600,000	20,077,000	203,625,600	9,605,100

The Clearing-House statement of the Boston banks for the same time is sub-joined :

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
1878.					
Nov. 30.....	\$ 126,898,500	\$ 2,862,400	\$ 8,655,500	\$ 78,650,200	\$ 25,311,400
Dec. 7.....	127,376,300	2,779,900	8,112,900	78,215,300	25,400,000
" 14.....	127,483,800	2,630,500	7,483,500	77,957,000	25,397,200
" 21.....	128,659,700	2,659,900	7,296,300	78,690,400	25,424,700

The Philadelphia bank exhibit for the same period is as follows :

	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
1878.					
Nov. 30.....	\$ 57,461,311	\$ 1,946,959	\$ 13,022,453	\$ 45,144,517	\$ 11,395,817
Dec. 7.....	57,714,763	1,996,059	12,740,471	44,816,112	11,386,822
" 14.....	57,353,628	2,056,397	12,640,356	44,240,055	11,384,275
" 21.....	57,107,459	2,168,142	13,220,333	44,650,121	11,379,546

The stock market shows considerable strength on a limited volume of transactions. In governments an active business has been done in addition to the large subscriptions to the four per cents. The calling in of all the five-twenties of 1865 leaves the 1867s next to be called, and the holders of these are naturally uneasy and anxious to sell their bonds while yet at a premium. The seventy-fifth call for the redemption of five-twenty bonds, made by the Secretary of the Treasury, December 18th, is for \$10,996,100, embracing the whole of the remaining five-twenties of 1865, which are now outstanding. The principal and interest will be paid March 18th, 1879, and the interest will cease on that day.

In State bonds there is more doing. Louisiana consols have been in demand at 72-72 1-2. North Carolina at 18 1-2@18 5-8 and district of Columbia 3.65s at 78 7-8. Railroad bonds are dull but firm. Railroad shares are less excited and there is more demand for the investment shares in small lots. Below are our usual quotations :

QUOTATIONS :	<i>Nov. 25.</i>	<i>Dec. 2.</i>	<i>Dec. 9.</i>	<i>Dec. 16.</i>	<i>Dec. 23.</i>
Gold.....	100½ ..	100½ ..	100½ ..	100½ ..	100½ ..
U. S. 5-20s, 1867 Coup.	105½ ..	106 ..	105½ ..	106 ..	105½ ..
U. S. 10-40s Coup.....	107½ ..	107½ ..	107½ ..	108½ ..	107½ ..
West. Union Tel. Co..	95¾ ..	95¾ ..	94¾ ..	94¾ ..	92¾ ..
N. Y. C. & Hudson R.	111¾ ..	111¾ ..	112¾ ..	110½ ..	111¾ ..
Lake Shore.....	69½ ..	69¾ ..	68½ ..	69¾ ..	69¾ ..
Chicago & Rock Island	117½ ..	117¾ ..	118 ..	118 ..	119½ ..
New Jersey Central...	30¾ ..	28¾ ..	26¾ ..	30¾ ..	33¾ ..
Del. Lack. & West...	48½ ..	46¾ ..	41¾ ..	43¾ ..	42¾ ..
Delaware & Hudson...	42 ..	36½ ..	34½ ..	37¾ ..	37 ..
North Western.....	45¾ ..	47¾ ..	46¾ ..	47¾ ..	48½ ..
Pacific Mail.....	15¾ ..	14¾ ..	12¾ ..	14¾ ..	14¾ ..
Erie.....	18¾ ..	18¾ ..	18¾ ..	18¾ ..	18¾ ..
Call Loans.....	3 @ 3¼ ..	3 @ 4 ..	3 @ 3½ ..	3 @ 6 ..	4 @ 6 ..
Discounts.....	5 @ 6 ..	5 @ 6 ..	5 @ 6 ..	5 @ 6 ..	5 @ 7 ..
Bills on London.....	4.81 -4.81½ ..	4.81 -4.81½ ..	4.83 -4.83½ ..	4.82¾-4.83 ..	4.83 -4.83½
Treasury balances, cur.	\$ 47,391,791 ..	\$ 45,258,533 ..	\$ 46,400,351 ..	\$ 46,532,406 ..	\$ 48,019,533
Do. do. gold.	\$ 127,468,515 ..	\$ 126,007,534 ..	\$ 122,482,699 ..	\$ 121,198,959 ..	\$ 119,138,690

Subjoined are the London quotations of to-day compared with previous reports :

Quotations in London.	Dec.				— Quotations since Jan. 1, 1878. —	
	6.	13.	20.	23.	Lowest.	Highest.
U. S. 6s, 5-20s, 1867	108¾	105½	104¼	104¼	104¼ Dec. 20	109½ June 8
U. S. 5s, 10-40s	110	109¾	110	109¾	104¼ Feb. 25	111½ July 30
5s of 1881	108¾	108½	108½	108½	103¾ Mar. 1	109¾ July 9
New 4½ per cents.	106¾	106½	106¼	106½	102½ Feb. 25	107¾ July 30

The receipts of National bank notes for redemption last week, as compared with the corresponding period last year, are as follows :

	1877.	1878.
New York	\$ 834,000	\$ 578,000
Boston	2,283,000	1,041,000
Philadelphia	149,000	56,000
Miscellaneous	853,000	491,000
Total	\$ 4,119,000	\$ 2,166,000

The banks throughout the country have just received notice of the assessments due to the U. S. Redemption Bureau for the year ending June 30th, 1878, with statements as usual of the total cost of the bureau and chargeable in proportion to the amount of business done for each bank. It has long been a subject of general complaint, that the expenses of carrying on the bureau are unreasonably large and need to be promptly curtailed. Of course, so far as the recent modification in the transportation charges go there is an improvement, but the general expenses of the bureau, which still appear under the head of "contingent expenses, costs for assorting, &c.," remain the same, and the banks still respond to the request to "remit the amount charged" without any voice in the arrangement, or even a detailed knowledge of the manner in which such expenses are incurred.

As this matter lies in a direct line of the duties of the American Bankers' Association we have made inquiry and find that an investigation and report on this subject is in preparation for the executive council. In order to show the grounds of the opinion as to the extravagance of the redemption business as now carried on, a comparative statement has been compiled of the cost of the bureau just reported for the year 1876-7 from Washington, as compared with the cost of the same service performed by the old Suffolk Bank in 1857—when it was recognized as the agent for the redemption of the banks of New England under the old State bank system, and when it paid the largest sum it ever disbursed for this purpose. The whole of the government expense of redemption bureau for the year 1876-7 is reported as follows: For salaries, \$150,695.68; printing and binding, \$6,604.30; stationery, \$3,818.10; postage, \$3,716.66; contingent expenses, \$2,869.31; total expense, \$167,704.05. This expense was incurred in redeeming \$214,361,300 under the head of "costs for assorting." Now the Suffolk Bank in 1857 redeemed bank notes of the value of four hundred millions of dollars and the entire cost of the work amounted to \$40,000. The disproportion is apparent.

In mercantile and banking circles there are conflicting opinions on the prospects of financial legislation. As stated above, it is believed in Washington, and by the best authorities here, that for various reasons, Congress can scarcely be expected during this session to give much attention to the various projects for disturbing our banking system, either by repealing the

National currency law or by taking off the tax on bank notes, or by some fundamental legislation curtailing the privileges of National banks. It appears that while several influential senators and representatives may be expected at any time to begin such a discussion in earnest, it is inspired and pushed by speculators in different parts of the country who find the safeguards of the National banking law too irksome and conservative. They would repeal these safeguards in order that they may set up real-estate banks and other wild-cat institutions. With these men are united others who foresee that with the National banks out of the way and a multitude of State and local banks in full operation, large profits may be made by skillful capitalists and sagacious brokers. Indeed, it is reported that some persons who are interested in National banks in the South and West are themselves quietly urging on the movement, for the reason that they too would like to launch out into some new and more extensive business, especially as the National, private and other banks have made but small profits in the last year or two. On the whole the evidence tends to show that there are conservative forces at work in Congress which in various ways will ward off much of the expected financial agitation and postpone it till the close of the session, or even longer. The Treasury holds \$ 348,940,000 in United States bonds to secure bank circulation, and \$ 13,933,300 in United States bonds to secure public deposits. The United States bonds deposited on account of subscriptions to the four-per-cent. loan last week amounted to \$ 3,703,400.

The investigation of the affairs of the failed West of England and South Wales Bank, shows that its paid up capital of £ 750,000, and surplus of £ 188,527 are lost, and that the shareholders will also be called on for £ 300,000 to make up the deficiency of means to pay its debts. According to the latest published returns, its debts were £ 4,394,596, and it will be extraordinary if the deficiency does not prove to be far larger. Its business was principally in the iron-producing districts, and no interest in England has suffered more than the iron interest.

The London *Statist*, of December 7th, says:—

“ Treasury bills were allotted this week at the rate of  $3\frac{1}{8}$  per cent. for three months, and  $3\frac{1}{2}$  per cent. for six months. These are the highest rates we remember, with the exception of last October. The Government have been able to borrow, by means of Treasury bills, at such low rates as one to two per cent., repeatedly. Under these circumstances, and with an accumulated floating debt of over twenty millions sterling, it becomes a matter of good policy to issue consols and to fund some of the Government bills and bonds now afloat.”



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FOUR-PER-CENT. BONDS FOR EUROPE.

The refunding of the American Federal debt into bonds bearing a lower rate of interest is one of the remarkable achievements in finance which deserves to rank with the payment by France of the indemnity to Germany. Like the resumption of specie payments, of which we wrote in our last number, it is eminently calculated to impress the minds of the statesmen, the publicists, and the practical financiers of the old world. All these classes have been ready enough, in the past, to admit the great resources, the inherent wealth of the United States; but it has been fashionable, especially in England, to charge us with great ignorance in the development and handling of these resources. We have, it has been grudgingly admitted, grown rich in spite of the grossest fiscal maladministration, and the most systematic violation of established financial laws. It is not our purpose, in this connection, to defend either the revenue systems, nor the financial administration which have, with greater or less coherence and consistency, dominated in the past history of this country. They have been sometimes good and sometimes bad. They have, no doubt, been less consistent and progressive than they would have been under a different system of government and of administration. A popular Congress, elected by universal suffrage, and the elements of which are undergoing constant change, under the process of biennial elections, is not the best political body to deal with recondite subjects, like revenue and finance. It too often reflects the local prejudices and class interests of the constituencies repre-

sented, and its conclusions are either the triumph of the stronger of such interests, or compromises by which two wrongs are made to balance each other. The proceedings of the Ways and Means Committee on the Tariff are a continuous record of such triumphs and compromises. Neither, on the other hand, is our method of administration altogether favorable to the inculcation and growth of sound financial opinions. Cabinets are, in this country, usually made out of whole cloth. It is rather a disqualification, than otherwise, for a Secretary to have served under any preceding Presidential chief. There are, therefore, no administrative traditions which are passed on from cabinet to cabinet, of the same political party, such as obtain in England, France, and other European Constitutional Governments. There is, also, very little of that ministerial training which is so marked a feature in English politics, where the same statesmen constantly appear and reappear in the cabinet councils of their party through a long career of public life.

This absence of traditions is more true of the Treasury than of any other department of the Government, because its province covers, more than that of any other department, the debatable subjects which have always in our politics divided parties, sections, and individuals. A still further reason for incoherent legislation on the class of subjects which we are considering, is, that Congress arrogates to itself, to a far greater degree than the British Parliament, or the French Chambers, the shaping of fiscal legislation. In England, all such pieces of law making are introduced by the Government itself, through its Ministers on the floor; and the fashioning of them is generally left to experts belonging to the department from which the measure emanates. There are, thus, brought into use the ripe fruits of learning, of experience, of legal acumen, and the careful preparation which characterizes a government office as contrasted with a Congressional, and therefore, partisan, committee-room.

Seeing how widely our methods of legislation differ from their own, it is not surprising that foreign statesmen hold in less esteem than they ought to do the results which have followed from our dissimilar processes. There is a point, however, where processes are forgotten in the magnitude of results, and that point the United States is fast reaching. Europe perceives, with some amazement, that our perverted fiscal system has made us the cheapest producers, not only of great staples, but of many manufactured goods now existing in the world; that we have, in spite of a debauchery of paper money such as never before intoxicated a nation, regained our sober habits and accomplished what no other nation ever accomplished, a return from gold at 280 to gold at par; that in the heat of a destructive civil war we established a banking system so strongly and skillfully devised that

it has resisted not only this extreme fluctuation in the value of the precious metals (measured in paper), but the almost entire destruction of credit and the revolution in prices which followed the crisis of 1873; and, last of all, Europe witnesses the success of our measures for refunding the public debt into bonds bearing a rate of interest only two-thirds as great as those paid off. We doubt if there is any instance in history in which so great a reduction of burdens has ever been accomplished by voluntary agreement between a nation and its creditors (for such in effect it is) as the reduction of our six per cents to four and four-and-a-half per cents. Such reductions have been submitted to by the creditors of nations who threatened repudiation as an alternative, as in the case of the Austrian debt; but we doubt if any nation has ever before been able to force the acceptance of such a reduction by the threat of payment.

In France they are agitating a conversion of the five per cents issued during the Prussian war into bonds bearing a lower rate of interest, and inquiries have recently been received here from financiers in Paris of high authority, as to the details of our funding operations. It is, however, by no means certain that the French conversion can be carried out. It is reported that the measure will be opposed in the Chamber of Deputies, and that M. Léon Say will admit that he considers such a conversion inopportune in the present circumstances, and impossible for a long time to come.

The fruits of the high opinion now entertained in Europe of the United States and its credit, have been, within the past fortnight, manifested, in the formation of a new home and foreign syndicate, to purchase a large amount of our four-per-cent. bonds, for the European market. This new syndicate, the composition of which is mentioned elsewhere, has agreed to take \$10,000,000 of the bonds at once, and \$5,000,000 more in each month till July 1; with an option, on the 30th of June, to take all bonds of this issue then remaining unsold. The bonds which Secretary Sherman has the right to call in under existing laws, are (January 23) of the 5-20s of 1867, \$200,616,450; of the 5-20s of 1868, \$37,465,300; of the 10-40s, \$194,566,300; total, \$432,648,050. If the funding at home goes on as rapidly as since the first of January, there will be nothing left to fund on the 1st of July. The bonds then refunded will amount to fourteen hundred millions of dollars, of which five hundred millions will be sixes converted into fives, two hundred millions sixes converted into four-and-a-halves, about five hundred millions sixes converted into fours, and two hundred millions fives converted into fours; the last nine hundred millions having been refunded in less than three years.

We do not feel anxious to see a large holding of our public debt in Europe. No country is so secure as one which

owns its own obligations. The financial strength of France has always been owing to the fact that her *rentes* were held at home, and very widely distributed there. We hope to see it so in America, and to the same degree. But at the present moment, it is important to us to send bonds abroad to prevent a possible drain of gold. The refunding operations have already called for a very large amount of six per cents., which are held in Europe. Sixty millions of the hundred millions of sixty-sevens already called, are said to be so held. The coming home of these bonds had carried exchange nearly to the shipping point, when the subscription of the new Syndicate caused a decline, since it is now settled that four-per-cent. bonds will be taken in England for reinvestment. In the dearth of good securities in London, there is nothing offering there which is so attractive. It would be a serious matter if any of our not too great stock of gold were at present to be exported; it might even endanger the continuance of specie payments. If refunding involves this danger, it should be at once suspended, for we ought now to accumulate gold, and not to lose it. There will never be such an opportunity again for throwing a dam across the stream of our gold production, and raising a secure and permanent reservoir of it in this country. We shall need it in many a dry season yet to come. The *Economist* will be disappointed to witness the arrival of our four per cents. instead of the gold which it is counting upon. In its January number, it says: "The re-establishment of the American currency on a sound metallic basis, is an event of much importance to this country. It cannot fail to stimulate trade in the States, and any increase of business there must react favorably upon us. Now, also, the United States Treasury will probably cease to accumulate gold. It will only absorb sufficient to provide for the wear and tear of its currency, and our American gold supplies, which have of late been intercepted, will probably soon begin to flow in upon us again."

Something more than a temporary measure, like that of marketing one or two hundred millions of four-per-cents in Europe, will be necessary thoroughly to protect the metallic reserves of the United States. The best protection would come from an habitual use of the precious metals in the circulation. How to infuse a larger proportion of them into it is one of the questions to which the country ought, and to which we are firmly persuaded that it will, soon address itself. The sense of security and fixedness of values which is rapidly getting hold of the country, since resumption has been an accomplished fact, is gradually converting the people from loose to conservative notions respecting money. Let them only be satisfied that the cost of good money is infinitely less than the taxes and losses resulting from bad money and they will speedily apply the remedy.

## SHALL PRIVATE BANKERS PUBLISH STATEMENTS?

The question of the position of private bankers has come to be one of considerable interest. Before the crisis of 1873, a very considerable part of the deposit and discount banking of the country was done by private firms. This was the case even in New York, and it was still more the practice in the leading Western cities. This business has greatly declined in all these cities, chiefly in consequence of the failure of many of the principal houses engaged in it, and the consequent distrust of private banking which has prevented others from taking their places. This is no doubt to be much regretted, for in all countries, at all times, banking, in all its forms, is an indispensable auxiliary to commerce, and it is, by no means, desirable that it should be left to be done by corporate institutions only.

The subject, however, is one of some difficulty, owing to the absence of those safeguards which the law throws around the banks organized under its aegis. The Cincinnati *Commercial* lately had a suggestive article upon the necessity, which it claims to exist, for more specific and public information touching the condition of private banking houses. The article grew out of the recent failure of a private concern of long standing and respectability in that city. It assumes that "the position of a banker is an especially responsible one, no matter whether the office be known as one constituted by charter privileges, or by the independent assumption of a business right. Laws on the subject are made upon the theory that the right to conduct a bank is a special privilege involving an accountability to the public and to the State, and usually framed to jealously guard the public against fraud and oppressions by concentrated capital. The theory is not as fully maintained as it ought to be, but nevertheless there is the question why a private bank with a capital, say, of \$100,000, which bids for public patronage and the confidence of the people, should not be subject to such surveillance and investigation, by properly constituted authorities, as a chartered bank having the same amount of capital."

The error, as we conceive it to be, of this intelligent journalist is in misconceiving the province of legislation in respect to private business, and in assuming that the operations of a banker, because he deals in money, and in credits which take the place of money, are intrinsically different from those of the dealer in other sorts of merchandise.

The reason why strict laws are enacted in relation to corporate banking is, that it depends upon legislation for two

privileges, which are usually regarded as essential to its being profitably carried on: these privileges are the right to raise capital with a limited liability on the part of those contributing it, and the right to issue circulating notes to serve the purposes of money. Neither of these rights can be exercised except under the sanction of law. Like all other sovereign rights and all other limitations of a partnership liability, they are accorded, not for the benefit of the individuals receiving them, but on the theory that they are beneficial to the whole people, in whose name, and by whose authority alone, the concession is made. On any other theory such concessions would be as indefensible as the grant of the right of eminent domain to an individual, or to any other than a public, or *quasi* public, corporation.

Now the private banker neither asks for nor enjoys either of these privileges. He trades on his own capital and credit; he is liable for the last dollar of his debts; if he has partners, they are equally liable, no matter how small their interest is; and he does not issue circulating notes. He simply borrows money and lends it again.

Every rich merchant, and every capitalist, whether dealing in merchandise, or in production of any sort, is more or less a banker. He very commonly uses more capital than he owns, and what he does not own he borrows. The borrowing is of all sorts: by getting discounts at banks or by direct loans from those who have money to lend. Some of the saddest cases of failure have been those of country capitalists, having about them all the insignia of wealth, and who, by reason of their specious surroundings, have drawn to themselves the savings of a whole community. Generally speaking, the credit was, in the beginning, well justified; but it is the most familiar of all business experiences, that a credit, once established, will often continue unshaken until every vestige of property has been dissipated by the borrower.

The private banker in this country doubtless gets credit by adopting the business usages of incorporated banks—institutions associated in the popular mind with the possession of capital and the easy acquisition of wealth. But, in so doing, the banker makes no false pretenses. His principal dealings are with merchants and other business men, many of them of large experience, who know exactly whom they are dealing with; who are not imposed upon by banking houses and counters, clerks, ledgers, or vaults. They are shrewd enough in finding out the responsibility of those to whom they sell goods, and they are accustomed in these days of plain speaking, and mercantile agencies, and commercial travelers, to submit their own affairs to a rigid scrutiny and cross-examination. Their most important dealings are with their bank or banker, the institution or the firm which receives their deposits and discounts their paper. Any carelessness in respect to this part of their business may imperil

the whole profits of their trade. It is not reasonable to suppose that they will put their money into an unsound institution, or with an irresponsible firm. It is their example and their patronage which draw to such banking houses the deposits of people out of business, of professional men, of working men, of trustees, and of unmarried women. If a private banker fails without warning, it must always be due in part to the culpable neglect of his principal customers, who have no excuse for having trusted him simply because he was a banker.

But such failures are none the less a great misfortune to the communities in which they happen, and they fairly challenge the inquiry whether they can be guarded against by any new precautions, without legislation. We do not think they can be. The *Commercial* suggests the publication of reports; but voluntary statements, or reports, published without any legal obligation, would be of no permanent advantage, because they are without sanction. There is a statute in Massachusetts which prohibits the taking and administering of oaths not required by law. The most solemn mode of legal authentication is not allowed to be trifled with, or made use of in cases which the law does not cover with its sanctions. So it might also be with the voluntary statements of private bankers. The law does not require them to be made and therefore it does not require them to be true; if false, there is no penalty, and if made under oath, there would be no perjury, such as has consigned the false-swearing directors of the Glasgow City Bank to prison (perjury being false-swearing in a matter where an oath is legally required); but if such statements are made, and inspire confidence, and mislead, there is infinite injury.

Should there, then, be legislation requiring those who exercise the trade of banking to conform to certain regulations which the nature of their calling may seem to render necessary in order to safe dealing with them? We are not clear on this point, and it is a fairly debatable question.

The objection would seem to be that it might appear unjust and proscriptive to require sworn and published statements from a merchant who sells credit, when similar statements are not required of merchants who sell goods, or of manufacturers who make them. Some distinction may, perhaps, be established against bankers because the thing they deal in is intangible, and is not, by its nature, capable of being seen, and measured, and estimated, like the goods on a merchant's shelves, or the machinery in a factory. There is no doubt that unless some legal restraints and safeguards can be thrown around private banking, it will not readily regain the prestige and confidence which has hitherto been accorded to it. A movement in favor of the imposition of such restrictions and obligations would have the most influence if it were to come from the bankers themselves.

## CANADA—ITS TIMBER TRADE.

The Toronto *Monetary Times*, of December 13, 1878, estimates the cattle and sheep exported from that city to Great Britain during the year at \$3,000,000. It has also the following paragraph:

Our exports of butter, cheese and eggs from the Dominion for the last fiscal year were of the total sum \$7,356,875. The quantities of cheese and butter which we sent abroad in 1877 were more than four times greater than the exports of those articles in 1858.

These statements illustrate the great capacity of the Dominion of Canada as a grazing country. The portions of it which are at present occupied, enjoy the advantage of easy and cheap freights to European markets. Many explanations are given of the fact that their measure of prosperity is not so great as it apparently might be. On one point, however, most Canadians are agreed, and certainly all outside observers of Canada are agreed. This is, that the business of lumbering, to which the capital enterprise and labor of that country are most conspicuously devoted, has long been an unprofitable one, and is likely to continue to be so until the conditions of its prosecution are radically changed.

The same article of the Toronto *Times*, from which we have already quoted, says of Canadian lumbering:

The capital employed in it has been mostly unproductive and has even been impaired; we have been giving much of our timber away at less than cost, and lessening the supply when it can be sold at a profit. Than such a business, nothing could be more unsatisfactory.

The existing timber crop has sprung up without the aid of man. The growth having already taken place, the crop is not limited by the casualties of an unfavorable season. In a single year, it would be possible to cut as much timber as could be profitably used in five. More than anything else, our timber crop should be reaped with regulated discretion. Where the harvest depends on such conditions, there must always be a tendency in the supply to surpass the demand. If a farmer found that the extent of his crop depended not on the area sown but upon his capacity of reaping, we should have over-production of grain as well as of timber. Every one sees and deplors the folly; and yet the will-o-the-wisp of increased demand and better prices is steadily pursued, though at as great a distance as ever. . . . Producers of lumber have gone on hoping against hope, rather than turn aside to face what might prove to be a stern reality of despair. Of course nobody ever intended that the business should get into the state it has been in for some years; but any business that is conducted on the principle of constantly adding to an existing glut must go from bad to worse.

The first thing to be done is to allow the stock of lumber to adjust itself to the demand; and there is only one way of doing it—to lessen the production. . . . It is quite time the principles of common sense



were applied to this branch of industry, in which its want is deplorably conspicuous. For this reason we recently noticed with pleasure a decrease of production in one part of New Brunswick.

Nothing is plainer than that a good remedy for a production beyond the requirements of the markets, is "*to lessen the production*," but our contemporary of the *Times* does not point out how that is to be accomplished. It will certainly not be accomplished by simply desiring it.

The general practice of the Governments of Ontario, Quebec and New Brunswick, and it is these Governments which own nearly all the timber lands in those provinces, has been to sell the timber at very low and, in fact, almost nominal rates, upon the theory that the best revenue obtainable from them is that derived indirectly from the encouragement and stimulation of the business of lumbering. Of course, the profits of lumbering are not increased by reducing the prices of stumpage, nor would they be if the standing trees were furnished free of charge, and a government bounty given in addition for cutting them down. As the business could be open to every body, the only effect of a free gift of the trees, and of a bounty for cutting them down, would be to make the prices of lumber lower, which would be an advantage to Canadian consumers, and a still greater advantage to foreign consumers, inasmuch as more Canadian lumber is consumed abroad than at home. It has been to these foreign customers an advantage, although in a less degree, that the policy of the Canadian Provincial Governments has been to sell their standing timber at very low rates.

It is probably true that somewhat more Canadian timber has been exported to Europe, in consequence of the low rates of stumpage exacted by the provincial authorities. Canadian lumber has thereby been better able to encounter the competition of the Baltic lumber. But, according to the *Times*, the more lumber the Canadians have cut, and the more lumber they have exported, the more money they have lost.

If now the Canadian authorities would reverse their policy, and permit no trees to be cut on the lands of which they are the owners, except on the payment of (say) the average rates of stumpage exacted by landowners in the American States from Maine to Minnesota, adjoining Canada, and in which the general descriptions of timber are similar to those of Canada, they would make it certain that their timber should at any rate pay one good profit to begin with to the Canadian public, that is to say, to the provincial Governments which represent that public. It is among the possibilities that the European prices of Canadian lumber might be raised somewhat, so that the falling off in the export of it to Europe might be much less than is apprehended. A Canadian policy of increasing the prices of standing trees might be imitated in Sweden, Norway and Russia. The current reports from

all those countries is that they are lamenting the too rapid diminution of their forests, and that they are much more desirous of increasing the prices of the timber they sell than of increasing the quantity of their exports of it. It is possible, of course, that they would take an advantage of an increased price of Canadian lumber, resulting from an increased tariff of Canadian stumpage, to monopolize even more completely than they now do the supplying of the European markets. But it is quite as probable that they would choose to take advantage of it in the different and much wiser mode of raising their own prices.

"*When in doubt, take the trick,*" is an old and approved maxim in a game known the world over, and it loses none of its wisdom, when transferred from the domain of cards and applied, *mutatis mutandis*, to questions arising in the domain of political economy. The maxim condemns the throwing away of a certain present advantage, when the future advantage, which may compensate it, is obscure and doubtful. If the Canadian authorities act upon it in this case, they will make sure of a satisfactory stumpage before they permit their trees, the growth of long years, to be cut down. If they fail to receive such stumpages, the trees will, at any rate, remain for better times and better markets.

The present Canadian policy is not one of which we, on this side of the boundary line, are particularly called upon to complain. It simply transfers the stumpages on Canadian lumber from the Canadian provincial treasuries to the treasury of the United States, by so reducing the prices of Canadian lumber, that the producers can afford to pay our custom-house duties upon it, which, it may be observed in passing, are exceedingly moderate. These duties will neither be taken off nor reduced so long as custom-house duties continue to be looked to as a principal source of our public revenue. They are below the average *ad-valorem* rate of other custom-house duties, whereas they might very well be made to exceed it. Lumber is too bulky an article to be smuggled, and no article affords a more easy and certain means of tariff revenue. So also it is abundant and cheap, and so long as taxes must necessarily be collected from something, it would be difficult to point out any other imported article, to which it would appear to be wise to shift the tax now levied upon lumber. Undoubtedly, we are greatly facilitated by the policy of the Canadians, who substantially give us the stumpage on the lumber they send us, but we need have no scruple in freely accepting it. This policy is not instigated by any advice or example of ours, and we receive no advantage which Canada does not give to every body in Europe, South America or elsewhere who buys its lumber. It is also to be considered, that if we should lose something in the way of customs' revenue, if

Canada, instead of substantially giving away its standing timber, should exact a reasonable price for it, we should gain by some mitigation of the competition of Canadian lumber in the markets in which we are sellers as well as they.

Our information from Canada has always been that its policy of selling the standing trees at very low rates was not likely to be changed, until public revenues ceased to be abounding. So long as the question with Canadian politicians was what taxes to take off, they were very little likely to put on new ones or increase old ones. But now that they are at their wits' ends, to take care of deficits, and provide for the interest on greatly increased public debts, they may look to their forests for revenue.

### THE BRITISH LANDOWNERS.

The new Domesday Books, or land returns, of the United Kingdom of Great Britain, published at the instance of the Earl of Derby, when he was in the Cabinet, have given rise to warm discussions among statisticians and political writers, as to some parts of the facts which are involved. But these returns show unmistakably one thing, which is, that the great bulk of the land is held by a very few persons, and, of course, in large blocks.

The entire acreage of the kingdom being stated at 72,117,766 acres, the nobility own as follows, taking the pound sterling at \$ 5 :

	<i>Number.</i>	<i>Estates.</i>	<i>Acres.</i>	<i>Annual rental.</i>
Dukes.....	28	158	3,991,811	\$ 11,788,275
Marquises ....	33	161	1,567,227	6,918,355
Earls .....	194	634	5,862,118	25,035,595
Viscounts.....	52	120	796,849	3,223,851
Barons .....	218	560	3,085,160	15,679,260
	<u>525</u>	<u>1,593</u>	<u>15,303,165</u>	<u>\$ 62,645,340</u>

The number of estates of one thousand acres and upwards, and the aggregate acreage of such estates, are thus given :

	<i>Estates of 1,000 acres and upwards.</i>	<i>Total acreage of such estates.</i>
England and Wales.....	5,408	18,695,528
Scotland.....	1,758	17,584,828
Ireland.....	3,745	15,802,739
	<u>10,911</u>	<u>52,083,095</u>

The number of the owners of these estates is less than 10,911, as in many cases the same person is the owner of several estates. This is particularly true of the nobles, whose average ownership is rather more than three estates. Some authorities say that the 10,711 estates, given in the foregoing table, are actually owned by not more than 7,000 persons.

The smallest estates in acres are in England and Wales, where land is the most valuable, and the largest estates in acres are in Scotland, where it is the least valuable. In the latter country, no less than 1,320,000 acres are rented as deer-forests, at an average rental of 13*d.*, or twenty-five cents per acre.

The causes of the large size of British landed estates are numerous, but among the conspicuous causes are: (1) the law of primogeniture; (2) the great expense of the searches of titles which must precede the purchases of land; and (3) the practice of long family settlements of land, which British law permits, and which British customs and ideas encourage.

The practice of registering deeds and incumbrances of real estate at a public office, when the exact condition of the title to it can be easily, cheaply, and certainly ascertained, which is so familiar in this country, is wholly unknown in Great Britain. All attempts to introduce it there have so far been successfully resisted by the lawyers, who profit by the system now existing there, but especially by the admirers of a landed gentry, who, if any change must be made, would prefer to make the cost of land-conveyancing twice what it now is. The great element of that cost is the search of title, which is as great on a parcel of ten acres as it is on a parcel of one thousand acres. That element of cost adds a prohibitory per-centage of addition to the price of small pieces of real estate, but only a comparatively small per-centage to the price of large pieces. Practically, it puts an end to small dealings in lands.

Within thirty years numerous bills have been introduced into Parliament to require registration of titles, but they have uniformly failed, and the old system exists in all its mischievous vigor. An English writer (Arthur Arnold) in the *Princeton (N. J.) Review*, of last September, says:

The troubles of the British transfer are comparatively unfelt by the Peer who is purchasing 1,000 acres to add to his domain, or by the "new man" who is buying 5,000 acres upon which to found a family: for as to cost, the per-centage will be but trifling upon the purchase-money, delay will not ruin them, and as to the custody of title deeds, the family solicitor is almost a part of their establishment. But small purchasers view with terror a transaction in real estate. *The cost of transfer sometimes amounts to a third of the purchase money*, and the delay may be of months, or extend over a year. The mass of the British people shun all such transactions. Our small lawyers adore the system by which they grow fat with ease. Our great lawyers abuse the system until they are translated to a peerage, and then their old age is marked with acquiescence if not contentment."

In introducing a bill into the House of Commons in 1859, to provide a registration of deeds, Sir H. Cairns said:

You buy an estate, or you enter into a contract for the purchase of an estate, you are very anxious to get possession of the property

and the vendor is very anxious to get his money. But do you get possession of the property? On the contrary, you cannot get the estate, nor can the vendor get his money, until after a lapse—sometimes no inconsiderable portion of a man's life-time—spent in the preparation of abstracts, in the comparison of deeds, in searches for incumbrances, in objections made to the title, in answer to those objections, in disputes which arise upon the answers, in endeavors to cure the defects. Not only months, but years, frequently pass in a history of that kind; and I should say that it is an uncommon thing in this country for a purchase of any magnitude to be completed in a period under, at all events, twelve months.

The Sir H. Cairns of 1859, is now Lord Cairns, and sits on the wool-sack, and is completely cured of any propensity to reform anything, as was that famous Liberal of fifty years ago, Henry Brougham, after he became the Lord Chancellor. Cairns, on the wool-sack, introduces no bills to annoy the nobility about their titles or about anything else.

Added to the costs of conveyancing, which almost prohibit transfers of the fee simple of small parcels of real estate, are the practices of entailing estates and of encumbering them with marriage settlements. It is well said that "*primogeniture, entail, settlement, and large farms are articles of faith in England.*" Town properties are held in the same way as agricultural lands. Mr. Arnold says, in the article just quoted from—

In the fifty-five towns in which the population is 40,000 and upwards, as in every town of lesser population, the evil of the British land system is distinctly felt. Generally, the larger part of the area covered by the town is "*settled land.*" A freehold cannot be obtained. The nobles, for their own advantage, have, in many towns, established by various Acts of Parliament, a quasi-freehold, by obtaining special power to grant leases for terms varying from 500 to 1,000 years. The latter is the common form of tenure of the land on which the great factories in the north are erected. In London the Dukes of Westminster, Portland, and Bedford, are the largest of the many noble proprietors; and their great estates are let on building leases for sixty, eighty and ninety-nine years. The Duke of Westminster is the owner of all the most fashionable—the Belgravian—quarter, and no site for a house there can be obtained for longer than the residue of a ninety-nine year's lease. Is it likely that London will be built of stone or marble, when all erections on the land must be abandoned to the noble incumbent in so brief a period?

That article of English faith, which is expressed by "*large farms,*" has been subjected in recent years to active criticisms. It has been the accepted doctrine there, that scientific farming required an amount of capital impossible to be obtained by small farmers. Lord Derby laid down this doctrine in 1871, as altogether incontrovertible, in the following words:

Of course, a man may go on after the fashion of the Irish cottiers, scratching the earth for a bare subsistence, but that is not farming. I am only repeating an opinion I have often expressed before, and which I hold very strongly, when I say that the cottier, the pleasant cultivator, honest and industrious, and frugal as he may be, has just as much chance of holding his own against the combin-

ation of capital and science, as bows and arrows have of superseding breech-loading rifles, or hand-loom weaving of driving the power-loom out of the field.

In opposition to these and similar views, it is said that while the English large farms, being better supplied with capital, produce more and yield more rent, than large farms on the continent of Europe, they do not produce as much as small farms owned by their occupants, in France, Lombardy, Belgium, and the British Channel islands. It is also said that in those parts of Europe in which the system of small proprietors more or less prevails, the selling price of land is higher than it is in England, and higher than the value of English land as determined by the rental.

The Englishman is proverbially tenacious, but when changes of public policy are effected in England at all, they have often been effected very suddenly, and in a sweeping fashion. It was so with the corn laws, and may be so with some of the existing land laws. If it shall turn out, as many believe it will, that England is to lose its pre-eminent position in manufactures and commerce, the necessity may become imperious of introducing reforms in its agriculture.



### THE MONEY SYSTEM OF GERMANY.

The paper circulation, proper, of Germany, since the so-called currency reform of 1871, consists of:

1. The circulating notes of the Imperial Government and of the several States of the empire, being a description of paper known in this country as the *greenback*.
2. The notes of the banks (the Imperial Bank being the principal issuer) based upon the general resources and credit of those institutions, and no reserve of specie being required.

In addition, there is a very much larger amount of bank notes for which gold is held in reserve, dollar for dollar. Such notes are strictly the representatives of gold, as much so as the certificates of gold deposits hitherto issued by the U. S. Treasury. Such notes add nothing to the amount of the circulating medium, and it is not understood that there is any restriction upon their amount. Whatever the amount may be, an equal amount of gold is locked up.

In principle, the present German system is after the model of the British system as regulated by Sir Robert Peel's Bank Act of 1844, but the amount of permitted paper, not based on gold, is more sharply limited. In round numbers, it is 150 millions dollars in England and 100 millions in Germany.

The figures given by different authorities, as to the German paper currency proper, do not exactly agree, but the following is from the London *Statist*, the statement being made in millions of pounds sterling :

		<i>Bank notes not covered by gold.</i>		<i>Government notes.</i>		<i>Total.</i>
1869	...	17½	...	9½	...	26½
1870	...	21½	...	9½	...	30½
1871	...	18½	...	9½	...	27½
1872	...	25½	...	9½	...	34½
1873	...	21½	...	9½	...	30½
1874	..	17	...	9½	...	26½
1875	...	18½	...	8½	...	27½
1876	...	14½	...	8½	...	23½
1877	...	15½	...	8½	...	23½
1878	...	12½	...	8½	...	21

The German currency-reform measures (so-called) were adopted near the end of 1871. The paper money, not representing gold, during the two following years was 32½ millions sterling. The contraction, therefore, to 1878 was 11½ millions, or more than one-third. According to some authorities, the new system, when it comes into full operation, will limit the paper money, not representing gold, to \$95,542,750, or a little over nineteen millions sterling.

One part of the new system was the suppression of notes below the denomination of 100 marks, or \$25, and the amount so suppressed has always been stated at about \$130,000,000. As this is more than double the entire contraction of paper not representing gold, it is plain that the suppressed small notes must, to a large extent, have represented gold. As to another part of these suppressed small notes, it is no doubt true that their place in the circulation has been supplied by larger notes.

Sœtbeer undertakes to maintain that, since 1871, the increase of metallic money in Germany has been greater than the contraction of paper not representing gold, and that upon the whole the currency has been largely expanded instead of being diminished, which is certainly inconsistent with the known fact of the great fall in prices in Germany since 1871.

There are certain things about the case which can be exactly established, but there are certain other things which, at the best, must be guessed at.

From December, 1871, when the new coinage was decreed, to the end of October, 1878, the following number of millions of marks had been coined (the mark being 25 cents):

	<i>Millions of Marks.</i>
Gold.....	1,656
Silver .....	426
Total.....	2,082

During the same time, the withdrawals of the old silver coins amounted to 1,040 million marks.

If the statement of the case should stop here, there would be shown an increase of metallic money to the amount of 1,042 million marks, or \$260,500,000.

There were some old German gold coins. They were not legal tenders and had not been since 1857, but they formed a part of the circulation, being current at their market value from time to time. Their amount, upon withdrawing them, was found to be ninety million marks, and Soetbeer says, they are balanced by that amount in bar gold now held by the Imperial Bank.

Upon the above-shown apparent gain of metallic money between 1871 and 1878, of \$260,500,000, Soetbeer observes:

Allowance must be made for the expulsion from circulation of a large quantity of foreign coins which were current in Germany before the reform began; the exodus of the stock of bars, etc., in the Hamburg Bank; the substitution of German coins for the French currency circulating previously to the annexation in Alsace-Lorraine; the loss of gold which has been exported under the effect of exchanges adverse to Germany, and the abstraction of gold by the Imperial and Prussian Governments to form special war-chests.

The sum total to be set down to the account of these allowances, Söetbeer computes or guesses at 202 million marks, or \$50,500,000. If he is right in that, the actual increase of coined money is \$210,000,000.

The decrease in 1878 of paper money not representing gold is \$29,000,000, if comparison is made with 1869. It is \$57,000,000, if comparison is made with the average of the two years 1872 and 1873. But taking the largest sum for the decrease of paper money, there is still an increase of \$153,000,000, taking the coin and paper money together.

One of Söetbeer's explanations of such a fact is, that the same amount of transactions employ more actual cash than formerly, from a change of habits which has followed the introduction of the new coinage. He says:

General trade and industry in Germany is based more upon hard cash and less upon book credits, for only on that ground is to be explained so sudden an absorption into circulation of so large a stock of metallic money.

The reports from Germany during the first two years, 1872 and 1873, of the new coinage indicated a much larger export of the gold coins than Soetbeer now allows for. For that and other reasons, we think he overrates the present amount of metallic money in Germany. But that it is larger than it was in 1869 there can be no doubt. It ought to be larger from the diminution of paper money since that year, and from the expansion of German population, which has been considerable, independently of the acquisition of Alsace-Lorraine.



## THE NEW TENDENCIES OF POLITICAL ECONOMY.\*

[TRANSLATED FROM THE REVUE DES DEUX MONDES BY GEORGE WALKER.]

The Political Economy which I should describe as orthodox, that is to say, the science as it had been understood and expounded by its fathers, Adam Smith and J. B. Say, and by their disciples, has seemed to be definitively settled. Like the Church of Rome, it had its *credo*. Certain truths appeared to be so firmly established, so irrefragably demonstrated, that they were accepted as dogmas. Those who doubted them were regarded as heretics, whose ignorance alone explained their vagaries. No doubt these truths had not been formulated without meeting with vigorous opposition. From the beginning, and down to our own time, they have been attacked by certain religious writers, who have charged them with materialism and immorality, and by different socialistic sects, who have reproached them with sacrificing relentlessly the rights of the disinherited classes to the privileges of the rich; but the economists have had little difficulty in defending themselves against these classes of adversaries, who have been governed chiefly by sentiment, and have had no just apprehension of the questions which they ventured to discuss.

At the present day, however, the dogmas of political economy are meeting with far more formidable antagonists. In Germany they are found among the professors of political economy themselves, who, for this reason, have been denominated *Katheders Sozialisten*, or, "Socialists of the chair." In England they are those economists who have given the most attention to the study of history and of law, and who best understand the facts established by observation and by statistics; such as Mr. Cliffe Leslie, and Mr. Thornton: in Italy they constitute a whole group of distinguished writers, Luzzati, Forti, Lampertico, Cusmano, A. Morelli, who have given expression to their ideas in a Congress assembled last year at Milan, and who have for their organ the "*Giornale degli Economisti*." In Denmark there is the excellent economical repertory published by Messrs. Fredericksen, V. Falbe, Hansen, and Wil. Scharling. It cannot be doubted, therefore, that there is, in the present instance, a scientific revolution going on of a very serious character, which calls for an attentive examination. We shall endeavor first, to point out the origin and character of these new tendencies of political economy; and afterwards, to con-

\* *Les Tendances nouvelles de L'Economie Politique et du Socialisme. Revue des Deux Mondes.* July, 1875. By EMILE DE LAVELEYRE.

sider carefully the writings of some of the authors who best represent the different shades of the movement, as well as those of the Socialists whom it is their mission to combat.

### I.

The new political economy takes a different view from the old, of the fundamental principles, the methods, the mission, and the conclusions of the science. The starting point of the Socialists of the chair, is entirely different from that of the orthodox economists, whom they designate under the name of *Manchester-thum*, or sect of Manchester; because it is, in fact, the school of the free traders, which has expounded most logically, the dogmas of the ancient *credo*. Let us see how the new economists themselves indicate the points which separate them from the generally received doctrines.\*

Adam Smith, and more especially, his successors, such as Ricardo, McCulloch, J. B. Say, and all the so-called English school, followed the deductive method. They started out with certain ideas respecting man and nature, and thence deduced certain consequences. Rossi characterizes this method clearly when he says that "political economy, regarded from a general stand-point, is rather a science of reason than of observation. It has for its object a thorough knowledge of the relations which proceed from the nature of things. . . . It seeks for laws, by taking its stand on the general and constant facts of human nature." In this system, man is considered as a being who everywhere and always pursues his private interest; under the impulse of this motive, good in itself (since it is the principle of his preservation), he searches after that which is useful to him, and no one is able to discover it better than himself. If, therefore, he is free to act as he pleases, he will, in the end, procure for himself all the satisfactions which it is given to him to attain. Down to the present time, the State has always put restraints upon the full expansion of economic forces; do away with these restraints and as all men will apply themselves freely to the pursuit of their well-being, the true order will establish itself in the universe. Competition, general and unrestricted enables every individual to reach the place which is best suited to him, and to reap the just reward of his labors. As Montesquieu has observed, "it is competition which puts a just price on merchandise." It is the infallible regulator of the industrial world. It is like a providential law, which, in the highly complicated relations of mankind united by the bonds of society, causes order and justice to be enthroned. If the State will only abstain from all interference with human transactions, and accord entire freedom to property, to capital, to labor, to exchanges, to vocations, the production of

\* We shall follow in this connection principally the writings of Adolph Held, Gustav Schönberg, Gustav Schmoller, Contzen, Wagner, and L. Luzzati.

wealth will be carried to its highest point, and the general well-being will thus become as great as possible. The legislator has no occasion to occupy himself with the distribution of wealth; it will be made conformably to natural laws and to contracts freely entered into.

A phrase of Gournay, enunciated in the last century, embodies the whole doctrine: *laissez faire, laissez passer*. Under this theory, the problems which have relation to the government of societies, were found to be greatly simplified. The statesman has only to fold his arms. The world goes on of itself towards its end. It is the optimism of Leibniz, and of Hegel, transferred to the domain of politics.

Resting on these philosophic doctrines, the economists enunciated certain general principles applicable in all times, and to all peoples, because of their absolute verity. The orthodox political economy was essentially cosmopolitan. It took no account of the division of mankind into separate nations; nor of the different interests which might result therefrom any more than it concerned itself with the necessities, or the particular conditions resulting from the history of different States. It regarded only the good of mankind considered as a single great family, precisely as does every abstract science, and every universal religion, Christianity most of all.

Having thus set forth the old doctrine, the new economists proceed to criticise it as follows: They accuse it of seeing things from only one side. They admit that man pursues his own interest, but they assert that more than one motive acts upon his moral nature, and regulates his conduct. Apart from self-interest, there is the sentiment of collectivity, the *gemein sinn*, the social instinct, which manifests itself in the formation of the family, of the community, and of the State. Man is not like the lower animals, which know nothing beyond the satisfaction of their appetites; he is a moral being, who recognizes the obligations of duty, and under the teachings of religion or of philosophy, who often sacrifices his enjoyments, his well-being, and his life even, to his country, to humanity, to truth, to God. It is a mistake, therefore, to predicate a series of deductions upon the aphorism that man acts only under the control of a single motive—individual interest. Those "general and constant facts of human nature," from which Rossi would have us deduce economical laws, are only a conception of the imagination. In different countries, at different epochs, men obey different motives, because they have formed peculiar conceptions of well-being, of law, of morality, and of justice. The savage procures his subsistence by chasing and if need be, devouring, those of his own kind: the citizen of antiquity by reducing them to slavery. in order to live on the fruits of their labor; the man of modern times by paying them wages.

Mankind having, according to their several conditions of

civilization, different wants, different motives, different methods of producing, of distributing, and of consuming wealth, it follows thence that economic problems do not admit of those general and *a priori* solutions, which are usually demanded of the science, and which it has too often ventured to supply. We ought always to examine the question relatively to a given country, and in so doing to seek the aid of statistics and of history. Hence arises the historical or *Realistic* method, as it is denominated by the Socialists of the chair, that is to say, the method founded on facts.\*

According to the Socialists of the chair, it is also a mistake to maintain, as Bastiat has done in his *Harmonies Economiques*, that general order results from the free play of individual selfishness, and that consequently it is only necessary to remove all hindrances in order that each person shall attain to the well-being to which his efforts entitle him. But selfishness leads men to wickedness and to spoliation; it is necessary, therefore, to restrain it and not to give it free play; this is, in the first place, the proper mission of morality, and afterwards, the mission of the State, as the organ of justice. Without doubt, if men were perfect and desired only good, liberty would suffice to insure the reign of order; but constituted as they are, unrestrained interests result in antagonism, and not in harmony. The employer desires to reduce wages, the workman to raise them. The landowner is constantly endeavoring to advance rent, the farmer to reduce it. Everywhere the strongest and the most capable triumphs, and in the conflict of opposing interests, no one troubles himself about the teachings of morality or of justice.

It is in England, especially, where all restraints have been abolished, and where the most perfect freedom of industry prevails, that the war of classes, the antagonism of masters and workmen presents itself in the most determined way, and under aspects the most alarming. It is in that country, also,—the country, par excellence, of *laissez faire*—that, for a considerable time past, the interference of the Government has been most frequently invoked, to repress the abuses of the strong and to protect the weak. After having disarmed power, they are daily conferring upon it new privileges. Is not this a proof that the economic doctrine of absolute freedom does not afford a complete solution of the questions at issue?

The new economists do not profess that horror of the State which led their predecessors to declare sometimes that the State was a canker and sometimes that it was a necessary evil. To them, on the contrary, the State, which

\* Although in France no new economic school has been established, as in Germany, in England and in Italy, many writers are pursuing the historical or *realistic* method with a confidence of learning and a richness of information which are nowhere else surpassed. It will suffice us to mention MM. Léonce de Lavergne, L. Reybaud, Wolowski, Victor Bonnet, and Paul Leroy-Beaulieu.

represents the unity of the nation, is the supreme organ of law and the instrument of justice. Being itself the emanation of the vital forces and of the intellectual aspirations of a country, it is charged with the duty of fostering the development of these in all directions. As history proves, it is the most powerful agent of civilization and of progress. The liberty of the individual ought to be respected and even stimulated, but it should remain in subjection to the rules of morality and of justice, and those rules, which become more and more strict in proportion as the ideas of goodness and justice become more pure, should be made obligatory by the State.

Freedom of industry is, doubtless, an excellent thing. Free exchange, freedom of labor and of contracts have contributed very greatly to increase the production of wealth. It is necessary, therefore, to strike off from liberty all fetters, if any still exist; but it is the duty of the State to interpose whenever the evidences of individual interest appear to conflict with the humane mission of political economy, by the oppression and degradation of the lower classes. Thus it is, that the State has a double duty to perform: first, to maintain liberty in the limits marked out for it by morality and law; next, to lend its support in every case where the object in view (which is social progress) can be better attained in this way than by individual efforts. Cases in point are the improvement of harbors, the opening of ways of communication, the fostering of education, of the sciences, of the arts, or of any other object of general utility. The interference of the State ought not always to be withheld, as the economists *d'outrance* desire, nor always invoked, as the Socialists, on the other hand, demand; each case should be examined by itself, taking into account the wants to be satisfied and the ability of private enterprise to meet them. But it is a mistake to suppose that the duty of the State grows less important as civilization advances; that duty is by no means the same at the present day as under the patriarchal or despotic systems of government. The functions of the State are constantly growing larger wherever new paths are opened to human activity and in proportion as the appreciation of what is lawful and of what is unlawful grows purer. The same doctrine has been also propounded in France, with much force, by M. Dupont-White in his book on the *Individual and the State*.

The Socialists of the chair also accuse the orthodox economists of being too exclusively occupied with questions relating to the production of wealth, and with neglecting those which concern its distribution and consumption. They allege that the economists have treated man merely as a producing agent, without giving due consideration to his destiny and his obligations as a moral and intelligent being. In their

view, owing to the marvelous results of science applied to industry, the latter might even now furnish a sufficiency of products, if all the labor were usefully employed and if so many human efforts were not frittered away in the procuring of false, if not vicious, indulgences.

The great problem of our times is what is called the social question; that is to say, the question of distribution. The working classes seek to better their condition and to obtain a larger share of the goods which are produced by the joint action of capital and labor. Within what limits and under what conditions is this possible? This is the question. In presence of the dangers which disturb and which threaten the social body, three systems present themselves: that which preaches up a return to the past, and the reestablishment of the old order of things—socialism, which looks to a radical change in the social order—and finally, the orthodox political economy, which holds that everything will find its solution in liberty and in the action of natural laws. According to the Socialists of the chair, no one of these three systems is capable of solving all the difficulties which agitate our times. A return to the past is impossible; a general and hasty remodeling of society is no less so; and to invoke the action of liberty is only a mockery of words, since the question at issue is one of law, of the civil code, and of social organization. The distribution of products is made not only in virtue of contracts, which ought evidently to be free, but still more in accordance with civil laws and with moral sentiments, the influence of which must be understood and the justice of which must be determined. Economic problems cannot be justly considered apart from other things; they are allied intimately with psychology, with religion, with morality, with law, with customs, with history. Account should, therefore, be taken of all these elements, and we should not rest contented with the uniform and superficial formula of *laissez faire*. The antagonism of classes, which has always been at the bottom of political revolutions, is reappearing at the present day with aspects more formidable than ever before. It seems to put in peril the future of civilization. We cannot deny the evil; but it becomes us, rather, to study it in all its phases, and to endeavor to find a remedy for it in progressive and rational reforms. The sources of inspiration must be sought in morality, in the sentiment of justice, and in Christian charity.

In short, the elder economists, starting from certain abstract principles, endeavored, by the deductive method, to arrive at conclusions well settled and universally applicable. The Socialists of the chair, on the other hand, taking as their basis a knowledge of past and present facts, draw from them, by the inductive and historical method, certain conclusions which are only relatively true and are modified by the state

of society to which they are applied. The one party considers that the natural order, which presides over physical phenomena, ought also to govern human societies, and maintain that, if all artificial fetters were removed, there would result from the free play of inclinations a harmony of interests, and from the complete enfranchisement of individuals a better social organization and a greater measure of general well-being. The other party, on the contrary, maintains that the same law holds good in the domain of human economy which prevails among animals, namely, that in the struggle for existence and the conflict of selfishness, the strong are certain to crush out, or at least to take advantage of, the weak, unless the State, which is the organ of justice, comes in to award to each one the return to which he is legitimately entitled. They also hold that the State ought to contribute directly to the progress of civilization. So far, in short, from admitting, with the orthodox economists, that uncontrolled liberty is sufficient to put an end to social conflicts, they maintain that progressive reforms and ameliorations, inspired by sentiments of justice, are indispensable to society, if it hopes to escape civil discord and the despotism which is certain to follow in its train.

The new school of economists has made the greatest progress in Germany, the reason being that political economy is there ranked among the departmental sciences, (*sciences camérales*) that is to say, sciences which pertain to Government. They have never, therefore, treated it as an independent subject governed by special laws. Even the orthodox disciples of the English school, like Rau, have never failed to recognize the close bonds which unite it with other social sciences, notably with politics; and they have habitually resorted to facts in support of their positions. Ever since the principles of Adam Smith and his followers began to take root in Germany, they have met with objectors like Professor Lueder and Count von Soden, who maintained that the increase of wealth was not the only thing to be considered, but the general progress of civilization. Subsequently to these authors have arisen List, Stein, Roscher, Knies, Hilbrand, and at the present day their name is legion: Nasse, Schmoller, Held, Contzen, Schäffle, Wagner, Schönberg, G. Hirth, V. Böhmert, Brentano, Cohn, Von Scheel, Samter.

## II.

Let us now endeavor to sift out what there is of good in the views of the new school. In the first place, it is clear that we have not yet arrived at the point of determining accurately the fundamental principle, the characteristics and the limitations of political economy, nor its relations to other sciences of the same order. "Though we may blush for the science," said M. Rossi, "the economist must, nevertheless,

avow, that the first question to be examined is still this: What is political economy, what are its objects, its extent, its limitations?" This observation is well founded; even in the *Dictionnaire d'Economic Politique*, the writer on whom devolved the duty of exactly defining it, M. C. Coquelin, is unable to decide whether it is an art or a science.\* He desires to establish it as a science, defining it with Destutt de Tracy, as the resultant of truths which come from the examination of a given subject. He adopts the language of Rossi, that "science has no object: the moment we begin to consider the uses which can be made of it, we fall from science into art. Science is in all things only the possession of truth." And M. Coquelin adds, "To observe and describe actual phenomena, that is science; it neither counsels, nor prescribes, nor directs." Nevertheless, after having settled upon this definition, the embarrassment of M. Coquelin is great, and he avows it frankly. The very dictionary in which he wrote contains a variety of articles, and those among the most important, which do not content themselves with observing and describing, but on the contrary, counsel and prescribe; which condemn this institution or that law, and demand its repeal.

According to these articles, political economy would seem to be only an art, and not a science. M. Coquelin admits that it is, at the same time, both the one or the other; but when he tries to draw the line of demarcation, he is forced to make this singular confession of impotence: "Shall we endeavor, at present, to make a clear separation between the science and the art by bestowing on them different names? No, it is enough for us to note the distinction; time and a better understanding of the subject will do the rest."

The uncertainty and the obscurity which we find in most authors when they endeavor to define the objects of political economy, may perhaps arise from their endeavor to make it either a science of observation, like natural history, or an exact science, like mathematics, and because they have assumed to find in it fixed and immutable laws, like those which govern the physical universe. Let us endeavor to clear up these two points, inasmuch as they are fundamental; the true character of political economy will be made plainer by the discussion.

Three classes of sciences are generally recognized to exist, the exact sciences, the natural sciences, and the moral and political sciences. The exact sciences are so termed because they have to do with clearly defined abstract data, such as numbers, lines, points and geometrical figures, and by a process of reasoning arrive at conclusions which are rigorously exact and unassailable; such are the sciences of arithmetic, algebra, and geometry. The natural sciences observe and describe the

\* See the opinion of Professor Bonamy Price, of Oxford, quoted *post* page 647.



phenomena of nature, and seek to discover the laws which govern them; such are the sciences of astronomy, physics, botany, and physiology. The moral and political sciences deal with ideas, with the actions of man and the creations of his will—with institutions, laws, and religion; such are the sciences of philosophy, morality, law, and politics. In which of these categories shall we rank political economy?

*(To be continued in the next number of the BANKER'S MAGAZINE.)*

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### THE IMPENDING FINANCIAL SUBJUGATION OF TURKEY.

When the European Powers assemble in such conferences as that of last summer at Berlin, no seat at the council-board is assigned to representatives of the fund-dealers, who are, nevertheless, the real masters of Europe in ordinary times, and when the fierce passions of revolution and war are not aroused. But the fund-dealers, although never ostensibly present on such occasions, are never really absent. They move the puppets, without being themselves seen. Bismarck was visible at Berlin, and so was Lord Beaconsfield, but no Rothschild was visible, either from Frankfort, London, or Paris. But we may rely upon it, that the great fund-dealers were there, if not corporeally, by trusty agents and by cipher telegrams guarded against all possible leakages. Of all the interests provided for in the decisions arrived at, in Berlin, no interest was more carefully taken care of than theirs, so far as paper securities go. If these shall finally prove inadequate, it will not be from any lack of subserviency to the fund-dealers on the part of the Conference, but from the inherent difficulties of agreeing upon a method of dividing Turkey, which shall keep the peace among the several nations which will insist upon having a hand in it.

When the Berlin Conference assembled, it had, first of all, to deal with the San Stefano Treaty, which Russia had negotiated with Turkey, or to describe the thing more accurately, had dictated to Turkey, with Russian armies in close proximity to defenceless Constantinople, and when the Sultan was ready packed for a flight to Broussa. That Treaty provided for the payment by the Turks of a war indemnity of 310 million roubles, which is an impossible sum, whether the roubles are of silver, or of paper. It was essential to the political interests of Europe that Russia should not be permitted to collect this debt by taking any more Turkish territory. It was also essential to the fund-dealers of Paris and London, that Russia should not be permitted to collect it at

their expense, that is to say, by taking to itself any resources pledged to them, or to which they claimed a prior right. Russia was obliged to succumb on both points, and to agree not to collect its 310 million of roubles by taking more territory without the consent of Europe being first had and obtained, and not to resort to any other method of collection which would be in conflict with the rights of those who were the creditors of Turkey before the Treaty of San Stefano was entered into.

The two following further stipulations were made at Berlin:

That the New Bulgaria to be formed, and made substantially independent of Turkey, should provide for a fair proportion of the old debts of Turkey, and that Servia should do the same thing in respect to such territory, lately Turkish, as it may acquire.

That there should be an advisory Commission, to assist the Sublime Porte in matters of finance, and that this Commission should be so composed as to represent other European nationalities as well as the Turks.

The wording of the last described stipulation is diplomatically vague. What the Sultan has so far actually done under it is to appoint a Commission, consisting of Turks, Christians and Europeans resident in Constantinople. The bankers of Galatea, a foreign quarter of Constantinople, are said to be well represented on it. It is also said that the Sultan finds it for his own interest to keep on good terms with those gentlemen, because he is constantly desirous of borrowing more money of them, and that the parties are able to make things mutually satisfactory at the expense of old creditors who are farther off. At any rate, the Commission is at present international only in the fact that its members are of different nationalities. In substance, it is only a Turkish Commission, appointed entirely by the Turkish government, and with the membership of it subject to be changed at the pleasure of that government. It has no control over the Turkish revenues, all of which are received and paid out by the Sublime Porte, on its own views of its own duties and necessities. In short, it is in no respect the sort of International Finance Commission which has been established in Tunis and Egypt, where the proceeds of taxation go directly into the hands of the representatives of foreign creditors, and are by those representatives paid directly to the holders of coupons scattered through Western Europe, but principally concentrated in London and Paris. It is an International Commission on the Tunisian and Egyptian models which these coupon-holders want, and which, as they say, was really promised to them at Berlin.

A well-informed writer in *L'Economiste Français*, of November 30, 1878, classifies the Turkish debts as follows:

1. The debts based upon the pledge of specific revenues (not in-

cluding the debts based on the Egyptian revenue and guaranteed by England and France), and estimated at \$337,000,000.

2. The debts based upon a general pledge of all the revenues, and estimated at \$415,000,000.

3. A floating debt, consisting of perhaps \$80,000,000 of paper money, of short treasury bills of perhaps \$25,000,000, and of "*some millions advanced by the bankers of Galatea.*"

4. Debts of \$155,000,000, incurred in building railroads, and specially secured upon them.

The writer in *L'Economiste* finds nothing alarming in these figures. His ideas are, that the holders of the debts chargeable on special revenues would give up one quarter of their interest, if those revenues could be passed directly into the hands of a European syndicate, and that the holders of the debts not so chargeable would accept for the present an annual interest of one-and-a-half per cent., to be gradually increased to five, if their security was made good in the same way. The writer says:

"The resources of Turkey are immense. Count Schouvaloff said at the Congress of Berlin, that not more than a third of the Turkish taxes which were collected reached the Ottoman treasury. This assertion was not contradicted by the Ottoman plenipotentiaries, and we have at any rate the admission of one of the most eminent Turkish ministers, that not more than half of the proceeds of the taxes reaches the treasury. With a moderate degree of integrity and a fair proportion of honest and intelligent functionaries, the Turkish revenue might be easily raised to \$150,000,000. Is that too much for a country so vast and fertile as Turkey? The annual interest charges for the whole debt, the floating debt included, might be from thirty-five to forty million dollars, which would be only one-fourth of the revenue which is attainable, and only one-half of the actually existing revenue. Very well! There is more than one government in Europe which now consecrates half its revenues to the payment of the annual interest on its debts, and such, if I am not mistaken, is the condition of the French budget at this moment.

"I close with a consideration, which has some importance in a political point of view. Greece, so justly condemned for its past financial management, has just recognized and provided for two loans, made more than fifty years ago. Greece agrees to pay five-per-cent. interest on them, and also to arrange a sinking fund. By that act Greece restores its position in Europe, by recognizing the truth that the life of a nation depends upon its credit. Let the Turks profit by that lesson, and not permit themselves to be surpassed in financial good order, and, above all, in honesty, by a people so lately their subjects."

To show what thorough work the Turkish Government had made of it, in the way of mortgaging its resources during the borrowing epoch, we copy from the London *Economist* of

August 24, 1878, the following list of the revenues of Turkey, prior to its recent dismemberment, which were hypothecated for particular loans. This list does not include the net revenue of the Roumelian Railway, which was also mortgaged.

<i>Revenues specially hypothecated.</i>	<i>Official value.</i>	<i>Loans to which hypothecated.</i>
Egyptian tribute.....	£ 700,000	1854-55-71-77
Customs of Smyrna.....	(?)	1855
"    " Syria.....	(?)	1855
Constantinople octroi.....	(?)	1858
Tobacco revenue.....	1,320,000	1862
Salt.....	462,000	1862
Stamp duty.....	240,000	1862
Licenses.....	(?)	1862
Sheep tax of Roumelia and the Archipelago.....	560,000	1865
Tokah copper mines.....	100,000	1865
Revenues freed by payment of Syrian indemnity.....	260,000	1865
Tithes of Aleppo, Andana, Syria, Janina, Trebizond, Koniah, and the Archipelago.....	1,015,000	1869
Tithes of Broussa, etc.....	315,000	1869
Tithes of Bosnia.....	175,000	1869
Tithes of Aidin and Mentache.....	105,000	1869
Surplus on sheep tax.....	(?)	1869
Revenue of Bagdad.....	225,000	1869
Tithes of the Vilayet of the Danube.....	1,091,000	1872-73
Sheep tax of Anatolia.....	682,000	1872-73
Tithes of Angora.....	136,000	1873
Tithes of Erzeroum, Crete, and Scutari (Albania)....	545,000	1873
Tapon on Crown lands.....	455,000	1873
One-fourth of the Verglois (personal taxes) of Epirus.	773,000	1873
Tithes of Adrianople and Salonica.....	1,272,000	1872
Certain other revenues, say.....	1,500,000	1860-63-64
	£ 11,931,000	

As will be seen, the annual value of five of the hypothecated revenues, not being known, is not given. But, exclusive of them, there is here shown a hypothecation of two-thirds of eighteen millions sterling, which is the estimated amount of all the revenues of Turkey. As the *Economist* properly observes, such hypothecations are "*far too large to be successfully claimed by the bondholders,*" but it might and ought to have added, unless the bondholders, who hold the mortgages, happen to be strong enough to enforce their claims. Thus, the greater part of the Egyptian tribute is pledged as a guarantee of loans endorsed by England and France, and endorsers of that description are too powerful to submit to any diversion of the funds set apart for their security.

The immensity of the financial interests contended for in the movements pending in Europe, cannot fail to attract attention. An annual revenue of thirty-five or forty million dollars, actually well secured on Turkish taxes, could be capitalized at the probable rates of interest in Europe for twenty years to come, on the basis of three per cent. per annum. That is to say, the capital price of such a revenue would be from 1,167 to 1,333 million dollars. And it would be substantially a new creation, as Turkish stocks, are now quoted at only eight or ten per cent., and are probably not

actually salable even at those nominal figures. To give a new value of 1,000 million dollars to Turkish securities, by a financial *coup d'état*, dwarfs the Comstock Lode speculations into insignificance. The Parisian and London fundmongers gauge their enterprises on a gigantic scale. Their success in Egypt has taught them what is possible to be done by those whose audacity rises always equal to the occasion, and unlike the physical appetites, the appetite for plunder is only whetted by gratification.

A properly arranged revenue of thirty-five or forty million dollars from Turkey would be quite as secure a revenue as that from British consols. Occasional displays of force might be necessary to keep the Turks quiet, but that is a condition not one whit more onerous than the necessity which exists of keeping the British people quiet. The methods of producing quietude in the two cases would be different, from the difference between the parties to be quieted. But it is by no means clear that more ability and more anxious solicitude are not required in the British case. The Oriental nations are more accustomed to arbitrary control and heavy exactions, and their masters are not obliged to resort to circuitous processes to effect their objects. While the British governing classes are condemned to a never-ending task of political watchfulness and dexterity, the same classes in Turkey have only to resort to the simpler and easier medicament of the bastinado.

The difficulty of a financial subjugation of Turkey, and of developing its latent capacity to yield a revenue of thirty-five or forty million dollars to the capitalist classes of Paris and London, does not lie with the Turks themselves. It is the difficulty which the Czar Nicholas found insurmountable twenty-five years ago, and which the Czar Alexander and the first Napoleon were unable to solve at Tilsit. Nothing can exceed the amicable readiness of the European Powers to carve up Turkey, politically, territorially, militarily, or financially, if they could only agree upon the distribution of the pieces. The new method of financial subjugation removes some of the difficulties, but not all of them. It has enabled the Powers of Western Europe to act harmoniously in respect to Egypt, for example. England could not have permitted France, nor could France have permitted England, to occupy Egypt, politically, or militarily, nor would such an occupation have been possible for them jointly. But their joint financial occupation of the Nile valley has been found to be practicable, and in all respects agreeable, and it has been made satisfactory to the other Powers of Western Europe, by allowing them to participate in the fruits of it, to the extent that their people are interested in Egyptian securities. The same method may not improbably harmonize all differences between the Powers of Western

Europe as to other parts of Turkey on the Mediterranean. But the difficulty will remain of drawing a line, to which the parties can agree, between the part of Turkey which is to be turned over to the financial tender mercies of the bankers of Paris, London and Frankfort, and the part which Russia will insist upon dominating politically and militarily. Russia has no bankers who are interested in international schemes, and if any of them could be made interested in such schemes, they have no influence at St. Petersburg.

As already noticed, the Berlin Conference laid down the general abstract principle, that the new Bulgaria, and Servia to the extent of its new acquisitions of Turkish territory, should in some way or other, and at some time or other, make provision for an equitably proper proportion of the existing Turkish debt.

A judicial logician would have required that the same abstract principle should have been laid down as against Russia, in respect to its acquisitions in Batoum and in Turkish-Armenia. Nothing, however, is so harmless as an abstract principle, and it is of little consequence whether it is severely logical or otherwise. Mankind never seriously quarrel about an abstract principle. But the Paris and London bankers will find, if they ever attempt to invoke the dogmas of the Berlin Conference in support of a movement to collect from Servia and Bulgaria any portion of the Turkish debts, Russia will interpose a decided negative. Russia may not be quite ready to absorb Servia and Bulgaria, but will certainly insist that they shall be left in a condition to be absorbed, if the proper time for that ever arrives.

Upon a view of the whole field, there does not appear to be any obstacle to the financial occupation, by the Powers of Western Europe, of very considerable portions of Turkey. They have only to be careful not to extend their occupation to such a degree that the national passions of Russia would compel the government of Russia to oppose an armed resistance.

The London and Paris financiers are very eager to commence operations. The English were ready to commence on Cyprus, within one month after the treaty for a British protectorate of that historical island was announced. Thus, the *British Mercantile Gazette* of August 15, 1878, said:

"The present surplus revenue of Cyprus is about £100,000; the Porte estimates it at £120,000; England agrees to pay £150,000, to prevent possible dispute. This would make a good foundation for a loan—say two and a half millions sterling, four-per-cent. Turkish loan—guaranteed by England on Cyprus revenue."

In all cases, the money is to come from the tax-payers of

Cyprus. The Sultan claimed that he was receiving £120,000 annually from them. The English could not see that he was really getting more than £100,000, but were willing to undertake to pay him £150,000, and take their chance to collect as much, or more. So far nothing is visible except an improvement of the Sultan's revenue, but the English financiers saw something more than that in it. They saw a fixed revenue, with an English government guarantee behind it. That was something which could be capitalized, and with the experience they have had at Cairo with the Khedive and at Constantinople with the Sultan, they know that the operation of funding floating debts and capitalizing revenues with needy borrowers, are very profitable. Nothing would be easier than to make it for the interest of the palace officials surrounding the Sultan to accept for the bonds of a 2½ million sterling loan on Cyprus, twenty or twenty-five per cent. in ready cash, and the remainder in past due Turkish coupons, which the English financiers possess in embarrassing abundance. On such or similar terms they are only too eager to capitalize every thing he possesses, and they are closely scrutinizing his schedule of assets to find out what he does possess. A telegram (November 14, 1878,) from London, says:

"It is stated, at Constantinople that England is earnestly assisting the Porte in its endeavor to conclude a loan on the revenues of Syria and surplus Egyptian tribute."

It took exactly three years to finish up the Khedive. It was in 1875 that Hon. Stephen Cave was sent by the English government to establish an "*equilibrium*" in Egyptian finances. It was in 1878 that the Rothschilds recorded a conclusive mortgage on all the Khedive's private real estate. It may possibly take twice three years to finish up a Sultan.

From the latest indications, the plan upon which he will be finished up, is that adopted with such eminent success with Egypt, and which so happily combine two things not easy to be combined, great profits and freedom from any risk. It is apparent that the English people will not consent to any guarantee of Turkish revenues, beyond that already given in respect to Cyprus, and in that case they have actual possession of the island, and if they fail to squeeze the amount of the guaranteed revenue out of the Cypriotes, it will be their own fault. What the English will do is to join with the French, in an amicable arrangement to ensure the permanency of the positions of some international Finance Commissioners, to reside at Constantinople, receive Turkish revenues into their own hands, and divide the proceeds among the holders of Turkish coupons.

One reason why the English reluctant at guaranteeing revenues, to be capitalized into Turkish loans, is their appre-

hension, which may be well founded, that some percentage of the proceeds of such loans might be seized upon by Russia, in satisfaction, so far as it would go, of the 310 million roubles indemnity stipulated for at San Stefano. Of one such proposed loan, the London *Economist* of December 7, 1878, says:

"According to another account, between two and three millions sterling is to be handed over to Russia, as a first instalment of the indemnity."

And on the same day, the London *Statist* said:

"If Turkey obtained any ready money by such means, the Russian indemnity claim would suddenly arise and snatch it away."

The wary financiers of London, Paris and Frankfort, who successfully insisted at the Berlin Conference that the 310 million roubles claim of Russia, should be remanded to the condition of only a second mortgage upon Turkey, do not mean now to give up any of the priority of their own first mortgage. At any rate, they will yield no priority which is practically available. If they give up anything, it will be their claims upon Bulgaria and Servia, which Russia would never permit them to enforce.

GEO. M. WESTON.

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#### THE AUSTRIAN RAILWAYS.

The "*Battle of the Standards*" is being waged between the Austrian railways and their German creditors, in a novel and somewhat amusing shape. The railways propose to pay interest on their debentures in silver, which is the only metallic legal tender in Austria. The Germans naturally prefer gold, which is worth more. The railways complain of this, and with especial vehemence in respect to debentures issued when silver was also the only metallic legal tender in Germany. The railways say that "*they did not make the present German Currency Act,*" and object to being bound by it. The Austrian courts decide in favor of the railways, but whenever any of their cars are found on the German side of the boundary line, so that their creditors can seize them and get the question into the German courts, the decision is that nothing but gold will answer. At this distance, the practical advice which suggests itself, as proper to be given to the railways, is to keep their property out of the reach of the German courts.

#### INDIRECT TAXES.

The collection of taxes by the method of monopolies is common in Europe. It is in that way that the tobacco taxes are collected in France, Austria, and some other countries. Bismark has just been defeated in attempting to introduce the tobacco monopoly system into Germany. The French Government collects the match tax in that way. It sells the monopoly of making and selling matches in France to a Paris company for sixteen million francs, or about three million dollars, annually. It must, of course, put some restriction on the price, or the system would become intolerable.



## CYCLES IN PRICES.

*Apropos* to the theory, which, in various forms and with various modifications, is held by so many persons, the London *Statist* publishes the following statement of the average prices per ton, in Great Britain, of Scotch pig iron, in all the years from 1845 to 1878, both inclusive :

Year.	Average price.	Year.	Average price.
1845	... 80/3	1862	... 53/
1846	... 67/3	1863	... 55/9
1847	... 65/4	1864	... 57/3
1848	... 44/4	1865	... 54/9
1849	... 45/6	1866	... 60/6
1850	... 44/7	1867	... 53/6
1851	... 44/9	1868	... 52/9
1852	... 45/	1869	... 53/3
1853	... 61/	1870	... 54/4
1854	... 79/9	1871	... 58/11
1855	... 70/9	1872	... 101/10
1856	... 72/2	1873	... 117/3
1857	... 69/2	1874	... 87/6
1858	... 54/5	1875	... 65/9
1859	... 51/10	1876	... 58/6
1860	... 53/6	1877	... 54/4
1861	... 49/3	1878	... 50/

If, instead of average prices for entire years, the highest or lowest prices reached on any day are given, the fluctuations were, of course, more extreme.

The three highest and the three lowest prices on any day, are as follows :

Year.	Price.
1852.....	35/6 Lowest.
1854.....	92/3 Highest.
1861.....	47/ Lowest.
1864.....	67/3 Highest.
1869.....	50/6 Lowest.
1873.....	145/ Highest.
1878.....	42/10 Lowest.

The table first given above, shows that the cycles of low and depressed prices have not lasted more than five or six years. The second table shows a great rapidity of recovery after the lowest points were reached. Following the wisdom of Solomon, that the thing which hath been shall be, the *Statist* concludes that "it is not too much to anticipate that a few years more may see the iron and other kindred trades on the high road to solid improvement."

Archdeacon Paley made the observation, and deduced from it many useful moral reflections, that the periods of extreme pleasure, possible in the actual conditions of the

human body, were very short in comparison with the periods of extreme pain to which it might be subjected. It is in analogous correspondence with the fact which Mr. Paley observed in respect to the human body, that the periods of high and buoyant prices in iron, and everything else, are short, in comparison with the periods of depressed prices. The reflection to be made upon that is, that the most should be made of high prices while they last, and that their long continuance should not be counted upon.

It is easy enough, on looking over the table of iron prices, from 1845 to 1878, to suggest well-known special causes, which account wholly, or partially, for the rises and falls in them; such as the wide-spread European revolutionary troubles of 1848, the commercial effects of which were not recovered from until the influence of the Californian and Australian gold discoveries began to be felt, and such as the enormous impulse given to railroad construction in all parts of the world in 1871-2-3, by the unbounded facility then existing for the cashing of railroad loans in the London market. But while by no means admitting that there is any economical law of cycles in prices, which can fully explain the fluctuations in the price of iron, or of anything else, we confess to a participation in the common belief that something like such cycles do actually exist. Nearly all human affairs exhibit an alternation of ebb and flow, even if not so regular as that of the tides of the ocean. The temper of mankind is never very long in the same tone. The hopefulness and buoyancy of yesterday are followed by the anxious depression of to-day, which, in its turn, will sooner or later give way to more cheerful views.

If we should reason from past examples, we should conclude that the existing prostration of prices and of industrial enterprises, must be near its end. Of course it may possibly endure longer than any previous similar prostration, but even if it does last somewhat longer, it will not last forever. And if we may reason from past examples, we may conclude that the recovery, when it does come, instead of being so gradual as to be insensible, will be rapid, and by what Mr. Gladstone calls "leaps and bounds."

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#### RUSSIAN PAPER MONEY.

In Russia, individuals are not allowed to enter into contracts to pay any other kind of money than roubles, which means paper roubles, which are legal tender, or "lawful money." It has been proposed to change this, so that contracts to pay coin roubles shall be permitted, but in a paper issued under the auspices of the Russian Ministry of Finance, this proposal is "dismissed with the observation that in practice it would tend to still further depreciate the value of the paper rouble."

## THE EFFECT OF THE DEATH OF THE DRAWER OF A CHECK.

We conceive that most, if not all, of the principal writers on Bills and Notes, have fallen into a capital error respecting the effect of the death of the drawer of a check, and we propose to cite their views, show the fallacy upon which they are based, and trace the source of their error.

1. In *Edwards on Bills*, p. 546, it is said: "A draft that has not been accepted, and a bank check, should not be paid after notice from the drawer countermanding the authority, nor after the death of the drawer, which is a revocation of the authority. But if the bank pay without knowledge of the drawer's death, it seems that the money cannot be recovered back, and there is no reasonable ground for holding the payment invalid."

Byles cautiously says: "*It seems* that the death of the drawer of a check is a countermand of the banker's authority to pay; but that if the banker do pay the check before notice of the death, the payment is good." *Byles on Bills* (5th Am. Ed. by Sharswood) [\*25], 101.

Parsons says: "A bank should not pay a check . . . after the death of the drawer; but if the bank pays the check after the death, and before notice of the death, it is said to be a good payment."—2 *Parsons*, N. and B., 81, 82.

Chitty thus states his view: "It appears to have been considered that if the holder of a check, immediately after the death of the drawer, and before the banker is apprised of it, receive the amount, he will not be liable to refund, though in general, the death of a party is a countermand of a bare authority." *Chitty on Bills* (13 Am. Ed.) [\*429], 484.

Morse, in his work on *Banking*, follows and elaborates the statement that after the drawer's death the bank should not pay the check, and questions whether or not such a payment would be good at law, where it had no notice of the death, though (curiously enough!) he thinks that nevertheless it would be good *in equity*.

He says: "The death of the drawer before presentment of the check, operates as an absolute revocation of the power of the bank to pay upon his check. At the instant of his death the title to his balance vests in his legal representatives, and his own order is no longer competent to withdraw any part of that which is no longer his own property."

And again: "It has been laid down in the text books quite generally, that if the payment be made by the bank in ignorance of the death of the drawer, the bank will be pro-

tected. Doubtless this would be so held in equity, if not in law. But it must be acknowledged that the cited case of *Tate vs. Hilbert*, which the text books all rely upon as their sole authority for the statement, does not touch upon the point, and furnishes no basis for considering that the rule has the support of a single adjudicated case."

3. The leading case cited by all of the commentators for the doctrines which have been enunciated in the foregoing quotations, is that of *Tate vs. Hilbert*, reported in 2 Vesey, Jr., 111, and decided by Lord Chancellor Loughborough, in 1793. Let us see what that case determines, and whether or not it justifies the inferences that have been drawn from it. In that case it appeared that Mark Bell, an old and infirm man, gave to Mary Tate, a check payable to bearer for £ 200, and to Jane Tate, his promissory note for £ 1,000. They were his relatives, and after his death they filed bills in chancery, claiming the amounts as dispositions in the nature of *donationes mortis causa*. The bill of Mary Tate asked that the check for £ 200 be paid either out of £ 800 cash belonging to Mark Bell, in his banker's hands at the time of his decease, and admitted by the executor to have been possessed by him, or out of his general assets.

It was decided:—

(1) That these were not gifts *mortis causa*. The Lord Chancellor said: "He (the deceased) meant what he did for these plaintiffs as *immediate* gifts. Therefore I can make no more of this . . . Being a gift, it cannot be sued for as a legacy." And again as to the check: "The difficulty upon it is that it cannot be *donatio mortis causa* because it was to take effect *immediately*, and not to wait upon the death."

(2) The Lord Chancellor asked whether any hope was entertained that they could recover at law upon the draft on the banker? The Attorney-General for the plaintiff admitted that he knew of none; but as to the note "they had opinions of common lawyers in favor of an action." So, the decision that the check and the note were not good gifts *mortis causa*, and the concession that action against the Executor could not be maintained on the check, constitute the main elements of the case. But the Lord Chancellor used expressions in his opinions from which the text writers have deduced the doctrines stated in the passages heretofore quoted.

He said as to the check-holder, Mary Tate: "If she had paid this away, either for a valuable consideration, or in discharge of a debt of her own, it would have been good; or even if she had received it immediately after the death of the testator before the banker was apprized of it, I am inclined to think no Court would have taken it from her."

All this is *obiter dictum* and not authoritative as an adjudication. Besides, it is a mere cautious statement of what

the Lord Chancellor conceived to be clear; and it is not to be inferred necessarily, nor as we think at all, that because the check-holder could have retained the funds if paid her after the drawer's death, and before the banker was apprized of it, that the banker would not have been justified in making the payment if he had been apprized. The right of the check-holder without consideration to retain the funds is one thing; and the right of the banker who is not bound to inquire into the consideration to pay them, is another and very different thing—a thing totally disconnected with, and by no means inferential from the first. Yet the text writers have made the illogical inference which their language discloses. Because the banker would have been justified in making payment, when he had no notice of the death, it does not follow necessarily that he would not have been justified if he did have such notice. As to that circumstance, the Lord Chancellor simply withheld his opinion, after already going further than was needful to the decision of the case.

5. We think we have shown that the case generally cited for the doctrine that after the death of the drawer of a check the bank should not pay it, is not an adjudication to that effect. Let us now examine the question on principle. What is a check? What does it import? What is its effect?

Byles defines a check to be "an inland bill of exchange drawn on a banker, payable to bearer on demand." *Byles on Bills* [\*13]. Edwards says it is "a bill of exchange payable on demand." *Edwards on Bills*, 396. Sir G. Jessel, Master of the Rolls, calls a check "a bill of exchange payable at a banker's." *Hopkinson vs. Forster*, 18 Eq. Cas. L. R., 74 (1874). "Checks are bills, or rather bill is the genus, and check is a species," is the expression used in a New York case often cited. *Harker vs. Anderson*, 21 Wend. 372.

"It is perfectly correct to say that it is a bill with some peculiarities, or a species of bill." *Daniel on Negotiable Instruments*, § 1,567. Without pausing to define a check here, suffice to say that it certainly is a species of bill of exchange. This being true, what is there about it which makes the death of its drawer have a different effect from that resulting from the death of the drawer of any other bill of exchange? Nothing that we can discover.

"If a person draw a bill of exchange on another, and deliver it to the payee for a sufficient consideration, and the drawer then dies, it should seem that, this having been an appropriation of a particular fund for the benefit of the payee, the death would be no revocation of the request to accept, and that the drawer may accept and pay." *Chitty on Bills* (13th Am. Ed.) [\*287], 325. "The death of the drawer" says Parsons, "is no objection whatever to an ordinary acceptance by the drawee, whether with or without knowledge, for the death is no revocation of the bill, if it has passed

into the hands of a holder for value."—1 Parsons, N. and B., 287.

This learned writer saw the conflict between the statements of the text writers, and that there was no difference between the right to accept the bill, and to pay the check. And in a note to his text (1 vol. 287, note 6) after quoting Chitty's words above used, and those of Byles, to the effect that "the death of the drawer of a check is a countermand of the banker's authority to pay it," he well says, "the two propositions are irreconcilable."

When we look closer into the nature of the instrument, we think it is still clearer that the death of the drawer of the check does not affect the banker's right to pay it.

6. A check is a negotiable instrument; and like all negotiable instruments, carries the presumption that it was given to the payee for value. "The natural inference from the giving a check is that it was given in payment of a debt due the payee from the drawer, or that the payee gave cash for it when it was drawn." *Daniel on Negotiable Instruments*, § 1,646, and cases cited.

This being so, the payee may sue the drawer, if it not be paid, or his executor if he be dead; and any person may buy the check, or take it from the payee in discharge of a debt. In the hands of a *bona fide* holder, who acquires it from the payee in due course of business, defenses which are available between immediate parties are excluded; and if a third party may acquire it, and recover upon it, against the drawer, would it not be curious and illogical to hold that the bank, under the like circumstances, should not pay it." It has never been intimated that a third party cannot acquire a check without inquiry after the drawer's death. Why then may not the banker pay it?

7. It has been urged that the death of the drawer is "a revocation of the banker's authority to pay the check," as if it were an instrument to be governed by the law of agency. And in *Thomson on Bills*, p. 244, it is said, respecting the view taken by the English text writers: "It (the check) seems to be considered as a kind of mandate. In Scotland, such a check, being an assignment of the funds in the banker's hands, might be completed by presentment to him, even after the drawer's death."

It is an entire misconception of the nature of a check, as we think, to look upon it as a mere mandate. It imports that the payee has given value for the right to draw the funds from the banker, and to hold that it is a mere mandate to the banker to pay the amount it calls for, is to lose sight of its higher, and more comprehensive character, that of a negotiable instrument, employed as a necessary instrument of commerce, circulating from hand to hand, almost as freely as money; and is to allow the greater to be swallowed up in the less.

If it is to be regarded as an authority to the banker to pay the amount, it ought also to be regarded as an authority to the payee, or other holder, to receive the amount. Being presumably given to the payee for value, the authority to him to receive the amount is presumably an authority coupled with an interest. Then it is a double mandate. In so far as it is an authority coupled with an interest, it is irrevocable. No citation of authority is needful for this universally recognized doctrine. If the banker's authority to pay be revoked by the drawer's death, we are driven to this paradoxical conclusion: that an authority coupled with an interest may be practically revoked and annulled by the revocation of another authority not coupled with an interest; and the law would appear in this state of self-stultification, that the authority to collect the amount continues, and is irrevocable, while the authority to pay, which is necessary to its exercise, ceases by revocation! Is not this *reductio ad absurdum*?

8. According to the view which we have elsewhere taken of a check, it operates as an assignment of the fund upon which it is drawn, as between the drawer and the payee, or holder, and the assignment binds the bank as soon as it is notified thereof by the presentment of the check. See *Daniel on Negotiable Instruments*, § 1,643. But we acknowledge that this is not the predominant view and that the numerical weight of authority is against it. Be this as it may, it is universally conceded that the check operates as an assignment of the fund *pro tanto*, as soon as the bank consents to it by certification or payment.

This being the case—the assignment depending not upon the drawer who has by the act of drawing given his consent, and not upon the act of the banker—we cannot see how the death of the party who has consented can annul the right of another to acquiesce and concur in his act.

Professor Parsons, in a note to his text, takes this view. Says he: "The right on the part of the drawee to complete the assignment would seem to be a privilege of his own and it is somewhat difficult to see how the death of the drawer can affect it. The drawer has given the holder a written instrument authorizing the latter to apply to the drawee for the assignment of certain funds. The holder of the bill who has received it for a sufficient consideration has an interest in this authority—not merely in the proceeds of the bill, but in the bill itself; and the rule is that an authority coupled with an interest is irrevocable."—2 *Parsons N. & B.*, 287 note. This language is used in respect to an ordinary bill; but the author evidently regards it as equally applicable to a check.

9. We concede that if the check were a gift to the payee, and the banker knew that fact, the death of the drawer

would operate as a revocation of the banker's authority to pay it. In such a case the authority to the donee to collect, as well as that of the banker to pay, is not coupled with such an interest as to continue them in force. "If it had been a check drawn by Hampton Elliott, and he had died before the check was presented, *and the check was a donation*, the check would have been worthless, because by the demise of the donor his mandate to his agent, the bank, was revoked," is the language of the Supreme Court of Louisiana, in *Burke vs. Bishop*, 27 La. An. 465 (1875). In such a case all that is said in *Tate vs. Hilbert* would apply. But the banker is not to presume that a check is a donation. To require such a presumption on his part, is to make him presume what in ninety-nine cases out of a hundred is not the fact, is to make him presume contrary to what a purchaser may presume; is to except a check from the universally accepted rule of the law merchant that negotiable instruments import value; and is to attach one presumption to the check while the drawer is alive, and another to the same paper upon his demise.

10. In the case of *Cutts vs. Perkins*, 12 Mass. 206, a master of a ship in London bound to the U. S., having goods on board consigned to a Boston merchant, and being indebted to a London merchant, drew a bill on the consignee in favor of the London merchant for the amount of the freight money. Before the bill was presented the master died, and it was contended that his death operated as a revocation of the bill. Putnam, J., delivering the opinion of the court, said: "Upon the delivery of a bill of exchange to the payee the liability of the drawer becomes complete. Some writers have holden that where the indorsement was intended as a mere authority to enable one to receive the money for the use of the endorser, the death of the endorser should operate as a revocation of the authority. But the law is clearly otherwise, *when the authority is coupled with an interest*, and in such case the death of the drawer will not be a revocation of the request on the drawee to accept."

This case, as we think, correctly states the law. If the death of the drawer revokes the drawee's right to accept and pay the bill, then an endorser's death must also revoke it, for he is regarded as a new drawer, and thus confusion and uncertainty are introduced into the law merchant in respect to instruments which of all others should be most sure and stable.

In *Billing vs. De Vaux*, 3 Man & Gr., 565, a bill drawn in favor of the plaintiffs was accepted by letter after the drawer's death. The payee sued the acceptor, and he was held liable. Tindal, C. J. said: "I am not aware of any principle of law by which, upon the death of the drawer of the bill, the right and liabilities of the parties thereto were at all



varied." Coltman, J., said: "The other circumstance relied on is that Mersing, the drawer, was dead at the time the letter was written to him, and therefore that it is to be considered as mere waste paper. Possibly that might be the case *were its effects confined to the parties themselves*. But here the bill had been put in circulation." The bill was in the hands of the payee.

Maule, J., said: "The letter (of acceptance) operates for the benefit of Mersing's (the drawer's) estate, for his death could not vary the rights and liabilities of third parties."

We think this case direct authority as against the inferences which have been drawn from *Tate vs. Hilbert*. Rights accrue upon the delivery of a bill or check to the payee. They are not varied by the subsequent death of the drawer. The drawee of the bill may accept and pay it; the drawee of the check may also honor it; for it is presumably given for consideration, and its payment operates for the benefit of the estate of the deceased, which, upon its dishonor, would be bound for its payment out of general assets.

It is to be hoped that the erroneous doctrines of the text-writers may soon be brushed away, and that the clear principles which apply to this important question may be universally recognized and adopted. JOHN W. DANIEL.

LYNCHBURG, VA., January 1st, 1879.

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### AUSTRIAN COINAGE OF SILVER.

It has been known that since about last October silver was being purchased both in Berlin and London for the Austrian and Hungarian mints. Indeed, since about that time, this Austro-Hungarian demand has been the principal support of the London silver market, as the demand for India has shrunk to very small proportions. But no definite statement has, until very lately, been made as to the extent of this Austrian demand. The London *Economist* publishes every week a letter from a manifestly well-informed correspondent at Vienna, but the first figures given by him on the subject are found in the following from his letter of December 30, 1878, printed in the *Economist* of January 4, 1879:

It is surprising that the Austrian Government seems to be by no means alarmed at the enormous quantity of silver streaming into Austria. It is said that the mint of Vienna stores twenty-eight million florins worth of silver bullion in its coffers; sixty millions more have been announced for next year, and even for 1880 some amounts have been offered and accepted. The Government has been warned often enough that it would very possibly, after all, be obliged to resort to a pure gold standard, in which case all this silver would have to be sold at a low price.

Silver is the exclusive metallic standard of Austria, and as during a few months past Austrian paper money has been at a small premium over silver money, there would be a profit to owners of silver bullion in carrying it to the mints to be coined. Legally, the mints of that country are open to coinage on private account, and the statement has been made that the Government has appropriated this profit to its own exclusive benefit by supplying the mints with silver up to their capacity, and by insisting upon a prerogative right to priority of coinage over private owners of silver bullion. At any rate, the Government has contrived in some way to monopolize the business.

The Austrian florin is about fifty cents, and if it is really true that Austria means to coin silver during the present year to the amount of sixty-four million florins, or \$32,000,000, it will absorb all that Germany will be likely to sell during 1879.

This same Vienna correspondent of the London *Economist* said, soon after the passage of the U. S. silver law of February 28, 1878, that the silver party in Austria were very jubilant over it, and made an urgent demand that the Imperial Bank of Austria should sell its gold and buy silver. The Bank, however, resisted that demand. At the Paris Monetary Conference of last August, the Austrian delegation strenuously supported the silver policy of the United States. The appearance now is, that Austria intends to resume specie payments in silver. It may easily do that, as its paper is worth rather more than silver.

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## REPORT OF NEW YORK BANKING DEPARTMENT.

The annual report of the Superintendent of the Banking Department of New York, showing the condition of the banks and banking associations of the State during 1878, has been transmitted to the Legislature. The following extracts give the principal parts:

The number of banks and banking associations organized under laws of the State, and reporting to the Bank Department on the 30th of September, 1878, was seventy-five. The total number which reported at the close of the previous fiscal year was eighty-one. During the last fiscal year one new banking association, the New York State Banking Company of Syracuse, was formed. Seven banking associations were closed: Brewers and Grocers' Bank, Bull's Head Bank, and Commercial Bank, New York; Bank of Chenango, Norwich; Commercial Bank, Rochester; State Bank, Olean, and Bank of Wappinger's Falls. Five of these voluntarily closed their business, and two closed as State banks and reorganized as National banks. Eleven trust, loan, and mortgage companies reported to the Superintendent on June 30, 1878. During the fiscal year one company, the National Trust Company, New York, failed, and is in the hands of a receiver. During the same period the Equitable Trust Company and the United

States Mortgage Company of New York made their first report to this department. Following are tabulations of the two quarterly reports of all the reporting banks and banking associations for the dates respectively stated, which were near the close of the last two fiscal years:

## RESOURCES.

	<i>Condition. Sept. 22, 1877.</i>	<i>Condition. Sept. 21, 1878.</i>
Loans and discounts.....	\$ 57,906,952	.. \$ 51,626,029
Due from Directors of the banks included in loans and discounts.....	1,906,933	.. 2,227,582
Overdrafts.....	124,480	.. 102,569
Due from trust companies, State, National and private banks and brokers.....	6,148,213	.. 5,784,989
Real estate.....	2,274,916	.. 2,257,085
Specie.....	2,130,099	.. 2,744,534
Bonds and mortgages.....	452,501	.. 376,582
Stocks.....	7,518,659	.. 8,437,190
United States legal-tender notes and circulating notes of National banks.....	7,116,341	.. 8,147,427
Cash items.....	9,188,626	.. 6,720,845
Loss and expense account.....	405,051	.. 309,918
Assets not included under either of the above heads..	59,339	.. 148,258
Add for cents.....	252	.. 244
<b>Total.....</b>	<b>\$ 93,385,429</b>	<b>.. \$ 86,655,670</b>

## LIABILITIES.

Capital.....	\$ 22,729,100	.. \$ 20,568,200
Surplus fund.....	2,415,258	.. 4,559,209
Undivided profits.....	5,287,342	.. 2,671,043
Circulation.....	55,058	.. 51,571
Due depositors on demand.....	54,002,718	.. 50,540,621
Due to trust companies, State, National and private banks and brokers.....	6,544,832	.. 6,811,117
Due individuals and corporations other than banks and depositors.....	645,351	.. 293,892
Due Treasurer of the State of New York.....	1,126,275	.. 726,757
Amount due not included under either of the above heads.....	579,354	.. 433,128
Add for cents.....	141	.. 132
<b>Total.....</b>	<b>\$ 93,385,429</b>	<b>.. \$ 86,655,670</b>

Thirteen banking associations have reduced their capital during the year. The aggregate of such reduction is \$ 1,348,400. Such reduction is the result in part of losses in business, and in part is a withdrawal of capital not active enough to pay the excessive taxes levied and earn any income. The aggregate results of the reports of the examinations of the trust companies and mortgage companies for the past two years are as follows:

	<i>Resources.</i>	<i>Liabilities.</i>	<i>Surplus.</i>
1877 .	\$ 73,427,456.12	\$ 67,390,161.29	\$ 6,100,040.97
1878 .	77,547,574.14	70,731,900.52	6,950,697.27

The outstanding aggregate of circulating notes of the State banks was \$ 535,821,50 September 30, 1878. At the close of the previous year it was \$ 662,912,50. The reduction during the year was \$ 127,091. The circulation outstanding and secured on September 30, 1878, was \$ 101,575; the unsecured circulation, \$ 434,246.50.

The securities held by the Superintendent in trust on September 30, 1878, amounted to \$ 1,169,697.86. The net decrease in securities was \$ 171,400.59.

During the year four incorporated banks advertised the final redemp-

tion of their notes. Of forty-two incorporated banks whose circulation accounts were open when the Act of 1873 was passed, but seven remain which have not availed themselves of the provisions of the law that provide an easy way to finally close their affairs. The retirement of some State banks from business, the reduction of capital in others, and the passing of dividends in some, are all expressions of the difficulties which surround the banking business. There are two reasons why, at present, the profit of banking is reduced to the minimum, if any is made—and it is a matter of fact that in a great many of the banks, both State and National, none, or very small profit, has been made during the last year. One reason is the onerous and inequitable taxation imposed upon the banks. To show how deep this demand of the tax-gatherer enters the income, or the principal, perhaps, of the banks, I have obtained the amount of taxes paid by each of the State banks from January 1, 1873, to January 1, 1878. The statement embraces the taxes paid the United States, the State of New York, including local taxes. The capital taxed is \$21,916,600. The taxes paid during the five years aggregate \$4,773,867, that is, in five years a sum between one-fifth and one-fourth of the capital of the State banks has been taken from them in taxes alone. The tax is oppressive; it is a problem whether any kind of business could bear it. The State, too, discriminates, either in law or in the administration of the tax laws, against the banks as compared with the individual capitalists and other corporations. The banks are lenders of money. For the last few years they have been losers of money to a large extent. The business has been attended with great risk. The banks are seriously crippled by losses resulting from the failure of debtors once solvent, but the State refuses to take any cognizance of the consequent shrinkage of the bank's estate in levying taxes.

Of the new forms for reports adopted in December, 1877, the Superintendent says: "Their employment has demonstrated their advantage. They have shown in several banks a very different condition of affairs from that exhibited in former reports. And the Superintendent has found, through them, not a few points of weakness in banks, errors in the conduct of some that have been corrected, and, I regret to say, insolvency in others, accompanied by apparently criminal acts, done with the purpose of concealing the actual state of affairs of the bank from the Superintendent."

After the new mode of reporting had been in use a year, the legal power of the Superintendent to require such reports from the banks was questioned by the officers of one of the banks. The Attorney-General sustained the Superintendent. Generally, the banks have welcomed the change, because it enables the Superintendent to ascertain more fully and clearly the condition of the banks, and thereby guard creditors, including banks, from possible loss by the continuance of a weak or insolvent bank in business.

Mr. Lamb makes the following recommendations in regard to the banking laws. A larger experience confirms the conviction in my mind that the banking laws of the State need complete and thorough revision. Legislation is required for several purposes, to wit:

1. To define and fix the liability of stockholders in State banks for the debts of the banks.
2. To regulate deposits of stocks in the Bank Department by the banks.
3. To amend the law to organize the Bank Department in order to attain greater equity in assessments upon corporations for the

expenses of the department and the utmost economy in the expenses of the department.

4. To define precisely the powers of the Bank Superintendent and the duties of the bank officers in making quarterly reports.

5. To make some provisions of the *Revised Statutes* relating to moneyed corporations applicable to banking associations.

6. To prevent private bankers from assuming corporate titles, either new ones or those of closed State banks, and doing a banking business under such misleading and deceptive titles.

7. To repeal all laws which place mutual aid, loan, and building-fund associations under the supervision of the Bank Department. The reasons for this recommendation have been stated in former reports.

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## FLUCTUATIONS IN THE PURCHASING POWER OF GOLD.

The following extracts indicate the argument and the conclusions of a very interesting article in the London *Economist*, of December 28th:

"It is a fact which will scarcely be disputed, that the purchasing power of gold is now considerably greater than it was in the three years 1872-3-4. This assertion may readily be corroborated by an appeal to the market price of commodities then and now; and the result, which yields an average fall probably exceeding twenty per cent., will forthwith be ascribed to the existing great depression in trade, to over-production, and to the collapse of speculation after the years of inflation and mania. Although these have undoubtedly been potent causes operating to produce a fall in market prices, it is probable that others, which it is now our purpose to consider, have also contributed toward this great and general movement. If, as can undoubtedly be shown, market prices are, taking an average of a great number of commodities in daily use, from ten to twelve per cent. cheaper than in any of the years of depression which followed the panic of 1866, and from eight to ten per cent. below those of 1859—the cheapest year of the series after the crisis of 1857—the conclusion is forced upon us that either (1) the present depression is far in excess of that which existed in those previous periods of depression; or (2) the world's productions are far more easily rendered marketable; or (3) there has been an increase of late years in the intrinsic worth of our unit of value, namely, gold. Tracing prices further back, to the time of stagnation following upon the railway panic of 1847, we at length obtain a record of prices apparently cheaper than those at present existing, and in 1849, 'the cheapest year of the century,' the average of marketable commodities was probably somewhere about seven per cent. lower than at present. Consequently, either that depression was (1) more severe than this, and very much more severe than after 1857 and 1866; or (2) the world's productions were then more easily rendered marketable; or (3) the intrinsic worth of our unit of value was then much higher than after 1857 and 1866 and somewhat higher than it is now."

The writer taking the position that the value of gold has increased, brings forward the facts that there has been a decrease in the supply of gold, the reduction, between 1855 and 1875, having been about

£9,000,000 yearly in the product, and that there has been a marked increase in the demand for gold in consequence (1) of the action of the German government, which it is estimated has increased the ordinary demand £53,000,000 in seven years, and (2) the preparations for resumption by the United States, which have increased the demand on the world's stock and production £16,500,000 in ten years.

"These two requirements are thus shown to have absorbed £70,000,000 of gold in the past seven years—say, £10,000,000 a year—or decidedly more than one-half of the world's production during this period. Currency reforms in the Scandinavian Kingdoms and in other countries, have likewise absorbed further exceptional amounts, and after making the usual deductions for the arts and jewelry purposes, it is probable that the balance of new gold left available for the maintenance of existing gold currencies, has, during the past seven years, been reduced to about one-third what it was in the previous decade, and to a far smaller proportion of the world's production of twenty years ago. At the same time, all the principal banks in Europe have shown more and more eagerness to store gold in preference to silver. We have not space on this occasion to enter into details upon this point. Suffice it to say that on page fifty-seven of the *Commercial History and Review for 1877*, it was calculated that in the ten years then ended, £82,650,000 of gold had been added to the cash reserves of the principal banks. Here is another large amount averaging £8,265,000 per annum; and if we add thereto less than another couple of millions annually for wear and tear of existing coinages and sundries, we can construct the following rough account, representing the world's annual average receipts and expenditure of gold during the past seven years:

#### YEARLY PRODUCTION.

Average annual production.....	£ 19,350,000
German new gold coin exported (say).....	1,500,000
	<hr/>
	£ 20,850,000
Balance—annually withdrawn from previously existing gold in circulation.....	1,200,000
	<hr/>
	£ 22,050,000

#### YEARLY APPROPRIATION.

On German currency.....	£ 7,600,000
United States Resumption.....	2,400,000
Fine arts.....	2,000,000
Added to reserves in State banks.....	8,250,000
Wear and tear, other coinage reforms, and sundries (say).....	1,800,000
	<hr/>
	£ 22,050,000"

The conclusions of the article are as follows :

"We have not touched upon the question of the circulation of bank or statute notes in substitution for gold, nor upon other increased banking facilities, nor yet upon the growth of population in the past ten years. But the fact remains that commodities are much cheaper than they were ten and twenty years ago in periods of great depression in trade, and the same amount of gold—not silver—will buy more of such necessities of life. Probably, therefore, gold has risen, while silver has fallen, as nations have competed for the one and discarded the other."

## THE SAVINGS BANKS OF MAINE.

Mr. W. W. Bolster, the State Bank Examiner of Maine, has prepared his annual report for submission to the Governor and Council of that State. In it he states that the condition of the Maine Savings banks is more favorable than at the same time in 1877, although this year has been a very trying one for Savings institutions. Two of the banks of Bangor have surrendered their charters, and are transacting such business only as is necessary to a final settlement of their affairs.

The number of Savings banks now organized and doing business in the State is fifty-nine, a decrease of five since September 27, 1875. These have been placed in the hands of Receivers, being the only ones so placed since the organization of the system in the State. For the Winthrop Bank a Receiver was appointed September 27, 1875. This bank returned \$119,172 of assets; seventy-three cents on a dollar was paid depositors, and seven cents more on a dollar will be forthcoming. Solon Bank has paid ninety-three cents and will pay seven cents more; Bucksport Bank has paid sixty cents and will pay ten cents more; Lewiston Institution for Savings paid eighty cents.

Thirteen of the fifty-nine Savings banks now doing business have had their deposit accounts reduced by decree of Court, under the provision of section 36 of the act to revise and consolidate the laws relating to Savings banks, approved February 9, 1877. They are the Brunswick Savings Institution, Thomaston, Orono, Camden, Bangor, Androscoggin County, Pembroke, Calais, Skowhegan, Bridgton, Auburn, Dexter, and Franklin County banks. It is believed that ultimately there will be no loss to depositors in the Auburn and Bangor banks; that the losses in the others will range from two to ten per cent., except the Thomaston, which will be about twenty per cent. The losses in these banks, with one exception, are comparatively small, and are all the result of shrinkages that could not be foreseen, many of which are temporary.

The Examiner strongly condemns the efforts which have been made to bring Savings as well as National banks into disrepute, and says this effort has contributed very much to strengthen the ruinous and senseless panic of the past year, which for a time threatened the stability of Savings institutions. The banks that have been compelled to apply to the Courts have been brought to this largely by this panic. So far from the assertions as to the rottenness of the Savings institutions of Maine, which contribute to this panic, being true, the Savings banks have, with rare exceptions, been well managed and prudently conducted. Their capital has suffered much less depreciation than a like amount of capital invested by the best business men of the country since the inauguration of the civil war.

The Examiner says that the result of the law of 1877, authorizing the Court to reduce accounts of depositors, so as to divide losses *pro rata* among them, has been beneficial to all concerned, and the law has prevented much evil that might otherwise have resulted from runs upon the banks. The deposits and profits of the fifty-nine banks doing business on November 4, were \$23,173,112, against \$26,898,432 last year, a decrease of \$3,725,320.

The decrease of depositors for the same period is 10,683. The whole number is 77,978. The average to each depositor is \$297. The decrease in the deposits and profits of the banks the past year is \$2,804,988 more than last year; the decrease in depositors, 8,723 more; the average to each depositor, \$6 less. Five banks only have increased their deposits the past year.

Last year the securities owned by the banks, upon which payment of interest coupons was suspended, amounted to \$940,150; this year to \$808,825, being \$131,325 less than last year. Of the non-paying securities, the banks are holding \$381,556 less than in 1875. The amount of these securities is a fraction over five per cent. of the assets of the banks. There are \$3,527,638 less deposits in the banks this year than last. They also hold a very much larger proportion of strong and convertible assets.

Six of the fifty-nine banks have not declared any dividends the past year; six have declared one dividend each; five, two and one-eighth per cent., and one two per cent. Fifty-seven have declared semi-annual dividends at the following rates, namely: nine, one and a half per cent.; seven, two, two and a half per-cent.; twenty-nine, two and a half per cent.; two, three per cent.

The Examiner recommends that the amount of investments in United States bonds be increased until one-fourth of the funds are thus invested. There should also be larger investments in New England State, county, and municipal bonds. Excessively large loans to one individual or corporation, on mortgages on real estate, should be avoided. Loans on real estate should be limited to one-half the value of the property. The per-cent. of deposits that may be loaned on personal securities should be fixed by law. The Bank Examiner should be required to visit and examine the banks twice a year, and his salary should be a fixed one.

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## FINANCIAL NOTES AND COMMENTS.

### COTTON MANUFACTURE.

India is competing, not only in its own markets, but in adjacent markets, with the cotton manufacturers of Great Britain. From 1871 to 1877 the export of Indian calicos to the coast of Africa, Mauritius, Arabia, Persia and Aden, increased from three million yards to nine and one-third millions. During the same time the export of India cotton yarns to Japan, China, Arabia and Aden increased from twelve hundred thousand pounds to eight million pounds. It is not wonderful that with this development of the power of Indian manufacturers of cotton cloths and yarns to produce them cheap enough for export, the British manufacturers should renew their demand that the Indian Government should be compelled to take off the five per cent. import duty on cotton cloths. The Indian Government defends such a duty as a revenue necessity, but that does not reconcile Manchester to being put at a disadvantage of a five per cent. tax, in addition to the disadvantage of a large and expensive freight, in competing in the Indian markets with Indian cotton manufacturers. The clamor of Manchester on that point was silenced for a time by the distress in India resulting from famine, but has now become again loud and urgent.



## TIMBER IN COLORADO.

A correspondent of the San Francisco *Commercial Herald* gives a detailed estimate, by districts, of the lands in Humboldt County, (Cal.), covered with redwood, and estimates the average quantity per acre at 100,000 feet board measure. Such figures make the head swim, as Beaulieu said lately of the figures of the French budget. It is calculated that if all this redwood could be manufactured and sold in San Francisco, at the present price in that market, \$18 per M., it would pay the National debt. When single countries have such resources, it is not wonderful that four-per-cent. U. S. bonds are so eagerly taken. If the croakers would look more over the whole country, and less at local troubles, it would improve their courage.

## LONDON RATES OF DISCOUNT RESERVES.

Recent rates of interest in London have been very high. It is admitted that the Bank of England has charged eight per cent., or three per cent. above its published rate. Eight per cent. on the class of securities dealt in at that institution is an extreme one for London, although not absolutely unprecedented. Outside of the Bank of England, rates have been more than twice eight per cent., and that does not describe all the features of the present case. Many stocks and securities, heretofore readily accepted as collateral by lenders, were absolutely rejected, and this made it impossible for many classes of persons to borrow at all.

Of the rates actually paid, the *London Statist*, of December 14, said:

The West of England Bank failure, though partly expected last week, came at a time when its effect was increased by the proximity of the half-monthly settlement of the Stock Exchange. The rates charged for carrying over purchases—delaying payment, that is—have been this week *higher than at any time during the past twelve years*. On some of the English passenger railway stocks, these rates ranged from fifteen to twenty per cent.

As will be seen, the *Statist* is obliged to go back twelve years, that is to say, to the panic year 1866, when Overend & Gurney failed for ninety million dollars, to find a precedent for recent interest rates.

The *Economist*, of the same date, says that the condition of things out of which these occasional high interest rates grow, is an effect of the "*National habit of working things too close, of keeping too narrow a supply of unused money.*"

The London merchants never have any money. They have nothing but credits with the banks and bankers upon which they have the right to check, and these cheques will be paid if the parties drawn upon have any money wherewith to pay them. But these banks and bankers keep little money as a rule. What they call their cash is their deposits in the Bank of England, which very rarely has cash enough to pay its own demand notes. At the latest returns we have seen its deficiency in cash to do even that was \$27,000,000.

The French system, which is said to be antiquated and clumsy, and is probably both, has, nevertheless, the great advantage of securing ample supplies of ready cash, because, as a rule, a French merchant's or tradesman's cash means actual money in his own keeping.

The English are beginning to ask themselves, whether their banks and bankers ought not to keep their reserves in their own vaults, where they would exist in the form of actual money, instead of being, as at present, mere credits on the books of the Bank of England.

## WAGES IN GREAT BRITAIN.

The fall in wages in some branches of British industries is almost incredible. It is stated in the London *Economist*, of December 14, that the coal owners in South Yorkshire now insist upon a reduction of 12½ per cent. in the pay of miners, who have already submitted to successive reductions amounting to 57½ per cent. since 1874.

## SWEDEN AND NORWAY—FAILURES, ETC.

In no country in Europe have the bankruptcies, resulting from the commercial revolution, been more numerous or heavier in amount, relatively to the population, than in Sweden and Norway. These have necessarily affected the banks and bankers, among whom they are described as making "*fearful havoc*." One large bank was saved from a run by the king, who ostentatiously made a heavy deposit in it at a critical moment, and thus restored public confidence. At Stockholm, some of the principal banking houses have suspended, such as Asp, Berger & Co., Hoglund, Guillemot & Weylandt, etc., etc. The losses in trade and industrial enterprises are ascribed to the great fall in the prices of iron and timber, the two chief exports of Sweden and Norway. But there should be added to those losses, the depression of ocean freights, which has annihilated the profits of sailing vessels and made that description of property unsalable. Sweden and Norway rank fourth in the list of nations engaged in navigation.

## GOLD MINING IN INDIA.

At a recent meeting in London of the Moyar Copper Company, having properties in India, it was stated that a short lease of some of its gold quartz ledges had been made to a gold company, which reported that 45 ozs., 6 dwts. of gold had been obtained from twenty tons of the quartz which had been crushed. This would be about \$42 per ton, and would be a flattering result if the quartz subjected to crushing was an average of the whole. It would be less flattering if only choice specimens were crushed. At any rate, the Moyar Copper Company was much elated with the statements made and appointed a special committee to investigate the subject.

## SUGAR-CANE CULTURE.

It is stated that New South Wales, Queensland, Western Australia and the northern part of Southern Australia, are all well adapted to the growth of the sugar-cane, and that the cultivation of it is extending. In Queensland, twenty-five thousand acres are devoted to it. In New South Wales, the production of sugar during the past year was 150,744 pounds, against 93,960 pounds during the preceding year.

## MINING IN 1878.

What are now known as the bonanzas on the Comstock lode began to be developed in the latter part of 1874. Adopting the figures of Wells, Fargo & Co., which are accepted as the most reliable, the production of gold and silver in the United States, west of the Missouri, and not including any metal received from Mexico, or British Columbia, was as follows in the four subsequent years:

Years.		Gold.		Silver.
1875	....	\$ 39,968,194	....	\$ 32,605,239
1876	....	42,880,935	....	39,292,924
1877	....	44,880,223	....	45,846,109
1878	....	37,672,771	....	37,151,396

The total metallic production for 1878, including \$3,452,000 of lead and \$2,878,455 of gold and silver received from Mexico and British Columbia, was \$81,154,622. Including the same items, the production for the present year, in the opinion of Wells, Fargo & Co., will "not greatly exceed \$70,000,000." The decline of production from 1877 to 1878 was substantially the whole of it in the yield of the Comstock lode. Even less is expected from that lode in 1879 than was realized in 1878. During the first months of last year it yielded very largely. Those who are most sanguine as to the probable yield of the supposed new bonanza in the Sierra Nevada mine, do not anticipate that it will be in a condition to turn out much ore for four or five months.

The aggregate gold, silver and lead yield in 1878 of the five States and Territories producing the most, was as follows:

Nevada.....	\$35,181,949
California.....	18,920,461
Montana.....	9,763,640
Colorado.....	6,232,747
Utah.....	6,004,613

Unless all accounts are at fault, the yield of the Colorado mines will be hereafter very much larger than heretofore.

The results of mining for gold and silver are proverbially uncertain, and those will make the fewest mistakes who make the fewest predictions. This country has an immense extent of auriferous and argentiferous territory, but it must be remembered that it takes a great many mines to produce seventy-five or a hundred million dollars in a single year, and that while new mines are being discovered and developed, old mines, especially placer mines of gold, are being worked out. It has been well said that, unlike agriculture, there is but one crop in a mine. The enthusiastic representative of this country in the Paris Monetary Conference of 1867, who supposed that our then annual production of gold and silver was one hundred million dollars, which was quite beyond the fact, predicted that long before 1900 it would reach three or four hundred millions. It is to be hoped that it may, but it is now evident that it is not to be expected, unless more gold placers are found like those which were worked in California twenty-five years ago.

#### BANKING IN GREAT BRITAIN.

The London *Economist*, of the 14th of last December, suggests, as deserving of consideration, a great variety of "amendments" of the present British law and practice of banking. These "amendments" will be found, upon examination, to amount to an entire overthrow of the present system, and the introduction of a new system having no single feature of resemblance to the one which exists. If the British banks were forbidden to allow interest on deposits, and held to any kind of proportion of liabilities to capital, they would be revolutionized. The London banks would be revolutionized if they kept their reserves in the form of money in their own vaults, instead of keeping them in the form of credits on the books of the Bank of England, which itself rarely has any more money than is adequate for its own liabilities, exclusive of its liabilities to London banks and bankers. In this country, no such banking system as that of Great Britain would survive the first adverse balance of foreign trade. It has only escaped overthrow where it exists, because Great Britain has so abounded in money capital, and has had the whole world in debt and under tribute. No matter how heavy the adverse balances of foreign trade have been, England has never lacked the foreign bonds and stocks wherewith to fill the gap.

## THE DEATH OF M. ROULAND.

M. Rouland, the late Governor of the Bank of France, who died suddenly on the 12th of December from an attack of the gout in the heart, had held that position since 1864, having previously been a minister under the empire. He is said to have been the only leading Bonapartist who was permitted to hold position since the downfall of Napoleon III. Many attempts were made to oust him, but his tact and popularity saved him. The position is so desirable that some persons in Paris supposed that M. Leon Say might give up the Ministry of Finance for the sake of taking it. Others say that M. Say's ambition is rather to be President of the Republic than to be Governor of the Bank.

## SILVER IN GERMANY.

The *Frankfurter Zeitung*, quoted in the London *Economist*, of December 14, makes the extraordinary statement that the German Government invested the whole amount, about \$25,000,000, appropriated to carry forward the change of currency from silver to gold, to the purchase and withdrawal of silver coins during the past summer when it was selling no silver bullion. We doubt if the German administrators would have ventured upon the destruction of the old money, without substituting the new, upon any such scale as that. Their sales of silver were, at any rate, resumed in the last days of September and have since been on a considerable scale. In addition to sales in London, they have sold to the Austrian and Hungarian mints, and also, according to the *Frankfurter Zeitung*, in Berlin, Frankfurt and Hamburg. The details may be inaccurately given, but there can be no doubt of the general fact, that they became believers, in the latter part of September, in the probability of a further fall in silver, and have acted on that belief by selling wherever they could. One basis for these opinions on their part was information that the United States would stop buying and coining silver. The German Minister at Washington was induced so to expect before Congress assembled, and may possibly still entertain that apprehension.

## STOCK-BROKERS' COMMISSIONS.

A case was decided in the British Court of Appeals, in December last, in favor of a broker who claimed the large sum of £18,000 for commissions on business done for a stock speculator, and for "differences" paid in adjusting stock transactions. The defense was that the purchases and contracts for purchasing of the principal were not made for any purpose of investing money, but were merely gambling operations. The court held, unanimously, that whether they were gambling operations, or not, on the part of the stock speculator, they were not gambling operations on the part of the broker, who took no interest in the results, but worked for a fixed compensation and only as an employed agent. Among other observations made by the court, was one to the effect that a decision in favor of the broker would be much more likely to deter people from such operations than one against him.

## FOREIGN INCOMES.

In Prussia, the number of persons paying taxes on incomes exceeding \$12,000, is twelve hundred and forty. A city journal (*The Times*) thinks it "cannot be considered an extravagant estimate to say that probably 2,000 persons in New York City will, this year, have net incomes of not less than \$12,000." In Russia, official reports assign to only 179 persons incomes exceeding \$36,000.

## SILVER IN BELGIUM.

Following the example of France, the Belgium Government has caused a return to be made, by all receivers of public moneys, of the exact state on a given day of all the coins in their possession, distinguishing gold from silver, specifying the denominations of the several coins, and classifying them as foreign and domestic. The proportion of foreign coins was larger, and the proportion of silver was very much larger, than was shown in France. The value of the coins returned in Belgium was 620,870 francs, of which 335,480 were silver, and 285,390 were gold. The value of the coins returned in France was 22,945,770 francs, of which 6,067,030 were silver, and 16,878,740 were gold.

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### PROPORTION OF BANKING CAPITAL TO LIABILITIES.

[FROM THE LONDON ECONOMIST OF DECEMBER 28.]

The Comptroller of the Currency of the United States, Mr. John Jay Knox, draws, in his latest report, a comparison between the position of the banks of the United Kingdom and the United States on this point. Mr. Knox has compiled the following table from the statements in the *Economist*, of October 19, 1878, exhibiting the amount of capital, reserve, and liabilities, and the ratio of capital, and of capital and reserve, to liabilities, of the 141 banks of the United Kingdom, particulars of which are given in that number of the *Economist*. These banks are not, as our readers well know, all the banks in the United Kingdom, as all the banks do not publish their accounts; but enough are included to provide a sufficient basis for an estimate as to the position of all the banks in the country:

## UNITED KINGDOM.

Banks.	—Number of—			Reserve fund and undivided profits.		Total.	Liabilities.	Ratio to liabilities of—	
	Bks.	Brchs.	Total.	Capital.	profits.			Capital	Capital and profits.
			£	£	£	£	P. C.	P. C.	
Eng. & Wales.	72	1,144	1,216	26,046,420	13,761,814	39,808,234	223,679,548	11.64	17.80
Bk. of England	1	10	11	14,553,000	3,768,531	18,321,531	51,611,899	28.20	35.50
Isle of Man.....	2	7	9	60,904	29,895	90,799	539,268	11.29	16.82
Scotland.....	10	809	819	9,045,780	4,957,862	13,903,662	82,093,497	11.02	16.94
Ireland.....	9	270	279	2,950,000	1,374,141	4,324,141	20,800,649	14.18	20.79
Col. with London offices...	27	969	996	20,430,136	7,336,415	27,766,551	121,905,216	16.76	22.78
For. with London offices...	20	67	87	17,563,130	2,840,444	20,403,574	39,623,424	44.33	51.49
Totals.....	141	3,276	3,417	90,649,370	33,969,122	124,618,492	540,253,501	16.78	23.07

## NATIONAL BANKS, UNITED STATES.

October 1, 1878.....	2,053	466,147,436	157,933,993	623,981,429	1,140	40.88	54.73
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The report goes on to observe that—

“A comparison of this table with a similar statement regarding the National banks, which is also given above, shows the ratio of capital to liabilities of the banks in the United Kingdom to be 16.78 per cent., and the ratio of their capital and reserve to liabilities to be 23.07 per cent.; while the corresponding ratios of the National banks

are 40.88, and 54.73; the ratios of the National banks being in each instance more than double those of the United Kingdom. In the National banking system the existing ratio of capital to liabilities is nearly four times greater than is that of the banks in England and Wales; while the ratio of the combined capital and reserve of the former banks to their liabilities is more than three times greater than that of the latter."

The business of banking is carried on under such different circumstances in this country and in the United States that it does not necessarily follow that an exactly similar proportion of capital to the liabilities may be needed here as across the Atlantic. But the report of the Comptroller suggests again for consideration whether the proportion of banking capital to liabilities in this country may not be unduly small. Valuable hints may often be obtained by observing the remarks made by business men in other countries as to the course of proceedings in our own,

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## THE PRESENTATION OF DRAFTS.

[FROM THE CHICAGO LEGAL NEWS.]

APPELLATE COURT, ILLINOIS, FIRST DISTRICT, OCTOBER TERM, 1878.

*Allen et al. vs. Kramer et al.*

The Court finds from the evidence in this case, that appellants were guilty of no laches in presenting the check in question for payment.

The law makes it the duty of the drawees to know the signature of the drawers, and the party who holds the check is not bound to furnish proof of its genuineness, nor is he bound, after once presenting the check for payment, to present it a second time after the drawees have had time to verify the signature.

A presentment of such check while the drawees were still solvent, a refusal of payment upon grounds for which the holder was in no sense responsible, followed by proper notice and protest, is sufficient to fix the liability of the drawers.—ED. LEGAL NEWS.

BAILEY, J.—This suit was brought by appellants to recover the amount of a bank check given them by appellees, in payment of certain indebtedness from appellees to them. The facts upon which the liability of appellees is sought to be established are, substantially, as follows:

On the 27th day of November, 1877, the date of the check, appellees were merchants, doing business in Chicago, as co-partners, under the firm name of Kramer Brothers. At the same time, appellants were engaged as co-partners, under the firm name of J. & B. Allen, in the business of manufacturing and dealing in hosiery goods, having their manufacturing establishment and principal place of business at Philadelphia, and also having a store in New York, where some of their goods were sold. Appellants both resided in Philadelphia; one of them, however, having charge of their business at that place, and the other of that at New York. The only bank account kept by the firm was with the National Bank of Germantown, and all their banking business was done at that bank.

The merchandise, for which the indebtedness in question accrued, was purchased of appellants, either at their New York house, or of traveling agents in the West. It appears that customers who bought goods at the store in New York usually corresponded with appellants at that place, and made remittances to them there. Accordingly, all the correspondence between appellees and appellants had been carried on with the New York house, and all the remittances made by appellees prior to sending the draft in question, were sent to New York.

The balance due from appellees to appellants on the 27th day of November, 1877, being \$1,006.71, appellees drew their check for that amount in favor of appellants, on Messrs Greenebaum Brothers & Co., bankers, of New York city, with whom they then had a deposit, and sent the same by mail to appellants at New York. This check was received by the New York partner on Friday, November 30th, and was by him, on the same day, forwarded to the other partner at Philadelphia, where it was received Saturday, December 1st. It was thereupon immediately indorsed by the Philadelphia partner, and deposited in the National Bank of Germantown, and on the same day forwarded by that bank to the Central National Bank of New York, for collection. At about one o'clock in the afternoon of Monday, December 3d, the check was presented by a messenger of the last-named bank, at the counter of Messrs. Greenebaum Brothers & Co., for payment. The messenger was known at the banking house of Greenebaum Brothers & Co., but the payment of said check was refused, upon the ground that the bank teller to whom it was presented was in doubt as to the genuineness of the signature of Kramer Brothers, thereto.

It appears that the teller, before refusing payment, took the check and showed it to David S. Greenebaum, a member of the firm, remarking that he did not recognize the signature, and asking him what to do. Mr. Greenebaum told him to return the check and he would ascertain by telegraph whether the signature was genuine. This conversation, however, does not appear to have been in the presence of the messenger, nor is there any evidence tending to show that he was in any way advised of Mr. Greenebaum's purpose to telegraph for information in relation to the signature. On the same day, after banking hours, the check was again presented to Greenebaum Brothers & Co., by the paying teller of the Central National Bank, for the purpose of protesting it if not paid. He was informed that there was something wrong with the signature, but does not appear to have been notified of any intention to inquire as to its genuineness. The check not being paid, was duly protested, and notice of protest given to appellees.

The evidence shows that on the first or second day afterwards, Mr. Greenebaum received information that the signature was genuine. The check, however, was not again presented for payment, nor does it appear that the Central National Bank, or other holders of the check, had any notice of the result of Mr. Greenebaum's inquiries, or of his readiness to pay the check. On the 6th day of December, Messrs. Greenebaum Brothers & Co. suspended payment and became insolvent, and so have ever since remained. At the time the check was drawn, and from thence up to the time of the failure, appellees had on deposit with Greenebaum Brothers & Co., an amount of money sufficient to pay the check.

On the trial, the jury rendered a verdict for appellees, and the Court below, after overruling appellants motion for a new trial, rendered judgment against them for costs. Appellants now ask for a reversal of the judgment, on the ground that the verdict was against the evidence, and that the Court erred in its charge to the jury.

Let us first consider whether the evidence charges appellants with laches in the matter of duly presenting the check for payment. The law is well settled that all drafts, whether foreign or inland bills, must be presented to the drawee within a reasonable time, and in case of non-payment, notice must be given promptly to the drawer to charge him. But what is a reasonable time, under all the circumstances, is sometimes a most difficult question. The general doctrine in each case must depend on its own peculiar facts, and be judged accordingly. *Montelius et al. vs. Charles*, 76 Ill. 303; *Stevens vs. Park*, 73 *Id.* 387. In the absence of any qualifying circumstances, the holder should present the bill to the person or bank on which it is drawn, if within reach of such drawee, within business hours of the day next succeeding the receipt of the paper, and give notice of the dishonor to the drawer. *Bickford vs. First National Bank of Chicago*, 42 Ill. 238; *Strong et al. vs. King*, 35 *Id.* 9. This rule applies to bank checks as well as to bills of exchange, strictly so called. But in case of either, the rule is modified to a limited degree by the relations of the parties, their circumstances, manner of doing business, and facilities for making prompt presentation of the paper for payment.

We think the transmission of the check in question by appellants to the bank in Philadelphia was fairly justified by the circumstances of the case, and that there was no unreasonable delay of presentment for payment. It should be remembered that appellant's principal business operations were carried on at Philadelphia, and the only bank with which they were in the habit of transacting business, was located at that place. In that bank it is to be presumed the funds of the firm were kept, and it appears to have been their custom, in accordance with the ordinary and well-known usages of business men, to collect their bills receivable through the agency of their own bank. It is not pretended that in the transmission of the check to Philadelphia, and its subsequent presentation for payment through that channel, there was any unnecessary delay. In point of fact, it seems to have been transmitted to Philadelphia and back in the shortest time possible, and the transmission involved a delay of only about one-half of a business day, of which appellees could, in any event, have a right to complain. Had the New York partner of appellants' firm retained the check in his hands, he would have been entitled to all of Saturday to present it for payment. It was actually presented on Monday, the next business day, at about one o'clock P. M. We think, under all the circumstances, the delay was not unreasonable, and that, consequently, the presentment for payment was made in apt time.

But even were this otherwise, we fail to see how, under the circumstances disclosed by the evidence, appellees can be held to be discharged from their liability to appellants. The law is well settled that want of due presentment, or notice of dishonor of a check, does not discharge the drawer unless he has suffered some loss or injury thereby. *Heartt vs. Rhodes*, 66 Ill. 351; *Hovess vs. Austin*, 35, *Id.* 296; *Stevens vs. Park*, 73, *Id.* 387.

TYNALL, C. J., lays down the rule as follows: "In the case of a check, the holder does not lose his remedy against the drawer by reason of non-presentment, within any prescribed time, after taking it, unless the insolvency of the party on whom it is drawn, has taken place in the interval." *Alexander vs. Burchfield*, 7 Man. and G. 1061.

The only ground on which payment was refused when the check was presented on Monday, being that the teller was in doubt as to the genuineness of the signature of the drawers, how can it be said that presentment on the previous Saturday would have been attended with any different result? If the teller was unable to recognize the signature on Monday, he, manifestly, would have been equally in doubt as to its genuineness on Saturday, and payment would have been refused in one case the same as in the other.

The law made it the duty of the drawees to know the signatures of their depositors the drawers. *First National Bank of Quincy vs. Ricker*, 71, Ill. 439. Appellants were not bound to furnish proof of its genuineness, nor were they bound, after once presenting the check for payment, to present it a second time, after the drawees had taken time to verify the signature. A presentment of the check while the drawees were still solvent, a refusal of payment upon grounds for which appellants were in no way responsible, followed by protest and notice, fixed the liability of the drawers, and such liability is no way affected by the fact that the drawees subsequently became satisfied of the genuineness of the signature, and would have paid the check had it again been presented before their failure. Had appellants, or their agents, been notified of the willingness and readiness of the drawees to make payment, possibly a different rule might apply. It might then have been their duty, as an act of good faith to appellees, to send a messenger a second time to the drawees, and obtain the money. As the record stands, however, there is an entire absence of evidence, showing or tending to show, that appellees were prejudiced in the least, in any of their legal rights, by a delay from Saturday till Monday, in presenting the check for payment. We think the jury in finding a verdict for appellees found directly against all the evidence in the case, and for that reason the judgment must be reversed.

The learned judge who tried the case in the court below, adopted a somewhat different view, both of the law and the evidence from that above indicated, and instructed the jury accordingly. We do not deem it necessary to



review the instructions at length. Upon another trial the instructions will be made to conform to the principles laid down in this opinion.

The judgment is reversed and the cause remanded.

Judgment reversed.

## REVIEW OF THE STOCK AND GOLD MARKETS FOR 1878.

The symptoms of the market, in 1878, were, in general, of a more healthy character than in 1877. Stocks fluctuated less violently, and within narrower limits. Consequently, speculation was less active, though prices generally ruled higher than in 1877. Railroad earnings improved, those of twenty-one roads whose returns have been published showing an increase of five and one-third per cent. over 1877. The improved prospects of railroad property are reflected in the diminished number of roads placed in the hands of receivers; the number being, in 1878, twenty-seven, with 2,320 miles of track, \$54,170,000 of bonds and debt, and \$38,215,000 of stock, in all, \$92,385,000 of capital, against forty-four roads proceeded against in 1877, with 5,409 miles of track, \$164,573,890 of bonds and debt, and \$156,108,040 of stock, giving a total invested capital of \$320,681,930. On the other hand, the work of liquidation and reorganization has proceeded with accelerated pace, tending to clear the market of the wrecks with which it has been strewn. The railroad foreclosures show a large increase, in the amount of invested capital, over any previous year, and compare as follows with 1876 and 1877:

	<i>No. of roads.</i>	<i>Miles.</i>	<i>Bonds and debt.</i>	<i>Stock.</i>	<i>Total capital invested.</i>
1876....	30	3,846	—	—	\$217,848,000
1877....	54	3,875	\$119,938,700	\$79,045,700	198,984,400
1878....	48	3,902	160,014,300	151,616,700	311,631,200
Total	132	11,623	—	—	\$728,463,600

The demand for investment securities was active, as shown by the large sales of four and four-and-one-half per cent. Government bonds, in addition to the large amounts (estimated by some as high as \$150,000,000) absorbed from foreign markets, and paid for by the enormous trade balance in our favor, equal to \$269,558,619 for the first eleven months of 1878. It has been estimated in the *Journal of Commerce Annual Review*, that while a few years ago we were paying Europeans, annually, about \$100,009,000, in the shape of interest, the amount now required is only about \$30,000,000, being an average of six per cent. on about \$200,000,000 U. S. bonds, and \$300,000,000 of other securities, still held abroad. The Silver Bill, while checking the sales of Government bonds at first, ultimately falsified the predictions of both its friends and its enemies. Silver, which the friends of the silver law expected to rise in price, fell in London from fifty-five and one-quarter pence per ounce, British standard, in February, to forty-nine and one-half pence in October, while gold, which the enemies of the law expected to rise, actually fell to par. It is, however, too soon to test the results of the measure, as at the present rate of coinage, it will take about ten years to coin enough silver to form the basis of our circulation.

The great event of the year was the defeat of the Greenback movement, and the assured success of the measures adopted to prepare for the resumption of specie payments. The culminating point was reached when, on the 17th of December, gold fell to par, not soon again, we hope, to command a premium.

We present our usual summary, by months, of the principal movements during the year:

*January.*—The month opened with the disturbances arising from the Bonner and Netter failures of December 31, 1877. The coal stocks were at first depressed by the failure, and afterwards straightened by the success of the at-

tempt to form a coal combination. Prices of railroad stocks were depressed by the outbreak of another railroad war. Except in Lake Shore, and Del., Lack. and Western, of which, combined, 1,467,190 shares (about three-fifths of the total) were sold, the stock market was quiet, the total dealings in leading stocks, at the New York Exchange, reaching only 2,557,959 shares, against 3,185,451 in January, 1877. Gold after opening at 102½, the highest price of the year, declined to 101¼ on the 23d, but advanced to 102½, after the passage of the Mathews Silver Resolutions, in the House of Representatives, on the 28th. The alarm of foreign investors in U. S. bonds at this action, caused bonds to decline in London one to one and three-quarter per cent., and inaugurated a large homeward movement which continued into March. The home market was well-sustained, and the transactions at the N. Y. Exchange, reached \$12,414,150 against \$7,387,800 in January, 1877.

*February.*—The stock market, as well as every other department of business, felt the paralyzing influence of uncertainty as to the action of Congress on the Silver question, and when, on the 28th, the Silver Bill became a law, it was a positive relief to know the worst. There was a serious fall in several of the speculative stocks, owing to a raid, and the total transactions amounted to only 1,439,565 shares, against 3,825,609 in February, 1877. Gold fluctuated between 102½ and 101½. U. S. bonds were weakened somewhat by the Silver agitation, but there was a steady demand from small investors, and, at times, an active speculative movement, the total transactions reaching \$16,726,400, against \$6,789,100 in February, 1877.

*March.*—The market was buoyant and active. Most of the speculative R. R. stocks advanced, on account of harmony among the trunk lines, improved business, and the better outlook for railroad property. The dealings in the leading stocks reached 3,472,699 shares, against 4,532,661, in March, 1877. Contrary to the general expectation, gold declined to 100¼ on the 11th, notwithstanding the Silver Bill, the immediate effects of which had been greatly overestimated. Investment securities were in good demand, and there was a large business in U. S. bonds, all the importations from abroad being promptly taken here. The total sales at the N. Y. Stock Exchange, were \$25,518,750, against \$7,346,150 in March, 1877. The importations of bonds carried foreign exchange to 4.89, the specie shipping point, during the last ten days of the month, and about \$2,000,000 in specie, mostly gold, were exported.

*April.*—The market was buoyant, and speculation more active, than in either of the previous months, the total sales of leading stocks reaching 4,269,680 shares, against 5,445,104 in April, 1877. The contract made by Secretary Sherman with the Syndicate on the 11th, for the sale of \$50,000,000 four-and-a-half per cents. for 101½ in gold for resumption purposes, strengthened the market. U. S. bonds and all descriptions of investment securities, except the earlier five-twenties, showed an upward tendency, and the sales of U. S. four-per-cents, for refunding purposes, recommenced after having been several months interrupted by the silver agitation. The favorable prospects for resumption sent gold down on the 15th to 100½, the lowest price for the first eight months of the year. Later in the month it advanced somewhat, foreign exchange having at one time, about the 24th and 25th, risen above the specie shipping point, causing an export of \$1,350,000 in gold. The sales of Government bonds at the New York Stock Exchange, amounted to \$18,532,050, against \$5,772,650 in April, 1877.

*May.*—The volume of transactions at the Stock Exchange was only moderate, amounting to 2,530,293 shares, against 4,898,514, in May, 1877, but the prices both for speculative and investment securities were generally strong and advancing, under the impulse of a heavy grain movement, increased railroad earnings, and higher prices for anthracite coal. The success of the New Jersey Central reorganization scheme gave a strong impulse to the company's stock and bonds. The rapid sales of U. S. bonds continued, the last of the \$50,000,000 four-and-a-half per cents being taken May 31, the sales having averaged \$1,000,000 per day from the date of the contract. Not less than \$10,000,000 four-per-cents. were sold. The sales of U. S. bonds at the New York Stock Exchange, were \$12,110,250, against \$7,245,800 in May, 1877. Gold advanced to 101¼ on account of the demand for its use in settling for U. S. bonds.

*June.*—The stock market was somewhat more active than in May, the dealings amounting to 3,541,863 shares, against 4,127,511 in June, 1877. Prices tended downward on the breaking up of the east-bound freight pool, a reduced dividend on Lake Shore, and the passing of a quarterly dividend on Union Pacific. The coal stocks were strong. There was a steady market for investment securities, especially U. S. bonds, which showed marked strength under an active demand which was stimulated by the adjournment of Congress on the 20th, the sales at the N. Y. Stock Exchange amounting to \$10,567,300, against \$7,899,400 in June, 1877. Gold was somewhat lower, and steady at 100 $\frac{3}{8}$  to 101.

*July.*—There was a considerable degree of activity in the speculative stocks, of which the sales reached 3,680,122 shares against 3,603,041 in July, 1877. The general tendency of prices was upward under the influence largely of restored harmony among the trunk lines. Towards the close of the month there was a heavy bear raid on Northwestern and St. Paul common and preferred stocks on the strength of exaggerated reports concerning the damage to the crops in the Northwestern States, and the prices of these stocks fell heavily. There was a large demand for United States bonds, the subscriptions to the four-per-cent. since April 11 having reached \$45,000,000 at the end of the month. The sales at the New York Stock Exchange were \$12,258,550 against \$7,524,950 in July, 1877. Gold was steady at 100 $\frac{3}{8}$  to 100 $\frac{3}{4}$ .

*August.*—The market exhibited many of the same features as in July, with nearly the same volume of transactions, the sales amounting to 3,416,053 shares against 4,370,046 in August, 1877. The bear raid on St. Paul and Northwest stocks was continued, being aided by further unfavorable reports concerning the crops in the Northwest. The trunk lines were strengthened by the success of the Saratoga conference. There was an active business in United States bonds, the subscriptions to the four-per-cent. loan reaching about \$25,000,000, making \$70,000,000, or about \$500,000 daily since April 11. The sales at the New York Stock Exchange were \$8,025,100 against \$7,148,100 in August, 1877. The sales of four-per-cent. tended to weaken the five-twenties of 1865 and 1867. Gold was steady at 100 $\frac{1}{2}$  to 100 $\frac{3}{4}$ . Foreign exchange touched the specie shipping point on the advance of the Bank of England rate to five per cent. on the 12th, and on the 15th \$500,000 in gold were shipped.

*September.*—The transactions in the speculative stocks were only moderate, reaching 3,009,486 shares against 4,208,411 in September, 1877. Western Union continued to advance as during the previous two months. A dividend of 3 $\frac{1}{2}$  per cent. on St. Paul preferred strengthened the Granger stocks. The trunk lines and coal stocks were also strong. The subscriptions to the four-per-cent. loans fell off, reaching only about \$10,000,000, and the sales of Government bonds were not as large as in August, reaching only \$7,865,700 at the New York Exchange, against \$7,745,100 in September, 1877. There was increased activity in railroad bonds at advancing prices. Gold fell again to 100 $\frac{1}{2}$  on the order of Secretary Sherman to exchange standard silver dollars for greenbacks at par, but it advanced slightly on the revocation of the order, not going above 100 $\frac{1}{2}$ .

*October.*—There was increased activity in the speculative stocks, the sales reaching 4,448,352 shares, the highest for the year, against 5,529,558 in October, 1877. There was a strong upward movement in Western Union, carrying the price to 102 $\frac{1}{4}$  on the 31st, being the highest quotation for more than ten years. The advance was due to rumors that the stock held by the company (\$8,500,000) was to be distributed. Subscriptions to the four-per-cent. loan were checked, owing largely to the threatened revolution in our finances should the greenback faction triumph in the pending elections to Congress. The dealings in Government bonds were relatively small, the sales at the New York Stock Exchange being \$7,487,650 against \$10,656,600 in October, 1877. The failure of the City of Glasgow Bank on the 2d, and the advance of the Bank of England rate to 6 per cent. on the 14th, with a call by the Treasury for \$3,000,000 in gold on account of the Syndicate bond sales, caused a temporary advance in gold to 101 $\frac{3}{8}$ ; but an order to pay called five-twenties before they

were due, with interest to day of payment, produced immediate relief. The arrival of about \$1,300,000 in gold from London, October 23-25, further helped the downward tendency, the closing quotations being 100½.

*November.*—Speculation subsided somewhat, the sales of leading stocks being but 3,686,122 shares against 2,831,032 in November, 1877. The Western Union bubble burst, the directors having taken no action about the capitalization of the company's surplus, and the stock fell to 93¼. The reorganized Erie Railroad first appeared as the New York, Lake Erie and Western Railroad Company. The market was generally well sustained. The subscriptions to the four-per-cents reached \$10,000,000, making \$90,000,000 since April 11, with an active demand for both Government and railroad bonds, the sales at the New York Stock Exchange reaching \$10,737,600 of the former, against \$6,617,800 in November, 1877, and \$12,873,600 of the latter against \$7,163,400 in October. The signal defeat of the greenback movement at the polls and the action of the New York Clearing-House Banks on resumption, on the 12th, depressed gold to 100½, from which point it advanced at the close of the month to 100¾.

*December.*—Speculation was somewhat more active, the sales reaching 3,823,216 shares against 2,992,828 in December, 1877. Stocks were generally strong, except those of the coal companies, which fell heavily on the failure to form a new coal combination, the Delawares touching the lowest prices of the year. The subscriptions to the four-per-cent. loan reached \$15,996,100, making \$105,996,100 sold for refunding purposes during the year, all since April 11. The last of the consols of 1865 were called in on the 19th. Government bonds were strong, the sales at the New York Stock Exchange amounting to \$7,563,500 against \$8,974,750 in December, 1877. There was also an active business in other investment securities. The great event of the month was the fall of gold to par, on the 17th, for the first time since January 11, 1862, after the failure of a combination which had bought \$12,000,000 gold for the purpose of influencing the Stock Market.

We subjoin the opening, lowest, highest, and closing quotations of United States bonds, and of the principal stocks, as compared with 1877:

	Opening.	Lowest.	Highest.	Closing.	Range in 1877.	
					Low.	High.
Gold.....	102¾	100	102¾	Jan. 2	102½	107¾
U. S. 6's 1881 coup.....	106¾	105½	110¾	Jan. 27	109¾	115½
U. S. 5-20's 1865 coup.....	102¾	102¾	105¾	June 6	103¾	111½
" 5-20's 1867 ".....	105¼	104½	108¾	June 27	105¼	114½
" 5-20's 1868 ".....	106¾	106¾	111½	June 28	108	117½
" 10-40's coup.....	107¾	103¾	109¾	July 29	108½	114¾
" 5's funded 1881 coup.....	105¾	102¾	107¾	July 30	106¾	112¾
" 4½'s " 1891 ".....	103¾	101¾	105¾	Nov. 27	104¾	109¾
" 4's " 1907 ".....	101¾	99¾	102¾	Jan. 9	100½	106
" 6's currency.....	118¾	117¾	122½	May 25	119¾	126
Western Union Tel.....	78¾	75¾	102	Oct. 31	95¾	84¾
Atlantic & Pacific Tel.....	20¾	18½	31	Sept. 17	28½	25
Chicago & North West.....	35½	32½	55¼	April 11	50½	43¾
" Pr.....	63	59¾	79½	July 1	78¾	69¾
Chic., Mil. & St. Paul.....	36¾	27½	54¾	July 8	37	42½
" Pr.....	72¾	64	84¾	July 9	76¾	73¾
Chic., R. I. & Pacific.....	100½	98¾	122½	Dec. 31	122¾	105¾
Del., Lack. & West.....	51	41	61¾	July 10	42¾	77
Delaware & Hudson Canal	52½	34¾	59¾	July 10	38	74¾
Morris & Essex.....	75¾	67½	86	June 10	75	92½
New Jersey Central.....	13¾	13½	45¾	July 11	33¾	37¾
Erie (N. Y., L. E. & W.)	8¾	7¾	*22½	Dec. 31	*22½	15
N. Y. Cen. & Had. River.....	106¾	103¾	115	Sept. 5	114	109¾
Lake Shore & Mich. South.	61¾	55¾	71¾	Dec. 31	71¾	73¾
Michigan Central.....	62	58½	75	Dec. 31	75¾	74¾
Ohio & Mississippi.....	8½	6¾	31	April 15	7¾	11¾
Illinois Central.....	74	72¾	87	July 11	79¾	79
Union Pacific.....	65	61¾	73	March 20	66¾	59¾
Panama.....	124	112	131	Feb. 25	122¾	130
Pacific Mail.....	22¾	12	23¾	Jan. 16	13¾	26¾

\* Reorganized as New York, Lake Erie and Western R. R. Co.

The sales of the leading stocks at the New York Stock Exchange compares as follows with the previous three years:

	1878, (305 days).	1877, (305 days).	1876, (304 days).	1875, (305 days).
Shares sold.....	39,875,593	49,549,766	39,926,036	53,813,979
Average each business day..	130,739	162,458	131,335	176,439
Largest transactions.....	2d & 4th Quart.	2d & 3d Quart.	1st & 4th Quart.	1st & 2d Quart.

The sales amounted to above 400,000 shares each in Rock Island, Delaware and Hudson, N. J. Central, Morris and Essex, Michigan Central, Ohio and Mississippi, Pacific Mail, and Union Pacific. The stocks of which above 1,000,000 shares each were sold with the transactions in each for the past four years, are as follows :

	Chic. & N.W.	Chic. & N.W. Pref.	Del. L. & W.	Erie (N.Y., Lake Shore & W.)	Mil. & St. Paul.	Mil. & St. Paul Pref.	Western Union.
878	4,685,872	3,392,341	5,730,603	2,215,131	8,840,080	3,778,898	1,822,034
1877	965,183	1,515,373	9,928,658	1,069,468	10,758,518	1,150,592	2,168,209
1876	879,874	573,423	3,505,922	2,368,089	11,677,137	1,497,594	1,712,647
1875	3,567,309	301,022	157,199	4,990,322	11,041,709	1,335,485	359,052

## BOOK NOTICES.

*Principles of Political Economy.* By WILLIAM ROSCHER. With a Preliminary Essay on the *Historical Method in Political Economy.* By L. WOLOWSKI. Translated by JOHN J. LALOR. New York: Henry Holt & Co., 1878. Two volumes, 8vo. pp. XXI, and 464 and 465.

It is a significant indication of the growing interest in the philosophy of National and social life, that this valuable work of the learned founder of the Historical School in Political Economy, should have met with a translator and a publisher in America. There is, doubtless, in this country, a large body of thoughtful students and observers who are satisfied with neither of the extreme schools into which our political economy has been hitherto divided. Mr. Cary and Mr. Bowen have probably a larger body of followers than Professor Perry, Mr. Wells, and Professor Sumner; for the United States is still, in sentiment as well as practice, a protectionist country. But the free-trade school is by far the most aggressive, and has many of the most intelligent newspapers among its organs. It dominates in the great metropolitan city of New York, where commerce and exchange take precedence of production. It is enthroned also in the professors' chairs of most of our principal colleges, for the not unnatural reason that the literature from which the educated classes most largely draw on this subject, is English and French, and not of the latest dates. Adam Smith, Ricardo, John Stuart Mill, Professor Cairnes, and Professor Fawcett, on one side of the channel, and Jean Baptiste Say, Bastiat, and Chevalier, on the other, furnish most of the inspiration.

The dogmatic simplicity of the Manchester school renders it particularly attractive to students accustomed rather to the study of the exact sciences, than to the larger field of legal and historical inquiry, and to the experiences of practical life. As is elsewhere stated in this number,\* by a brilliant disciple of the school of Roscher: "The orthodox school of political economy, as founded by Adam Smith and J. B. Say, like the Church of Rome, had its *credo*; those who doubted it were considered as heretics, whose ignorance alone explained

\* *The New Tendencies of Political Economy*, by Emile de Laveleye, ante p. 601.

their aberrations." Mankind, under this system, are merely machines, doomed to act in a certain inflexible way, by an assumed law of their being, which makes the acquisition of wealth and the gratification of material selfishness, the dominating principles of conduct.

As a logical sequence of this theory, political economy, "which treats chiefly of the material interests of nations, and inquires how the various wants of a people may be satisfied, and how the satisfaction of those wants influences the aggregate National life, and how in turn they are influenced by it," has been reduced by an eminent English scientist to a system of algebraic formulæ. In all this there are certain motives and springs of human action left out of the account, and it is constantly found that nations do not, and will not act in the predestined way marked out for them. Individual selfishness is found not to be always the predominating motive of human conduct, and individuals are constantly neglecting the readiest road to wealth, in a pursuit of social and moral ends which bewilders and exasperates the economic theorist.

As M. Wolowski justly says, "man is not simply a piece of machinery. He does not blindly submit to external impulse. He lives in society and profits by the relation which he forms with other beings, intelligent like himself, and for whom he has a natural feeling of sympathy."

"We meet with few" said Roscher, "who are only guided by ideal motives, but with few, also, who hearken only to the voice of egotism and care for nothing but themselves."

The fault of the *a priori* method, which assumes the existence of certain general laws governing all human societies, and subjects such societies rigidly to them, is, that it leaves out of account the historical facts which go to the making of nations, and which make no two nations exactly alike. "There can no more be an economic ideal adapted to the various wants of every people, than a garment which should fit every individual. In proportion as a people change, and new wants originate, the economic ideal suitable to them must change also."

Hence it is, that under the historical method, political economy is progressive, moulding itself to the changing condition, and to the changing wants of a nation. Vindicating itself by this method, a nation which, like America, has carried its industries to a high state of advancement under, and probably by virtue of, a protective system, has no need to condemn its past or apologize for it, because it sees the way now open to a freer and less restricted intercourse with foreign nations. Nations, like individuals, change their ambitions and their purposes as they grow older, and when their physical condition calls for different treatment. The first duty of the United States was to build itself up as a nation; to create and to satisfy all the wants which belong to highly civilized societies. The most essential means to this end was to diversify the employments of its people, and to open up its own vast resources. This task has been accomplished, and a new field of progress is opening before it. This field is that of foreign commercial intercourse. We have got beyond the self-sustaining era, and have now a surplus of production with which to supply the world's markets, and by means of which to bring back to ourselves a richer and more varied supply of foreign products, and of capital, which is the great reproductive agent.

The school of political economy which the work under notice fitly introduces to the American reader, is making rapid progress in Europe. Having its birth-place in Germany, it has spread to France, to Italy, to Belgium, and even to

England. Naturally it is much scoffed at in the latter country, and Professor Fawcett, and Mr. Lowe, and many lesser statesmen and economists have endeavored laboriously to prove that England was never more united upon the Manchester platform than at the present moment. Professor Rogers, of Oxford, in a recent article in the *Princeton Review* (January, 1879), says, "it is probable that there is no subject on which English people are practically more united than on this, for they do not trouble themselves to argue with a few people who are trying to revive an exploded practice under the new name of reciprocity. They are very tolerant of what they think is folly, but do not think it strong enough to be mischievous."

But it is not many years ago since Lord Palmerston, in replying to a memorial of the Manchester Chamber of Commerce, asking for greater efficiency on the part of the Foreign Office, in propagating free-trade doctrines in foreign countries, and in efforts to break down foreign tariffs, used this language: "*Well, you know we have nothing to give; we have nothing more to give in repeal of duties, and we can not go to market with nothing to sell,*" and he indicated that it was impossible for England to look forward to anything like a reduction of tariffs from foreign countries, unless it had something to offer in exchange.

Professor Rogers may be right in asserting that free trade has lost none of its hold on England (though even this is doubtful), but it is beyond controversy that the methods of economic reasoning, adopted by that school, are fast falling into discredit. Dr. Ingram, of Edinburgh, in his able address delivered before the British Association, at Dublin, last summer, warned the economists that "the excessive tendency to abstraction and to unreal simplifications into which they had fallen, should be checked," and blamed them also for "the most serious error of exaggerating immensely the office of deduction in their investigations." Still more recently, Professor Bonamy Price, of Oxford, in his address on Economy and Trade, delivered, as President of the Economy and Trade Department of the Social Science Congress, in Cheltenham, last October, denies that political economy is a science in any strict sense. While he insists that "free trade rests on proof as complete, and as sound, as any in mathematics," he is constrained to admit "that the right to bring up its report to the bar of political philosophy, or of sociology, and there to review in combination all the considerations which bear on the policy of practicing free trade, is perfectly legitimate and undeniable."

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*A Hand-Book of Finance.* By W. L. FAWCETT, Chicago: S. C. Griggs & Co. 1879. Small 8vo., pp. 270.

Under this title we have a new edition of "Gold and Debt," an American hand-book of finance, which was published in 1877. It contains a fund of information in regard to the dollar and other units;—paper money in the United States; gold and silver in the United States and Europe; suspensions of specie payments, etc. Also a digest of the monetary laws of the United States. There are also a number of tables of prices, coinages, interest laws, etc., and although some of the latter are not of the most recent date, the book is a valuable one and of convenient size for ready reference.

*Economics for Beginners.* By HENRY DUNNING MACLEOD, M. A. New York: I. S. Homans, 251 Broadway, 1879. 12mo. pp. XIV, and 171.

We find no inconsistency with the ideas enunciated in the notice of Roscher, which precedes the present notice, in commending highly to our readers the little manual the title of which is given above. Mr. Macleod belongs to the opposite school, so far as his definition of political economy is concerned. He holds it to be, in the strictest sense, a science, and defines it as the "science of exchanges or of commerce," and elsewhere uses a definition, commended by Michael Chevalier, that it is "the science which treats of *the laws which govern the relations of exchangeable quantities.*" He places it in the category of the physical sciences, but adds that it is something more than this, being a moral science as well: "And therefore it is a physical-moral science, and the only moral science which is capable of being raised to the rank of an exact science."

It is, however, of very trifling consequence to the beginner in the study of political economy, whether it is a science or an art. His business is to learn what lessons it has for him, as a neophyte about to enter into the domain of practical life, and to grasp, at once, its philosophy and its facts.

Mr. Macleod goes far beyond the generality of writers on economics in conveying a knowledge of these important facts and of their practical bearings. His book might fitly be denominated a manual of business definitions, gathered as well from the treatises on commercial law and the usages of merchants and bankers, as from the more scientific and technical writings on political economy. These are not matters of controversy, but the ripe fruits of experience and learning.

The style of the book is admirable, combining much scholarly elegance with great brevity and clearness of expression. There is no manual like it within our knowledge, and it will be held in high esteem by students and writers on economic and financial topics, to whom such ready-reference volumes are invaluable, as well as by teachers who desire a comprehensive text book as a basis for more extended instruction by way of lectures, or for enlarged study.

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FOREIGN CAPITAL IN AMERICA.—Among the recent illustrations of the tendency of European capital to seek employment in this country is the establishment in New York of a branch of the Netherland Trading Society of Holland. This company, which was established in 1824, has branches throughout the Dutch East Indies and Japan. It has a paid-up capital equal to over fourteen million dollars, and is the agent of the Government of Holland in the transportation and sale of the produce of the Dutch Colonies. Messrs. Oliver S. Carter, Stanton Blake and Henry E. Hawley have been appointed to the management of the agency for the United States, and have opened an office at No. 142 Pearl Street. Their business will include the purchase and sale of bonds, stocks and other securities, the buying and selling of exchange, and other transactions of a mercantile nature. Messrs. Carter and Hawley are well-known merchants of this city, and Mr. Blake has been one of the highly respected banking firm of Blake Brothers & Co., of New York and Boston.



## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

[In this department of the MAGAZINE we have had frequent occasion to quote from that excellent legal treatise *Daniel on Negotiable Instruments*. Our readers will find in the present number an article upon "The effect of the death of the drawer of a check," which the accomplished author of that work has prepared for the BANKER'S MAGAZINE. We hope to present, from time to time, other contributions from his pen.—ED. B. M.]

I. PAPER PAYABLE OTHERWISE THAN IN "DOLLARS."

Difference of opinion exists respecting negotiability of certificate of deposit issued by banks and bankers, payable "in currency," "current funds," "National Bank currency," etc. In order to be negotiable, should not certificates be payable in "dollars" without any qualification whatever?

REPLY.—Questions of this sort frequently arose before National bank notes came into general use, and the decisions upon them have been conflicting. See *Daniel on Negotiable Instruments*, vol. 1, p. 42. The better doctrine undoubtedly is, that all negotiable paper should be payable simply in dollars—*i. e.*, in money, for nothing is, strictly speaking, money which is not a legal tender in performance of a promise to pay dollars. This is especially true of negotiable promissory notes, which, by their very definition, are payable in money only, and equally so of certificates of deposit, which derive their negotiability solely from their similarity to promissory notes. The courts of some States, however, have held that it is enough if paper is made payable in something which is generally current as money at the place of payment. As no uniform rule can be said to prevail, the answer to this question must depend upon the local law in the State where the question arises. We understand that the Courts of Wisconsin, from which State the inquiry comes, hold the rule with great strictness, that a certificate of deposit, to be negotiable, must be payable in dollars without any qualification. *Ford vs. Mitchell*, 15 Wis., 304; *Platt vs. Sauk Co. Bank*, 17 Wis., 222; *Lindsay vs. McClelland*, 18 Wis., 481.

The importance of understanding the law upon this point is illustrated by a letter from one of our correspondents, which we append. It is a well-settled rule, that a party liable on negotiable paper cannot be garnished by a creditor of the payee or other holder, at least as long as the paper is not over due, and so liable to be passed by the holder to some *bona fide* taker for value, without notice of the garnishee process. The rule is otherwise when the paper is not negotiable, and, in this instance, the negotiability of the certificate having been destroyed by the use of the words "in currency," the bank, which cashed the certificate, had no protection against the creditors of the person to whom the certificate was issued.

*To the Editor of the Banker's Magazine:*

Unless otherwise specially provided by Statute, the principle of law that an obligation to pay a note, draft, certificate of deposit, or other debt "in

exchange," "in currency," "in current bank notes," or in anything but money—dollars and cents—is *not negotiable paper*, should be better understood and guarded against. The risks that bankers take in handling such paper by being subject to garnishee process is illustrated by a bank certificate of deposit having been presented here after being cashed at a distant point, in good faith, and sent for collection, but payment refused on the ground of garnishee of payer by the Courts for a debt of the payee. The certificate being payable "in currency," and liable to attachment or garnishee, the probability is, that the party who cashed the certificate for the payee will lose the amount. This question being of great importance to bankers, I beg to have you notice the fact.

Now that we are on a specie basis, the necessity of wording drafts, etc., as heretofore has passed.

## II. FORGED RENEWAL INDORSEMENTS.

A borrowed of the National Bank \$——, sixty days date, giving as security one B, who executed the note jointly with A. Upon maturity, A desired an extension of sixty days, and would again give B as security. The note was prepared by the cashier and handed A to procure B's signature thereto. A returned the note to the bank properly executed by B (*as was supposed*) and paid interest for extended time and the first note was by the bank canceled and returned to A. Upon maturity of second note, the bank notified B, who sent his check for \$—— upon another bank in payment thereof. Immediately thereafter upon the return of B's messenger with the note, B discovers that his signature is a forgery, and that the note is not the one executed by him; whereupon he causes payment of his check to be stopped. Can the bank recover as against B upon the first note, or the consideration thereof?

REPLY.—We see no way in which B can be made liable. He is not, in any way, in fault. The first note was paid, and, as to the consideration given by the bank for that note, this was given to A, and the only contract made by B to repay it is at an end.

## THE BULLION SUPPLY IN LONDON.

We take the following from the circular, dated January 2d, of Messrs. Pixley & Abell, the leading bullion dealers in London:

GOLD.—For the greater part of the past year the demand for Germany, north of Europe and Spain was so active that all arrivals were purchased for export, and considerable amounts were also taken from the bank; during the last quarter of 1878, however, the orders from abroad to a great degree ceased, and some large sums in bars, United States and Russian coin, received from Paris, have been sent into the bank. The following statement of the imports and exports during the past five years may be of interest:

		<i>Imports.</i>		<i>Exports.</i>
1874	....	£ 20,497,810	....	£ 13,667,868
1875	....	22,224,479	....	18,079,605
1876	....	23,244,470	....	16,219,570
1877	....	15,251,054	....	19,898,095
1878	....	20,000,000	....	15,000,000

The imports of gold from Australia and the United States for the same periods are also given:

		<i>Australia.</i>		<i>United States.</i>
1874	....	£ 6,782,990	....	£ 4,302,600
1875	....	6,780,510	....	8,148,825
1876	....	4,911,100	....	4,363,740
1877	....	6,256,000	....	2,059,000
1878	....	5,200,000	....	867,000

The estimated production of gold in the United States for 1878 is set down as \$ 39,000,000.

SILVER.—The difference between the highest and lowest prices of bar silver during the past year has been rather greater than in 1877. The changes in value have been very numerous, the highest rate of 55½d. having been touched in February last; the lowest of 49½d. at the close of the year; the average price of 1878 being 52 9-16d. per ounce. The demand for the East has fallen off very considerably, and nearly the whole of the exports to India were made in the first half of the year. The price of fine bars would doubtless have declined more during the past six months, had it not been for a steady inquiry for the continent, which has absorbed nearly the whole of the arrivals. The supplies have come principally from Germany and America, but the imports show a great falling off as compared with 1877, being £10,225,000 less. The exports have also declined, being £7,087,000 less for the same period. The decrease in the amount of silver produced in the Comstock Lode for 1878 is about \$17,000,000. The imports and exports of silver during the past five years have been :

		<i>Imports.</i>		<i>Exports.</i>
1874	....	£ 11,797,994	....	£ 12,385,438
1875	....	9,506,757	....	8,650,122
1876	....	13,278,380	....	13,566,970
1877	....	21,025,652	....	18,867,337
1878	....	11,400,000	....	11,800,000

The shipments of silver, &c., during the past year, from San Francisco to China and Japan amount to £2,243,000, as against £3,383,000 for 1877. The estimated production of silver in the United States for 1878 is set down at \$38,500,000.

Mexican dollars were at their highest (54d. per ounce) in February, the lowest price of the past year being reached in December, when it touched 48½d. per ounce, the average of the year being 51½d. per ounce, or 45.13d. per dollar. This coin has followed pretty evenly the course of the silver market during the year; the price has, however, been prevented from declining more than it would have otherwise done by a steady demand for the Levant, where it has been coined into Turkish money. Dollars (Mexican silver) are now only a trifle above their intrinsic value, as compared with bar silver.

ENGLAND.—The Cornish Bank, which suspended on January 4th, belonged to Tweedie, Williams & Co. It was established about one hundred and ten years ago, and had branches at Falmouth, Penryn, and Redruth. Sir Frederick Williams, member of Parliament for Truro, who died recently, held a third of the concern. The bank had an authorized issue of £49,000. The deposits are stated to amount to £500,000. The stoppage of this bank will cause great distress among the traders of West Cornwall. The immediate cause of the suspension was a run on the bank during the previous fortnight, resulting from rumors that the late Sir Frederick Williams was largely indebted to the bank, and that a large portion of the capital was locked up in mines and advances on tin, neither of which securities were immediately realizable. The total liabilities of the bank are nearly £700,000. The mines of Western Cornwall alone owe the bank £100,000, the calling in of which loans would have a disastrous effect on the whole of that region.

CALL ON THE NATIONAL BANKS.—The Comptroller of the Currency has called for a report showing the condition of the National banks at the close of business on Wednesday, January 1, 1879. The report is called for on that date for the purpose of obtaining, as nearly as can be ascertained, the condition of banks on the day provided by law for the resumption of specie payments.

The Comptroller is receiving numerous inquiries in reference to the date of this report. The 1st day of January being a legal holiday, it is asked whether statements for December 31, can be made instead. The law requires that the Comptroller shall call for five during each year. He has already called for the five reports for 1878, and desires that the last return called for shall be included among the reports for 1879. If a bank did no business on New Year's Day, the report at the close of business on January 1 will be identical with that for December 31, but the date of the report is to be given as January 1.

## BANKING AND FINANCIAL ITEMS.

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**THE REFUNDING OF THE PUBLIC DEBT.**—A circular has been issued by the Secretary of the Treasury, in answer to inquiries concerning the amount of four-per-cent. consols that can be issued for refunding purposes. It states that under the refunding act there was authorized an aggregate amount of \$1,500,000,000 bonds to be issued for that purpose; that there has already been issued of five per cents. \$500,000,000; of 4½s, \$185,000,000, and of four per cents. \$168,200,000—in all, \$853,200,000, leaving of four per cents. still to be issued, \$646,800,000. Of the bonds at present redeemable there is now outstanding, consols of 1865, \$26,085,550; of 1867, \$310,614,000; of 1868, \$37,465,300; of 10-40s, \$194,566,300—in all, \$568,731,150—showing that there are more than enough four per cents. authorized to take up all the bonds which will be redeemable before 1881.

The Secretary of the Treasury has also issued a circular to holders of United States six-per-cent. 5-20 bonds, in which, after calling attention to the act of Congress, just approved, entitled "An act to facilitate the refunding of the National debt," he says:

"Under the provisions of this act the Department will exchange the four-per-cent. consols of the United States for an equal amount of any outstanding and uncalled six-per-cent. 5-20 bonds of the United States. In addition, the Department will pay to the holder of the six-per-cent. bonds the interest accrued and additional interest for a period of three months; also, a commission, the same as for the sale of bonds under the circular of January 1, 1879, to wit: On an aggregate of \$100,000, and not exceeding \$1,000,000, between January 25, 1879, and June 30, 1879, one-eighth of one per cent.; on an aggregate exceeding \$1,000,000, and not exceeding \$10,000,000, between the same dates, one-quarter of one per cent., and on amounts in excess of \$10,000,000, an additional commission of one-tenth of one per cent. on the excess; and will transmit the bonds to the person entitled thereto free of expense. The accrued interest on the four per cents. will be charged to date of the exchange."

Bonds sent under this circular should be addressed to the Secretary of the Treasury, Washington, D. C., marked "Loan division—for exchange," and four-per-cent. bonds, with a draft for the interest and commissions, will be sent promptly in return.

This direct exchange is intended to promote the rapid refunding of the public debt and to give to holders of bonds every facility that is granted under existing laws in the payment of called bonds. Bonds called on, or prior to the date of exchange, will not be received under this circular.

**THE NEW BOND SYNDICATE.**—On January 21st, an arrangement for the sale of United States four per cents. in Europe was consummated between the Treasury Department and the following banking firms in London, viz: the Messrs. Rothschilds, J. S. Morgan & Co., Morton, Rose & Co., and J. & W. Seligman & Co. By the terms of this contract the latter, associated as a syndicate, are to have the exclusive privilege of selling United States four per cents. in Europe, they taking \$10,000,000 firm. In case their subscriptions each month, until July 1, amount, as they undoubtedly will, to \$5,000,000, the syndicate shall then have the privilege of taking any amount of four per cents which the Treasury has authority to sell. The terms and conditions as to settlements are the same as those of the loan now being taken at home; and the arrangement will in no respect interfere with popular sales in this country, at least before July 1st.

DR. HENRY R. LINDERMAN, Director of the United States Mint, who has been ill for some weeks, died on January 27th, at Washington, in his fifty-fourth year. In 1853, he was made chief clerk in the office of the Director of the Mint at Philadelphia, retaining the position for twelve years, when he resigned to engage in private business. He was appointed Director of the Mint in 1867, holding the office for two years. On account of his experience and thorough knowledge, he was appointed by Secretary Boutwell to examine the mints on the Pacific coast and adjust some intricate bullion questions. In 1869-70 he was associated with Comptroller Knox, the Deputy Comptroller of the Currency, in the preparation of a codification of all the mint and coinage laws of the United States, with amendments, which established the mints and assay offices of the United States as a bureau of the Treasury Department at Washington. In 1873, Dr. Linderman was appointed by President Grant to be Director of the Mint. He organized the Mint Bureau in the Treasury Department, and since that time has had the general supervision of all the mints and assay offices in the United States. His reports as Director of the Mint have been very valuable.

MAINE.—The *Lewiston Journal* has the following concerning the National banks of Maine: "The National banks of Maine the past year certainly have not earned their stockholders five per cent. interest—after taxes were paid—that is: in 1878 the Savings banks of Maine made at least as large dividends, on an average, as the National banks of the State. One National bank in Bangor has just closed up its affairs, and another is about doing so. One or two National banks in this vicinity passed the July dividend, and very many of the banks of the State have passed at least one dividend of the year 1878. One of the Waterville banks has passed three semi-annual dividends within three years, paying one year only three per cent., and the other two years four per cent. In fact, the Maine banks come about seven per cent. short of earning 'double' interest, and upward of twelve per cent. short of 'triple' interest. Of course, under the law which requires ten per cent. of net earnings to be reserved for the contingencies of losses, all the old banks, which have not had heavy losses, now have a good surplus. But as the stock has changed hands considerably during the past five years, many of the present stockholders own their stock at 125 or upward, so that a dividend even of ten per cent. on a share, after taxes are paid, does not net them over six per cent. interest on their investment."

OHIO.—The Franklin National Bank and the National Exchange Bank, of Columbus, have come under the same control through the closing of the estate of the late John G. Deshler. It has, therefore, been decided to close the former bank, and its business was, on January 15th, consolidated into that of the National Exchange Bank.

Cincinnati.—A statement from the assignees of C. F. Aday & Co., shows the good assets of the firm to be \$394,744, and the liabilities \$699,835.

CALLS OF FIVE-TWENTY BONDS.—During the month of January, the following calls have been made by the Secretary of the Treasury. The bonds are known as "Five-Twenty Bonds," of the Act of March 3rd, 1865, Consols of 1865, will be paid at the Treasury of the United States, in the City of Washington, on and after the dates specified respectively:

Seventy-sixth call, dated January 1, 1879. Matures April 1.

*Coupon Bonds.*—\$50, Nos. 1 to 5,000; \$100, Nos. 1 to 5,000; \$500, Nos. 1 to 6,000; \$1,000, Nos. 1 to 6,000. Total coupons, \$6,000,000. *Registered Bonds.*—\$50, Nos. 1 to 182; \$100, Nos. 1 to 1,500; \$500, Nos. 1 to 1,050; \$1,000, Nos. 1 to 3,700; \$5,000, Nos. 1 to 1,150; \$10,000, Nos. 1 to 1,000. Total registered, \$4,000,000. Aggregate, \$10,000,000.

Seventy-seventh call, dated January 4, 1879. Matures April 4.

*Coupon Bonds.*—\$50, Nos. 5,001 to 11,000; \$100, Nos. 5,001 to 11,000; \$500, Nos. 6,001 to 11,000; \$1,000, Nos. 6,001 to 13,000. Total coupon, \$6,000,000. *Registered Bonds.*—\$50, Nos. 183 to 400; \$100, Nos. 1,501 to 2,800; \$500, Nos. 1,051 to 2,000; \$1,000, Nos. 3,701 to 7,400; \$5,000, Nos. 1,151 to 2,600; \$10,000, Nos. 1,001 to 2,000. Total registered, \$4,000,000. Aggregate, \$10,000,000.

Seventy-eighth call, dated January 6, 1879. Matures April 6.

*Coupon Bonds.*—\$50, Nos. 11,001 to 18,000; \$100, Nos. 11,001 to 18,000; \$500, Nos. 11,001 to 16,000; \$1,000, Nos. 13,001 to 20,000. Total coupon, \$6,000,000. *Registered Bonds.*—\$50, Nos. 401 to 550; \$100, Nos. 2,801 to 4,400; \$500, Nos. 2,001 to 2,850; \$1,000, Nos. 7,401 to 11,000; \$5,000, Nos. 2,601 to 3,550; \$10,000, Nos. 2,001 to 2,800. Total registered, \$4,000,000. Aggregate, \$10,000,000.

Seventy-ninth call, dated January 8, 1879. Matures April 8.

*Coupon Bonds.*—\$50, Nos. 18,001 to 23,000; \$100, Nos. 18,001 to 24,000; \$500, Nos. 16,001 to 22,000; \$1,000, Nos. 20,001 to 27,000. Total coupon, \$6,000,000. *Registered Bonds.*—\$50, Nos. 551 to 800; \$100, Nos. 4,401 to 5,900; \$500, Nos. 2,851 to 3,800; \$1,000, Nos. 11,001 to 13,500; \$5,000, Nos. 3,551 to 4,301; \$10,000, Nos. 2,801 to 3,500. Total registered, \$4,000,000. Aggregate, \$10,000,000.

Eightieth call, dated January 11, 1879. Matures April 11.

*Coupon Bonds.*—\$50, Nos. 23,001 to 27,000; \$100, Nos. 24,001 to 31,000; \$500, Nos. 22,001 to 27,000; \$1,000, Nos. 27,001 to 34,000. Total coupon, \$6,000,000. *Registered Bonds.*—\$50, Nos. 801 to 1,150; \$100, Nos. 5,901 to 8,200; \$500, Nos. 3,801 to 4,850; \$1,000, Nos. 13,501 to 17,650; \$5,000, Nos. 4,301 to 5,330; \$10,000, Nos. 3,501 to 4,800. Total registered, \$4,000,000. Aggregate, \$10,000,000.

Eighty-first call, dated January 4, 1879. Matures April 14.

*Coupon Bonds.*—\$50, Nos. 27,001 to 37,000; \$100, Nos. 31,001 to 47,000; \$500, Nos. 27,001 to 37,000; \$1,000, Nos. 34,001 to 48,000. Total coupon, \$12,000,000. *Registered Bonds.*—\$50, Nos. 1,151 to 1,550; \$100, Nos. 8,201 to 11,400; \$500, Nos. 4,851 to 6,250; \$1,000, Nos. 17,651 to 23,750; \$5,000, Nos. 5,331 to 7,100; \$10,000, Nos. 4,801 to 9,950. Total registered, \$8,000,000. Aggregate, \$20,000,000.

Eighty-second call, dated January 18, 1879. Matures April 18.

*Coupon Bonds.*—\$50, Nos. 37,001 to 46,000; \$100, Nos. 47,001 to 60,000; \$500, Nos. 37,001 to 46,000; \$1,000, Nos. 48,001 to 60,000. Total coupon, \$10,000,000. *Registered Bonds.*—\$50, Nos. 1,551 to 1,925; \$100, Nos. 11,401 to 13,850; \$500, Nos. 6,251 to 7,250; \$1,000, Nos. 23,751 to 27,750; \$5,000, Nos. 7,101 to 8,150; \$10,000, Nos. 9,951 to 13,250. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-third call, dated January 21, 1879. Matures April 21.

*Coupon Bonds.*—\$50, Nos. 46,001 to 55,000; \$100, Nos. 60,001 to 70,000; \$500, Nos. 46,001 to 55,000; \$1,000, Nos. 60,001 to 73,000. Total coupon, \$10,000,000. *Registered Bonds.*—\$50, Nos. 1,926 to 2,270; \$100, Nos. 13,851 to 16,400; \$500, Nos. 7,251 to 9,300; \$1,000, Nos. 27,751 to 31,900; \$5,000, Nos. 8,151 to 8,300; \$10,000, Nos. 13,251 to 15,400. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-fourth call, dated January 24, 1879. Matures April 24.

*Coupon Bonds.*—\$50, Nos. 55,001 to 64,000; \$100, Nos. 70,001 to 85,000; \$500, Nos. 55,001 to 62,000; \$1,000, Nos. 73,001 to 86,000. Total coupon, \$10,000,000. *Registered Bonds.*—\$50, Nos. 2,271 to 2,550; \$100, Nos. 16,401 to 18,500; \$500, Nos. 9,301 to 9,350; \$1,000, Nos. 31,901 to 33,300; \$5,000, Nos. 8,301 to 10,150; \$10,000, Nos. 15,401 to 17,000. Total registered, \$10,000,000. Aggregate, \$20,000,000.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from January No., page 579.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2405	Yates County National Bank.. Penn Yan, N. Y.	Andrew Oliver..... Frank R. Durry,	\$50,000	\$30,000
2406	Little Falls National Bank.... Little Falls, N. Y.	Seth M. Richmond..... Amos A. Bradley,	100,000	50,000
2407	Citizens' National Bank..... Beloit, Wis.	H. P. Taylor..... William H. Baumer,	50,000	30,000

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from January No., page 579.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
IOWA...	Lenox.....	Thompson & Burlingame...	Fifth National Bank, Chicago.
KY.....	Danville.....	Farmers' National Bank...	.....
MO.....	Lee's Summit..	A. H. Powell & Co.....	Kountze Brothers.
NEB.....	Friend.....	Fred. L. Harris & Co.....	First Nat'l Bank, Lincoln, Neb.
N. Y. ...	Little Falls ....	Little Falls National Bank.	National Shoe & Leather Bank.
		\$60,000 Seth M. Richmond, <i>Pr.</i>	Amos A. Bradley, <i>Cas.</i>
" ..	Penn Yan.....	Yates County Nat'l Bank..	.....
		\$30,000 Andrew Oliver, <i>Pr.</i>	Frank R. Durry, <i>Cas.</i>
WIS....	Beloit .....	Citizens' National Bank....	.....
		\$30,000 H. P. Taylor, <i>Pr.</i>	William H. Baumer, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List, continued from January No., page 579.)*

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	Island City Bank.....	George F. Vail, <i>Cas.</i> .....	J. T. Sproull.
" "	National Bank of Republic.	Henry W. Ford, <i>Pr.</i> .....	R. H. Lowry.
CONN..	Middletown N. B., Middletown.	William H. Burrows, <i>Ass't Cas.</i> .....	.....
" ..	First Nat'l Bank, Portland...	{ F. Gildersleeve, <i>Pr.</i> .....	S. Gildersleeve.
		{ William W. Coe, <i>V. P.</i> .....	.....
		{ John H. Sage, <i>Cas.</i> .....	W. W. Coe.
GA.....	Bank of Rome, Rome .....	C. M. Marshall, <i>Cas. pro tem.</i>	H. D. Cothran.
ILL....	Clearing House, Chicago.....	Isaac G. Lombard, <i>Pr.</i> .....	J. De Koven.
IND ....	First National Bank, Auburn.	{ Jacob Walborn, <i>Pr.</i> .....	J. H. Ford.
		{ C. A. O. McClellan, <i>V. P.</i> .....	.....
		{ Geo. H. K. Moss, <i>Cas.</i> .....	W. McIntyre.
" ..	First National Bank, Evansville	{ E. P. Harris, <i>Ass't Cas.</i> .....	.....
		{ Charles Viele, <i>Pr.</i> .....	J. S. Hopkins.
IOWA... Merch. Exch. N. B., Muscatine.		F. R. Lewis, <i>Cas.</i> .....	P. Jackson.
KANSAS.	First National Bank, Parsons..	Lee Clark, <i>Cas.</i> .....	A. Matthewson.
KY.....	First National Bank, Danville	{ Morris J. Farris, <i>Pr.</i> .....	G. W. Welsh.
		{ John J. Craig, <i>V. P.</i> .....	J. Kinnaird.
		{ J. A. Quisenberry, <i>Cas.</i> .....	G. W. Welsh, Jr.
MASS. .	Leicester Nat'l Bank, Leicester.	Charles A. Denny, <i>Pr.</i> ...	C. Hatch.
MICH'..	First Nat'l Bank, Kalamazoo. }	R. S. Babcock, <i>Pr.</i> .....	L. Hull.
		Thomas S. Cobb, <i>V. P.</i> ...	R. S. Babcock.
MO.....	Continental Nat. B'k, St. Louis	William P. Keating, <i>Cas.</i> .....	.....
" ..	Union Sav. Association, "	Emile Karste, <i>V. P.</i> .....	W. C. Wilson.
N. J....	Farm. & Merch. Bank, Matawan	Wm. H. Hendrickson, <i>Pr.</i>	A. Fountain.
N. Y....	Mechanics & Farmers' Bank, } Albany. }	Dudley Olcott, <i>V. P.</i> .....	.....
		George G. Davidson, <i>Cas.</i>	D. Olcott.
OHIO... Second Nat'l Bank, Cleveland..		G. A. Garretson, <i>Ass't Cas.</i>	A. E. Foot.
PENN... First National Bank, Oil City..		R. C. Beveridge, <i>Cas.</i> .....	J. A. Waugh.
" .. Philadelphia N. B., Philadelphia		B. B. Comegys, <i>Pr.</i> .....	T. Robin.
R. I.... Nat. Bank of North America, { Providence. }		Jesse Metcalf, <i>Pr.</i> .....	S. Padelford.
TENN... National Bank of Franklin, }		John B. McEwen, <i>Pr.</i> .....	.....
	Franklin. }	D. B. Cliffe, <i>V. P.</i> .....	.....
TEXAS.. First National Bank, Galveston		William Garlick, <i>Cas.</i> .....	T. Reed.
W. VA. Merch. Nat. B'k., Morgantown.		John J. Brown, <i>Pr.</i> .....	D. H. Chadwick.

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from January No., page 580.)*

N. Y. CITY.....	Grand Central Bank; discontinued.
" " .....	Boell & Arming; dissolved.
" " .....	Eakin, Adams & Co; dissolved.
" " .....	S. M. Mills & Co.; suspended.
ALA.... Eufaula .....	People's Bank; suspended.
ILL.... Hillsborough..	Farmers' Exchange Bank (A. H. H. Rountree); suspended.
MASS... Needham.....	Needham Savings Bank; closing. No business doing.
MICH... Litchfield.....	C. G. Conklin & Co.; out of banking business.
MO.... Wright City....	Wright City Savings Bank; closed.
N. H.. Exeter.....	Squamscott Savings Bank; failed.
" .. Gonic.....	First National Bank; in liquidation.
N. J.... Newark.....	American Trust Company; suspended.
N. Y... Haverstraw....	Haverstraw Savings Bank; insolvent—closed by injunction.
" .. Ogdensburgh..	Judson's Bank; failed.
" .. Oswego .....	National Marine Bank; in liquidation.
" .. " .....	Oswego City Savings Bank; closed by injunction.
OHIO... Columbus .....	Franklin Nat'l Bank; consolidated with Nat'l Exch. Bank.
" .. Granville .....	First National Bank; suspended.
PENN... Scranton .....	Scranton Trust Company & Savings Bank; in liquidation.
WASH. TERR. Olympia	G. A. Barnes; going out of business.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from January No., page 580.)*

N. Y. CITY.....	Eugene S. Ballin & Co.; H. Ph. Goldschmidt retires. Frederick Ballin admitted.
" " .....	William Belden & Co. and Bennett, Parker & Co.; consolidated as Belden, Bennett & Co.
" " .....	Chase & Atkins; admit Henry N. Whitney and Eugene R. Washburn.
" " .....	Clark, Dodge & Co.; admit Louis C. Clark.
" " .....	Glendinning, Davis & Co.; now John H. Davis & Co.
" " .....	James G. King's Sons; admit Frederick Gore King.
" " .....	Taaks & Lichtenstein; now Baltzer & Lichtenstein.
" " .....	Worden & Leverich; dissolved. Now Parke & Leverich and Worden & Co.
" " .....	I. & S. Wormser; admit Julius Nathan.
ARIZ'.. Tucson.....	L. M. Jacobs & Co.; succeeded by the Pima County Bank. L. M. Jacobs, <i>Cashier</i> .
CAL.... Modesto.....	Farmers' Savings Bank of Stanislaus County; now Modesto Bank. Same officers.
FLA.... Pensacola.....	C. L. Le Baron & Son; now C. L. Le Baron.
IOWA... Emmetsburg...	Burnham, Ormsby & Co.; now Ormsby Bros. & Co.
" .. Lenox.....	G. L. Brooks; succeeded by Thompson & Burlingem.
MASS... Boston.....	G. P. Baldwin & Co.; now Geo. P. Baldwin & Dillaway.
" .. " .....	E. D. Bangs & Co.; admit C. B. Presson.
MICH.. Grand Rapids..	Randall & Darragh and H. H. Dennis; consolidated as Farmers & Mechanics' Bank.
MO.... Lee's Summit..	W. H. Colbern & Co.; succeeded by A. H. Powell & Co.
OHIO... Doylestown...	Cline, Seiberling & Co.; now Seiberling, Miller & Co.
PENN... Philadelphia...	Glendinning, Davis & Co.; now Robert Glendinning & Co.
" .. " .....	B. K. Jamison & Co.; admit Philip F. Kelly.
" .. " .....	North, Heberton & Co.; now G. H. North & Co.
TEXAS.. Hempstead....	R. P. Faddis; now R. P. Faddis & Co.
UTAH.. Ogden.....	J. W. Guthrie & Co.; succeeded by Harkness & Co.



## VALUATION OF FOREIGN COINS.

TREASURY DEPARTMENT,  
WASHINGTON, D. C., January 1, 1879. }

The first section of the act of March 3, 1873, *Statutes at Large*, volume 17, page 602, reproduced in section 3,564 of the *Revised Statutes*, provides "that the value of foreign coin, as expressed in the money of account of the United States, shall be that of the pure metal of such coin of standard value," and that "the values of the standard coins in circulation of the various nations of the world shall be estimated annually by the Director of the Mint, and be proclaimed on the first day of January, by the Secretary of the Treasury."

The estimate of values contained in the following table, has been made by the Director of the Mint, and is hereby proclaimed, in compliance with the above stated provisions of law :

Country.	Monetary unit.	Standard.	Value in U. S. money.	Standard coin.
Austria	Florin		.. ..	8 gulden or 20 fr. gold \$3, 85, 89.
Belgium	Franc	Gold and silver.	.19,3	5, 10, and 20 francs.
Bolivia	Dollar	Gold and silver.	.90,5	Escudo, ½ bolivar and bolivar.
Brazil	Milreis of 1,000 reis	Gold	.54,5	None.
Brit. Pos. in N. A.	Dollar	Gold	\$ 1.00	
Bogota	Peso	Gold	.96,5	
Central America	Dollar	Silver	.93,5	Dollar.
Chili	Peso	Gold	.91,2	Condor, doubloon and escudo.
Denmark	Crown	Gold	.26,8	10 and 20 crowns.
Ecuador	Dollar	Silver	.93,5	Dollar.
Egypt	Pound, 100 piastres	Gold	4.97,4	5, 10, 25, and 50 piastres.
France	Franc	Gold and silver.	.19,3	5, 10, and 20 francs.
Great Britain	Pound sterling	Gold	4.86,6½	½ sov. and sov.
Greece	Drachma	Gold and silver.	.19,3	5, 10, 20, 50, and 100 drachmas.
German Empire	Mark	Gold	.23,8	5, 10, and 20 marks.
Japan	Yen	Gold	.99,7	1, 2, 5, 10, and 20 yen.
India	Rupee, of 16 annas	Silver	.44,4	
Italy	Lira	Gold and silver.	.19,3	5, 10, 20, 50, and 100 lire.
Liberia	Dollar	Gold	1.00	
Mexico	Dollar	Silver	1.01,5	Peso or \$, 5, 10, 25 and 50 centavo.
Netherlands	Florin	Gold and silver.	.38,5	Florin; ten guldens, gold, (\$4,01,09)
Norway	Crown	Gold	.26,8	10 and 20 crowns.
Peru	Dollar	Silver	.93,5	
Portugal	Milreis of 1,000 reis	Gold	1.08	2, 5, and 10 milreis.
Russia	Rouble of 100 copecks	Silver	.74,8	¼, ½, and 1 rouble.
Sandwich Islands	Dollar	Gold	1.00	
Spain	Peseta of 100 centimes	Gold and silver.	.19,3	5, 10, 20, 50, and 100 pesetas.
Sweden	Crown	Gold	.26,8	10 and 20 crowns.
Switzerland	Franc	Gold and silver.	.19,3	5, 10, and 20 francs.
Tripoli	Mahbub of 20 piasters	Silver	.84,4	
Turkey	Piaster	Gold	.04,3	25, 50, 100, 250, and 500 piasters.
U. S. of Colombia	Peso	Silver	.93,5	

The above rates will be taken in estimating the values of all foreign merchandise made out in any of said currencies imported on or after January 1, 1879.

JOHN SHERMAN, *Secretary of the Treasury.*

DIVIDENDS OF NEW YORK CITY BANKS  
 THE CAPITAL, SURPLUS, DIVIDENDS IN EIGHTEEN MONTHS, AND STOCK QUOTATIONS OF EACH.

[Compiled by BARBOUR, SWORDS & Co., Bankers and Stock Brokers, 52 Wall St., New York.]

Names.	Capital.	Surplus.	Dividends and when paid.						Last sales pre- vions to				
			July, 1877.	Aug. Sep. 1877.	Oct. Nov. 1877.	Jan. Feb. Mch. Apr. May. July. Aug. Sep. Oct. Nov. Jan. 1878.	1879. Dec. 31, Jan. 18.	1877.	1879.				
American Exchange National Bank.	\$ 5,000,000	\$ 1,160,147										105 1/2	101
Bank of America.	3,000,000	1,413,700	4				4					14 1/2	126
Bank of New York N. E. A.	2,000,000	600,000	3 1/2				3 1/2					115 1/2	120
Bank of North America.	700,000	43,866*	3				no dividend since.					79	70
Bank of the Metropolis.	300,000	61,700*	6				no dividend since Jan., 1876.					80	86
Bowery National Bank.	250,000	150,000	6				8					—	151
Central National Bank.	2,000,000	175,000	4				3 1/2					100	172
Chatham National Bank.	300,000	150,000	4				3					122	106 1/2
Chemical National Bank.	450,000	1,000,000	15				25					1,675	1,675
Continental National Bank.	1,250,000	—	5				3					70	75
Corn Exchange Bank.	1,000,000	745,000*					no dividend since Jan., 1876.					15	15
Eleventh Ward Bank.	100,000	7,500*	3				—					89	85 1/2
East River National Bank.	250,000	50,000	3				no dividend since July, 1876.					3 1/2	71
Fifth Avenue Bank.	100,000	156,700*	—				—					232	225
Fifth National Bank.	150,000	43,866	—				—					100 1/2	100 1/2
First National Bank.	500,000	1,000,000	3				3					228	265 1/2
Fourth National Bank.	3,500,000	713,750	3				3					100 1/2	97 1/2
Fulton National Bank.	600,000	300,000	3				3					145	147 1/2
Gallatin National Bank.	1,500,000	300,000	3 1/2				5					118	137
German-American Bank.	750,000	347,000*	3 1/2				3 1/2					69 1/2	72 1/2
German Exchange Bank.	200,000	50,200*	—				—					—	103
German Bank.	200,000	49,700*	—				—					—	—
Grand Central Bank.	200,000	14,700*	—				—					115	101
Greenwich Bank.	300,000	16,700*	—				—					120	—
Hanover National Bank.	1,000,000	100,000	3 1/2				3					100	54
Importers & Traders' Nat'l Bank.	1,500,000	1,674,310	7				no dividend since Jan. 1, 1877.					3 1/2	100
Irving National Bank.	100,000	100,000	4				7					201	200
Island City Bank.	100,000	6,000*	4				4					7	120 1/2
Leather Manufacturers' Nat'l Bank.	600,000	60,000	3 1/2				3					4	112 1/2
Mechanics' Loan & Savings Bank.	600,000	60,000	6				3					4	151
Manufacturers & Merchants' Bank.	2,050,000	1,056,800*	4				4					4	135
	100,000	2,600*	—				no dividend since July, 1875.					—	140
													80

\* Net profits.

DIVIDENDS OF NEW YORK CITY BANKS—(Continued.)

Names.	Capital.	Surplus.	1877.		Dividends and when paid.				Last sales previous to	
			July.	Aug. 31.	Jan.	Feb. 28.	Apr. 30.	May 31.	July 31.	Aug. 31.
Marine National Bank.....	\$ 400,000	\$ 55,000	3%		no dividend since	Jan., 1876.	3%		80%	85
Market National Bank.....	1,000,000	250,000			3%	no dividend since	Jan., 1876.	3%	100	101
Mechanics & Traders' Nat'l Bank.....	600,000	50,000	4		4	no dividend since	Jan., 1876.	4	110	168
Mechanics' National Bank.....	2,000,000	400,000	4		3	no dividend since	Jan., 1876.	4	133	180
Mercantile National Bank.....	1,000,000	153,540	3		3	no dividend since	Jan., 1876.	3	138	86
Mercants' Exchange Nat'l Bank.....	200,000	200,000	3		3%	no dividend since	Jan., 1876.	3	80	67 1/2
Mercants' National Bank.....	2,000,000	358,778	3%		5	no dividend since	Jan., 1876.	3%	118	122
Metropolitan National Bank.....	3,000,000	750,000	5		5	no dividend since	Jan., 1876.	4	137 1/2	110
Murray Hill Bank.....	100,000	85,700*	3		3	no dividend since	Jan., 1876.	2 1/2	00	30
Nassau Bank.....	1,000,000	34,000*	3		4	no dividend since	Jan., 1876.	4	126	118
National Bank of Commerce.....	5,000,000	2,000,000	3		3	no dividend since	Jan., 1876.	3	86	85
National Bank of the Republic.....	1,500,000	140,000	3		3	no dividend since	Jan., 1876.	3 1/2	100	100
Nat'l Bk. of the State of New York.....	800,000	100,000	8		8	no dividend since	Jan., 1876.	8	105	200
National Burchway Bk.....	1,000,000	1,000,000	4		3	no dividend since	Jan., 1876.	3	102 1/2	100
National Burchway & Drovers' B'k.....	20,000	20,000	4		3	no dividend since	Jan., 1876.	3	101	100 1/2
National Citizens' Bank.....	600,000	74,668	3		5	no dividend since	Jan., 1876.	5	205	106 1/2
National City Bk.....	1,000,000	1,000,000	3		3	no dividend since	Jan., 1876.	3	108	106
National City Bk.....	1,000,000	51,925	3		3	no dividend since	Jan., 1876.	3	108	106
National Park Bank.....	2,000,000	200,000	3		3	no dividend since	Jan., 1876.	3	108	106
National Shoe & Leather Bank.....	1,000,000	200,000	5		4	no dividend since	Jan., 1876.	4	118	106
National Spool & Thread Bank.....	40,000	40,000	—		4	no dividend since	Jan., 1876.	4	—	—
New York County National Bank.....	300,000	300,000	4		4	no dividend since	Jan., 1876.	4	—	—
New York National Exchange Bank.....	1,000,000	40,000	—		4	no dividend since	Jan., 1876.	4	—	—
Ninth National Bank.....	1,000,000	1,000,000	5		5	no dividend since	Jan., 1876.	5	90	70
North River Bank.....	300,000	300,000	5		5	no dividend since	Jan., 1876.	5	70	127
Oberlin Bank.....	240,000	88,300*	5		3	no dividend since	Jan., 1876.	3 1/2	150	133
People's Bank.....	300,000	169,300*	5		3	no dividend since	Jan., 1876.	3 1/2	132	111
Peoples' Bank.....	432,700	214,400*	5		3	no dividend since	Jan., 1876.	3	105 1/2	100
Produce Bank.....	1,000,000	143,600*	3		3	no dividend since	Jan., 1876.	3	70	70
Produce Bank.....	1,000,000	110,350	3		3	no dividend since	Jan., 1876.	3	80	80
St. Nicholas National Bank.....	100,000	100,000	2 1/2		2 1/2	no dividend since	Jan., 1876.	2 1/2	80	70
Second National Bank.....	1,000,000	60,000	5		5	no dividend since	Jan., 1876.	5	82	76
Seventh Ward National Bank.....	300,000	43,900	3		3	no dividend since	Jan., 1876.	3	—	—
Sixth National Bank.....	300,000	40,000	3		3	no dividend since	Jan., 1876.	3	—	—
Third National Bank.....	1,000,000	1,000,000	3		3	no dividend since	Jan., 1876.	3	—	—
Tradesmen's National Bank.....	1,000,000	300,000	4		4	no dividend since	Jan., 1876.	4	—	—
Union National Bank.....	1,200,000	300,000	4		4	no dividend since	Jan., 1876.	4	—	—
West Side Bank.....	200,000	86,800*	4		4	no dividend since	Jan., 1876.	4	—	—

\* Net profit.

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements—cents omitted.*

DEBT BEARING INTEREST IN COIN.		
	Dec. 1, 1878.	Jan. 1, 1879.
Bonds at six per cent. ....	\$ 667,984,100 ...	\$ 657,864,200
Bonds at five per cent. ....	703,266,650 ...	703,266,650
Bonds at four and a-half per cent. ....	250,000,000 ...	250,000,000
Bonds at four per cent. ....	177,500,000 ...	198,700,000
Total principal .....	\$ 1,798,750,750 ...	\$ 1,809,812,850
“ interest.....	29,522,538 ...	34,228,063
DEBT BEARING INTEREST IN LAWFUL MONEY.		
Navy pension fund at three per cent. ....	\$ 14,000,000 ...	\$ 14,000,000
Interest .....	175,000 ...	210,000
DEBT ON WHICH INTEREST HAS CEASED....	\$ 23,666,240 ...	\$ 22,446,460
Interest.....	396,349 ...	395,531
DEBT BEARING NO INTEREST.		
Old demand and legal-tender notes.....	\$ 346,743,071 ...	\$ 346,743,051
Certificates of deposit .....	37,080,000 ...	34,515,000
Fractional currency.....	16,150,342 ...	16,108,154
Coin certificates.....	36,236,420 ...	24,076,830
Total principal.....	\$ 436,209,833 ...	\$ 421,443,035
“ interest.....	8,197 ...	8,197
Total debt .....	\$ 2,272,626,824 ...	\$ 2,267,702,345
Interest .....	30,102,084 ...	34,841,792
TOTAL DEBT, principal and interest.....	\$ 2,302,728,908 ...	\$ 2,302,544,138
CASH IN THE TREASURY.		
Coin .....	\$ 223,564,756 ...	\$ 224,865,477
Currency .....	4,669,826 ...	4,515,550
“ held to redeem fractional currency.	10,000,000 ...	10,000,000
Special deposit held for redemption of certificates of deposit, as provided by law....	37,080,000 ...	34,515,000
	\$ 275,314,583 ...	\$ 373,896,027
Debt, less cash in the Treasury, Dec. 2, 1878	\$ 2,027,414,325 ...	
“ “ “ Jan. 2, 1879		\$ 2,028,648,111
Increase of debt during the past month.....	\$ 3,214,242 ...	\$ 1,233,785
Decrease of debt since June 30, 1878.....	8,372,506 ...	7,138,720
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.....	39,835,039 ...	39,835,039
Interest repaid by transportation of mails, &c.	10,445,916 ...	10,571,102
Balance of interest paid by the U. S....	\$ 29,389,123 ...	\$ 29,263,937

## NOTES ON THE MONEY MARKET.

NEW YORK, JANUARY 24, 1879.

*Exchange on London at sixty days' sight, 4.85% a 4.85% in gold.*

Several gratifying proofs have lately appeared, of the soundness of the arguments which have been so often advanced to show that a more active demand must soon spring up, both at home and in foreign markets, for our Government bonds. Among the most noteworthy of these incidents we may mention the new contract with the Syndicate, just made by the Treasury. As is more fully stated elsewhere in detail, the first subscription is \$10,000,000, and the Syndicate are to have the right to take any amount they desire of the four-percents. on or before July 1st, 1879, on condition that their subscriptions during the intervening period, are thirty millions, or \$5,000,000 per month. On many accounts, there is a fair probability that the large influence of the Syndicate bankers, headed by the Rothschilds, will make the four-percents more or less popular in Europe, and that by degrees a great many of them will be sold to investors who have hitherto preferred other securities. In proportion as the Syndicate succeeds, its operations may not only tend to prevent gold from being exported from this country, but also to encourage gold imports, or at least to keep up our favorable trade balance. Another result will be to check in some quarters, the apprehension of disturbance to the markets here, by too rapid a refunding of the public debt. Including the call to-day for \$20,000,000 of five-twenties, there have now been called since 1st January, \$130,000,000, and there remain \$218,079,300 of five-twenties to be called. Next there are \$194,556,300 ten-forties, and then \$282,736,350 sixes, of 1881. After these, come \$508,440,300 fives of 1881. All these bonds will, no doubt, be eventually refunded at four per cent. Some new legislation will, however, be needful, as the funding law of 1870, with its amendments, does not authorize a sufficient aggregate of bonds to effect the complete absorption of the whole of

our public debt at four per cent. The belief is growing more general in the early completion of the work Mr. Sherman is so vigorously carrying on. Two reasons are given for the rapid movement in consolidating our public securities at the lowest rate of interest heretofore paid on any part of the present outstanding bonds. First, there is the demand abroad for our Government securities, and foreign investors will be well satisfied to place their capital at four per cent., in view of the stability of our Government credit. The *London Times*, and other English journals, have lately announced the fact that the demand for our Government securities is increasing; and it is well known in London and here, that a shock has been given to the confidence of the British public in several classes of securities formerly in favor with such investors as are now turning their attention to American bonds. If this movement continues as it has begun, Mr. Sherman will have no difficulty in selling, through the Syndicate, all the new four-per-cent. bonds which he desires to dispose of abroad. Secondly, the new bonds will also find an augmenting demand from investors in this country. Indeed, the four-per-cents. are rapidly becoming popular, and the disposition to invest in them is not confined to large capitalists, but extends also to the masses of frugal investors. Moreover, as the amount to be issued is smaller than has been supposed, the time required for the process of refunding is narrowing down in proportion; and this circumstance may, before long, have its effect in stimulating the popular desire to invest in this class of safe Government bonds. On the other hand, there are not a few persons who contend that the present movement is of a temporary character, and cannot be relied upon; inasmuch, as the rate of interest ranges too high in a young country like the United States, to offer a favorable field for the absorption and permanent retention of securities bearing so low a rate as four per cent. They add, that unless the new bonds can be kept at par at home, it is vain to hope to sell many of them abroad. Meanwhile, there is no doubt that large sums of money, formerly invested in Government bonds, have been disturbed by the recent calls of bonds, and are now being used in Wall street, so as to promote the speculative movements which have given, of late, so much animation to the Stock Exchange.

The money market is so easy that the new movement at the Stock Exchange is spreading, and there is a general upward tendency in speculative securities as well as in bonds and stocks having more permanent and less sensitive values. The rates for loans are easier than for several months past. On the best collaterals loans have been made on call, or on time, below the market average, which ranges from two to four per cent. Prime commercial paper is in demand and passes freely at three-and-a-half to five per cent. If the commercial and speculative movement proceeds much farther, an advance of the rate of interest can scarcely be long prevented. The bank averages during the last few weeks, show a considerable accumulation of idle capital. The New York Clearing-House reports compare as follows:

1878.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Dec. 28.....	\$ 235,824,400	\$ 20,514,100	\$ 40,767,100	\$ 19,576,700	\$ 203,209,700	\$10,478,775
Jan. 4 '79...	234,250,000	20,986,200	41,832,600	19,848,800	206,173,000	11,275,550
" 11.....	230,682,000	18,962,400	45,055,400	19,785,000	206,482,200	12,397,250
" 18.....	233,168,400	17,344,600	49,965,800	19,767,600	211,590,600	14,412,750
" 25.....	234,416,200	17,431,700	53,599,600	19,617,600	214,981,200	17,286,000

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

	1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Dec.	28.....	\$ 130,098,300	.... \$ 2,851,300	.... \$ 6,416,400	.... \$ 78,523,900	.... \$ 25,359,400
Jan.	4, '79....	132,220,000	.... 3,851,900	.... 6,126,300	.... 82,030,100	.... 25,616,400
"	11.....	134,650,600	.... 3,898,600	.... 5,932,800	.... 83,910,700	.... 25,634,300
"	18.....	135,745,900	.... 3,835,900	.... 5,419,700	.... 83,663,100	.... 25,612,600
"	25.....	136,790,600	.... 3,822,500	.... 5,230,200	.... 86,365,700	.... 25,500,100

The Philadelphia bank statements since resumption, no longer include separate reports of coin and legal-tenders. The latest are as follows :

	1878.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Dec.	28.....	\$ 56,949,772	.... \$ 2,461,523	.... \$ 13,127,307	.... \$ 44,903,227	.... \$ 11,371,466
Jan.	4, '79....	57,272,281	....	\$ 15,873,233	.... 45,698,721	.... 11,364,651
"	11.....	57,777,397	....	15,536,567	.... 45,030,239	.... 11,343,375
"	18.....	57,673,699	....	15,401,731	.... 45,520,021	.... 11,340,673
"	25.....	57,614,478	....	15,688,058	.... 45,266,817	.... 11,325,592

The stock market shows great strength, although the transactions are not at present very heavy. For Government bonds there is an active inquiry from the country as well as from the larger cities, and considerable amounts of small bonds are being absorbed by investors in all parts of the country, who it is supposed have withdrawn their money from Savings banks, or have refrained from depositing it from a lack of confidence in those institutions. The process which is thus going on is a wholesome one, and it is hoped that investments in Government securities in this country will become as popular as they are in France, where the rentes are held by a larger number of small investors than the public debt of any other country in the world. As the funding of our public debt at four per cent. is now a mere question of time, the holders of five-twenties and ten forties are becoming unsettled, in anticipation of the early calling of their securities for redemption by the Treasury. Hence, the prices of these securities are lower, and there is an increasing disposition to sell for investment in other bonds. Subjoined is our usual table of the range in prices during the month, with the amount of registered and coupon bonds outstanding January 1st, 1879 :

	—Range during the Month—				—Closing Price—		—Amount Jan. 1, 1879.—	
	of Jan., 1879.		Jan. 24.		Registered.	Coupon		
	Lowest.	Highest.	Jan. 17 ..	Jan. 2 ..				
6s, 1881.....coup.	106¼	Jan. 7 ..	106¾	Jan. 17 ..	106¾	.. \$ 200,001,750	..	\$ 82,734,600
6s, 5-20s, 1865, new.coup.	—	.. ..	—	.. ..	—	.. 18,205,650	..	7,879,900
6s, 5-20s, 1867....coup.	101¾	Jan. 24 ..	102¾	Jan. 2 ..	101¾	.. 117,622,550	..	192,991,450
6s, 5-20s, 1868....coup.	102¾	Jan. 17 ..	104¾	Jan. 4 ..	102	.. 16,209,500	..	21,255,800
5s, 10-40s.....coup.	105	Jan. 24 ..	108¾	Jan. 4 ..	105	.. 144,280,800	..	50,285,500
5s, funded, 1881...coup.	106¾	Jan. 23 ..	107½	Jan. 15 ..	106½	.. 253,175,500	..	255,264,850
4½s, 1891.....coup.	104¾	Jan. 2 ..	106¾	Jan. 20 ..	106¾	.. 164,715,750	..	85,284,250
4s, 1907.....coup.	99¾	Jan. 3 ..	100	Jan. 28 ..	100	.. 136,369,700	..	62,330,300
6s, Currency, 1899..reg.	119½	Jan. 4 ..	121	Jan. 21 ..	120½	.. 64,623,512	..	—

In State securities there is less business than might have been expected, though some descriptions of Southern State bonds have been inquired for. Louisiana consols close at 64¾; Tennessee at 36¾, Virginia consols at 74 and Missouri sixes at 105½. Railroad bonds are strong under a brisk demand for investment. The bonds of some of the defaulting roads are beginning to attract attention and the belief is expressed that these securities have passed their lowest point. It is, however, well known that some of the holders of such securities are very anxious to rid themselves of part of their heavy burdens.

In railroad shares more buoyancy has been developed than for several years

past. Capitalists not connected with Wall Street show less reluctance to enter the market, and there seems to be a larger outside interest in the market than has been made since the disasters attending the panic of 1873. Subjoined are our usual quotations:

QUOTATIONS:	Dec. 27.	Jan. 3.	Jan. 10.	Jan. 17.	Jan. 23.
U. S. 5-20s, 1867 Coup.	105½ ..	102¾ ..	102 ..	102¾ ..	102
U. S. 10-40s Coup.....	108½ ..	108¾ ..	108 ..	107 ..	105
West. Union Tel. Co..	93¾ ..	95¾ ..	95 ..	95¾ ..	97¾
N. Y. C. & Hudson R.	110¾ ..	113 ..	113 ..	114 ..	114¾
Lake Shore.....	69¾ ..	68¾ ..	67¾ ..	69¾ ..	72¾
Chicago & Rock Island	120 ..	119½ ..	119¾ ..	121¾ ..	125¾
New Jersey Central...	31¾ ..	34¾ ..	34¾ ..	38½ ..	40½
Del. Lack. & West....	41¾ ..	44¾ ..	44¾ ..	47¾ ..	52¾
Delaware & Hudson..	37 ..	39¾ ..	39¾ ..	42 ..	44¾
North Western.....	48¾ ..	49¾ ..	51¾ ..	54½ ..	60¾
Pacific Mail.....	13¾ ..	13¾ ..	11¾ ..	12¾ ..	13¾
Eric.....	20¾ ..	22¾ ..	22¾ ..	23 ..	25¾
Call Loans.....	4 @ 5½ ..	4 @ 5 ..	4 @ 5 ..	3 @ 5 ..	2 @ 5
Discounts .....	5 @ 7 ..	5 @ 7 ..	5 @ 6 ..	4 @ 6 ..	4 @ 6
Bills on London.....	4.83-4.88½ ..	4.82-4.82½ ..	4.84-4.88 ..	4.85-4.88½ ..	4.85½-4.89
Treasury balances, cur.	\$ 47,553,942 ..	\$ 43,532,675 ..	\$ 43,030,872 ..	\$ 45,131,291 ..	\$ 45,245,513
Do. do. gold.	\$ 115,233,390 ..	\$ 113,202,618 ..	\$ 113,464,206 ..	\$ 113,905,721 ..	\$ 114,568,921

The Treasury now holds \$347,760,950 in United States bonds to secure bank circulation. The United States bonds deposited for circulation during the present week amounted to \$7,412,200. The United States bonds held for circulation withdrawn during the week were \$7,918,050. The National bank circulation outstanding is as follows: Currency notes, \$322,760,594; gold notes, \$1,468,920.

In consequence of the syndicate negotiation with the Treasury foreign exchange shows a weaker tendency. Little business is doing and the quotations are nominal. There are, however, conflicting opinions as to the probable movements of the market in the not distant future. Purchases have been made at 4.84¼ to-day.

The nominal rate of discount at the Bank of England was reduced, on January 16th, from five to four per cent.

## DEATHS.

At LOUISVILLE, KY., on Monday, November 25th, aged fifty years, R. M. CUNNINGHAM, late Cashier of the First National Bank.

At OSWEGO, N. Y., on Tuesday, January 14th, JOHN R. NOYES, Cashier of the National Marine Bank.

At DANVILLE, KY., on Friday, December 27th, CLIFTON RODES, President of the Central National Bank.



THE  
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THE PROBABLE FUTURE RATES OF INTEREST.

The gold discoveries of 1848 were followed by twenty-five years of unprecedented activity in commerce and manufactures, and of unprecedented investments in public works, notably railroads, in all parts of the world. Of the 182,690 miles of railroad in existence at the beginning of 1876, 158,588 had been constructed subsequent to 1850. During the same twenty-five years, enormous amounts of moneyed capital were borrowed for National outlays and expenditures. It is true that a considerable portion of these National borrowings were for railroad construction, but a large portion went into war expenditures, or supplied extravagances of governments which their administrators did not find it expedient to provide for by taxation. One result, and a very conspicuous one, of these features of the situation from 1848 to 1873, was a rate of interest which was very high as compared with the general rate from the pacification of Europe in 1815 to 1848. Since 1873, the rate of interest has been largely and steadily falling. Will it fall still further, and, if not, will it long remain at its present low figure, or may another rise in it be reasonably expected? Directly, these questions most vitally and practically concern the two great classes of borrowers and lenders. Indirectly, they affect other classes and interests. Especially do they affect the market value or price of real estate, which term embraces and covers the bulk of human possessions. If the ordinary rate of annual interest is three percentum, a parcel of real estate which yields a net annual revenue of three hundred dollars,

will sell for ten thousand, but if the ordinary rate of interest is six per centum, the same parcel will sell for only five thousand dollars. The same principle applies to unproductive real estate, which is speculatively held for a market hoped for at a future date. The present price, which it is prudent to pay for a sum expected to be realized at some time more or less remote, depends, of course, wholly upon the prevailing rate of interest.

The aggregate of the National debts of the world, as given in detail in the *Westminster Review*, for January, 1876, has been, at various dates, as follows:

1820.....	\$ 7,650,000,000
1848.....	8,655,000,000
1870.....	19,555,000,000
1875.....	22,989,445,000

Of the aggregate debts of 1820, the British debt was \$4,510,000,000. The increase of the total from 1820 to 1848 was trifling. From 1848 to 1870, which was the great era of creating National debts, the increase was 124 per cent., and amounted to the sum of \$10,900,000,000. Of course, the resulting absorption of capital was not quite so great as that figure would indicate, as many National bonds, especially those of Turkey and of some South American countries, were disposed of below their nominal values. But, with all allowances, the absorption of capital was enormous.

The rate of increase from 1870 to 1875 was at a much diminished rate, and would have been still less, if a debt of \$1,000,000,000 had not been forced upon France by the German war fine. Since 1875, the only increase worthy of note, has been in the Russian debt under the exigencies of the Turkish war.

No such opportunity for lending money upon new creations of National debts, nor any approximation to it, is possible within the next twenty-five years. The only important country in Europe not already loaded down to the water's edge by debt is Germany. Mexico and the South American countries are in the same condition, or in the worse condition of absolute and avowed insolvency. India, the only Asiatic country which has a regular financial system, has now a foreign debt, the interest upon which is all the strain upon its industrial resources which they can bear. There is danger that the United States will lack the wisdom and firmness to reduce its debt, but there is no probability that it will be increased. In fact, any settled policy of increasing it could have no other effect or real object than that of causing it to be finally repudiated. In no part of the world, in short, unless it is in Germany and in the British colonies, do we find a possibility of an increase of public debts. There is no present probability of it except in the British colonies. The traditions of Prussia, the governing State in Germany, are

all opposed to debts. Frederick the Great, following the example of his father, left behind him, not debts, but accumulations of hard money, and it is in accordance with these traditions that the German Government has a well-filled war chest in the tower of Spandau. The British colonies, which are great and flourishing, especially those in Australia, are both able and willing to incur augmented debts, and will certainly push borrowing as far as they can. They naturally get their financial ideas from London, where the doctrine, very profitable to British bankers, has been held and taught since Wm. Pitt's day, that the primary object of Governments is to create debts, and that the glory of nations consists of only two elements, the magnitude of the annual interest which they agree to pay, and the regularity with which they pay it. Under such teachings, the British colonies will travel very quickly over the short road to the maximum of debts which they can carry. Our Canadian neighbors, with resources less elastic and progressive than are found in Australia, are near the end of that journey, if they have not already reached it.

But if those who will have loanable capital to dispose of in the future, cannot expect to find such an outlet for it in National borrowings as they have found since 1848, it is not at all impossible that the outlet in industrial developments and in public works may continue as great as it has been, or even become greater. Of course, public works can no longer be stimulated as they have been by the use of National credit, but there are other forms of credit which may be found equally available. The temper of mankind is for the moment depressed, and little inclined to enterprises of any kind, but it has been in that depressed condition for a good while, and is certain to change in due time. When it does change, we shall be surprised to see how quickly the now current ideas and theories will be abandoned. Those who say that there have been so many railroads built in the United States that no more can be needed for a generation, may say, tomorrow, that the utmost accumulations of a generation will be inadequate to supply the Trans-Mississippi country with the railroads it imperatively requires, and that the wants of Mexico of the same kind are also indefinitely great. Schemes of investment and development are at this very moment being discussed in Paris and London, more than sufficient, if any considerable portion of them are adopted, to swallow up all the disposable capital of those great money centers. The English talk of opening a new cotton region in Soudan, by railroads, and of penetrating the center of Africa by the same instrumentality from its eastern coast. The French are ambitious of striking South, fifteen hundred miles, from their Algerian coast to Timbuctoo. The whole of Turkey, European and Asiatic, is being

prospected for railroad routes. It does not seem doubtful that the English will find a new route to India by a line from the Mediterranean to the Euphrates and down the valley of that river to the Persian Gulf. Austria has already commenced upon the works which are to connect its railroad system with the Ægean Sea. India needs more railroads and so does Australia. China has now absolutely none, and refuses to allow any to be built, but public policies, even in that region of fixed institutions, are liable to be changed. Railroads are needed there and would be profitable to those who might be permitted to construct them. Russia urgently requires a vast addition to its railroad system in order to consolidate its Asiatic empire, and will contrive some way to procure the means, even if the credit of its Government is less available for the purpose than heretofore.

Thus far, it is only a comparatively insignificant portion of the surface of the earth which has been brought within the conditions and supplied with the necessary works of an advanced civilization. Not only are canals and railroads lacking, but innumerable cities exist in which there are no works for the supply of water or gas. Even in Europe, the street railroad is almost wholly unknown. Everywhere there are deserts to be reclaimed by irrigation or forest cultivation, marshes to be drained, and rich lands to be protected against the inundations of rivers, or of the sea. At the present moment, capital seems to be superabundant, but it will seem less so when the pendulum swings the other way, and when the humor of mankind, no longer gloomy, shall again become hopeful and buoyant.

It is with loanable capital as it is with commodities, that a fall in price brings it within the reach of new customers and multiplies the demand. Railroad loans came to an end when the rate of interest on such loans ranged from eight to ten per cent. per annum, but it is not necessary that the rate should fall to one, or two, or three per cent. before such loans will again become practicable. Works which run into insolvency, with an eight per cent. rate of interest, may be reasonably profitable with a five per cent. rate. Holders of loanable capital may not get the extraordinary return for it which they enjoyed from 1848 to 1873, but they need not fear that it will sink to one per cent. per annum, as it did in Holland at the epoch of the tulip mania. Too much of the world has now been opened to commerce, enterprise and development, to admit the possibility of that until some period indefinitely remote.

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## THE FOREIGN TRADE OF FRANCE AND ENGLAND

The French customs returns for 1878 have just been published. The figures are as follows :

IMPORTS.	
Articles of food.....	\$ 308,661,600
Raw materials.....	450,355,200
Manufactures.....	89,426,600
Other articles.....	43,751,400
	<hr/>
	\$ 892,194,800
EXPORTS.	
Manufactures.....	\$ 373,428,400
Articles of food and raw materials.....	264,173,000
Other articles.....	36,360,000
	<hr/>
	\$ 673,961,400
Excess of imports.....	218,233,400

As France has not increased its foreign debt during the year, the excess of its imports may be taken to represent the profits of its foreign trade, including the income on investments of French capital in foreign countries. As we have often before explained, it depends altogether upon the fact whether a country is in debt, collectively or individually, to other countries, whether an excess of exports or of imports is a healthy indication. While, therefore, the excess of imports is a sign of prosperity in France, with no increase of its debt to other countries to offset it, so, on the other hand an excess of exports is equally a sign of prosperity in the United States, our foreign debt being known to be large, and the extinguishment of it which has been going on, rapid.

In the French imports of food, breadstuffs figure for 116 millions of dollars; oleaginous fruits and seeds for thirty-one millions; sugar for twenty-two millions; coffee for twenty-two millions; cattle for forty-eight millions. In the imports of raw materials, peltries figure for thirty-two millions; wool for sixty-nine millions; silk for seventy-five millions; cotton for thirty-nine millions; timber for thirty-three millions; coal for thirty-three millions. In the imports of manufactures, cotton yarn figures for nine millions; woolen yarn for four millions; silk goods for eight millions; cotton stuffs for fourteen millions; woolen stuffs for fourteen millions; machinery for eight millions.

Among the exports of manufactures, silk goods figure for fifty-six millions; woolen stuffs for sixty-three millions; cotton goods for twelve millions; woolen yarn for eight millions; dressed skins (leather) for eighteen millions; leathern goods for thirty millions; jewelry for twelve millions; tools and hardware for fourteen millions; mercery, buttons, and

turnery for twenty-nine millions; ready-made clothing for seventeen millions. Among the exports of food and raw materials, refined sugar figures for twenty-seven millions; wines for forty-two millions; spirits for thirteen millions; butter for seventeen millions; silk for twenty-eight millions; cotton for sixteen millions.

The striking feature of this statement is, on the one hand, the difference between the amount of manufactures imported and exported, showing an excess of exports of 284 millions of dollars; and on the other hand, the excess of 495 millions in the aggregate imports over exports of food and raw materials.

The imports are of crude products, while the exports are of products largely increased in value by French labor.

As compared with 1877, the French imports show a gain of 158 millions of dollars, and the exports a decline of thirteen millions, making an excess in the balance of imports in 1878 over 1877 of 171 millions; the excess of imports over exports in 1877, having been only forty-seven millions, as against 218 millions in 1878.

In comparison with the foregoing table of French exports and imports, we give the following totals of the foreign trade of Great Britain, for the same year, 1878. It is not classified like the French statement, but we will give some of its most important elements:

Imports.....	\$ 1,830,298,100
Exports.....	964,021,700
Excess of imports.....	\$ 866,276,400

Of the total imports, food and beverages figured for 839 millions of dollars, divided into animal food 201 millions; vegetable food 447 millions; beverages forty-one millions; tea, coffee, and cocoa 140 millions. Tobacco figured for eighteen and a half millions. Textile materials for manufactures figured for 351 millions; namely, cotton for 168 millions; flax, hemp, and jute for forty-three millions; silk for eighteen millions; and wool for 123 millions. The metals figured for sixty-seven millions; manufactured articles for only thirty-four millions; hides and leather for sixteen millions; linseed and rape for thirty-two millions; and wood, hewn and sawn, for sixty-six millions.

Of the total exports of British produce, textile fabrics figured for 465 millions; namely, cotton goods 315 millions; linen and jute goods forty-six millions; silk goods only three millions; woollen goods ninety-eight millions. Paper and books figured for eleven millions; metals and minerals for 150 millions; miscellaneous articles for fifty millions.

Of foreign and colonial produce, articles of food and consumption figured for seventy millions; and miscellaneous (including raw materials for textile manufacture, metals, hides, etc.) for 190 millions.

The aggregate foreign trade of Great Britain is shown, as above, to be \$2,794,319,800, while that of France is \$1,566,156,200, or but little more than half as large. The excess of imports over exports in Great Britain is nearly three times as large as that of France, namely, 866 millions of dollars against 218 millions. British foreign trade brings back, therefore, a larger per centage of profit than French foreign trade. Relatively speaking, however, the French return is far more satisfactory to the nation concerned than the English, for while, as we shewed above, the excess of imports over exports in France was 171 millions of dollars *greater* than 1877. The same excess in England was 111 millions *less* than 1877. Thus while French trade has gained heavily English trade has declined hardly less heavily. When the circumstances affecting the two nations during the past ten years are considered, this change of relative prosperity becomes all the more striking. While France, since 1870, has spent some seven or eight milliards (1,400 to 1,600 millions of dollars) in war expenses and war indemnity paid to Germany, and has revolutionized its entire political system, Great Britain has been manufacturer and money lender to all the world, with no war expenses, and with no trouble except of a domestic character. It is the candidly avowed opinion of many leading English writers, that the national prosperity of the country has reached its highest point, and that nothing but emigration, reduced cost of production and living, and new markets, can prevent a steady and serious decline.

In support of this statement we will cite two authorities, neither of whom can be lightly regarded, one Mr. Leonard Courtney, one of the editors of the *London Times*, whose article in the December number of the *Fortnightly Review* on "the Migration of Centers of Industrial Energy" we referred to in the January number of the *BANKER'S MAGAZINE*, (p. 492) and the other the *Economist* of January 25th, in an article on the Foreign Trade of 1878 as compared with that of 1877.

Mr. Courtney, after speaking of the increased cost of getting coal in England, and of the dependence of the country on it for prosperity, says:

"We must not be content with soft words in this matter. The thirty millions and more of people living in the United Kingdom do not find their food within these islands. If the wall of brass were created which Bishop Berkley suggested, so that we become insulated from the rest of the world, we should speedily be reduced to starvation; nor would the result be different even though sufficient notice were given of the change to enable producers to turn from working for an export trade to working for home consumption. Our population has grown up because we, of all nations of the world, have at our command the accumulated power of ages, which

mechanical science has taught us to make our slave. We have brought from other nations their raw products—from the United States their cotton, wool from Australia, metallic ores from all parts of the earth, and have supplied our store of force to convert these imports into forms suitable to the use of man, and have re-exported the result even to the countries from which the first material came, receiving in exchange all commodities, food being foremost among them, which supply the necessities or enhance the comforts of life. . . . In this, and no other way under a system of unfettered freedom must our industries multiply, until the increasing difficulty of obtaining our motive power so enhances the cost of the commodities we produce, that our customers can no longer offer an adequate recompense for this production, or until the conditions of development of one or more other nations enable them to use their reserved stores of power so as to underbid us. Both these things may come together. At the time that we are compelled to enhance our prices to make up for the increased cost of getting coal, the United States may be enabled to put their commodities in the market at cheaper rates than we had been accustomed to receive; and if these phenomena do not happen together, no long interval will separate them. . . . Our country will, without doubt, be always a place of pilgrimage for civilized nations; but if it is destined to become again a land of agriculture we cannot believe that the pursuit of agriculture would maintain the population it now supports. . . . Who can expect masses of men to submit without a struggle to the truth that their labor has ceased to become profitable in the scene where they have been accustomed to pursue it; and that they must expatriate themselves if, like their fathers before them, they would found households of their own, and dying, leave their children to occupy their places in the family of man? There must be much resistance, manifold recriminations, struggles and contentions. I trust that the spirit of wisdom may prevail to lead this ancient nation of ours through the trials that are in store for it; and I say this the more fervently because I cannot disguise from myself the conviction that this century can scarcely pass away without some of them being experienced."

The passage in the *Economist* is as follows:

"To bring into consideration this extreme depression which at present prevails, it is satisfactory to see that there is not a greater diminution in the exports of the year over 1877. The unfavorable symptom is that the fall is continuous with that which has been taking place since 1872, when the same articles which now stand for £138,000,000 were exported to the value of £196,000,000 or forty-two per cent. above the present amount, and that it embraces almost every head of our staple manufactures. One-fourth of the loss is to be



attributed to the declining demands for the products of our industry, and three-fourths to the lower sums which our customers are disposed to pay for them. When, however, the saving on the price of the raw material worked into these manufactures is to be taken into account, the actual loss from them may be reduced probably by one-half. . . . It remains to be seen whether, when the hoped-for revival comes, it will take the shape of better prices or larger quantities. This depends upon whether other nations are able to continue manufacturing at a cost which makes them able to compete with us in the markets of the world, and whether we shall have power to enforce a higher return for the capital, skill, and labor we employ, or be compelled to reduce the cost of our production, so as to compete with producers elsewhere. The best solution to those questions would be that we should succeed in opening up new markets and raising up new nations of consumers. Everything seems to point to this conclusion as of essential importance, if not of absolute necessity, for the maintenance or restoration of our depressed industries."

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### INDUSTRIAL CONDITION AND PROSPECTS OF GREAT BRITAIN.

The aggregate sums which express the fall in price within five or six years of some of the leading products of British industry, are so great as to be startling.

The average fall in coals of all qualities mined, comparing 1878 with 1873, is reckoned at six shillings sterling, or \$1.50, being a fall upon the quantity mined in 1878 of forty millions sterling, or \$200,000,000. Of this fall, it is computed that £25,688,000 or \$128,440,000 has been thrown upon labor, the reduction of wages being computed to average one-half. It is said that the royalties upon coal have not been reduced at all. Proprietors have so far successfully insisted that they will have their old prices, or leave their coals unmined for better times. Of course, companies and individuals working their own mines have realized nothing, within two or three years, which can be credited to royalties. Of the whole fall, if \$128,440,000 has been borne by laborers, \$71,560,000 has been borne by operators, being in some cases a reduction of profits and of the rate of return upon invested capital, and in other cases an outright loss.

Upon the kinds of "coals, cinders and fuel" exported, the declared value in 1873 averaged 17*s.* 2*d.* per ton, compared with 9*s.* 6*d.* in 1878, being a fall of 7*s.* 8*d.* per ton.

Of the leading products of Great Britain, coal and iron have fallen the most. The average fall in the declared values of exported pig iron has been from 95*s.* in 1874 to 53*s.* 6*d.* in 1878, or forty-four per cent.

Internationally, Great Britain is affected by the fall in price of its products only to the extent of the proportion of those products which is exported, and would not be directly affected if imports and exports of commodities were equal in value, and if the average percentage of the fall of prices was the same in both. The actual condition of the British case is, however, that imports permanently exceed exports, because it is only by a balance of imports over exports that Great Britain can realize the income of its foreign investments and the profits of its vast marine employed abroad. It would thus be true that Great Britain would directly gain rather than lose by a uniform fall in the value of imports and exports. Indirectly, it might lose by the general disarrangement of trade and industry inseparable from a fall of prices. It is in that last point of view that Ernest Seyd insists that England has lost more by the fall of prices since 1873, as the greatest trading nation of the world, than it has gained as the greatest creditor nation, and especially as its gains as a creditor have been more or less offset by its losses as a creditor from the bankruptcies of its debtors.

In the first three or four years of the revulsion which has set in since 1873, the fall in price of British exports was in a marked degree greater than in British imports. The fall commenced in other countries, and market prices were longer sustained in Great Britain. This is an explanation, in part, of the sudden and great swelling of the balance of trade against Great Britain after 1873. Within the past year, or year and a half, the prices of British imports have undergone an accelerated fall, and the unfavorable balance of British foreign trade, although still great, has somewhat diminished. This fall in the prices of British imports was especially great during the last half of 1878. In certain raw materials of manufactures, as in cotton, this fall has been so great that they may be made use of at some profit, even at the existing low prices of the manufactured products.

It will be prudent for the United States and other nations, to the extent that they are the competitors of Great Britain in industrial pursuits, to assume that British necessities will make the competition even more severe than it has yet been. It is not easy to fix the limits of the fall in wages and in the profits of capital in Great Britain, which the condition of that country may render not only possible but certain, if it can in no other way maintain some approximation to its late and present position as a commercial and manufacturing nation. A country which furnishes food for only two-thirds of its people and is dependent upon foreign trade for the food of the other third, is not to be driven from the field by any small, or even large, question between one rate of wages and another. The necessities of subsistence will cause such a fall in the costs of manufacturing and mining production, as will give Great Britain the means of com-

manding from abroad all that it absolutely must have. It is true that any considerable increase of the present depression will tend to reduce British population by stimulating emigration, and in the various ways in which destitution increases the death rate and diminishes the number of births. But it will be the work of a long time to reduce the population of that country by one-third, and for all present purposes we must consider the case on the supposition that it will be substantially maintained.

The fall in money wages in Great Britain since 1873 has been very great. The fall in real wages has been, of course, less, because there has been a simultaneous, although not an equal fall in the prices of what laborers consume. It is also true that wages in 1873 were abnormally high, especially in the production of coal and iron, so that if we compare present wages with the average of wages for twenty years past, the fall in wages will appear less excessive. It is also true that low as wages now are in Great Britain, they are still lower on the continent of Europe. Taking only these circumstances into account, there seems to be still left a probability that laborers can submit to some further fall without absolutely losing the means necessary for subsistence. But there is another circumstance still more important. In Great Britain, as elsewhere, at the present time, laborers suffer quite as much from non-employment as from lowered wages. The annual income of a laborer depends as much upon the number of days he works as upon the rate of his daily pay. Everything yields at last to necessity, and when wages have fallen to the point at which British employers can turn out products at prices which will command foreign markets, there will be constant wages, even if only just above starvation wages, for everybody in Great Britain who can work. This is not an inviting prospect for British labor; and it is quite as uninviting for labor in those countries which are in competition with Great Britain in industrial production. But we must look at things as they are, and not as we might wish them to be. It is a prodigious mistake to suppose that thirty four millions of people, ingenious, energetic, trained in all the arts, and abounding in capital, are to be easily ousted of that lead in commerce and manufactures which has now become essential to even the existence of a large part of them. It will not be done until after a struggle marked with all the desperation, and pushed to all the extremities, of a struggle for life.

The British theory of what is best for themselves and for everybody, is, that Great Britain should be the trading center and the workshop of the world, and should contain not merely thirty-four millions, but fifty millions of people. It is within five years that many leaders of British opinion proposed an extensive importation of Asiatic coolies, in order to bring British laborers to more satisfactory terms, and

render it more possible to have the rest of mankind supplied entirely with manufactures from England. To reconcile the outside world to being reduced to a pastoral and agricultural condition and to being kept in that condition, the British corn-laws were suddenly repealed, and the Cobden Club was founded, with ramifications in all civilized countries, as a *propaganda* of the doctrine of free trade and of buying cloths and iron in the cheapest market, meaning by that, the English market, which might be carried up to any pitch of dearness, and still be cheaper than any other market, so long as the production of cloths and iron elsewhere was efficiently discouraged and repressed.

The opinions are evidently gaining ground outside of Great Britain that it would be quite as well if the British islands, instead of having a population of thirty-four millions, was reduced to a population of about half as much, or seventeen millions, and that the conditions of a real and permanent cheapness of iron and cloths are best secured by diffusing the localities of their production, so that producers, consumers and raw materials may be nearer together, and thereby relieved of the waste of costly transportation charges and of the interruptions of war. Opinions of this kind are gaining ground even in the colonies of Great Britain.

The Liverpool (Eng.) *Post*, of January 2, 1879, says :

The extension of our trade is restricted to India and China and such weak semi-civilized countries as are in some degree under our control. No doubt in these "open markets" we can still hold our ground, but, unluckily, terrible famines have wasted the resources of both India and China of late years, and we are still feeling their effects.

One thing seems perfectly evident: if our foreign trade declines or even remains stationary, we have no means of employing our rapidly-increasing surplus of population at home. We must have emigration on a scale hitherto unexampled, or else a large increase of pauperism. The conditions of life in our large cities are wretched in the extreme for a large section of the population, and it cannot be desired in the interest of human happiness that this layer of poverty and wretchedness should go on augmenting when the virgin soil of the New World still offers a home for untold millions. The policy of America and our own colonies is clearly to force us to move our surplus population to them. Had we free trade with them we could supply their markets without limit, and support our own increasing population at home. They would be in that case agricultural countries, sending us food and raw materials, and getting back clothing and implements in exchange; but they all prefer to be manufacturing as well as agricultural, and by prohibitory tariffs force us to send our surplus population to them, as well as much of our capital and skill, that they may—as they suppose—strengthen the commonwealth. These facts are patent on the surface, and must be borne in mind in all theories about the future of British commerce.

The simplicity must be infantile which can believe that there will be an organized emigration from Great Britain "in the interest of human happiness." No such thing in

that or any other country was ever yet witnessed under the sun. Men and women emigrate in the interest of their own happiness. It often happens that the more wretched a people are, and the more they would gain by a change of place, the fewer emigrate, because the fewer have the means of emigration. Undoubtedly, emigration to British colonies was looked upon with a degree of favor in Great Britain as long as those colonies were "agricultural countries," or producers only of raw materials and promised to become "markets without limit" for British iron and cloths. But if they insist upon becoming manufacturing competitors, no consideration of "human happiness" will induce British "organized emigration" to them. There will be no other kind of emigration than such as is stimulated by the personal interests of the emigrants themselves, or aided by the funds of the colonies.

But Great Britain, even if gradually cut off from the markets of its colonies, has the means and will use them with stubborn courage and pertinacity, of protracting its decadence, if that must, after all, be its fate. To say that "India, China" and some other "weak semi-civilized countries" are "in some degree under our (British) control," is to say that more than half the world is, and that may really be said with a great deal of truth. Within a very few years, Japan has been substantially appropriated to British uses by what is called a Treaty of Commerce. More recently the financial administration of Egypt has been assumed by an Englishman, and the world is now waiting for an announcement from Lord Beaconsfield as to precisely how much of Asiatic Turkey is to be placed under the same *regime*.

Undoubtedly, England has received a great check from the competition in mining and manufacturing, constantly become severe, of the United States and of the continent of Europe. The check is aggravated by the admitted tendency of the opinion of the world toward the protection of local industries, and against the concentration in one single spot of all production except that of food and of raw materials. Especially is it aggravated by the manifest growth of this opinion in the colonies of Great Britain which enjoy and largely exercise the right of self-government. For twenty years past, it has been the wonderful expansion of the colonial outlets, which has sustained British trade and industry against the rising competition of Europe and the United States. The prospect that the colonies themselves may close or diminish these outlets is a very grave menace. The English themselves do not underrate these multiplied difficulties, but they possess resources which will enable them to endure the situation for a long time yet. The necessity of supporting their population, which is largely dependent for food upon foreign trade, will compel them to use to the utmost all the resources they possess. Wages will be reduced still lower,

and laborers will at last take what they can get. The trade, industry, and, finally, the population of England may recede, but it will only be slowly and after a contest of endurance in which the English will hardly suffer more than their competitors. They say, and with a show of reason, that the demand for protection which is now so strong on the continent of Europe is itself an admission of the superior skill of their manufacturers and workmen, and that if they are denied what they call fair play in the European protected markets, they can certainly win the day in the general markets of the world in which they can meet their competitors on equal terms. Their confidence in holding the general markets against American competition is manifestly not quite so strong, but their necessities forbid their yielding ground to any rival until they are absolutely driven from it.

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#### NATIONAL BANKS AND STATE LEGISLATION.

Another important decision in regard to the rights of National banks has been rendered in Pennsylvania, and a point has been gained which confirms still more strongly their right to charge and receive the same rate of interest that any State bank of issue is authorized to charge. In the case of *The First National Bank of Mount Pleasant, vs. Duncan*, it had already been decided, by Judge Strong of the U. S. Circuit Court (see *BANKER'S MAGAZINE* for July, 1878) that "If there are State banks of issue in Pennsylvania, authorized either by general or special law to take interest on loans made by them at such rates as may be agreed upon between them and the borrowers, the defendants have transgressed no Act of Congress, by taking nine per cent. from the plaintiffs, that having been the rate agreed upon."

The present suit (of which a full report will be found on another page) was brought by the First National Bank of Mount Pleasant against J. O. Tinstman, to recover money lent. The rate of interest charged, as by agreement with the defendant, was nine per cent. The amount of the debt was \$8,233.79 with interest. The defendant admitted that plaintiff was entitled to a judgment for \$5,099.59, claiming a deduction of \$3,134.20 usurious interest. The argument for the plaintiff was that (1) A National bank in Pennsylvania may lawfully charge and receive the same rate of interest as any State bank of issue is authorized to charge. (2) The several Acts incorporating the State banks, taken in connection with the several banking laws of the State, gave these banks the power to issue. (3) That having the *power*, it was immaterial that it had never been exercised. (4) That as the charters of these banks permitted them to receive on the

discount of notes, etc., such an amount of interest as was agreed upon between the customer and the bank, therefore, under Section 5,197 of the *Revised Statutes* of the United States, any National bank in Pennsylvania could take and charge the same. The defendant claimed that Section 5,197 referred to the *general* laws of the State, and not to any *special* law incorporating and granting any special privilege to one particular bank, and that as the general law, in reference to interest, limited, in Pennsylvania, the rate to six per cent., a National bank in Pennsylvania could take or charge no more. The Court (Judge McKennan) gave judgment for the plaintiff, for \$8,233.79 with interest from June 4, 1876.

This decision is eminently just and in accordance with the spirit of the National Banking Act. If State banks are authorized, by general or by special State laws, to take more than the interest allowed to be taken by natural persons, they would become favored rivals of the National banks, and would drive them out of existence unless the latter are permitted to do the same. In the language of Mr. Justice Strong: "States might establish banks alongside of every National bank, and give them powers against which the National banking associations could not compete. A construction of the Act of Congress that opens the door to such results cannot be accepted as the true one."

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### THE CASE OF TREASURER BARRON.

On the evening of February 22d, 1878, J. W. Barron, Treasurer of the Dexter (Maine) Savings Bank, not returning home as usual, was sought for at the bank. When the doors of the building had been broken open, Barron's groans could be heard in the vault, in which he was locked, and when entrance was obtained to the vault, he was found lying on the floor handcuffed, gagged, and a rope about his neck. He was taken out in a senseless condition, with several severe wounds on the head, and died the next morning. It was supposed that robbers murdered the Treasurer because he refused to open the safe. The affair caused intense excitement, and Mr. Barron's name was classed with the honored few who faced death at the post of duty.

But within a few weeks the idea was started by some ingenious detectives, that the deceased Treasurer was a defaulter, and had committed suicide under the guise of heroism. A theory was constructed to show he could have bound and injured himself, and evidence was hunted in every direction to sustain this idea. The charges against the dead man include four base offences, viz.: embezzlement, falsification of the books of the bank, self-murder, and an attempt to fasten upon others the imputation of the latter crime. Inasmuch as

any one of these gives the lie to Mr. Barron's whole life, they should be believed only upon clear and sufficient evidence, and so far as the suicide theory is concerned, nothing has appeared to show the slightest preparation for a deed which, if committed, must have been very carefully planned.

The charge of defalcation and falsification of accounts is dispelled by a revelation of the actual facts in the case. It appears that some years ago the bank made a loan upon security which proved to be insufficient, and a heavy loss ensued. Barron, the Treasurer, felt that he was in part responsible, and, in order to obviate such loss, assigned to the bank a life insurance policy for \$5,000, with memorandum as follows:

I desire if I should die suddenly or in any way be incapacitated from transacting or closing up my business, that some way may be provided to make good any possible or probable loss to the bank by reason of any neglect of mine or occurring under my administration during my term of office. I know that there will be a loss to the bank on the loan we made the Leavitts, of Cambridge, on their farms and lumber, and there may be some on other lands. I do not at this time know of a single thing, unless it may be some of our bonds, on which we shall lose a single dollar, and I would be willing now to take the property of the bank and pay all its liabilities. I do not regard myself as being the cause of the Leavitt loss any more than the Trustees. We were all of us deceived in that transaction. Still they have no pay for their services, and I have, and, so far as I am able, I mean that the bank shall never lose anything while I am its Treasurer. I mean, if I live long enough, to make good to the bank this Leavitt loss, which must reach, including interest, to as much as \$2,500, or perhaps \$3,000. This policy of insurance will pay the loss, in case I die, and if I live I can some time make it good, although I can not do so now without trouble to my family.

Mr. Barron also drew on July 2, 1877, for the benefit of the bank a note for \$2,000, and indorsed it as follows:

The total loss on the Leavitt lumber loan, including interest at this date, is \$3,500. *This note is given as part payment of that loss by me individually, and has been added to the reserved fund of the bank, and is counted in the assets, and is secured by an assignment of a policy of life insurance for \$5,000, and my other property is not holden on it except at my option.*

J. W. BARRON.

The alleged falsification of accounts consisted in his having entered the amount of this note on the books as an asset of the bank (which it actually was), and in changing the liabilities to correspond with this additional item, after his return was made to the bank examiner. He had saved the bank from loss when it had no legal claim on him, and the motive for the suicide theory falls to the ground.

The frequency of attacks by robbers upon bank officers, leads to the inquiry whether it is the *duty* of a cashier to resist unto death rather than suffer loss to the trusts under his charge. It is his duty to defend and, if possible, to protect those trusts, but the sacrifice of his life is no part of the duties which he is employed to fulfill, and which he is *paid* to perform. This does not lessen the honor which is due to those who nevertheless prove themselves "Faithful unto death," and the names of such should be held in remembrance as high as if they had fallen on the battle-field.



## OUGHT THE GOVERNMENT TO ISSUE PAPER MONEY?

As this question has already been considered by almost everybody in this country, anything more upon it may seem superfluous, and would be so, were it not for the fact that notwithstanding all that has been said upon the subject, there is not yet any well-defined idea which is generally accepted and advocated by our public men. In proof of this assertion I need cite only the laws in regard to the legal-tender notes; the many bills which have from time to time been introduced by members of Congress; and the expressed opinions of the Hon. Secretary of the Treasury. Certainly when so much confusion prevails, there cannot be any well-defined and generally accepted opinion upon the subject. It may not be time wasted in inquiring as to where the right to issue paper money rests, and whether the United States can lawfully issue legal-tender paper money, or paper money of any kind. This aspect of the question is purely a legal one, and does not call for any consideration of the economic and political conditions of the question. It is simply a question of law, and may readily be answered by a careful examination of the Constitution of the Government under which we live. If the Government may issue paper money, we shall surely find this right conferred upon it by the Constitution. If we find that the Constitution does not give the Government this power, then we may safely consider that it cannot lawfully exercise it.

One might well imagine that there was no written Constitution, if he were to form his opinions from the utterances of members of Congress and high officials of the country. He might come to the conclusion that Congress was paramount, that all acts by it are lawful, forming precedents for the future as well as laws for the present. But, fortunately, this is not the case. There is a written Constitution and Congress has not unlimited powers. All of its acts must conform to a higher power, viz., the written Constitution, the fundamental and supreme law of the land. Any act of Congress for which there cannot be found a warrant in the Constitution is a violation of it, and an assumption of power which would justify the utmost resistance.

The States were sovereign powers before the United States became a nation. It was by the action of the States that the United States was created and the States became one nation. The States saw and felt the necessity of union if they were to become strong and influential in the affairs of

the world. This led them to band themselves together that they might act as one people.

They set up a central Government which they endowed with certain rights and powers, that it might act for the States as a united body.

It was for this purpose that the Constitution was made, that it might limit the General Government in its acts as the agent and head of this union of States. If the States were to form a nation, it was necessary that each should surrender some of its individual rights and powers and intrust those powers to the central Government. But at the same time if they were to remain political organizations they must not give up all rights and powers into the hands of the General Government. They must retain certain rights with which the General Government must have nothing to do. How were they to do this? Was it by giving the Government the right to do whatever was not prohibited, and reserving to themselves certain rights and powers? They might have done this and we should have had a strong central Government. But this is just what they did not do, and could not have been persuaded to do. They were jealous of their rights and did not for a moment contemplate giving up so much, or to give to the General Government so great a power. They pursued the opposite course, and delegated to the United States certain rights and powers, and all rights and powers not thus delegated they reserved for themselves.

It was agreed that the States were to exercise all powers which were not specifically surrendered to the United States; but not that the United States should exercise all powers not specifically reserved by the States. The United States had certain rights and powers delegated to it which take precedence over the States, and which they are bound to recognize and respect; but all powers not thus delegated were reserved by the States, and they only have the right to exercise them.

The General Government may not lawfully assume and exercise any powers not plainly given it by the Constitution.

In framing the Constitution, the question of powers was not left an open one. The Government was not left to the fullest exercise of its wisdom and discretion, but was confined in its actions by certain limitations specifically mentioned. These grants of powers were carefully considered, written out and subscribed to by the several States. If we would fully understand what the General Government may do, we must first consider what the Constitution of the United States is, and wherein the powers of the United States differ from those of the States. The difference is fundamental. If we do not recognize this fact we shall not be able to form any very clear idea of what would be Constitutional legislation. Therefore, this fundamental difference should never be lost sight of.

The Constitution of the United States is a grant of enumerated powers to the United States, and an enumerated limitation of powers to the States. The United States may do any act which the Constitution gives it power to do ; it may not go beyond ; it cannot lawfully do more. Unquestionably, a grant of powers of this kind carries with it implied powers, but these implied powers must always be in harmony with the letter and spirit of the grant of enumerated powers. They must be such as would naturally and inevitably follow what had gone before. It should not be considered that powers not prohibited are implied, for this would not be in harmony with the spirit of the Constitution. Only such powers as are absolutely necessary to give force and action to the enumerated powers should ever be considered lawful. Any thing more than this would not be the exercise of implied powers, but would be an assumption of power in violation of the Constitution.

Take, for instance, the power to borrow money on the credit of the United States. This power carries with it implied powers, without which the specified power to borrow would be idle words. To borrow, implies the right to fix the rate of interest, the time the bond shall run, when and where the interest shall be paid, whether in gold or silver coin, or current money. There is implied the right of the Government to do any thing that may be necessary to induce lenders of money to make to the Government the desired loan. All of the implied powers are natural ones, and are in harmony with the Constitution. But if the Government should not be able to borrow on the terms it offers, there are no implied powers by which it may compel people to lend it money and to receive in return a bond bearing interest, or a note without interest. The right to borrow is not accompanied by the implied powers that if no one will lend to the Government of his own free will, the Government may compel him to do so. The United States may levy taxes, and however burdensome they may be they must be paid, though they should not discriminate against individuals. It may take property for war purposes, but it must pay the owner for the property taken. All the powers implied by the right to borrow are those which may be necessary to meet the demand of the lender. It may not take my money without my consent. It may borrow my money and give its bonds at such rate of interest, and under such other conditions, as I may exact. When it does this it exhausts all of the implied powers.

The States may do anything which the Constitution of the United States does not prohibit, provided they do not violate their own respective Constitutions, and herein lies the difference between the powers of the United States and those of the States. The Constitution of the United States does not

say to the States, as it does to the United States, what may be done, but what may not be done by the States. All powers not prohibited by the Constitution of the United States are left with the people, and their representatives may do any thing not prohibited by the Constitution of the State, and of the United States.

It will be seen that a State may do anything which is not prohibited by its own Constitution and that of the United States. But that the United States may do only such things as the States have, in advance, given their consent that it may do. It may not do anything without this consent on the part of the States.

The Constitution of the United States is a grant of enumerated powers to the United States, and a prohibition of certain powers to the States. Every law must be judged by this principle, and if it does not conform to it, we may safely conclude that it is not constitutional.

If Congress should enact a law for which no warrant could be found in the Constitution, and the power of the Government should be used to enforce it, we should have a clear case of an assumption of powers, which, if not successfully resisted, would, of itself, be a revolution. The structure of the Government would have undergone a change, and the Constitution would no longer be the fundamental law of the land. That the revolution may have been a noiseless and bloodless one would not, in the least, change the fact that a revolution had taken place.

Any such act on the part of the Government should receive the severest condemnation, and should arouse the indignation of the American people. But, unfortunately, this is not the case. It is not fashionable to quote the Constitution, and one is made almost to be ashamed of such simplicity as that of deferring to the Constitution, and being guided by it.

It seems to me that the time has come when some check should be put to plain violations of the Constitution. Either live up to this written law or else abolish it and leave Congress with unlimited power. True, this would then be a poor country to live in. Nevertheless, let us be consistent and live up to, or do away with, the Constitution. The centralizing tendencies which were developed during the war, and the determination since evinced on the part of Congress to have and exercise unlimited power, may well lead one to fear that another great war would be the end of Constitutional government in this country.

That the General Government has no powers except those that have been delegated to it by the States, and that all others were reserved to the States, the Constitution does not leave us to doubt. It says: "The enumeration in the Constitution of certain rights, shall not be construed to deny or to disparage others retained by the people." Again: "The

powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." There is nothing uncertain about this. The language is precise. The sound is clear and ringing. It leaves no room for doubts.

We have seen from what source the Government derives its powers, and the manner in which they are conferred. Now let us see what rights have been given to the United States affecting the "Money Question." That the right to issue paper money and make it a legal tender is not one of them hardly admits of a question. But it does seem clear that the States not only did not delegate this power to the United States, but that they refused to do so, and that they prohibited it to each other.

There is nothing in the Constitution that can, by any fair interpretation, be construed as giving the United States any such power. The Constitution says that the United States has the right "To lay and collect taxes, duties, imposts and excises, to pay the debts, and provide for the common defense and general welfare of the country."

"To borrow money on the credit of the United States."

"To coin money, and regulate the value thereof, and of foreign coin."

"To provide for the punishment of counterfeiting the securities and current coin of the United States."

"No State shall coin moneys, emit bills of credit, make anything but gold and silver coin a tender in payment of debts, . . . or law impairing the obligation of contracts."

We have here a very clear statement of what the United States may do, and what the States may not do, in this matter. The United States may coin money and regulate its value. Nothing more. Not a word is there about the United States having the right to issue currency, or to emit bills of credit, though it prohibits the States from emitting bills of credit and does not delegate this power to the United States. We must conclude that this power was not to be exercised, either by the States or the United States.

There is not the least evidence that the States intended to give the United States the power to do this one thing which they were so careful to prevent each other from doing. It was not necessary for them to prohibit the United States from emitting bills of credit, or making any thing but gold and silver coin a tender in payment of debts; for by the terms of the Constitution the United States would not have this right unless the power had first been delegated to it by the States. As it was forbidden to the States, and not delegated by them to the United States, neither can lawfully exercise this power.

It would be hard to believe that any intelligent person would claim that the word "coin" has reference to anything

but gold and silver, or that "current coin" means anything but metallic money. We have not yet become so careless in the use of words, notwithstanding our legal-tender notes, as to speak of coining paper, though we frequently speak of coining gold and silver. When we speak of coining money, we do not mean that we give value to the thing which we coin; but that by the act of coinage we certify that the coin is of a given weight and fineness, and, therefore, of a certain universal value.

It is evident that the Constitution contemplates gold and silver only as the material of which the money shall be made. It speaks of these, and these only.

The States were prohibited from making "anything but gold and silver coin a tender in payment of debts," and as they were prohibited from coining money, they must, of course, make only the United States gold and silver coin, and foreign coin at such valuation as the Government may set upon it, a legal tender; and as the right to make anything else a legal tender was not given to the United States, the only lawful money for the United States, as well as the States, is that of "gold and silver coin."

In this matter the Constitution prevents the States from doing that which they would not consent that the United States should do. The States not only would not delegate so dangerous a power to the general Government, but they took good care to deny it to each other, and thus, as they thought, forever close the door against a flood of dishonest money. It will be seen that the Constitution says "coin money, and regulate the value thereof, and of foreign coin." As no Government can regulate the value of its own paper money except by limiting the amount issued, much less can it regulate the value of paper money of other countries.

It is conceded by all, whose opinions are of any value, that the principle of limitation is the only one which can regulate the value of Government paper money. Are we, therefore, to consider that when the Constitution speaks of regulating the value of not only its own, but of foreign coin, that it means the limitation of the amount coined? Surely not, for how can our Government limit the issue of foreign coin? Yet, if paper may be *coined*, then the Constitution gives to Congress the impossible power of regulating the paper money of other countries.

We must conclude that the Constitution means just what it says. It means coin, not paper; gold and silver, not rags. But if we are still in doubt, we have only to again look at the Constitution, when, I think, all our doubts will be removed. It says, "The United States shall have the power to provide for the punishment of counterfeiting the securities and current coin of the United States." How much there is in this one sentence: "securities and current coin!"

Why this conjunction of these words—does it mean nothing? Is there no significance in it? Not securities and paper money, or currency, or, even, money; but “current coin.”

It may be asked if the legal-tender notes are not securities of the United States. I reply, that they are not in the sense in which the word has always been used. “Securities” of a government or a corporation is a term that implies an interest-bearing obligation, for no one lends money to another without the assurance that he shall receive interest on the loan; and the word “securities” in its general use is applied only to such forms of indebtedness as are formally issued, and in which time and interest are the essence of the contract.

The Constitution says, “No State shall make anything but gold and silver coin a tender in payment of debts.” It does not say that they shall not make anything but the current money of the United States a tender in payment of debts, but that they shall not make anything but gold and silver coin such a tender.

If the United States may, without authority, make anything but gold and silver coin a legal-tender, it seems somewhat singular, to say the least, that the Constitution should forbid the States from doing it; for there can be no good reason why a State should not adopt the legal tender of the United States. It would seem that the States not only might have, but that they should have, the same legal tender as the United States.

If the United States may make anything a legal tender, (and it may fish-hooks as well as its own notes) then the Constitution compels the States to war upon the General Government, and the courts of a State must uphold one for refusing to receive that which the United States may have compelled another to take. If within the limits of no State can anything but gold and silver coin be made a legal-tender, where shall the legal-tender paper of the Government be received as such—on the high seas?

If the authors of the Constitution contemplated or intended that the United States should have the right to issue legal-tender paper money, or emit bills of credit, why did they so studiously avoid stating it in the Constitution? When they prohibited it to each other, why did they not delegate it to the United States, if they intended that the power should rest there?

They prohibited each other from coining money, but as the power must rest somewhere, they delegated it to the United States. They prohibited each other from emitting bills of credit, and as there was no need of this power resting with anyone, they did not delegate it to the United States, and it was inferentially prohibited to the United States. It is the wildest flight of the imagination to fancy that the United

States has the right to make its own notes a legal tender between itself and the people, or that they can, without a gross and shameful violation of the Constitution, be made a legal tender in the dealings of the people with each other. The utmost that the States delegated to the United States in this matter was the coinage of money and the regulation of its value.

Can we believe that the States intended to give the United States the right to coin iron, lead, or leather, and declare it a legal tender, and that it should be received in full satisfaction for all that might be due from one person to another? .

It does seem very clear that the authors of the Constitution intended that never again should the people of this country be defrauded by Government paper money. It was to protect the people and nation from bankruptcy that so much care was taken to keep the power to issue paper money from the States and the United States.

At no time in the history of the nation, until the late war, did any of the statesmen of this country consider that the Government had the right to make anything but gold and silver coin a legal tender. The words of many noted men might be quoted in this connection, but I will content myself with one extract from a speech of Daniel Webster. He said: "Most unquestionably there is no legal tender, and there can be no legal tender in this country, under the authority of this Government, or any other, but gold and silver."

It was not my intention in this paper to discuss the economic and political aspects of this question. Suffice it to say that the people of Europe and America have lost many times as much by Government paper money as they have by the failure of banks. There is not one thing of any importance that is claimed for Government paper money that cannot be had under a good system of banking like the one we now have. And in many respects a better currency can be had through the banks than through the Government.

It may be said that I prove too much. That if the United States cannot lawfully emit bills of credit and make them a legal-tender, it cannot confer upon the banks the right to issue paper money. While I believe that the National banking system is the best that the country has ever had, and that it might be made the best in the world, I do not feel myself called upon, in this paper, to maintain the constitutionality of the Banking Act.

In showing that one act of the Government is not right, I am not bound to prove that it has done two things that are wrong. But this one thing is clear, that the Government cannot lawfully authorize the emission of bills by banks, or in any other way, as legal tenders.

In regard to the legal-tender act, it has been said that it was a war necessity. That the Government had a right



to exist, which carried with it the right to do anything which might be necessary to its existence.

This brings us to the question of what are the war powers of the Government. Is there no limitation to them? Is Congress in the time of war, like the English Parliament, able to do anything that is not impossible for men to do? Are the members of Congress the only judges as to what they may do under the name of the war power of the Government? In the time of war, are the people of this country protected by a constitutional government, or is the Constitution only a thing for peace; something which we have when we do not need it, and when it is needed to check the passions and blindness of a people and Government under great excitement, then is the Constitution suspended by the war power of the Government? In such a time have we no guide, are there no checks on the power of the Government? Is then Congress omnipotent and must there be no appeal from the action of the Government? If so, then our fathers labored in vain. Who shall say what is a war necessity? What are they and how are they to be understood? A more dangerous phrase never was invented to undermine and destroy the liberties of the people. In times of war the Government may require the service of its subjects, it may make calls upon them for means to carry on the war, and in the track of the army it may take whatever is needed for the successful movement of the army; it need not hesitate to take any thing on the way, but all property thus taken must be valued and the owner given a receipt for the same, and the Government must pay the bill. But there is a limit of the war power, and that limit is to be found in the Constitution. With the Government in the hands of competent men the Constitution contains all that is needed for peace or war. The war power is ample, without stretching it so far as to set aside the Constitution. I cannot for a moment entertain the idea that the right to issue paper money is a war power. The thing is too ludicrous for sensible men. Neither am I prepared to admit that there was any necessity that could justify so plain a violation of the Constitution as the "Legal-Tender Act."

There has been much said about the "blood bought" money of the land which saved the country, and other similar utterances of that kind, which will do very well for political speeches. But, among thoughtful men, the opinion prevails that the legal-tender notes not only did not save the country, but that they brought it to the verge of ruin, and loaded it down with debt.

It is now evident that the "Legal-Tender Act" was the great mistake of the war. And I can but believe that it was an enormous wrong—a destructive blow at the rights and property of individuals.

The legal-tender notes did not add one dollar to the available capital of the country, but they did degrade the medium of exchange and add enormously to the cost of the war. If the "Legal-Tender Act" had not been passed there would have been as many patriot soldiers in the field, though we should not have deprived them of more than one-half of their pay. There would have been as many cannons and muskets made; as much wheat and corn raised; production of all kinds would have gone on, but at a lower cost. Only one thing should we have less of, and that we could well do without—Debt. This is the monument which will endure as long as we live, to remind us of what a blessing to us the "blood-bought" money of the land has been.

I have endeavored to consider this question without prejudice, and must say that I cannot see that the Government "ought to issue paper money," or that it has the right to issue one dollar of paper money, whether it be legal tender or not.

Political economists should ever present the principles of economic science, but it is the privilege of the statesman to deal with existing conditions. And while statesmen should ever be familiar with, and be guided by, the principles of sound economics, they are not to forget that true statesmanship lies in recognizing and perhaps for a time tolerating existing evils, as something which must for a season be endured. A thing may be baneful and yet it may not be wise to exterminate it at once. Sometimes the tares and the wheat must be allowed to grow together until the harvest.

The legal-tender note is a case in point. These notes exist; their birth and growth brought poverty and sorrow to thousands; their sudden extinction would have brought equal suffering. But this is no reason why they should remain in circulation forever. Their birth was illegitimate, their life has been one of shame and wrong; let them now be banished from sight forever.

So long as the Government was not able to redeem them in a proper manner, they should have been, as they were, allowed to remain until they could be redeemed without causing a serious financial disturbance. They were to be countenanced because there was no help for it. But so soon as the Government was able to redeem them in coin, the whole condition was changed. Up to that time they were obligations of the Government which it was not able to honor. They were unpaid debts of the Government, at all times valid to the holders of them. But when they have once been presented and payment made, they are no longer unfulfilled pledges of the Government, but they become contracts which have been fulfilled, debts that have been paid, and as such, no longer exist against the Government. When the Government shall have redeemed in coin

any of the legal-tender notes, so far as they are received, it will have kept faith with its creditors, and the notes thus redeemed will cease to be obligations of the Government. All such notes are dead, and their resurrection would be the creation of a new debt, which in that form is not lawful.

Resumption has taken place, and the true course for the Government to pursue is to invite the holders of the legal-tender notes to present them and get the gold, and then the Government should destroy the notes. If this course should be pursued, resumption would be permanent, and in a few years the legal-tender notes would be out of the way, and we should have a sound and flexible currency of bank notes, with a broad and strong foundation of gold. But the attempt to maintain specie payments and at the same time keep out the legal-tender notes, will prove futile.

GEORGE A. BUTLER.

NEW HAVEN, CONN., February, 1879.

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## THE DESPOILING OF THE EGYPTIANS.

A correspondent of the *London Times*, of November 29, 1878, writing from Alexandria (Egypt), under date of the 18th of that month, gives the figures of a despoiling of the Egyptians, far exceeding anything which was accomplished in Scriptural times by the retreating Israelites, and for which the excuse is probably less than can be given for the ancient example. He says :

I have before me a statement of the amounts paid by the Commissioners of the Public Debt—the National debt office, in other words—during the last two years. The total is positively startling when one remembers what a poor, exhausted country Egypt is so often said to be. The whole sum paid between November 18, 1876, and November 18, 1878, amounts to £12,320,901, and this sum, it must be remembered, does not include the payments made on account of the Daira debt. Thus, over six millions a year has gone out of the country; for, unlike the National debt of England, France, or other European countries, the National stock of Egypt is almost wholly held in foreign hands. There has not been default made in the interest of any one of the loans; of the Unified debt, five coupons have been paid. Eight millions have gone to interest, and over a million to liquidation of principal. Four coupons of the Preference stock have been met, and to a million and a quarter of interest must be added a reduction of £74,000 of principal. Half a million has gone in interest on the short loans, and a million and a half in reduction of principal. The totals are worth recapitulation :

	<i>Interest.</i>		<i>Redemption by draw- ings and purchase.</i>
Unified debt.....	£ 7,910,816	..	£ 1,135,516
Preference stock.....	1,297,275	..	74,000
Short loans.....	488,270	..	1,415,024
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	£ 9,696,361	..	£ 2,624,540

To complete the picture, it must be added that no loan, save a wholly unauthorized one of £160,000 from the Bank of Egypt, was contracted during the two years until the recent large loan, which is really the price of property ceded to his creditors by the Khedive.

The "recent large loan" referred to, is the £8,500,000 mortgage loan on the Daira, or private estates of the Khedive, arranged between Rivers Wilson, an Englishman, who is at the head of Egyptian finance, and the combined English and French Rothschilds. This loan, bearing five per cent. interest, and well secured, was divided in exactly equal proportions, between the fund-dealers of London and Paris, at the unctuous price of seventy-three, and the proceeds apportioned, in some manner not fully reported, among persons having paper vouchers for the fact that they were the creditors of Egypt, with probably a small sop of ready cash to reconcile the Khedive, or his advisers, to the arrangement.

The editors of the *Times* accompanied the publication of the above letter from Alexandria, with two columns of comments, in which the despoiling of Egypt is euphoniously described as a happy restoration of Egyptian credit, and closing up with a warning threat to the Khedive not to jeopardize what little he has left, by any attempt at interference with arrangements so fruitful in income to England and France. His private estates and public revenues are gone, but he still has palaces and a semi-regal position to lose.

The *Times* says :

Just two years ago the Khedive of Egypt was first awakened to the consequences of his reckless administration of affairs. . . . He placed himself in the hands of Mr. Goschen, as the representative of the English creditors, and M. Joubert, as the representative of the French creditors. The Controller-General of Receipts, an Englishman, and the Controller-General of Expenditures, a Frenchman, as well as the four European Commissioners of the Public Debt, obtained extensive powers under the Goschen scheme. . . . It is not worth while to inquire now in what way it came to pass that this elaborate plan failed to keep the Khedive's recklessness thoroughly in check. But the Goschen scheme, though its main objects were imperfectly attained, was far from being unfruitful. . . . Some of the branches of revenue—as the railways and the customs—which were placed under European control, have not proved so productive as had been expected; but this disappointing result was due, it is alleged, to bad harvests and stagnant trade. It is satisfactory, when we take these drawbacks into account, to learn that between November 18, 1876, and November 18, 1878, the Commissioners of the Public Debt were able to pay over as interest, or towards redemption of principal, close upon twelve millions and a half sterling.

But whatever must be fairly said in praise of the working of the

Goschen scheme, the control it established was insufficient, and the restoration of financial equilibrium could not be carried out except by such a complete change of policy as we have lately witnessed. The surrender of their separate estates by the Khedive and the principal members of his family is the basis of the new arrangements.

The *Times*, and the interests which it champions with an ability never weakened either by scruples, or by a regard for the opinion of the disinterested portion of mankind, were not satisfied with extracting sixty millions of gold dollars in two years out of the labor of four or five millions starving and almost naked *fellahs* in Lower Egypt. They were not satisfied that this blood money was enough not only to provide for the usurious interest on fraudulent debts, but also to improve their security by an overplus of thirteen million dollars towards sinking the principal. Insatiate as the daughters of the horse-leech, they would never admit that "the restoration of financial equilibrium" was complete, so long as the Khedive had anything left. The "new arrangements" leave nothing to be desired, but only because there is nothing more that can possibly be obtained. An £ 8,500,000 mortgage loan divided among the despoilers at an avowed discount of more than one-fourth, and probably at an actual discount of more nearly one-half, and the proceeds, whatever they were, applied chiefly to old debts, constitute features of a "financial equilibrium," upon which the *Times* dilates in sonorous periods through two columns. Nothing could be more agreeable reading matter for the London public, which is already as impatient for new Egypts, as Alexander was for new worlds to conquer.

The *Times* concludes by saying all that was possible to be said to reconcile the Egyptians to the "financial equilibrium," and by menacing the Khedive, if he shall venture to become restive.

This is what the *Times* has to say to the Egyptians, and all it says to them :

The spirit and, to a great extent, the personal composition of the Egyptian Administration has now become European, and though it is to be deplored that the country has been loaded with a debt out of all proportion to its present resources, *there is nothing to be done but to make the best of the situation.*

And this is the style in which the *Times* brandishes before the eyes of the Khedive the resistless power of England and France :

The Khedive abandoned the chief motive that might lead him to disturb the present arrangements when he handed over the Daira property for the use of the State. That is a concession which cannot be revoked without a *coup d'etat*, or a revolution, and from such violent changes Ismail Pasha has *little to hope and everything to fear.*

To arouse the valor of his army at the battle of the Pyramids, Bonaparte exclaimed to his soldiers that forty centuries

looked down upon them. The same forty centuries looked down upon the Goschen-Joubert arrangement of 1876, and upon the Wilson-Rothschild arrangement of 1878. Those centuries have witnessed many conquests of Egypt. Alexander conquered it, and after him the Cæsars. The Arabs conquered it and founded the Caliphate, during that splendid epoch of their history when they were not less glorious in learning and the arts than in war. Egypt succumbed to the Turks, but it was when that valiant and dominating race was sweeping over, not only all the regions which constituted the Asiatic dominions of the Roman empire, but the finest portions of Europe, and was pushing its armies even to the walls of Vienna. The last conqueror of Egypt, before Goschen, Joubert, Wilson and the Rothschilds, was Napoleon Bonaparte. Egypt has had a famous history, and imperishable monuments attest the greatness of its possessors at dates long anterior to history. In a sentimental aspect, it is melancholy to reflect that it has been the final fate of such a country, and with such a past, to be miserably enslaved by the money-changers of Paris, London and Frankfort. And in aspects which are not sentimental, but simply gauging by mathematics the magnitude of the robbery of which it is the helpless victim, the figures are absolutely appalling. Thirty millions of gold dollars are taken annually from less than five millions of people, who have no arts and no accumulation of capital, and who possess nothing but the fertility of the narrow Delta of the Nile and habits of submission to destitution and hard labor. That vast sum is not spent among them, but carried to distant lands to supply the luxuries of masters whom they never see. If we make the comparison by the rule of numbers, it is equal to a foreign annual tribute imposed upon this country of three hundred millions of dollars, and if we make the comparison by the rule of relative productive power and wealth, it is many times greater. The exaction imposed upon the Egyptians every year is really equal, on a fair comparison of the population and resources of Egypt and France, to the memorable ransom of five millions required of the latter country by Germany.

These comparative figures suggest, at first sight, the question whether the statement of the annual sum extracted from Egypt is not, on the face of it, incredible. Readers in this country would be very apt to say that it would be impossible for the United States to pay an annual foreign tribute of three hundred million dollars, and still more plainly impossible to pay an annual tribute of one thousand millions, which would be the least sum which would be equivalent to what is shown to be paid by Egypt, taking all circumstances into the account. Undoubtedly, no such sum can be transferred bodily in actual money, but foreign tributes, like foreign debts, are never paid in money but in the products of

the paying country, at the prices of such products as, fixed in the general markets. In that aspect, and in view of the enormous annual value of the productions of the United States, there is no economic impossibility involved in supposing that the people of the United States might subsist on so much of their present aggregate production as would be left after an annual subtraction for the use and enjoyment of foreigners of products of the value of one thousand million dollars. The difficulty in bringing about that condition of things is not economic but political and moral. It would be necessary to persuade or compel the people of the United States to work harder and spend less, and to do both things, not to accumulate savings for their own benefit, but so as to be able to make out a tribute for foreign masters. The things required to be done are altogether possible in themselves, and the difference in the cases of Egypt and the United States, is simply that the people of the United States could neither be persuaded, nor compelled to do them, while the Egyptians, as the facts show, can be.

It would appear from the tone of the London *Times*, that the English, who have had motives and opportunities for investigating the tribute-paying capacity of Egypt much more thoroughly than anybody in this country can have investigated it, consider an annual tribute of \$30,000,000 from Egypt as rather a "*disappointing result*," and as considerably short of what may be hoped for, when the machinery for collecting it gets into perfect working order, when the attempts of the Khedive to interfere with it can be kept more "thoroughly in check," and when the subjected country recovers a little from "*bad harvests and stagnant trade*." It may be observed, in passing, that the persons who are engaged in levying an annual tribute of \$30,000,000 upon Lower Egypt, may be expected to be too much pre-occupied with that paying operation, to give attention to a few hundred thousand people in Upper Egypt who are now reported to be dying of starvation.

The Rothschild-Wilson mortgage of last November, put on the Khedive's private, or Daira, property, and for the enforcement of which mortgage the Governments of England and France have agreed to stand sponsors, will turn out a new annual revenue from Egypt of £422,426, or two million dollars, taking the present yield of the property as the basis of the calculation; and this yield, it is said, can be run up to three and one-half million dollars with that "good management" which it will now undoubtedly receive.

That mortgage was for eight and a half millions sterling, but was sold in the Paris and London markets for six millions and a quarter, and out of that the unreported commission of the Messrs. Rothschilds, were first to be taken. The Alexandria (Egypt) correspondent of the London *Times*, writing under date of December 17, 1878, says :

People are anxious about the distribution of the money—six millions and a quarter—which the Rothschilds Loan put at the disposal of the Finance Ministry. It was raised to meet the demands of the floating debt, and to cover the deficiencies that the past administration will still cause for some little time to come. But £500,000 of it had to go to the Ottoman Bank to repay a temporary advance made in the summer. Then a million and a quarter went to meet the coupon of last November, and even then the Sinking fund was not paid. The six millions we obtained from Messrs. Rothschild are reduced to four, and the floating debt remains unpaid. Hostile critics fix the floating debt at nine millions; friends put it at six. Either supposition leaves an awkward sum in arithmetic, if the object of the loan is to be carried out in its entirety.

This shows what the world understood pretty well before, that not one dollar of the proceeds of the \$40,000,000 mortgage went to Egypt, or ostensibly to the Khedive, although it is not unlikely that some sums quietly paid to him, or to his advisers, smoothed the way to his assent to the operation.

This letter also shows that further mortgages upon lands, or revenues, will be necessary before the much-desired "equilibrium" can be attained. The Rothschild-Wilson mortgage was to provide for the "floating debt," but as it seems, will still leave of that debt, an unpaid balance now variously estimated at from two to five millions sterling. No phantom is so certain to elude human pursuit as that of an "equilibrium" between the greed of Shylocks and the resources of their victims. No such "equilibrium" has ever yet been reached under the sun, and the first case of the kind will not be in Egypt. No revenues will prove so ample as not to be overtopped by debts which will be found "floating" in Cairo and Alexandria. The debts of Egypt, like those of a Mexican peon to his master who keeps the accounts, are an incommensurable quantity, and grow greater instead of growing less, when payments are made upon them.

Patient as the Egyptians are, the situation is strained and may be dangerous. The extraction from that small population of \$30,000,000 annually, to be enjoyed by London, Paris, and Frankfort bondholders, leaves but little for the public service, and the smaller officials and employees at home are unpaid and starving. Their desperation broke out on the 18th ultimo, in a riotous mob around the vice-regal palace at Cairo. Speeches from the ministers, and even from the Khedive himself, failed to disperse it, and the rioters even made use of fire-arms. The following dispatch gives an account of what followed, and some particulars in regard to the Prime Minister, who was forced into a resignation by the out-break:

CAIRO, Feb. 19.—Nubar Pasha, the Egyptian Premier, has tendered his resignation, and the Khedive has accepted it. The sudden resignation of the Egyptian Premier is the result of the emeute which occurred in Cairo yesterday. In the melee Nubar Pasha was shot in the hand, and his coach-



man and the Khedive's master of ceremonies were also wounded. Nubar Pasha is an Armenian Christian, is fifty-four years of age, and was educated in England. He is as familiar with the leading languages of Europe as with those of the East, and his domestic life and his personal habits are those of an English gentleman. The retirement of Nubar Pasha at this time, it is believed, will cause excitement in England and France, in which the bulk of the Egyptian loans are held.

Nubar Pasha seems to be more European than Egyptian, in all respects, and the same thing is probably true of other palace officials, under whose advice Egypt has been given over to the despoilers. It may turn out, that England and France will be obliged to add to the buying up of the counsellors of the Khedive, the putting down of a rebellion of his subjects. The *London Times* of the 20th, menaces Egypt in the following style :

Neither England nor France would be disposed to witness with indifference the success of a *coup d'état* which would place Egypt again under the personal rule of the Khedive.

Between England and France threatening and bullying on one side, and his own people, on the other side, starving and desperate under the systematized and frightful robberies to which they are subjected, the Khedive must choose as he best can.

GEO. M. WESTON.

THE STANDARD OF VALUE IN THE UNITED STATES.—The resumption of specie payments in the United States is now so fully assured that the following statement of the variations in the standard of value there during the last sixteen years, has a distinct historic value as showing some of the difficulties which commerce has had to meet in that country. The Comptroller of the Currency of the United States, Mr. John Jay Knox, from whose report the following figures are extracted, says, and with the utmost truth, that during "the last sixteen years the measure of value will be found to have been as variable as the thermometer. This will be clearly seen in the following table, which gives the value in standard gold coin, of the legal-tender paper dollar on July 1, of each year, from 1864 to 1878, and also the value on November 18, of the present year [1878]."

1864.	1865.	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.	1874.	1875.	1876.	1877.	1878.	1878.
Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
38.7	70.4	66.0	71.7	70.1	73.5	85.6	89.0	87.5	86.4	91.0	87.2	89.2	94.5	99.4	99.8

Every one engaged in business in the United States has, since 1863, had to contend with the difficulties imposed by a measure of value subject to such frequent fluctuations that all calculations, however careful or prudent, were liable to be vitiated by the constant changes in the regulator which is the measure of every transaction. Mr. Knox remarks :—"It is within the province of the present Congress to discountenance henceforth, in this country, the use of a false and fluctuating measure of value, and to insure in its stead the use of a measure which is everywhere recognized as honest and true. The business interests of this country demand a permanent system of finance, free from the influence of political parties, and from the ever varying opinions of legislative bodies." It is to be hoped, for every reason, that these honest and straightforward principles will prevail.—*London Economist*.

## THE NEW TENDENCIES OF POLITICAL ECONOMY.\*

[TRANSLATED FROM THE REVUE DES DEUX MONDES BY GEORGE WALKER.]

(Continued from February Number, page 609.)

Certain writers, among whom are M. Du Mesail-Marigny, in France, M. Walras, in Switzerland, and Mr. Jevons, in England, have endeavored to resolve some of the problems of political economy by putting them into algebraic formulas.† It does not seem to me that they have, in this way, thrown much light on the difficult points to which they have applied this method of demonstration. Economic phenomena are subject to a great variety of diverse and variable influences which are not capable of being represented by figures; they do not admit, therefore, of those rigorous deductions which belong to mathematics. The facts which have to be considered, the wants of mankind, the value of commodities, wealth, have in them nothing absolutely fixed, and the diversities in them depend on opinion, fashion, custom, climate, and an infinity of circumstances which it is impossible to embrace in an algebraic equation.

Political economy cannot, therefore, be ranked among the exact sciences. This has been one of the grounds of complaint against it, and it has even been denied the name of science altogether, because it is not capable of arriving at results which are mathematically exact. But it is to this, on the contrary, that it owes, in certain aspects, its superiority and its greatness. It cannot pretend to arrive at conclusions which are absolutely exact, because its speculations have to do, not with abstract and perfectly defined elements, but with the wants and with the actions of man, a free and moral being, "*onloyant et divers*," who is obedient to motives which are alike incapable of being precisely determined, or especially of being measured by figures.

The generality of economists, either by the definition which they give to the object of their studies, or by the conception which they have of their mission, make it a science of observation and of description, or, as M. Coquelin says, "a branch of the natural history of man." This writer gives the following clearer expression of his idea: "Anatomy studies man in the physical constitution of his being; physiology in the play of his organs; natural history (according to the practice of Buffon and his successors), in his habits, his instincts, his wants,

\* *Les Tendances nouvelles de L'Economie Politique et du Socialisme. Revue des Deux Mondes.* July, 1875. By EMILE DE LAVELEYE.

† M. A. Walras published in 1831 a work entitled *The Nature of Wealth and the Origin of Value*, in the eighteenth chapter of which he endeavors to demonstrate "that political economy is a mathematical science." See also Stanley Jevons' *Theory of Political Economy*, 1871. Léon Walras, *Elements of Pure Political Economy*, 1874. Cournot published in 1830 his *Researches into the Mathematical Principles of the Theory of Wealth*.

and in reference to the place which he occupies in the scale of being; political economy considers him in the combination of his works. One of the most interesting studies of the naturalist is to watch the labors of the bee in its hive, to study its order, its combinations, and its progress. The economist, in so far as he cultivates the science only, does exactly the same in respect to that intelligent bee called man; he observes the order, the progress, and the combination of his labors. The two studies are of precisely the same nature."

According to this, it is obvious that political economy is not a moral science. It does not deal with a good to be realized, nor with an ideal to be attained, nor with duties to be fulfilled; it suffices for it to observe and to describe the methods by which the human animal labors for the satisfaction of his wants. Such was the impression of J. B. Say, when he placed at the beginning of his famous treatise, and as a title to that renowned work, this definition which has been ever since repeated, *Treatise on Political Economy, or a simple Explanation of the manner in which wealth is created, distributed, and consumed*. Bastiat, with that precision of language, that vivacity and brilliancy of style which often conceal the want of profundity of his ideas, insists strongly on making political economy a purely descriptive science. "Political economy," he says, "exacts nothing, and indeed counsels nothing, it describes how wealth is created and distributed, in the same way that physiology describes the action of our organs." Bastiat endeavored to increase the authority of economical principles by attributing to them the objective, disinterested, impersonal character of the natural sciences. He forgot that all his writings and his active propagandism of free trade contradicted his definition.

In a very well written book, but one in which the exactness of the reasoning makes only the more apparent the error of the premises when they are false, Antoine-Elisée Cherbuliez expresses the idea of J. B. Say, of Bastiat, and of Coquelin, with still greater clearness. "Political economy," he says, "is not the science of human life, nor of social life, nor even that of the well-being of mankind. It would still exist, and would change neither its object nor its end, if riches, instead of contributing to our well-being, did not enter into it at all, provided that they continued to be produced, to circulate, and to be distributed."\*

This author, in order to give to the science an absolute character, which it cannot have, enunciates an hypothesis which is clearly contradictory. He forgets that a given object is definable as wealth only because it answers to some

\* See Cherbuliez, *Précis de la Science Economique*, vol. 1. M. Cherbuliez held strongly to the idea of constituting a *pure political economy* similar to pure mathematics. "Economic science," said he, "has for its object the discovery of truth, not the production of a practical result; of enlightening men, not of rendering them better or happier; and the truths which it discovers can only be theories, or conclusions based on those theories, not imperative rules, nor precepts of individual conduct, nor of administration."

one of our wants, and contributes to our well-being. To conceive of wealth which does not enter into our well-being is to admit that there is wealth which is not wealth.

The economists who ascribe to political economy the rigor of the exact sciences, or the objective character of the natural sciences, forget that it is a moral science. Now, the moral sciences do not confine themselves to discussing what is, but declare also what ought to be. A strange moralist would he be who should content himself with analyzing the passions of man, and who should neglect also to speak to him of his duties! The object of morality is precisely this, to determine what we owe to God, to our fellows, and to ourselves; what things we ought to do or to avoid doing, in order to arrive at the degree of perfection which it is given us to attain. So of political science, it is not enough to enumerate the different forms of government which exist, nor even to trace an ideal constitution for perfect men; it must also teach us what are the institutions fitted to a given people, or a given situation, and what are those most favorable to the progress of the human race. Thus, it will not only place despotism, which stifles human spontaneity, on a different footing from liberty, which develops our most noble qualities, but it ought also to declare the conditions on which free institutions can endure, and what errors and what weaknesses render a despotic government inevitable.

In like manner, the economist cannot stop with describing how riches are produced and distributed. That of itself would be a long study, and a much more difficult one than Say and his disciples seem to suspect; for it is not enough to learn what is going on in a single country, since the modes of production and distribution vary in different nations. But that is only the smallest part of the task of the true economist; he must also show how men ought to organize themselves, how they ought to produce and distribute wealth, to the end that they may be as well provided as possible with the things which constitute their well-being. Nor is this all; he must also search out the practical methods of attaining the object which he indicates. Thus he finds in a certain country inland customs duties between province and province, or *octrois* which arrest exchanges at the entrance at all cities; shall he confine himself to a mere statement of these facts, as a naturalist would do, or as Bastiat and Cherbuliez advise? Evidently not; he must point out the pernicious consequences of these institutions; he must counsel the abolition of them, and endeavor to show how it can be done. If he lives in a country which endeavors to increase its power and happiness by making itself distrusted by its neighbors, through the extent of its military armaments, he will not hesitate to point out that a people can have no interest in rendering others subservient to it, or in weakening

them; and that a nation cannot sell its costly products to advantage, unless it has rich neighbors who are in a condition to pay for them. Have not economists themselves, M. Bastiat at their head—forgetting their definitions, devoted their whole energy to recommending, and to demanding the abolition of protective tariffs? Were they content to observe and to describe only, when they founded their system of Free Trade, and were running from meeting to meeting to secure demonstrations in its favor?

There is a fundamental difference between the natural sciences and political economy, which has not been sufficiently emphasized. The former are occupied with the phenomena of nature, irresistible forces which we can only indicate but cannot modify. The moral sciences, and political economy among them, are occupied with human facts, emanations of our free will, which we have power to modify in such a manner as to render them more conformable to the requirements of justice, of duty, and of our well-being. Observe also that the economists and the naturalists proceed by a different method. The latter observe the overthrow of cities by earthquakes, the increasing rigor of the climate of planets, and the disappearance in them of every trace of animal or vegetable life. They seek to discover the causes of these phenomena, but they make no pretense of modifying them. Economists, on the contrary, when they encounter laws, ordinances, or customs, prejudicial to the growth of human welfare, contend with them and try to accomplish their overthrow. Like the physician, who, after having made a diagnosis of the disease, points out the remedy, so the economist should first satisfy himself of the nature of the evils from which society suffers, and afterwards point out the methods by which those evils may be cured. Roscher declared that political economy was the physiology of the social body. It is indeed that, but it is something more, it is also its therapeutics.

What has entailed grave errors and essentially narrowed the range of economic studies, is the fundamental idea, common to Adam Smith, and to most of the philosophers of his time, that social phenomena are regulated by natural laws, which, but for the vices of institutions, would lead men to happiness. The philosophers of the eighteenth century believed in the innate goodness of man, and in a natural order. It was the fundamental dogma of their philosophy and of their politics. Sir Henry Maine has shown that this theory sprang from the Greek philosophy passing under the influence of the Roman jurists, and of the Renaissance. Rousseau is continually repeating that "everything is good which comes from the hands of nature." "Man is naturally good," says Turgot. It was upon this idea, applied to the government of societies, that Quesnay and his school founded their doctrine, which they

very properly styled *Physiocratie*, or the government of nature; that is to say, the empire restored to natural laws by the abolition of all human laws which interfere with the application of them. Adam Smith borrowed from the Physiocrates the fundamental ideas of his famous treatise on the *Wealth of Nations*, a work which he would have dedicated to Quesnay, if the death of that learned man had not prevented. He believes, with the Physiocrates, in the order of nature. "Suppress all hindrances," said he, "and a simple system of natural liberty will establish itself." Mr. Cliffe Leslie, in his excellent work on the *Political Economy of Adam Smith*, has explained how this system of unlimited freedom, which was founded on the idea then entertained of the goodness of man and the perfectness of nature, came to be established in the eighteenth century. Out of it sprang that grand movement of civilization which aspires after religious and civil liberty, and the equality of human rights, and which is ever in revolt against the tyranny of priests and kings. Perceiving that governments and bad laws impoverished nations by iniquitous taxation, enthralled labor by absurd ordinances, and ruined agriculture by crushing exactions, the philosophers of that era occupied themselves with social questions, and arrived, of necessity, at the point of demanding the abolition of all those human institutions, with a view to the attainment of that better order which they called natural right, natural liberty, the code of nature. It was under the inspiration of those ideas that the Physiocrates in France, and Adam Smith in England, traced the progress of economic reforms, and that the French revolution attempted its political ameliorations. The starting point of this profound evolution, which, for a time, led all Europe captive, people and sovereigns alike, from Naples to St. Petersburg, was an enthusiastic confidence in reason and in the sentiments of man, as well as in the order of the universe; it was the optimism of Leibnitz, descended from the clouds of philosophic abstraction, and made applicable to the organization of society. The good sense of Voltaire led him to perceive the falsity of this system, and he wrote *Candide* and *la Destruction de Lisbonne*. Rousseau, in a letter of touching eloquence, defended optimism, which is the basis of his philosophy as well as of that of his epoch, and of the French revolution. Strangely enough, it was Fourier who deduced the ultimate consequences of the physiocratic optimism of the economists. The selfishness and the vices of mankind seemed to give the lie to the system which maintains that all is well, and that with liberty everything arranges itself for the best, in the best of worlds. It had been truly said that the vices of individuals contributed to the general well-being. Adam Smith had also maintained that men, simply by pursuing their own interests, uniformly did the things most advantageous to the nation; and that the rich, for

example, in seeking merely the satisfaction of their caprices, accomplished the most favorable distribution of products, "as though they were led by an invisible hand." Notwithstanding this, men continued to say that selfishness must be resisted and vice suppressed. This was the recognition of a disturbing element; things did not then arrange themselves for the best, in virtue of absolute freedom. Fourier, whose logic was restrained neither by the absurd nor the immoral, constructed, like Plato, an ideal city, the phalanstery, where all the passions were made use of as productive forces, and the vices transformed into elements of order and stability; where, consequently, there was no longer anything to repress. This was, in truth, natural liberty, the reign of nature. Order was created out of disorder. Like M. Caussidiere, in 1848, Pierre Leroux has clearly shown that Fourier found the germ of his system in the voyages of Bougainville, which presented to the eighteenth century, in the paradise of the island of Otaheite, a picture of the happiness which the natural man enjoys when emancipated from laws and human conventionalities. Diderot echoed the enthusiasm which this piquant sketch of primitive manners evoked. It was a logical conclusion: if all is well in nature, it is the natural man who ought to be our model. Absolute *laissez faire* conducts us, at last, to the island of Tahiti.

Down to the present day, the majority of economists have remained in subjection to the ideas of physiocratic optimism, which prevailed at the birth of their science, as well in France as in England. They constantly speak of the natural order of societies and of natural laws. They invoke these only and desire to see only these prevail. Not to multiply citations, I shall borrow only a single passage from one of the most eminent and least systematic of contemporary economists, M. Hyppolite Passy. "Political economy," says M. Passy, "is the science of the laws in virtue of which wealth is created, distributed, and consumed. We have only to ascertain these laws and to apply them: The object to be attained is the greatest good of all, but the most enlightened economists do not hesitate to believe that natural laws conduce to this result and that they alone conduce to it, and that it is impossible for men to substitute their individual conceptions for Divine wisdom." This is a perfect summing up of the pure doctrine of the economists on this point. Now, it will be easy to show, that an idea embodied in it is utterly unsound, that it answers to nothing real, and is in radical opposition to Christianity and to facts.

I search for these "natural laws" which the economists are constantly talking about, and I do not find them. I understand that these words are employed where the question concerns the phenomena of the physical universe, which do, in fact, from the infinitely little which we know of them, seem to

obey immutable laws. I will admit, also, that we invoke natural laws for animals, which, live and obtain their sustenance in a similar manner, but not for man, that perfectible being, whose manners, customs, and institutions are changing ceaselessly. The laws which govern the production and especially the distribution of wealth, are very different in different countries, and in different times. Where, then, are these natural laws in force? Is it, as Rousseau, Diderot, and Bougainville supposed, in those islands of the Pacific where the spontaneous products of the soil permit men to live without labor, in the bosom of an innocent community of goods and of women? Is it in antiquity, where the slavery of the laborer procured for a chosen élite of citizens, the means of attaining to the ideal of a genuine aristocracy? Is it in the middle ages, under the reign of feudalism and of corporations, in that golden age when the papacy dominated over nations and over kings? Is it in Russia, where the land belongs to the Czar, to the nobles, and to the communes which parcel out the territory, at stated intervals, among all the inhabitants? Is it in England, where, owing to primogeniture, the soil is monopolized by a small number of families, or in France, where the laws of the revolution divide the territory among five millions of proprietors, at the risk of crumbling it into particles?

Industrial wealth was formerly produced under the domestic roof of the artisan assisted by a few companions; now it is produced in vast workshops by an army of workmen, tied to the inexorable movements of machinery propelled by steam; which of these two methods is conformable to the natural order? In a primitive state of society, the soil was the undivided property of the tribe, and this disposition of it was so general that it might, without doubt, have been recognized as a natural law. At the present time, in countries which have reached the industrial stage, individual property, which formerly did not exist except in respect of movables, is applicable also to the realty: is there, in this change, any violation of the Providential order? Under the influence of new ideas of justice and of certain economic necessities, all social institutions are modified, and it is probable that they will be modified still further. If we believe them to be still imperfect, we should not be forbidden to seek to modify them. "*Laissons faire,*" cry the economists, "liberty meets all wants." Doubtless, but what shall I do? Laws do not make themselves, it is we, ourselves, who vote them; and it devolves upon the economist to show me what the laws are which ought to be enacted. He will, doubtless, say, with M. Passy, "It is not for man to substitute his individual conceptions for those of the Divine wisdom." But is, then, the civil code which to-day regulates the distribution of property in France an emanation of the Divine wisdom? Is it not rather the



product of the juridical conceptions of the men of the French revolution? When, like M. Le Play, it is sought to restore the liberty of testamentary disposition, or when it is proposed, as in the Belgian Chambers, to limit the degrees of consanguinity in the succession to intestates, is there, in these, a violation of the decrees of Divine wisdom? The economists forget that the bases of every economic regulation among civilized peoples are laws framed by legislators, which are, consequently, subject to be changed, if need be, and not pretended, immutable, natural laws to which we must submit blindly and forever.

*In societate aut vis, aut lex viget*, says Bacon; if you do not choose to submit to the dominion of laws, you will fall under the dominion of force. With men in a state of nature, everything belongs to the strongest. It is the duty of the State, on the contrary, to cause justice to preside over the distribution of property, in order that each person may enjoy the fruits of his own labor. Suppress all intervention of the State, and apply the absolute doctrine of *laissez faire*, and everything, as Bonnet says, is subject to be preyed upon; (*tout est en proie.*) The best-armed slays the one who is least prepared for the battle; and he either feeds upon his flesh or on the products of his labor. This is precisely what happens among animals, where, in that strife for existence, of which Darwin speaks, the best endowed species take the place of those which are less so. The Positivist economists also say, following the idea of Darwin, that every superior position is the consequence of superior aptitudes in him who has conquered it. Everything which is, is well. Every man has, everywhere, the well-being to which he is entitled, just as every country has the government which it deserves. So much the worse for the weak and the simple, room for the strong and the able! Might does not hold dominion over right, but might is the necessary attribute of right. Such is the natural law.

Those who are constantly invoking natural laws, and who repel what they call artificial organizations, forget that the government of civilized countries is the result of political and economic art, and that the natural government is that of savage tribes. Among them, in fact, the law of Darwin dominates as among the animal species: there are no ordinances, no State, no restraints, but perfect liberty in all things and for all men. Such was, indeed, the ideal of Rousseau, ever faithful to the doctrine of the code of nature. Civilization, on the contrary, consists in struggling against nature. Just in the degree that agriculture and industry attain perfection, more and more employment is given to artificial methods, invented by science, for procuring for us wherewith to satisfy our needs. Through the art of healing and of maintaining health, we wrestle with the diseases with which nature afflicts us, and thus prolong an average of twenty years to forty.

It is by the art of government that statesmen obtain the supremacy of order and permit men to labor and to better their condition, instead of endlessly warring on each other like wolves, either for vengeance or for defense. It is to the art of making good laws that we owe the security of property and of life. It is by fighting against our passions that we succeed in accomplishing our duties. Everything is the product of art, because civilization is in everything the opposite of a state of nature. The child of nature is not that good and reasonable being dreamt of by the philosophers; he is a selfish animal, who seeks to satisfy his desires without caring for the rights of others, regardless of wrong, slaying whomsoever makes resistance to him, and it is not too much to compel him, by all the restraints of morality, of religion, and of laws, to bend to the exactness of social order. We must conquer the savage element in him, or he puts civilization itself in peril. It is, therefore, a dangerous error to suppose that we need only to disarm the State, and to liberate mankind from all restraints, that the supremacy of order may be established.

I can discover in political economy but one single natural law, namely, this, that man, in order to live, must make a living. All the rest is governed by habits, by customs, by laws which are continually changing, and which, just in proportion as justice and morality enlarge their sphere, are further and further removed from that natural order over which force and chance preside. If there is any natural law which seems to be indisputable, it is that which commands all living beings to obtain subsistence by their own efforts. Mankind has, nevertheless, succeeded in emancipating itself from that law, and, by means of slavery and serfdom, the stronger have been able to live in idleness at the expense of the weaker. No doubt, whatever happens is the result of certain necessities which may, in strictness, be denominated natural; but it is by resisting those necessities that progress and perfection are attained in human societies. From the mere fact that institutions or laws exist, it by no means follows that they are necessary, immutable, and alone conformable to the natural order.

*(To be concluded in the next number of the BANKER'S MAGAZINE.)*

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A SPECULATION ENDED.—Some time last summer, when silver was selling in London at from fifty-one to fifty-two pence per ounce, considerable quantities were bought by speculators and money raised on them at the Bank of France, whose practice is to loan on bullion at one per cent. per annum. These speculators have become tired of holding. From the middle of January to the 6th of February, silver bullion has been taken by them from the French Bank and sold in London to the amount of fifteen million francs, or about \$3,000,000. The English persist in believing that silver coinage in the United States is to be arrested.

## BANKING IN MINNESOTA.

## FIRST ANNUAL REPORT OF THE PUBLIC EXAMINER OF THE STATE.

The office of Public Examiner of the State of Minnesota having been created under an Act approved March 12, 1878, Mr. Henry M. Knox was appointed to the position, and assumed its duties on May 1. His report, which is for the year ending November 30, 1878, is just published. The duties imposed by the Act are summarized as follows:

*First.*—Exercising a constant supervision over the books and financial accounts of the several public, educational, charitable, penal and reformatory institutions belonging to the State; and the enforcement of correct methods for keeping their financial accounts.

*Second.*—Enforcing a correct, and as far as practicable, uniform system of book-keeping by State and County Treasurers and Auditors, so as to afford a suitable check upon their mutual action, and insure the thorough supervision and safety of State and County funds; ascertaining the character and financial standing of all present and proposed bondsmen of State and County officers.

*Third.*—Ascertaining the financial condition of each of the banking, Savings, and other moneyed corporations created under the laws of the State or Territory of Minnesota.

In accomplishing the above, the Examiner is authorized to require of county treasurers verified statements of their accounts from time to time, as often as he shall deem necessary. He is to visit all of said offices at irregular intervals, and without notice, at least once in each year, and in the case of public institutions, at least twice each year. At the time of visitation he is to make an exhaustive examination of the books and accounts, including a thorough inspection of the purposes and detailed items of expenditures and of the vouchers therefor. He is to make a thorough examination of the books, accounts, and vouchers of the county financial officers, ascertaining in detail the various items of receipts and expenditures, and inspect and verify the character and amount of all assets and securities held by said officers on public account, and to ascertain the character and amount of any commissions, percentage or charges for services exacted by such officers without warrant of law. As to moneyed corporations, he is to carefully inspect and verify the validity and amount of the securities and assets held by them, examine into the validity of mortgages held by Savings banks, and see that the same are duly recorded, and ascertain the nature and amount of any discount or other banking transactions which he may deem foreign to the legitimate and lawful purposes of Saving institutions.

The report states that of time expended in examinations, the greater part has been given to the county financial officers, those having seemed the most important and the most needing supervision. Treating at length of the defects in the system of accounts, and the changes needed, it dwells upon the official bonds of financial officers. Examination proved the file of bonds to be very incomplete. Of 140 county auditors' and treasurers' bonds which should have been on file, only fifty-seven were found. Thereupon, the non-complying registers were all notified to comply with the law, and, as the result, all the bonds of financial officers, with two or three exceptions, may

now, for the first time, be found properly deposited with the legal custodian of the same.

The most cursory examination revealed the fact that these bonds were most incomplete, both in form and execution. A more rigid and critical search showed that of the one hundred and forty bonds but thirty-two could in charity be called legally and technically perfect. The imperfections were found to be of the most varied and grotesque character.

In regard to the State banks, the report says that besides the Savings Associations and the numerous private banking co-partnerships doing business in the State, there are now thirteen banking corporations in existence "created under the laws of this State, or the Territory of Minnesota."

The compend of the reports of these banks is as follows:

*Resources.*—Loans and discounts, \$2,256,712.99; over-drafts, \$23,380.98; due from other banks, \$264,378.67; banking house, furniture and fixtures, \$59,800.95; other real estate, \$53,217.15; expense account, including taxes, \$35,898.28; cash on hand, including cash items, \$220,061.45; other resources, \$80,498.60. Total, \$2,993,949.07.

*Liabilities.*—Capital stock paid in, \$1,060,400.00; surplus fund, \$61,362.00; undivided profits, \$69,348.98; dividends unpaid, \$1,974.50; due to depositors, \$1,647,775.51; due to other banks, \$35,124.15; bills payable, \$22,120.00; other liabilities, \$95,843.93. Total, \$2,993,949.07.

The only knowledge heretofore to be gained in regard to this class of banks has been through the certified reports required by the law to be made and published quarterly during each year. These, it is well known, may not be reliable as a fair showing of their average business, being made upon fixed dates known in advance, for which it is possible to prepare so as to appear at the best advantage. No other supervision has been had over them since their organization. It is gratifying therefore to find by actual inspection that, as a whole, they are well and economically managed, and are in good condition at other than the set times. It would be no compliment to them to say that they are living up to the requirements of the laws under which they operate, but in default of statutory regulations they seem to have imposed upon themselves such wholesome restrictions as are dictated by sound, conservative business management. All are not above criticism. . . .

On the other hand, it ought to be said that, as a whole, the loans are exceedingly well distributed and secured, often with none at all to directors, or such limited amounts as their business requirements would fairly entitle them to. Some have commenced accumulating a surplus fund of all profits in excess of moderate dividends, or even in advance of any dividends, although no surplus fund is required by any enactment governing them. Banks have been visited which would bear examination under the most stringent banking act. All the State banks are in the hands of experienced officers and directors, men of ample means either for the present or for the future requirements of their business. All seem to be needed in their several communities (though the field of some is more limited than that of others), and have a future both promising and profitable before them.

The report exhibits the condition of seven of the Savings Associations of the State, as found on their several dates of examination. It is impossible to tabulate these statements from the fact that the banks are operating in such widely diverse methods. Each one is

construing the law to suit itself and its own circumstances, and hardly any two are alike. Though the number of these banks is but eight, they are operating under four different acts, or under parts of several acts. The laws themselves being so indefinite, and the modes of management under them being so diverse, confusion reigns, and it is a matter of difficulty to enforce conformity to any single act. It seems to be the intention of the act of 1875, that all the banks, saving those specially excepted from its operations, should conform to it. Section 18 declares that "any Savings Association which has been heretofore incorporated, and is now doing business as a Savings Association or bank, may avail itself of the privileges of this act, and shall be subject to all the liabilities prescribed therein." If the above conformity was the intention of this section, it has signally failed in its purpose. Some of the banks seemed to have availed themselves of its privileges, but have been slow in subjecting themselves to its liabilities.

Mr. Knox goes on to say: "Of their solvency there can be no doubt. Many slighter defects have been corrected. Mortgages have been recorded in case of neglect or oversight, bonds have been required of some of the trustees of several banks when they had not been legally filed. Several such cases were found, and others, where the statutory number of trustees had been decreased by death or resignation, and such vacancies had not been filled by the board according to law, 'without unnecessary delay.' No officer is now charged directly with the duty of examining these bonds. Indeed, no provision is made by which any officer can know when they are needed, as in the case of the election of new trustees to fill vacancies. It is a pleasure to state that this mixed state of things pertains only to the construction which may be put upon the laws, and not to the methods of conducting the business undertaken under them. Many of these banks are conducted in the most careful and systematic manner; their loans are supervised with great care; their mortgages with accompanying abstracts and policies of insurance, and other securities and assets, will bear close inspection. Their trustees are not the borrowers of the depositors' funds. Interest accrued upon their mortgage notes, and not yet entered up, would, in several instances, give a much better complexion to the statements of the Appendix taken from their books."

The total amount of deposits in the Savings banks: Savings deposits proper, \$457,698.76; subject to check, demand, and time-certificates, \$187,829.34. Total, \$645,528.10.

Total amount of investments (8 banks): Invested in mortgages, \$239,238.06; invested in stocks and bonds, \$58,801.41; loaned on personal and collateral security, \$376,913.19. Total, \$674,952.66.

The examiner adds: "Whether the time has fully arrived, and whether many of our communities are yet densely enough populated to warrant the carrying on successfully of Savings Associations pure and simple, may be a question. Those already organized, by their different modes of operation, seem to have decided it both ways. There may be differences of opinion as to what constitutes the most reliable and at the same time the most available securities in which to invest trust funds, but surely it is true that both our State and Savings banks should be harmonized in their working under the laws, and in their interpretation of them. If the laws are thought to be harmonious in their language, then all banks should be required to accept the privileges and the penalties of either the one or the other."

## FINANCIAL NOTES AND COMMENTS.

## FOREIGN TRADE.

During December, 1878, the excess of our merchandise exports over imports was \$35,128,527. This is an enormous balance of trade for a single month, although not so great as for the corresponding month of 1877, when it was \$39,751,122. The fall in prices between the two dates appears from the tables of the *Public* to be fifteen per cent. in currency, or about twelve per cent. in gold. This fall in prices would itself explain the decline in money value of the balance, without its being necessary to suppose that there has been any change in the relative quantities of the exports and imports. But while there has been, in December, a falling off in the favorable balance, it is quite otherwise with the first six months (including December) of the current fiscal year, commencing July 1, 1878. During that period the favorable balance has increased from \$102,159,699 to \$148,888,036. During the whole of the last fiscal year the balance was, in round numbers, 258 millions. The increase during the first six months of the present fiscal year will not probably be fully off-set, although it will probably be partially off-set, by a decrease during the last six months. But as the interest account on our debts held abroad is constantly diminishing, the same balance of trade will leave more to be applied to the purchase of the principal of those debts.

## THE BOSTON FOUR-PER-CENT LOAN.

The Boston one million loan on twenty years, interest and principal payable, not in gold, or in coin, but in lawful money, has all been taken. Single subscriptions made prior to February 1, were limited to \$10,000. Bankers have now taken the great bulk of it. It is only a short time ago that the financial managers of New York City negotiated a loan of nearly six millions, not reimbursable in less than thirty years, bearing five per cent. interest, and *both principal and interest payable in gold*. We have heretofore expressed the opinion that this transaction was a most costly and improvident one for New York. We are satisfied that a transaction better for this city, by from one and one-half to two million dollars, ought to have been made and might have been made. We hope that our city officials, before they make another loan, will study the history of the recent transaction in Boston, and try to profit from the study.

## PARIS STOCK MARKET.

Tables of the variations in the prices of the ninety principal securities dealt in on the Paris Bourse, comparing January 1, 1879, with January 1, 1878, show declines in prices amounting to 119,802,970 francs, and rises in price amounting to 3,016,058,107. This makes a net rise in the aggregate of 2,996,255,137 francs, or, reckoning roughly at five francs to the dollar, equal to \$579,251,027. The securities dealt in are principally the bonds of governments and companies, but include shares in some companies, especially in railways. The following show rises only, and no falls:

	<i>Rise, in francs.</i>
French Rentes (Government bonds).....	1,079,006,405
French railway bonds.....	548,622,280
French miscellaneous bonds.....	102,284,605
Foreign railway bonds.....	114,194,845
Foreign financial companies.....	88,775,000
	<hr/>
	1,932,883,135

Shares in financial companies are of the same nature as bonds, as the companies designated as financial in Europe, are engaged in the business of loaning money upon various securities.

In certain classes of securities there were in some cases falls, and in others rises, as follows :

	<i>Fall, in francs.</i>	<i>Rise, in francs.</i>
French financial companies.....	14,600,000	141,932,200
French railway shares.....	6,625,000	170,175,000
French miscellaneous shares.....	19,310,970	39,143,750
Foreign funds.....	72,300,000	817,375,516
Foreign railway shares.....	6,967,000	14,547,500
	<hr/>	<hr/>
	119,802,970	1,183,173,956

The total depreciation in the few securities which depreciated at all, was comparatively small. Among the declining securities were Austrian government bonds, and shares in the Bank of France, in the Suez Canal, and in some gas companies, the last probably from the same cause, a fear of the new electric light, which has depressed gas stocks in London.

Of course, there were special reasons for the rises above noted in some securities, but the general and principal cause was the decline in the rate of interest obtainable from loans and investments of money, which has been going on in Europe for five years past. Theoretically, a fall in the current rate of interest ought to double the price of a sound security paying a fixed income, and it would actually double the price, if it was universally believed that the fall in the rate of interest was to be permanent and without any recovery. During the past summer, British consols touched a point higher than had been known for twenty years. Very few of the securities which have so appreciated pay any more income than heretofore, but the same incomes command a higher price than they did.

Nowhere in Europe was money more uniformly abundant during 1878 than in Paris. During the whole of that year French money flowed over into other markets, and especially during the last half of the year into London, where a severe stringency prevailed. The French, in addition to purchasing stocks largely in London, employed in the purchase of exchequer bills, and of bankers and merchants' acceptances, \$75,000,000, according to the *London Times*, and \$100,000,000 according to the *London Statist*.

During the year 1878, issues were made on the Paris market of new shares and bonds to the amount of 854,002,620 francs, or \$170,800,524.

But while moneyed securities have been rising so buoyantly in the market of Paris, there is no reason to doubt that industrial enterprises and investments, both in Paris and throughout France, have been subjected to a marked depreciation. The industrial depression was felt later in France than elsewhere, but that country does not finally escape it. Such a depression consists essentially of a fall of prices, which cannot remain high in one country while they are low in all others.

The aggregate value of the shares in the coal mines in the North of France depreciated 103 million francs, or twenty million dollars, during 1878. It is stated that the sum required to purchase one share in each of the nineteen principal collieries fell, during the year, from 220,805 francs to 117,315 francs, or forty-seven per cent.

#### SILVER IN AUSTRIA.

The Vienna correspondent of the London *Economist* writes under date of January 6, 1879:

Last week reference was made to the danger existing that the Austrian Mint would be used to serve speculative purposes, owing to the influx of enormous quantities of silver. The government has, however, taken steps to counteract this danger. The mint accepts no more deposits of silver bullion from this day. The chief motive for this measure is that so much silver has, of late, streamed into the coffers of the mint, that the machinery, even when working full time, can no longer satisfy the public. The mint, therefore, cannot determine any period at which newly brought silver can be coined.

This is a case where two different reasons, having no connection with each other, are given as the explanation of the refusal of the Austrian mint to receive any more silver at present. Every reader must judge, or guess, for himself, as he best can, which is the real reason, and whether the refusal was based upon the fear that the mint was being used for speculative purposes, or on the fact that the mint was already supplied with all the silver it could coin within any reasonable time.

The exact text of the mint circular of January 2, 1879, suspending the further admission of silver, is as follows:

The transmission of silver bars to the principal mint for coinage, has lately assumed such dimensions that the plant, machines and apparatus are insufficient, in spite of all possible efforts, to satisfy, with credit, all the demands for coining, which already extend far into 1879. Under these circumstances, we cannot possibly state any fixed time for the coinage of any bars which may be sent in the future. Therefore, the mint cannot receive any further notices, or actual supplies of silver bars, or other silver, until further notice.

The known facts of the situation are, that the Austrian mint had received, to be coined, in 1878, fourteen million dollars of silver, and "notices or actual supplies of silver" to be coined in 1879, to the amount of thirty-two million dollars. Whether this includes the Hungarian mint, which is also receiving and coining silver, does not distinctly appear. It is probably true of the Austrian mint, as it is of some other mints, that its capacity to coin silver depends partly upon its "machines and apparatus," and partly upon its disposition, or indisposition, to coin it. It is quite conceivable that the discovery made by the Austrian mint officers, that their capacity to coin is, for the present, exhausted, was made out of deference to the influences adverse to any silver coinage at all. It was reported from Vienna, three or four months ago, that there being a profit upon coining silver, inasmuch as silver bullion was at some discount as compared with paper, the Government was monopolizing that profit by claiming a prerogative right to be first served, and itself supplying all the silver the mint could dispose of. In a similar case in Russia, in 1876, when silver fell below paper, the government of the Czar insisted upon a monopoly of coining silver, not by circumlocution, but by a direct imperial decree (September 9, 1876), prohibiting its coinage for the account of individuals. The report from Vienna that the government was monopolizing the silver coining capacity of the mint may have had some foundation of truth, but it



is evidently not true that individuals were, in that way, wholly excluded from the privilege of getting their silver manufactured into money.

What Austria will do hereafter depends upon how the "Battle of the Standards," which is in progress at Vienna as well as elsewhere, is finally decided. But it is certain that it has coined a good deal of silver within six months, and is still coining it, and this demand has, to some extent, compensated the falling off in the India demand. The silver used by Austria has been, in part, purchased from the German Government, and in part supplied by the London market. The exports of silver from Great Britain to Germany increased from \$323,100 in 1877, to \$7,369,380 in 1878. These were exports to German ports, but as Germany is buying no silver, they were, of course, sent to those ports merely in transit, and the London accounts are that their destination was Austria.

Vienna accounts, of January 23, are to the effect that the Bank of Vienna declines to receive silver any longer, which must mean that it refuses to receive silver on deposit. Silver is a legal tender in Austria, and the Bank is obliged to accept it in payment of debts. A refusal to receive it on deposit shows, either that the discount on it, as compared with paper, still continues, or is expected to recur again. Accounts of the same date are, that the bank at Pesth, and the Hungarian mint, were both still receiving silver.

#### LONDON PAUPERISM.

The official returns of the number of persons in London receiving relief under the Poor Laws, on the last day of the first week in January, was as follows, in the three years named :

		<i>Receiving indoor relief.</i>		<i>Receiving outdoor relief.</i>
1876	....	36,561	....	50,150
1877	....	38,331	....	44,625
1878	....	40,137	....	42,370
1879	....	43,204	....	40,941

These returns do not show any increase of legal pauperism. Those receiving relief inside of poor-houses are more, but those receiving relief outside are less. If all accounts are not at fault, the amount of poverty in London has rarely been so great as now, but it is manifested in other ways than in swelling the pauper rolls.

In all the parishes in England (those of London included) the total number of those receiving legal relief in the first week of November, increased from 659,665 in 1877, to 677,435 in 1878.

#### ENGLISH CAPITAL.

The London *Times* (January, 1879) insists stoutly that depressed as British industries have been for several years past, British capital is not only unimpaired, but has been positively increased. It claims an increase in nearly all forms of fixed capital, such as houses, railroads, etc., in the tonnage of vessels and steamers, and in the stocks of goods, raw material and food. It claims that the plant, machinery and appliances of production have been well kept up, and that additions made to them are a full off-set to the losses of all kinds. It says nothing about the losses arising from the bankruptcies of foreign nations, companies and persons having British creditors, and in fact the losses of that class, so much bemoaned by many British writers, are mainly imaginary, as respects National debts. The indebted nations, which have gone into bankruptcy,

received, on an average, very little for them, and in most cases, have already paid that little back, under the name of interest.

The *Times* admits a loss from the sale and transfer of good stocks and securities, but does not place it at a high figure. It says:

As to the sale of securities to foreigners there may have been some loss: but, even on the showing of those who make the most of this item, there can be no question of anything more than the sale of about fifty millions (sterling) of securities for a year or two, while an aggregate loss of several hundred millions would only diminish by ten or twenty millions annually the tribute we are entitled to draw from abroad. We should doubt, however, whether we have lost in this way even a hundred millions, which we might well lose without hurt, when we have to receive specially large imports to make up for bad harvests. As compared with our former large imports of securities, such an export is insignificant indeed, and the effect must be inappreciable when the gigantic amount of our home capital and the fact of an increase of that capital in other directions are considered.

Two years ago, the *Times* characterized the rate at which Englishmen were disgorging securities as "enormous." The rate has certainly been greater during the past two years, and the present estimate of the *Times* is too low. But a more important question still is, when and at what point the process of disgorgement will come to an end. The balance of trade against Great Britain in 1878 has fallen off somewhat as compared with 1877, but not more than British income from foreign investments fell, so that there was no diminution of the balance to be made good by the transfer of securities. The real question is, whether the British can restore their pre-eminence in mining, manufacturing and trading to its former proportions, so as to keep up their exports to such a figure as compared with imports as to stop the outgo of securities.

#### BANK OF ENGLAND NOTES.

In 1866, the amount of notes which the Bank of England might issue, on the strength of its securities and without any cover of gold, was fixed at £15,000,000. Since then, the rights of joint-stock and private banks to issue notes not covered by gold to the amount of £1,300,000 have lapsed in various ways. Under Peel's Bank Act of 1844, the Bank of England has the right, at any time, to demand an increase of its fixed issue equal to two-thirds of the diminution in the fixed issues of other banks. So far, it has not exercised this right since 1866.

#### LONDON BANKS.

The reports of these institutions made at the half-yearly meetings in January were all flattering. The only objection we see to them is, that they were too good. Dividends fully maintained, surpluses all intact, no losses by bad debts, and ample reserves of cash; these features appear in all the reports with monotonous uniformity. As Gen. Butler said, about some testimony before a Congressional investigating committee, everybody is at perfect liberty to believe the whole of it who chooses to do so. The remarks of Mr. Ferguson, Chairman of the Union Bank, may be taken as a sample of the whole. He says that the cash reserves of the bank are £3,777,000, cash on call £1,500,000, and total losses by bad debts during the preceding six months "less than £300." All the investments of the bank are so good that even at the present prices they could be realized at a profit of £60,000. In no instance has the bank granted acceptances except when the drawers, chiefly bankers, are of "undoubted standing," and with the "additional security in every

instance of the deposit, before accepting of good bills and securities immediately available with a large amount of margin." Bankers in America, who are quite as skillful and prudent, have not been so fortunate, and the world will be slow to believe that England can pass through such a commercial depression as it is now under, and such a universal prostration of prices, without undermining many of the securities in which banks and bankers must necessarily deal. The banks in this country, under the same circumstances, have frankly admitted losses and provided for them by reducing dividends and otherwise. The British banks would be more likely to have maintained a solid and permanent credit if they had pursued the same conservative course.

#### UNITED STATES SILVER LAW.

There is no doubt that the elections of last November in this country were looked upon in Europe as portending an arrest of the further coinage of silver. One of our commissioners to the Monetary Conference at Paris reports that that impression was general when he left Europe, on the 21st of November. This belief continued there, certainly for some time longer, and may possibly still continue. The recommendation in the annual report (December, 1878) of the Secretary of the Treasury, that no greater coinage than \$50,000,000 in all should be permitted, would naturally tend to confirm it. The *London Times*, of January 3, took a very gloomy view of the prospects of the silver market, basing its opinions very much on the opinion that the U. S. mints would be closed to silver and that the whole American product would then be thrown on the general markets. Its language was:

The price is now only 49 $\frac{3}{4}$ d. per ounce, and that is more or less a nominal quotation. Should specie payments on a gold basis be finally established in the United States, as seems probable, we may have our market again flooded with silver for which there is no demand.

#### SILVER IN HOLLAND.

At the Monetary Conference of last August, in Paris, M. Mees, President of the Bank of the Netherlands, put in a paper, in which he estimated the amount of silver coins in Holland, exclusive of subsidiary coins, at 133 million florins. The Dutch florin being about forty cents, this would be \$53,200,000. He estimated the gold at seventy-four million florins, or \$29,600,000, including ingots and foreign gold coins in the Bank of the Netherlands. The proportion of silver is about sixty-four per cent. of the whole. These figures do not include any of the Dutch colonies, in respect to which M. Mees said he was not able to make any estimate. The silver coins in Holland are maintained at a market parity with gold by means of the suspension of the manufacture of them at the mint. Holland, being a creditor country and rich in moneyed capital, is, like England, always able to make up an adverse balance of trade by turning out foreign securities. It can, therefore, maintain a larger percentage of silver at a market parity with gold by a limitation upon silver coinage, than such a country as the United States. But to that it should be added, that there is no experience to show that Holland might not, by the same method now employed, maintain silver at a market parity with gold, with silver constituting more than sixty-four per cent. of the total metallic circulation. There is no experience to show that a currency, consisting even exclusively of silver, may not be so limited as to quantity as to be kept at a much higher rela-

tion to gold than is now anywhere established by law. The scheme is, in fact, pending, and finds some advocates, of bringing the currency of India, which is exclusively silver, up to a parity with gold, by suspending the further coinage of silver. Theoretically, we see no reason why that might not be done, although it might be necessary to add the further measure of withdrawing and melting down some of the India silver which is already coined. The feasibility of such a policy is one thing, however, and the wisdom of it is another. The chief recommendation of metallic money, and it is a sufficient one, is that the limitation of its quantity and, therefore, its value depend upon nature, and not upon governments. A metallic money, with governments prescribing how much shall be coined, and sure to change their prescriptions with every revolution in politics, has nothing to recommend it.

#### THE UNITED STATES SILVER LAW OF 1873.

At the second sitting of the Monetary Conference of last August, an animated discussion arose in consequence of the declaration of Mr. Groesb eck, of the American delegation, that the passage of the United States law of 1873 was an "inadvertence," and that, while the general public were not aware that any such law was being passed, the great body of even the Congress which passed it did not understand the effect of it. The British delegates manifested some incredulity about the possibility of the passage of a law of that importance without a thorough discussion, and the Swiss delegate read documents, tending to show that the exact nature of the law was pointed out in reports from certain bureaux in which he said it originated. Thereupon, Gen. Walker, another of the American delegates, declared for himself, that although an economist, (he is the Professor of Political Economy at Yale College,) he heard nothing and knew nothing of the law at the time of its passage, and that most of the people of the United States knew as little about it as he did.

The exact language of Gen. Walker, as given in the *Proces Verbaux*, printed by the French Government, is as follows:

Gen. Walker made explanations, the effect of which was that the change produced by the law of 1873 was not only not observed by the general public, but even by those who were specially occupied by financial and monetary questions. For himself, although by profession an economist, and intending to keep up with the progress of the money question, he was not aware of the change when it was made, and he was authorized to believe that the same thing was true of the great majority of his fellow citizens.

#### METALLIC STANDARDS IN THE BRITISH EMPIRE.

According to statements made at the Paris Monetary Conference of last summer, by Mr. Goschen; one of the British delegates, the currency of the following British colonies is based upon a single gold standard, viz.: Malta; Cape of Good Hope, Natal and the Transvaal; Australian Colonies and New Zealand; Gibraltar; Canada; and Newfoundland.

The currency of India and of the following colonies is based upon a single silver standard, viz.: Hong-Kong; Straits Settlements; Ceylon; and Mauritius.

In the British West Indies the double standard had always prevailed until 1876, consisting of sterling money, and of the silver dollar (Mexican, Spanish, etc.), at a rating of 4s. 2d. The West Indian Colonies had the peculiarity of giving an unlimited legal

tender to British under-weighted silver coins, equally with British gold sovereigns. Mr. Goschen says that this British silver token money "*of course possesses the same value as gold*" in the British West Indies, and, in fact, constitutes their entire circulation to the exclusion of gold. It is an equally good remittance to England, where the Government takes care to preserve its market parity with gold. These colonies have been urged by the British Cabinet to limit the tender power of this silver money to two pounds, as it is limited in England, but so far refuse to do so. In 1876, they took away the legal-tender power of the silver dollar, in consequence of its depreciation below its former relation to the pound sterling.

Upon the general monetary policy of the British Government, in respect to its dependencies, Mr. Goschen observed:

"Under the policy formerly pursued, the British Government endeavored to extend the currency laws of the United Kingdom to all its colonies and dependencies. Experience, however, proved that, although British currency was well adapted for some colonies, it was impossible to force the currency law of the United Kingdom upon the silver-using countries of the East, or upon small military settlements in foreign parts, such as Hong-Kong, Gibraltar, or British Honduras. The policy adopted in later years has, therefore, been to adopt the single silver standard for the colonies situated in that part of the world in which the use of silver prevails; and, in military settlements, to accept the currency of the nation by which they are surrounded. This policy has not yet been thoroughly carried out in some of the less important colonies.

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## THE BANK CLERKS' BENEFICIAL ASSOCIATION OF PHILADELPHIA.

The tenth annual meeting of the "Bank Clerks' Beneficial Association of Philadelphia," was held at Friendship Hall, on Tuesday evening, December 10th, 1878. The President, B. F. Dennisson, in the Chair, and G. A. H. Rose, Recording Secretary. The Association was called to order at 7.30 P. M., when the President submitted, on behalf of the Board of Management, the Annual Report, of which the following is a summary:

Number of members at last report, 269; elected during the year, 8. Total, 277. Deaths, 5; expelled for non-payment of dues, 7; resigned, 3 = 15. Present membership, 262.

Number of honorary members at last report, 24; present number, 25.

There has been received for dues and assessments, \$2,740.50; from honorary members, \$50; from interest on investments, \$584.70; profit by sale of City loan, \$1,092.62. Total receipts, \$4,467.82.

Paid for benefits, \$2,500; for premium on U. S. loan, \$670; for expenses, \$159.02. Total payments, \$3,329.02. Net gain, \$1,138.80.

Balance at last report, \$9,161.87; balance on hand at this date, \$10,300.67; of this amount \$10,000 are invested in six per cent. U. S. loan, 1867, and \$300.67 deposited in the Fidelity Insurance and Safe Deposit Co.; amount invested at last report, \$8,500; present investment, *par value*, \$10,000. Net gain, \$1,500.

Market value of U. S. loan, \$10,600; *par value*, Mt. Holly Street ground-rent, \$833.33; total amount paid for benefits since the organization of the Association, \$18,500; total amount received from honorary members, and contributions, \$3,990; present investment, \$10,000. Net gains from dues and assessment, \$6,110.

The receipts from dues, assessments, and interest, have been \$666.18 in excess of the amount paid for benefits and expenses.

During the year, the Board, after careful consideration, determined to change the invested fund from City Loan to Government Loan, and thus realize a portion of the large premium at which the City Loans were selling, while the rate of interest would remain the same.

The Board records the death of five members during the year. In each case the benefit has been paid to the legal representative.

The Association is congratulated upon the continued prosperity of which this report gives evidence.

The election for Officers and Directors to constitute Board of Management was then held, with the following result:

*President*—B. F. Dennisson; *Vice-President*—C. D. Howell; *Treasurer*—R. E. Wright; *Recording Secretary*—G. A. H. Rose; *Corresponding Secretary*—W. G. Oves; *Directors*—J. C. Plish, E. Wheeler, J. C. Garland, L. Renshaw, W. T. Nelson, Joseph Roberts, Arthur Wells, Wm. Wilson, Watson Dupuy, G. T. Cathell, C. S. Austin.

On motion, the benefit for the ensuing year was continued at five hundred dollars.

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## INSOLVENT AND ASSIGNMENT LAWS OF THE STATES.

Since the repeal of the United States bankrupt law the relations of debtor and creditor, in respect to insolvency, assignments for the benefit of creditors, and exemptions of property from liability for debts, are again a matter for the exclusive regulation of the different States. The laws in force upon these subjects are, as is well known, very diverse in their character. Some States have no statutes regulating insolvency or assignments; others have had considerable legislation upon the subject; but the differences among them are radical and so numerous, that we have thought it interesting to the readers of the BANKER'S MAGAZINE to prepare a short epitome of the laws of the different States upon these points, and also upon attachments of property on mesne process. In it we have treated, as insolvent laws, only those which provide for the discharge of a debtor from his debts; and have not referred to the statutes, which are in force in, all the States, under which a debtor, whose body is taken in execution, may obtain a release from arrest. At the outset, two things should be borne in mind: first, that discharges under State insolvent laws have no force against the citizens of States other than those in which the discharges are obtained, unless the creditor submits himself to their jurisdiction, by proving his claim against the estate of the debtor; second, that, as a general rule, and in the absence of statutes, assignments of property for the benefit of creditors are valid, even though they provide for preferences to favored creditors and make the release of the debtor a condition precedent to the receipt of any benefit under them.

In several States there are laws authorizing the appointment of an attorney to represent foreign creditors in insolvency proceedings, thus making them parties thereto without their consent. It is not probable that the courts will hold that foreign creditors can be bound in that way. The general rule is well established, that a dis-

charge in insolvency does not affect a creditor who is not within the jurisdiction of the State, or country, where the discharge is granted. *Baldwin vs. Hale*, 1 Wallace 223; *Same vs. Bank of Newbury*, *ib.* 234; *Soule vs. Chase*, 39 N. Y. 342; *Kelly vs. Drury*, 9 Allen 27, 1 Kent Com., 12 Ed. 422 and N. 1. But a discharge will not be prevented from barring a contract made with a citizen of the same State, by his becoming a citizen of another State after the contract is made. *Stoddard vs. Harrington*, 100 Mass. 87. When movable property and choses in action are in one State, and assignments of them are made in another, the effect of such assignments is not in all respects settled. It has been decided that *involuntary* assignments under the insolvent laws of a State, will not prevail against attaching creditors in another. *Kelley vs. Crapo*, 45 N. Y. 86. Nor will a voluntary assignment for the benefit of creditors (whether it be under the terms of an insolvent law or not) prevail against subsequent attaching creditors, unless it is valid and executed with all the formalities required by the laws of the State where the property is attached; 2 Kent Com., 12 Ed. 407 and N. 1. Nor in any case against a prior attachment.

**Alabama.**—No insolvent law. Assignments regulated by statute, which forbids preferences, or any provision for the release of the debtor. Attachments issue against a defendant who is non-resident, or absconds, or removes his property from the State, or is guilty of fraud, etc. A bond is required of plaintiff. Exemptions: homestead, \$ 2,000; selected personal property, \$ 1,000.

**Arizona.**—No insolvent or assignment law. Attachments issue in actions upon contract for direct payment of money where plaintiff has no security, or when defendant is a non-resident, etc. The plaintiff must give bond. Exemptions: homestead, \$ 5,000; certain personal property, \$ 1,200; domestic animals, etc.

**Arkansas.**—No insolvent law. Assignments regulated by statute, which forbids preferences. Attachments issue against a defendant who is non-resident, about to leave the State, avoids service of process, conceals property, or is guilty of fraud, etc. Exemptions: homestead, \$ 2,500; personal property of head of family, \$ 500.

**California.**—An insolvent law, by which a debtor surrendering his property may receive a discharge from his debts. No preferences permitted. No discharge in cases of fraud, nor from debts due as a depositary of funds received as banker, broker, or commission merchant. Assignments not allowed, unless under this law. Attachments when defendant is a non-resident, or in an action upon contract for direct payment of money, where plaintiff has no security, the plaintiff giving bond. Exemptions: homestead, \$ 5,000; or if party is unmarried, \$ 1,000; household articles, \$ 200; library, etc.

**Colorado.**—No insolvent or assignment law. Attachments (plaintiff giving bond) when defendant is non-resident, or conceals himself, or stands in defiance of officer, or in case of fraud, etc. Exemptions to head of a family: homestead, \$ 2,000; tools and stock, \$ 200; wearing apparel, household goods, and furniture, \$ 100; library of professional men, \$ 300; animals, farming tools, etc.

**Connecticut.**—Insolvent law, with compulsory proceedings, which may be taken by creditor to amount of \$ 100. Property put into hands of trustee. Discharge from debts proved, upon payment of seventy per cent. Debtors property exempt for two years from legal process upon debts which might have been proved. Assignments must be administered under this law. Attachments on *mesne* process, in all cases. Exemptions: necessary wearing apparel and furniture.

**Dakota.**—No insolvent law. Assignments without preferences allowed, but are void against any creditor not assenting thereto, if they tend to coerce the creditor to release his claim, or provide for payment of fraudulent claim, or reserve any benefit to assignor, or confer any power upon assignee, which may delay the conversion of the assigned property or exempt the assignee from liability from neglect of duty, etc. Attachments (plaintiff giving bond) when defendant is non-resident, absconds, conceals, or conveys property in fraud of

creditors, etc. Exemptions: one acre in town, or 160 acres in country, with buildings; selected personal property, \$1,500, besides absolute exemptions.

**Delaware.**—No insolvent law. Assignments governed by the common law, except that a special partnership may not give preferences. Attachments, (plaintiff giving bond) when defendant has fraudulently left the State, etc. Exemptions: personal property, \$275.

**District of Columbia.**—No insolvent or assignment laws, except that assignments of the property of a special partnership, with preferences, are void. Attachment (plaintiff giving bond) when the defendant is non-resident, or removes or is about to remove his property, etc. Exemptions: clothing, furniture, \$300; tools, \$200; library, \$400; provisions, etc.

**Florida.**—No insolvent or assignment law. Attachments (the plaintiff giving bond) when defendant is non-resident, or about to part with his property fraudulently, or remove from the State, or fraudulently secretes property, etc. Exemptions: homestead, 160 acres in country, half acre in city, with buildings; personal property, \$1,000.

**Georgia.**—No insolvent law. Assignments regulated by a statute, which forbids preferences, or making a release of the debtor a condition precedent to receipt of dividends. Attachments (the plaintiff giving bond) when defendant is non-resident, absconds, conceals himself, resists a legal arrest, removes, or is about to remove his property, or fraudulently disposes of the same. Exemptions: homestead, to head of family, \$1,600; personal property, \$1,000.

**Idaho.**—Insolvent law, under which the debtor is discharged upon making an assignment, as therein provided, except in cases of fraud. Attachments, (plaintiff giving bond) in actions upon contract for the direct payment of money, when the plaintiff has no lien or security, or when the defendant is a non-resident, etc. Exemptions: homestead, \$5,000; certain enumerated personal property.

**Illinois.**—No insolvent law. Assignments without preference, allowed and regulated by statute. Attachments (plaintiff giving bond) when defendant is non-resident, absconds, conceals himself, or his property, is guilty of fraud, etc. Exemptions: homestead, \$1,000; furniture, \$100; selected property, \$100; certain farm stock.

**Indiana.**—No insolvent law. Assignments without preferences, or provision for release of debtor, allowed and regulated by statute. Attachments substantially same as Illinois. Exemptions: real or personal, at option of debtor, \$300.

**Iowa.**—No insolvent law. Assignments without preferences allowed and regulated by statute. Attachments substantially same as in Illinois. Exemptions: homestead, half acre in town, forty acres in country, with buildings thereon; enumerated personal property, \$1,200.

**Kansas.**—No insolvent law. Assignments without preference allowed and regulated by statute. Attachment substantially as in Illinois. Exemptions: homestead, one acre in town, 160 acres in country, with improvements; furniture, \$300, and other enumerated articles of personal property.

**Kentucky.**—No insolvent law. Assignments regulated by statute. Any preference may be set aside in six months. Attachment substantially as in Illinois. Exemptions: homestead, \$1,000, furniture, \$100; some farming stock, etc.

**Louisiana.**—Insolvent law, with compulsory proceedings by a judgment creditor, upon return of the execution "no property found." The debtor makes a surrender to the creditors, and may be discharged by consent of majority of creditors in number and amount, except in case fraud or preference is proved. Assignments without preference may be made without regard to the insolvent law. Attachment substantially as in Illinois. Exemptions: homestead and stock, \$2,000; furniture, etc., \$600.

**Maine.**—Insolvent law passed in 1878, modeled on the U. S. Bankrupt Law. Voluntary petition may be filed by debtor owing \$300. Involuntary proceedings by at least two creditors, having one-fourth in amount of the provable debts. Debtors owing less than \$300, may make an assignment in a summary manner. No percentage is required to be paid to entitle a debtor, for the first time insolvent, to discharge. Attachments within four months from date of filing petition dissolved. Preferences given within two months void, and may be recovered by assignee. Assignments are probably acts of insolvency, and may



be set aside by the assignee in insolvency, if made within four months of the filing of the petition. Otherwise probably good, if without preferences. Attachments on mesne process in all cases. Exemptions: homestead, \$500 (if recorded in proper office); furniture, \$50, and certain specified articles.

**Maryland.**—Insolvent law, under which the debtor is discharged upon surrender of his property, except where fraud or preference is proved. Assignments subject to rules of common law. Attachment (plaintiff giving bond) when defendant is non-resident, and in cases of fraud, etc. Exemptions: books, tools; \$100 selected property.

**Massachusetts.**—Insolvent law, similar to the U. S. Bankrupt Law. Proceedings generally the same, except that involuntary petition may be filed by one creditor, and the acts of insolvency are not so numerous. Discharge upon payment of fifty per cent., or by consent of majority in number and value of creditors. None in case of fraud or preference. Assignments are acts of insolvency, but good if not avoided by assignee in insolvency. Attachments on mesne process, in all cases. Exemptions: homestead, \$800, upon recording claim in proper office; furniture, \$300; stock and tools, \$100; and certain other articles of personal property.

**Michigan.**—Insolvent law, by which a debtor, with the consent of two-thirds of his creditors, and upon surrendering his property, may be discharged. Assignments allowed. Attachments (plaintiff giving bond) issue when defendant is a non-resident, or is guilty of fraud, etc. Exemptions: homestead, forty acres in country, with house thereon; or lot and house in town worth \$1,500; household goods, \$250; clothing and library, \$150; tools and implements, \$250.

**Minnesota.**—No insolvent law. Assignments without preference, allowed and regulated by statute. Attachment (plaintiff giving bond) when defendant is non-resident, conceals his property, is guilty of fraud, etc. Exemptions: homestead, eighty acres and buildings in country, lot and house in town; furniture, \$500; animals, with food and farming utensils, \$300; provisions, tools, etc., \$400.

**Mississippi.**—No insolvent law. Assignments not requiring a release of the debtor, allowed. Attachments (plaintiff giving bond) when defendant is non-resident, conceals property, or is guilty of fraud, etc. Exemptions: homestead, eighty acres, \$2,000; furniture, \$100; professional libraries, \$250; animals, provisions, etc., \$100.

**Missouri.**—No insolvent law. Assignments, without preference, allowed and regulated by statute. Attachments (plaintiff giving bond) when defendant is non-resident, conceals himself or property, or is guilty of fraud. Exemptions: homestead (against all debts subsequent to title), in places of 40,000 inhabitants, \$3,000; in places of less than 40,000 inhabitants, \$1,500; clothing, tools, etc., \$150; furniture, \$100; provisions, \$100.

**Montana.**—No insolvent or assignment laws. Attachments, in actions upon contracts to pay money, the plaintiff giving bond in double the value of property attached; also before debt due, if debtor fraudulently disposes of his property to defraud his creditors. Exemptions: homestead, \$2,500; necessary furniture, tools, etc.; books, \$100.

**Nebraska.**—No insolvent law. Assignments without preference, allowed and regulated by a recent statute, 1877. Attachments (the plaintiff giving bond) when defendant is non-resident, or conceals property, or is guilty of fraud, etc. Exemptions: homestead in country 160 acres, with buildings; in town 20 acres and house not to exceed \$2,000; if no homestead, \$500; personal property.

**Nevada.**—Insolvent law. No percentage or consent required for discharge, which is only from debts mentioned in debtor's schedules. None, if fraud or preference, etc. Assignments forbidden. Attachment (the plaintiff giving bond) in actions upon contract for direct payment of money where plaintiff has no security. Exemptions: homestead, \$5,000; furniture, \$100; domestic animals, tools, etc.

**New Hampshire.**—No insolvent law. Assignments without preference or provision for release of debtor, allowed and regulated by statute. Attachments on mesne process, in all cases. Exemptions: homestead, \$500; furniture, \$100; tools, \$100.

**New Jersey.**—No proper insolvent law. Assignment law by which the debtor is discharged from the debt proved under assignment, *except* where the debtor is guilty of fraud or concealment, etc. Attachments when defendant is non-resident or absconds from his creditors. Exemptions: homestead, \$1,000; personal property, \$200, and all wearing apparel.

**New Mexico.**—No insolvency or assignment law. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; clothing, tools, books, furniture, etc., etc.

**New York.**—Insolvent law under which the debtor surrendering his property is discharged by consent of the persons representing two-thirds of the debts. No discharge if fraud or preference is proved. No involuntary proceedings unless the debtor is imprisoned. Assignments and the duties of assignees have been regulated by recent acts, 1877 and 1878. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; must be recorded in the county where situate; clothing, furniture and supplies; tools, \$25; library, \$50; certain domestic animals, etc.

**North Carolina.**—A law by which, upon surrendering his property, the person of the debtor is freed from liability to arrest or imprisonment, *except* when fraud is proved; but the debt is not discharged. Assignments allowed. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; selected personal property, \$500.

**Ohio.**—A law similar to that of North Carolina. Assignments without preference allowed and regulated by statute. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; or, if no homestead, selected personal property, \$500; clothing, furniture, certain domestic animals, tools, etc.

**Oregon.**—Attachments (plaintiff giving bond) upon all contracts, payment of which is unsecured. Voluntary assignment law dissolves attachments if made at any time before judgment, distributes assets *pro rata* among all creditors presenting claims within three months. Exemptions: books and pictures, \$75; clothing, \$100, and \$50 additional for each member of family if a householder; tools, etc., \$400; special exemption to householders, of ten sheep, two cows, five swine, etc. Household goods, furniture, etc., to value of \$300 besides.

**Pennsylvania.**—Law similar to that of North Carolina. Assignments without preference allowed and regulated by statute. Attachments substantially as in Illinois. Exemptions: real or personal property, \$300; clothing, books, etc.

**Rhode Island.**—No insolvent law. Assignments allowed and regulated by a recent statute which took effect September, 1878. Attachments, or levies, within sixty days after the same are made or commenced, may be dissolved by an assignment without preferences under the act. Upon the giving of a preference by the debtor, any three creditors holding not less than one-third of the debts may petition the Supreme Court in equity for the appointment of a receiver of his estate, who is to take possession like an assignee in bankruptcy. Preferences given by the debtor within sixty days of the commencement of proceedings are void as under U. S. Bankrupt Law. There is no provision for the discharge of the debtor. Attachments when defendant is non-resident, or fraudulently contracted the debt, or conceals or disposes of his property, or has refused to apply his property to the payment thereof. Exemptions: furniture, etc., \$300; tools, etc., \$200.

**South Carolina.**—No insolvent law. Assignments according to common law. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; furniture, tools, etc., \$500.

**Tennessee.**—Law as to insolvency and assignments same as in South Carolina. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; household goods and stock.

**Texas.**—Law as to insolvency and assignments same as in South Carolina. Attachments substantially as in Illinois. Exemptions: homestead, \$5,000; furniture, tools and certain animals.

**Utah.**—Law as to insolvency and assignments same as in South Carolina. Attachments (when plaintiff has no security) substantially as in Illinois. Exemptions: homestead, \$1,000; and \$250 for each member of the family; furniture, tools, provisions, etc.

**Vermont.**—Insolvent law of 1876, modeled on the U. S. bankrupt law, with involuntary proceedings by one creditor to amount of \$250. No discharge, unless assets equal thirty per cent. debts, or by consent of majority in number and amount of debts proved. No discharge also in substantially same cases as in bankrupt law. Assignments appear to be acts of insolvency, which may be set aside by an assignee in insolvency if made within four months of filing his petition. Attachments on mesne process in all cases. Exemptions: homestead, \$500; specified articles of furniture, tools, etc.

**Virginia.**—No insolvent or assignment laws. Attachments substantially as in Illinois. Exemptions: to a householder, head of a family, real or personal property, \$2,000; library, \$100; wearing apparel, furniture, etc.

**Washington Territory.**—Law as to insolvency and assignments same as Virginia. Attachments substantially as in Illinois. Exemptions: homestead, \$1,000; clothing, libraries, furniture, animals, tools, etc., \$200.

**West Virginia.**—No insolvent law. Assignments regulated by statute, preferences being allowed. Attachments same as in Virginia. Exemptions: homestead, \$1,000; personal property, \$200.

**Wisconsin.**—Insolvent law, by which debtor is discharged upon surrendering property and complying with law. Assignments, with preferences, unless by limited partnerships, allowed and regulated by statute. Attachments substantially as in Illinois. Exemptions: homestead, 40 acres in country, one-fourth acre in town; clothing, furniture, \$200; farming tools, \$50; tools or stock in trade, \$200; printing material or presses, \$1,500, etc.

**Wyoming.**—No assignment or insolvent laws. Attachments substantially as in Illinois. Exemptions: homestead, \$1,500; selected personal property, \$500. Exemptions apply to residents of the territory only.

## THE PROCESS OF SETTLING TREASURY ACCOUNTS.

In the case of *Wm. S. McKnight, and others vs. The United States*, the opinion of the Court of Claims contains an explanation of the process by which accounts are settled in the United States Treasury Department. This opinion was delivered by Judge Wm. A. Richardson, formerly Secretary of the Treasury, and his experience in that Department has enabled him to present this complicated matter in a clear and concise form. We print that portion of the decision which contains the points of greatest general interest.

The claimants prove and rely upon a certificate of the Second Comptroller of the Treasury, made to the Secretary of War, January 6, 1873, certifying a balance of \$30,675.68 to be due to them as assignees of Simeon Hart, a Government contractor, for flour delivered by him; a requisition of the Secretary of War upon the Secretary of the Treasury, requesting him to cause a warrant to be issued thereon for the certified balance; and a warrant by the Assistant Secretary of the Treasury, addressed to the Treasurer, dated January 31, 1873, duly countersigned and registered, for the payment of the same, upon which there is a memorandum signed by the Secretary of the Treasury, directing that, of the amount, \$9,000 be paid to the Treasurer, and deposited by him in the Treasury in general account, on account of a debt due the United States by Simeon Hart, as security on a bond given by Lieut. Col. John B. Grayson, commissary of subsistence. Upon the warrant a draft for \$21,675.68 was drawn and issued to claimants by the Treasurer, and paid on presentation. The balance of \$9,000 was deposited in the Treasury according to said direction of the Secretary; and it is for the recovery of this balance that suit is now brought.

It further appears that the certified allowance by the accounting officers was made upon an alleged voluntary order, indorsement, or assignment by Simeon

Hart, of a voucher alleged to have been issued to him by J. B. Grayson, a commissary of subsistence, for flour delivered in May, 1861, under contract, but neither the delivery of the flour, nor the genuineness of the voucher or assignment thereof was proved in this Court, except by what is claimed to be *prima facie* evidence from the documents, of which copies are produced. Thus the claimants rely entirely upon the certificate of the balance found due by the Comptroller, the requisition of the Secretary of War, and the warrant of the Assistant Secretary of the Treasury, claiming that the action of the Secretary of the Treasury, in directing, by his memorandum on the warrant, a diversion of the money from the parties to whom it had been found to be due, and its application to another object, was unauthorized, and of no legal effect as against them in this action.

It will contribute to a correct determination of the force and effect of the acts of the public officers thus relied upon, to consider carefully how accounts and claims against the Government are settled throughout the several processes of settlement, examination, and certification to which they are subjected.

The *Revised Statutes*, § 236, require that "all claims and demands whatever by the United States or against them, and all accounts whatever in which the United States are concerned, either as debtors or as creditors, shall be settled and adjusted in the Department of the Treasury."

The principal officers to whom this great responsibility is committed by law are called "accounting officers," consisting of six Auditors (R. S. § 276), each acting separately upon different classes of accounts; and the Commissioner of the General Land Office, who is also an auditor of all public accounts relative to the public lands (R. S. § 456); two Comptrollers (R. S. § 268) each also acting separately in like manner; and a Commissioner of Customs, whose duties were transferred from the First Comptroller, and who, under another name, is a comptroller in matter of accounts relating to customs (R. S. §§ 316-318).

There are also other officers through whom accounts must pass for different purposes, in the Treasury Department and elsewhere, before payment is made, whose duties in connection therewith we shall refer to as we note in detail the course of business in settling accounts from the time a demand is brought to the Treasury Department until final payment thereof.

Accounts accruing in the War Department, relating to the pay and clothing of the Army, the subsistence of the officers, bounties and premiums, military and hospital stores, ordnance, recruiting, medical, Freedmen's Bureau, Soldiers' Home, and for contingent expenses, are received and examined by the Second Auditor. Those relating to the subsistence of the Army and the Quartermaster's Department, engineers, river and harbor surveys and improvements, compensation for losses of horses and equipments of officers and enlisted men in the military service, for the losses of horses and equipments, or of steamboats and all other means of transportation, in the service of the United States by contract or impressment, and generally all accounts of the War Department, other than those provided for, are received and examined by the Third Auditor (R. S. § 277). When examined, the Auditor certifies in each case the balance, and transmits the account, with the vouchers and certificate, to the Second Comptroller for his decision thereon (R. S. § § 273, 277).

The Second Comptroller examines the same and certifies the balance arising thereon, and his certificate is returned, with the vouchers, to the Auditor, who transmits the certificate to the Secretary of War, in whose department the expenditure have been incurred, for a requisition thereon (R. S. § 273).

The Secretary of War, upon this certificate, draws a requisition on the Secretary of the Treasury, requesting him to cause a warrant for the amount specified to issue in favor of the claimant, to be charged to the appropriation to which specific reference is made (R. S. § 3,673).

The requisition signed by the Secretary of War is forwarded by him to the Second Comptroller, who countersigns the same (R. S. § 273), and sends it to the Auditor by whom the account was first audited.

The certificate is returned to the Auditor, who files the same with the vouchers in his office, records the requisition, certifies to it, and sends it to the Secretary of the Treasury (R. S. § 283).

A warrant is then drawn in the warrant division of the Secretary's office and charged to the proper appropriation. The warrant is addressed to the Treasurer of the United States, directing him to pay to the person named, the amount specified, to be charged to the appropriation named in the margin (R. S. §§ 248, 3,675). This is examined by one of the Assistant Secretaries (R. S. § 245), and is signed either by the Secretary, or, in certain cases, by special appointment of the Secretary, by one of the assistants (R. S. § 246). It then goes to the First Comptroller, who countersigns the same, it being his duty "to countersign all warrants drawn by the Secretary of the Treasury, which shall be warranted by law" (R. S. § 269). It is next sent to the Register, who, after recording and certifying to the same, transmits it to the Treasurer.

The Treasurer thereupon draws a draft, payable by the Treasurer in Washington, or elsewhere by an Assistant Treasurer or designated depository, to the order of the person named in the warrant, signs the same, transmits it to the Register for record and certification by him, and on its return delivers it to the party to whom it is made payable, or his attorney, or to whomever he may order, unless the Secretary of the Treasury, by a memorandum on the warrant, otherwise directs. The Treasurer relies wholly upon the warrant as it reaches him under the signature of the Secretary or an Assistant Secretary of the Treasury, and he strictly follows its directions as his authority and justification.

Then, and not till then, is the settlement consummated and payment authorized (R. S. §§ 3,593, 3,644).

Accounts of the Navy Department are settled in the same manner, except that they go to the Fourth Auditor (R. S. § 277), and the requisition is drawn by the Secretary of the Navy (R. S. § 273). So are the accounts relating to Indian affairs and to agents of lead and other mines, except that they go to the Second Auditor, and accounts relating to pensions of the Army, which go to the Third Auditor, and those relating to pensions of the Navy, which go to the Fourth Auditor (R. S. § 277), and all require requisitions from the Secretary of the Interior, instead of other heads of departments (R. S. § 444); but they are passed upon by the Second Comptroller, and in all other respects are subject to the same departmental processes as stated with reference to claims on the War Department.

As to the settlement of the accounts of other departments there is some variation in the course of business from that which we have stated.

The First Auditor receives and examines all accounts accruing in the Treasury Department; accounts of salaries in the Patent Office; of judges, marshals, clerks, and other officers of courts, of the officer in charge of the public buildings and grounds in the District of Columbia; of the Congressional Printer; of expenditures for the Department of Agriculture; for public buildings and for prisoners convicted by United States Courts, and certifies the balances and transmits the same with the vouchers, those relating to the customs to the Commissioner of Customs, and all others to the First Comptroller (R. S. § 277). The Fifth Auditor, receives and examines all accounts relative to the State Department, all accounts of the Commissioner of Internal Revenue, and those relating to the contingent expenses of the Patent Office and the Post Office Department, and accounts of the census, and certifies the balances to the First Comptroller (R. S. §§ 273, 277).

The Commissioner of the General Land Office also certifies the balances found by him, as an auditor, to the First Comptroller (R. S. § 456).

The Commissioner of Customs examines the accounts thus transmitted to him, and certifies the balances arising thereon to the Register, and there his duty ends.

The First Comptroller in like manner certifies to the balances arising on the accounts thus transmitted to him directly to the Register (R. S. § 269), by whom the accounts, vouchers, and certificates are filed and preserved (R. S. §

313), and a copy of the certificate in each case sent to the secretary of the department in which the expenditure has been incurred (except when it is the Treasury Department), who indorses thereon a request to the Secretary of the Treasury to "please cause a warrant to be issued in accordance with the certified copy of settlement," and forwards the same to the Secretary of the Treasury, in the warrant division of whose office it is then filed as a basis for drawing a warrant.

When the expenditure has been incurred in the Treasury Department, the Register transmits to the Secretary of the Treasury copies of the certificates of balances adjusted (R. S. § 313), and they are sent to the warrant division, and warrants issue, and other proceedings are had precisely as in account which pass the Second Comptroller, as before explained.

There are kept in the warrant division of the office of the Secretary of the Treasury, and in the offices of the Register and First Comptroller, separate appropriation-accounts, in which are credited the amounts appropriated by Congress to each specific object, the Secretary issuing appropriation-warrants to the Register and Comptroller therefor. These accounts, in each of those three offices, are charged with all warrants from time to time drawn against them respectively (R. S. §§ 313, 3,675). And the Second, Third, and Fourth Auditors, performing the duties of register for the War, Navy, and the Interior Departments, in whole, or in part, also keep like appropriation-accounts for those departments (R. S. § 3,673). Thus, the different officers of the Treasury Department have checks upon each other in the drawing of money from the public funds.

The Post Office Department accounts are kept, audited, controlled, and paid in an anomalous manner as compared with all other Government accounts. All the revenues deposited in the Treasury on account of that department stand to the credit of the Treasurer of the United States, for service of the Post Office Department, and there is no comptroller of accounts as a separate officer (R. S. §§ 406, 407, 408, 3,642, 3,643, 3,674). Accounts are examined by the Sixth Auditor, who performs not only the duties ordinarily belonging to an auditor, but also those of a register and comptroller (R. S. § 277). When he certifies a balance due, a warrant therefor is drawn on the Treasurer for the amount, signed by the Postmaster-General, and countersigned by the Sixth Auditor. It is then transmitted to the Treasurer, who records the same, directs, by an order on the face thereof, its payment out of the Treasury, and returns in it to the Postmaster-General.

This is not only a warrant, but is a draft also, payable to the order of the creditor, and is delivered to him for collection, and upon that warrant and draft, payment is made, the funds of that department not being subject to the warrant of the Secretary of the Treasury, as are other public moneys in the Treasury (R. S. §§ 3,642, 3,674).

If the Postmaster-General, or any person whose account has been settled by the Sixth Auditor, is dissatisfied with the settlement, he may, within twelve months, appeal to the First Comptroller, whose decision shall be conclusive (R. S. § 270).

Such is the method of the final settlement of all accounts in the Treasury omitting much detail which occurs in carrying on the general course of business.

But vast sums of money are paid to parties for salaries and on other accounts by disbursing officers before the claims have passed the Treasury accounting, and the number of such officers is large, their appointments being provided for by special or general provisions of statute (R. S. §§ 56-58, 62, 176, 255, 496, 1153, 1382, 1550, 1563, 1765, 1951, 3144, 3646, 3648, 3658, 3677, 4839 etc., etc.) They are all under bonds, and are responsible for the legality and correctness of their payments. Their accounts are finally settled through the accounting officers, and every item charged therein is subject to examination and adjustment, as are all other demands, and only such are allowed as are found to be sufficiently vouched for and to have been legally and rightly paid. All others are rejected, and the disbursing officer and his

bondsmen are held liable for any balances found against him on such settlement (R. S. §§ 3622-3625; *McKee vs. United States*, 12 Ct. Cl. R. 553).

Most of the accounts of the State Department are paid in that manner through different disbursing officers and otherwise, before being finally audited, and so are all those of the Department of Agriculture, the Commissioner of Agriculture being himself the disbursing officer (R. S. § 3677), and neither he nor the Secretary of State draws requisitions, or requests, for settlement-warrants to issue on the certified balances of the accounting officers. To these disbursing officers the money is advanced on advance-warrants drawn in most cases by requisition or request from the heads of the departments in which the money is required, recognized by statute as to the Secretary of the Senate, the Attorney-General, and Secretary of the Interior (R. S. §§ 56, 369, 444), and allowed in practice as to all the departments. The money advanced thereon is passed to the credit of the disbursing officers by the Treasurer, the assistant treasurers, or designated depositaries, and drawn by them only on their checks when required and under rules to which they are made subject by department orders and statute provisions, or is received and paid out in cash (R. S. §§ 3620-3623).

Coupons on bonds and quarterly-interest checks of the public debt are paid on presentation, without advance warrants being drawn therefor, but the Treasurer is reimbursed monthly by warrants drawn on his requisitions, by the Secretary of the Treasury for the amounts thus paid, and subsequently they pass the accounting officers as items of credits in his accounts. But interest on registered bonds (except that on the funded loans, so called, which is paid by checks) is always advanced to the Treasurer and assistant treasurers, upon advance-warrants as in other cases.

Consuls in foreign countries draw drafts upon the Secretary of the Treasury or Secretary of State to the extent of what appears to be due them, and so do sometimes the ministers of the United States to other Governments, although generally the latter officers draw upon the agents or disbursing officers appointed for that and other like purposes in London. These drafts are paid on warrants drawn upon requisitions of the Secretary of State, and are charged to the respective drawers, to be accounted for on final settlement; and the accounts of all these officers are finally examined and passed upon by the accounting officers, and payments thus advanced are charged against them.

These different processes in the settlement of claims and demands upon the Government from their receipt by the Auditor, through the several stages of examination, certification, and drawing of warrants for payment up to the time when the Treasurer issues his drafts, are all matters of accounting, to justify the Treasurer in paying out the public money, and are not consummated beyond recall until the claimants receive the negotiable drafts of that officer, drawn according to the convenience of parties upon the Treasury proper in Washington, or upon one of the several assistant treasurers or designated depositaries in some other place.

Such drafts are understood to constitute new contracts on the part of the Government, into which the previous claims upon which they issue are merged, and are valid and binding upon the United States in the hands of *bona fide* holders, by indorsement, for valuable consideration, as commercial bills of exchange and promissory notes are between individuals, whatever valid objections or defenses there may have been to the original claims and accounts upon which the settlements were made and drafts issued (R. S. § 308; *The Floyd Acceptances*, 7 Wall. 666).

The certificates and orders made previously to the issuing of the drafts are departmental proceedings, directions among the several public officers, none of which are delivered to the claimants, or even allowed to be seen and examined by them without leave from some officer having authority to grant it. Parties gain no new rights thereby, into which their former rights of action are merged, and upon which actions can and must be brought as upon an award. There is nothing in the proceedings in the nature of a submission to arbitration.

## NATIONAL BANKS AND STATE USURY LAWS.

UNITED STATES CIRCUIT COURT—WESTERN DISTRICT OF PENN.

*The First National Bank of Mt. Pleasant Penn. vs. J. O. Tinstman.*

A National bank in Pennsylvania may lawfully charge and receive the same rate of interest as any State bank of issue is authorized to charge.

The several State banks incorporated by special Acts of Assembly, and named in this case stated, have the *power*, under their charters and the general Acts of Assembly relating to banks, to issue.

Having this power, and being authorized by their charters to charge such a rate as may be agreed upon between the bank and its customer, any National bank in Pennsylvania may charge and receive such a rate of interest as may be agreed upon between it and its customer, under the provisions of Section 5,197 of the *Revised Statutes* of the United States.

And now, December 28th, 1878, it is hereby agreed, by and between the parties to the above suit, that the following case be stated for the opinion of the Court in the nature of a special verdict.

The plaintiff is a National bank, duly organized and incorporated in 1868, under the Acts of Congress of the United States providing for the incorporation and regulation of National banks, and is located at Mount Pleasant, in the State of Pennsylvania, where it has been carrying on business since 1868.

On the 1st day of October, A. D. 1875, the defendant, being then indebted to the plaintiff, gave to it in good faith, to secure said pre-existing debt, a mortgage dated October 1st, A. D. 1875, and duly recorded in the Recorder's office of Westmoreland county, Pennsylvania, in Mortgage Book, vol. 9, page 28—which is the mortgage upon which the above suit was brought.

The indebtedness originated in manner as follows: The defendant, desirous of procuring a loan from the plaintiff, procured his (defendant's) brother, A. O. Tinstman, to indorse defendant's note for him (defendant), and defendant took this note to the plaintiff. Whereupon, the plaintiff, knowing the indorsement to be for the accommodation of the maker, took the note, deducted from the face of it the amount of interest agreed upon, to wit: at the rate of nine per centum per annum, and paid to the defendant the balance in money. This note was renewed from time to time at same rate of interest until the mortgage was given on the 1st day of October, 1875, which was given for the amount then due on said loan—for debt and interest as aforesaid.

The total sum of the said precedent debt, principal and interest, was \$8,233.79. The rate of interest taken, charged and received by the bank on account of said indebtedness, was agreed upon between said bank and said defendant, and was nine per cent. per annum, and amounts in the aggregate to the sum of \$3,134.20, and was so taken by said bank between the 28th day of July, A. D. 1871, and the 1st day of October, A. D. 1875.

The defendant admits that plaintiff is entitled to a judgment in this case for \$5,099.59, being the whole of said principal less said \$3,134.20, but the plaintiff claims a judgment for the whole of said \$8,233.79, with interest from June 4th, 1876.

The following named banks of the State of Pennsylvania have, from the date of their respective charters, by special Acts of Assembly, been organized and carrying on business under said Charters and Acts, in the State of Pennsylvania, and said Acts of Assembly of the State of Pennsylvania herein referred to, by title and date of approval, shall be considered as though they were each recited at length herein, and may be so regarded for the purposes of this case.

An Act entitled "An Act to incorporate the Manayunk Bank, located in the City of Philadelphia." Approved June 14th, A. D. 1871.

An Act entitled "An Act to incorporate the Bank of America." Approved April 27, A. D. 1870.



[ Here follow the dates of various other Acts incorporating State banks.]

Each of said banks claims the right to issue its own bank notes under the said Acts of Assembly, and the Acts of Assembly hereinafter referred to, but no one of said banks ever issued its own bank notes, and the defendant claims that under said Acts of Assembly none of said banks have the right to issue.

And the following Acts of Assembly of the State of Pennsylvania referred to by title and date of approval, shall be considered as though they were each recited at length herein, and may be so regarded for the purposes of this case.

[ Here follows a reference to all the General Banking Laws of the State of Pennsylvania.]

If the Court should be of opinion, on the above stated facts, that the plaintiff could lawfully take, charge, and receive, of and from the defendant, by agreement between the plaintiff and defendant on such a direct loan, interest at the rate of nine per centum per annum, then judgment shall be entered in favor of the plaintiff for the sum of \$ 8,233.79, with interest from June 4, 1876; but if the Court should be of opinion that the plaintiff could not legally take, receive, and charge, by agreement, as aforesaid, interest at the rate of nine per centum per annum, but that the same was usurious, and that the off-set of \$ 3,134.20 was claimed by the defendant in due time, under the Acts of Congress, then judgment shall be entered for the plaintiff for the sum of \$ 5,099.59, with such, if any, interest, it may be entitled to under the above stated facts, either party reserving the right to sue out a writ of error.

D. T. WATSON, *Attorney for Plaintiff.*

WELTY McCULLOGH, *Attorney for Defendant.*

December 21st, 1878.

*D. T. Watson*, for plaintiff, argued that the several Acts incorporating the State banks, taken in connection with the several banking laws of the State, gave these banks the power to issue. That having the power, it was immaterial that it had never been exercised. That as the charters of these banks permitted them to receive on the discount of notes, &c., such an amount of interest as was agreed upon between the customer and the bank, that therefore, under Section 5,197 of the *Revised Statutes* of the United States, any National bank in Pennsylvania could take and charge the same. *The First National Bank of Mt. Pleasant vs. Duncan & Bro.*, 25 *Pittsburgh Legal Journal*, p. 169; *Tiffany vs. The Bank of Missouri*, 18 *Wallace* 409.

*Welly McCullogh*, for defendant, claimed that Section 5,197 referred to the general laws of the State, and not to any special law incorporating and granting any special privilege to one particular bank, and that as the general law, in reference to interest, limited, in Pennsylvania, the rate to six per cent., a National bank in Pennsylvania could take or charge no more.

The Court. (MCKENNAN, Cir. J.). January 20, 1879. Judgment is hereby rendered for the plaintiff in the within case stated, for \$ 8,233.79 with interest from June 4, 1876.

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PREFERRED CREDITOR.—The defendant bank was the creditor of the bankrupt by note of four thousand dollars, and was at the same time indebted to the bankrupt on deposit account to the amount of four thousand five hundred dollars. Prior to proceedings in bankruptcy, and on the day before the maturity of the note, the defendant, having knowledge of the insolvency of the bankrupt, received from the bankrupt a check for four thousand dollars, and thereupon surrendered the note; and by the transaction, to that extent, reduced the amount of the deposit account in favor of the bankrupt upon the books of the defendant. Held that the transaction was an adjustment of mutual debts, and not a fraudulent preference of a creditor.—*Robinson vs. Wis. M. and F. Ins. Co., bankrupt*, U. S. Cir. Ct., E. D., Wis.

## LEGAL MISCELLANY.

[FROM THE AMERICAN LAW REVIEW.]

**CORPORATIONS.—1. Possess only powers conferred: *ultra vires*.**—Corporations possess such powers, and such only, as the law of their creation confers upon them; and when created by public acts of the Legislature, parties dealing with them are chargeable with notice of their powers, and the limitations upon them, and cannot plead ignorance in avoidance of the defense of *ultra vires*. *Franklin Company vs. Lewiston Institution for Savings*.

2. *Subscription by Savings institution to mill stock.*—The trustees of the Lewiston Institution for Savings subscribed for \$50,000 of the capital stock of the Continental Mills, and having no money to pay for it, the Franklin Company, another corporation, paid that amount to the Continental Mills, taking the notes of the Savings institution therefor, and a certificate of the stock in their own name as collateral security for the payment of the notes. *Held*, that the action of the trustees of the Savings institution was *ultra vires*; that it is not within the authority of Savings institutions, at a time when they have no funds for investment, to purchase stocks or other property, not needed for immediate use, on credit, and thus create a debt binding upon the institution; that the Franklin Company, having participated in the illegal transaction, could not claim the privileges of a *bona fide* holder of commercial paper; and that the Savings institution, having received no benefit from the transaction, was not estopped to set up the defense of *ultra vires*. *Ib*.

3. *Corporations cannot deal in stocks unless authorized.*—*Semble*, upon the authorities cited, that in the United States, corporations cannot purchase, or hold, or deal in the stocks of other corporations, unless expressly authorized to do so by law. *Ib*.

4. *Change in corporate name does not invalidate subscription to capital stock.*—A valid subscription to the capital stock of an incorporated company is not rendered invalid by a change of its corporate name in accordance with a legislative act; and the company may sue for and recover the subscription under its new name. *Bucksport & Bangor Railroad Co. vs. Buck*.

5. *Estoppel: irregular notice of meeting.*—A subscriber to stock of an incorporated company, who as an officer participates in the calling of a meeting for its permanent (not preliminary) organization, and is therein chosen a director and acts as such, thereby waives his right to avoid payment on the ground of the insufficiency of the notice of the call for the meeting. *Ib*.

6. *Conditional subscription.*—A conditional subscription to stock of an incorporated railroad, held valid and to constitute a part of the amount of the subscriptions required as condition precedent to bind other subscribers. *Ib*.

**SURETIES.**—Where sureties engaged for the faithful discharge of the duties of bookkeeper of a city bank, and the principal in the bond was employed in the double capacity of bookkeeper and teller without the knowledge of the sureties, and while thus employed he made false entries in the books of the bank, by which erroneous payments of money made by him as teller were concealed, or in consequence of which they were made, and loss accrued to the bank, it is immaterial whether the loss to the bank was caused by the wrongdoing of the employee as bookkeeper or by his wrongdoing as teller. In either case can the sureties be held, where it is found as a fact in the case that the offices of bookkeeper and teller are quite distinct, and that those of a teller are more responsible, and that as teller the employee was afforded opportunities and exposed to temptations to take money of the bank which, as bookkeeper, he would not have had? The change imposed upon the sureties a risk which they did not undertake, and exonerated them from all liability on the bond.—*Home Savings Bank vs. Traube & Bircher*, St. Louis Ct. of Appeals.

## BANKING AND FINANCIAL ITEMS.

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THE ANNUAL TEST OF THE COINAGE, finished at the Philadelphia Mint on February 13th, showed that the dollars coined at San Francisco were .01325 heavy, and quarters coined at Philadelphia .052 heavy. The other variations from the standard were in the opposite direction, the greatest being in San Francisco gold coins, which were .152 light.

NEW YORK.—The resignation of Mr. Robert H. Lowry, for many years President of the National Bank of the Republic, was followed by the promotion to that office of Mr. Henry W. Ford, recently Cashier. At a meeting of the board of directors, held January 31, Mr. Eugene H. Pullen was unanimously elected Cashier.

REDUCTION OF BANK CAPITAL.—At a meeting held February 8th, the stockholders of the St. Nicholas National Bank decided to reduce the capital of the bank from \$1,000,000 to \$500,000, owing to the oppressive taxation. It is said that the bank will save \$15,000 a year in the payment of taxes by the reduction.

REDEMPTION OF FRACTIONAL PAPER CURRENCY.—In February, 1876, the issue of fractional paper currency was stopped and all that currency presented was redeemed in fractional silver. When the issue of the fractional paper ceased, there was \$45,000,000 outstanding. A commissioner appointed by Secretary Sherman estimated that of this amount about \$8,000,000 would never be presented for redemption, having been destroyed or lost. There is still outstanding about \$16,000,000 fractional paper currency, of which amount about \$2,000,000 is in three cent and five cent notes. It is now estimated that there will ultimately be redeemed only \$4,000,000, leaving \$12,000,000 as profit to the Government. The redemption of fractional paper currency has steadily decreased since 1876, and now only small sums are received for redemption.

CONSOLIDATING BANK NOTE COMPANIES.—On January 31, the stockholders of the American, National, and Continental bank note companies held separate meetings and voted in favor of consolidation. The new company is organized under the New York State law of February 8, 1847, under the name of the American Bank Note Company. Its office will be the one heretofore occupied by the American Bank Note Company. The National Company has, at present, a contract with the United States Government for printing and engraving postage stamps, and the Continental Company has a similar contract for printing and engraving proprietary stamps. An opinion has been furnished by the Attorney-General to the effect that under the law, these contracts may be transferred to the new corporation. The consolidation was determined upon in view of decreased business and the establishment by the Government of its own Bureau of Engraving and Printing.

CALIFORNIA.—The First National Gold Bank of Stockton has gone into liquidation for the purpose of reorganization under the title of the "First National Bank of Stockton." The same capital and management will continue in the new institution, the only change being in the omission from the title of the word "Gold," and the substitution of currency circulation for gold notes. Mr. H. H. Hewlett is to be cashier and manager as heretofore.

DELAWARE.—Evan Rice, Cashier of the Wilmington and Brandywine National Bank was arrested in Wilmington, on February 6th, on a charge of embezzling about \$27,000 of the bank's funds. A bank examiner is investigating the accounts of the bank to ascertain the amount of the defalcation. It is said the amount embezzled will not exceed \$20,000, and will not affect the financial standing of the bank; that the amount of Rice's bond, \$10,000, will be paid by his bondsmen, and that Rice has conveyed \$5,000 worth of property to the bank.

**MARYLAND.**—Dr. John Hanson Thomas, on January 23d, resigned the Presidency of the Farmers & Merchants' National Bank of Baltimore on account of ill-health, and has gone to Florida, to remain until the spring. The *Baltimore American* says that "Dr. Thomas has been President of the bank for more than forty years, and on several occasions during troublous times exhibited marked skill and ability in safely steering the institution through them all. On one occasion during an unusual stress, and when financial disasters overtook many moneyed institutions, he pledged a large portion of his private securities for the bank, and placed it in a position of safety. The board, in accepting his resignation, passed a series of resolutions of a highly complimentary character to him, showing their appreciation of his valuable services. Mr. James Sloan, Jr., the cashier of the bank, and one of the finance commissioners of the city, was elected to fill the vacancy."

**MASSACHUSETTS BANKS.**—The annual report of the Bank Commissioners states that there are now 168 Savings banks doing business in the State, and during the past year eight banks have been placed in the hands of Receivers, to be wound up. Five Savings banks have been temporarily enjoined by decrees of the Supreme Judicial Court, and remain under the management of their officers. The total of the deposits in the Savings bank doing business Oct. 31, 1878, was \$209,860,631.18 being a decrease of \$34,735,783. This decrease includes \$7,262,400.62 in the banks which are in the hands of Receivers. The amount of surplus, including a guarantee fund of \$1,524,196.65, was \$5,873,586.39, being an increase of \$691,051.53. The amount deposited during the year was \$29,763,370.14, a decrease from the previous year of \$12,831,862.44. The amount of the withdrawals was \$58,254,071.27, being \$10,335,832.40 more than in the previous year. The number of withdrawals was 503,697 an increase of 3,714. The report states that the Loan and Trust Companies appear to have been carefully managed, and some of them are increasing the business of their trust departments.

**MISSOURI.**—The Missouri House of Representatives has passed a bill hedged by very rigid penalties which forbids more than six per cent. interest for any loans, and fixes five per cent. as the rate where no rate is agreed upon. The measure caused consternation at St. Louis, and the Merchants' Exchange of that city telegraphed to Jefferson City, urging the Senate to defer action until a special committee can be heard. If the bill should become a law, St. Louis bankers say that they would call in their loans, distribute their assets and put up their shutters.

*St. Louis.*—Another St. Louis bank has gone out of business. The officers of the Lucas Bank, of that city announced on February 14th, that the stockholders of this institution have decided to wind up its business. The reason given is that the profits of the business do not pay a fair interest on the capital invested. The business of the bank has been transferred to the Mechanics' Bank of St. Louis, where deposits will be paid in full on demand. It is stated that the stockholders will realize \$120 per share, the par value being \$100.

**NEW JERSEY.**—The Central National and First National Banks, of Hightstown, have effected a consolidation, taking the name of First National Bank of Hightstown, N. J. The new bank will occupy the building of the old Central National, and will begin with a capital of \$150,000.

**NEW YORK.**—The First National Bank of Saratoga, N. Y., was reopened on February 20th, with new capital and officers, Augustus Bockes, Justice of the Supreme Court, is President; and William Bockes, Cashier.

**RHODE ISLAND.**—The commissioners appointed to examine the condition of the Citizens' Savings Institution at Woonsocket, Rhode Island, report its gross assets at \$253,084, liabilities \$264,588. They recommend that the bank be wound up.

**TENNESSEE.**—The Tennessee Senate recently rejected the bondholders' proposition to compromise the debt of that State. The Tennessee House has now, by a vote of fifty-two to twelve, defeated a resolution providing for compromising the debt at fifty cents on the dollar in new bonds bearing four per cent. interest. No settlement of the debt is to be expected from this session of the Legislature.

VERMONT.—Mr. Leander Hutchins died at Waterbury, on February 17th, in his eighty-first year. From 1854 to 1865 Mr. Hutchins was President of the Bank of Waterbury, and upon its reorganization under the National banking system, continued in that office until 1874.

VIRGINIA.—The Virginia Senate on February 22d, after four days' debate, passed the bill for funding the State debt, which embraces the plan proposed by the creditors. It passed by a vote of thirty to eleven, being opposed by the party known as the "forcible readjusters." The bill has to go to the House, where the opposition to it is stronger, but it is expected to pass that body also. It provides for a new funding of the State debt into forty year bonds, and for the payment of three per cent for ten years, four per cent for twenty years, and five per cent for ten years. Under the bill it will be necessary for two consols bonds to be presented for funding with every "peeler" bond, there being twenty millions of consols and ten millions of "peelers" outstanding. By the terms of the bill the Funding Association of the United States, of which Hugh McCulloch is President, and the council of foreign bondholders in London are made the financial agents of the State, and are alone intrusted with the power to fund the debt.

Petersburg.—The Commercial National Bank of Petersburg has gone into liquidation, and the business of the bank will be wound up as soon as practicable. The good-will and fixtures of the bank have been purchased by the Petersburg Savings and Insurance Company. The Commercial was the last National bank in the city, two other banks having been swept away by the panic of 1873.

LA BANQUE JACQUES CARTIER.—Under its new management this bank appears to have gotten over its difficulties and to be in a fair way to prosperity. The shareholders have applied to the Federal Parliament for power to reduce the bank capital to not less than \$500,000, by reducing the number of shares and by annulling the shares owned by the bank itself, if deemed expedient. An examination has shown that the net profits of the past year have been equal to a dividend of six per cent. on this amount. Among the new directors we are pleased to find the name of Mr. W. Weir, banker, of Montreal.

ENGLISH MAGAZINES.—The reprints of the Leonard Scott Publishing Company, of New York City, furnish the standard British magazines at very moderate cost. These comprise: *The London Quarterly*, *Edinburgh*, *Westminster*, and *British Quarterly Reviews*, and *Blackwood's Magazine*. Either one is supplied at four dollars a year, or the whole five for fifteen dollars, the postage being prepaid by the publishers.

GERMAN COINAGE.—On the 21st of December, 1878, there had been coined under the new Imperial German Currency law, as much as 1,671,754,345 marks in gold, or about \$417,938,000. This coinage has been as follows:

Double crowns .....	\$ 311,103,000
Crowns .....	99,842,000
Half crowns .....	6,993,000
Total .....	\$417,938,000

The total coinage of gold of the Imperial mints for the twelve months ending December 21, 1878, amounted to 135,842,900 marks or \$33,960,000.

The total amount of subsidiary silver coinage under the new Currency law is about \$106,676,900.

In this coinage, the Imperial Treasury has gained upon the commodity value of the silver consumed, at least 42,000,000 marks or \$10,500,000, while losing, as has been estimated, at least 62,500,000 marks or \$15,625,000 in withdrawing and selling the old silver.

SILVER IN THE AUSTRIAN BANK.—From September 30, 1878, to January 15, 1879, the silver in the Austrian National Bank increased from £6,900,000 to £9,070,000. There was no change in the gold, which at both dates was a little below £8,000,000. The larger part of the recent silver coinage by the Austrian mint, seems to have found a lodgment in the vaults of the Bank.

**SERVIAN CURRENCY.**—Among the first acts of its newly-acquired independent power, Servia has adopted the double standard, with a coinage and a relation of value between the metals assimilated to those of the French. The unit of their money is the exact equivalent of the franc and is called a *Dinar*. The Minister of Finance is ordered to coin the following amounts.

Gold.....	\$ 1,880,000
Silver.....	677,880

**FRENCH LOANS IN LONDON.**—As an illustration of the extent to which the French loaned money in London during 1878, it appears from the annual report of one of the Paris financial companies, the *Comptoir d'Escompte*, that its profits in London discounting in 1878 amounted to 2,379,136 francs.

**SPECIE IN THE BANK OF FRANCE.**—The London *Economist* publishes a statement, on the authority of M. A. Foville, holding a position in the office of the French Minister of Finance, of the amounts of gold and silver held by the Bank of France on the 31st of December in each year since 1850. The statement shows that on the 31st of last December, the silver was in excess of the gold for the first time in many years, the figures being as follows :

December 31.	Gold, in francs.	Silver, in francs.
1877 ..	1,176,900,000	865,400,000
1878 ..	983,500,000	1,058,100,000

On the 25th of last July, the silver in the Bank of France amounted to 982,000,000 francs.

**SENTENCE OF A MINT ROBBER.**—M. Delbecque, Director of the French Mint, was sentenced, at Bordeaux, on February 10th, to six years' imprisonment and \$25,000 fine for embezzling \$280,000 in bullion, which had been lodged in the Mint by the Rothschilds. M. Delbecque substituted galvanized copper bars for the bullion which he embezzled.

**REFUNDING IN CONGRESS.**—In the Senate, Mr. Morrill (Vermont), from the Committee on Finance, submitted, on February 14th, a motion to request the House to return to the Senate the bill passed a few days ago to authorize the issue of certificates of deposit in aid of the refunding of the public debt. He said the object was to amend it so that the proceeds might be applied to something besides the five-twenty bonds. These bonds were so rapidly being refunded that soon there would be none of them. It was thought by the committee of the House that the bill should be amended so as to apply to other bonds, but the House could not amend it, the bill having already passed that body. The motion was agreed to.

On February 18th Mr. Morrill moved to reconsider the vote by which the House bill to authorize the issue of certificates of deposit in aid of the refunding of the public debt was passed last week. Agreed to.

He then submitted an amendment to apply the proceeds from such certificates to the payment of any bonds bearing interest at a rate of not less than five per cent. instead of to the payment of five-twenty bonds alone, which pay six per cent. interest, as provided in the original bill. The amendment was agreed to and the bill was passed.

**TAXES.**—The theory of the revenue law is, that the property is liable for the taxes without regard to whom the land may be set down as reputed owner, or who may own the land when assessed or when sold for taxes.—*Virden vs. Bowers*, Sup. Ct., Miss.

**CALLS OF FIVE-TWENTY BONDS.**—Since our last record the following calls have been made by the Secretary of the Treasury. The bonds are known as "Five-Twenty Bonds," of the Act of March 3rd, 1865, Consols of 1867, and will be paid at the Treasury of the United States, in the City of Washington, on and after the dates specified respectively :

Eighty-fifth call, dated January 28, 1879; Matures April 28.

*Coupon Bonds.*—\$ 50, Nos. 64,001 to 70,000 ; \$ 100, Nos. 85,001 to 100,000 ; \$ 500, Nos. 62,001 to 69,000 ; \$ 1,000, Nos. 86,001 to 100,000. Total coupon,

\$10,000,000. *Registered Bonds*.—\$50, Nos. 2,551 to 2,800; \$100, Nos. 18,501 to 20,300; \$500, Nos. 9,351 to 9,900; \$1,000, Nos. 35,301 to 38,200; \$5,000, Nos. 10,151 to 10,800; \$10,000, Nos. 17,001 to 18,450. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-sixth call, dated February 1, 1879. Matures May 1.

*Coupon Bonds*.—\$50, Nos. 70,001 to 75,000; \$100, Nos. 100,001 to 115,000; \$500, Nos. 69,001 to 75,000; \$1,000, Nos. 100,001 to 114,000. Total coupon, \$10,000,000. *Registered Bonds*.—\$50, Nos. 2,801 to 3,000; \$100, Nos. 20,301 to 21,900; \$500, Nos. 9,901 to 10,650; \$1,000, Nos. 38,201 to 40,900; \$5,000, Nos. 10,801 to 11,500; \$10,000, Nos. 18,451 to 19,700. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-seventh call, dated February 6, 1879. Matures May 6.

*Coupon Bonds*.—\$50, Nos. 75,001 to 80,500; \$100, Nos. 115,001 to 130,000; \$500, Nos. 75,001 to 81,000; \$1,000, Nos. 114,001 to 129,000. Total coupon, \$10,000,000. *Registered Bonds*.—\$50, Nos. 3,001 to 3,100; \$100, Nos. 21,901 to 22,950; \$500, Nos. 10,651 to 11,150; \$1,000, Nos. 40,901 to 42,300; \$5,000, Nos. 11,501 to 12,150; \$10,000, Nos. 19,701 to 21,300. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-eighth call, dated February 12, 1879. Matures May 12.

*Coupon Bonds*.—\$50, Nos. 80,001 to 85,000; \$100, Nos. 130,001 to 146,000; \$500, Nos. 81,001 to 87,000; \$1,000, Nos. 129,001 to 144,000. Total coupon, \$10,000,000. *Registered Bonds*.—\$50, Nos. 3,101 to 3,170; \$100, Nos. 22,951 to 23,200; \$500, Nos. 11,151 to 11,300; \$1,000, Nos. 42,301 to 43,400; \$5,000, Nos. 12,151 to 13,400; \$10,000, Nos. 21,301 to 23,000. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Eighty-ninth call, dated February 17, 1879. Matures May 17.

*Coupon Bonds*.—\$50, Nos. 85,001 to 90,000; \$100, Nos. 146,001 to 160,000; \$500, Nos. 87,001 to 93,000; \$1,000, Nos. 144,001 to 158,000. Total coupon, \$10,000,000. *Registered Bonds*.—\$50, Nos. 3,171 to 3,220; \$100, Nos. 23,201 to 23,500; \$500, Nos. 11,301 to 11,450; \$1,000, Nos. 43,401 to 44,200; \$5,000, Nos. 13,401 to 14,000; \$10,000, Nos. 23,001 to 25,300. Total registered, \$10,000,000. Aggregate, \$20,000,000.

Ninetieth call, dated February 24, 1879. Matures May 24.

*Coupon Bonds*.—\$50, Nos. 90,001 to 100,000; \$100, Nos. 160,001 to 180,000; \$500, Nos. 93,001 to 100,000; \$1,000, Nos. 158,001 to 176,000. Total coupon, \$13,000,000. *Registered Bonds*.—\$50, Nos. 3,221 to 3,240; \$100, Nos. 23,501 to 23,620; \$500, Nos. 11,451 to 11,520; \$1,000, Nos. 44,201 to 44,400; \$5,000, Nos. 14,001 to 14,350; \$10,000, Nos. 25,301 to 26,950. Total registered, \$7,000,000. Aggregate, \$20,000,000.

The calls now outstanding are as follows:

Call.	Date of Call.	Matures.	Amount.
73	.... November 27	.... February 27	.... \$5,000,000
74	.... December 9	.... March 9	.... 5,000,000
75	.... December 19	.... March 18	.... 10,995,100
76	.... December 31	.... April 1	.... 10,000,000
77	.... January 4	.... April 4	.... 10,000,000
78	.... January 6	.... April 6	.... 10,000,000
79	.... January 8	.... April 8	.... 10,000,000
80	.... January 11	.... April 11	.... 10,000,000
81	.... January 14	.... April 14	.... 20,000,000
82	.... January 18	.... April 18	.... 20,000,000
83	.... January 21	.... April 21	.... 20,000,000
84	.... January 24	.... April 24	.... 20,000,000
85	.... January 28	.... April 28	.... 20,000,000
86	.... February 1	.... May 1	.... 20,000,000
87	.... February 6	.... May 6	.... 20,000,000
88	.... February 12	.... May 12	.... 20,000,000
89	.... February 17	.... May 17	.... 20,000,000
90	.... February 24	.... May 24	.... 20,000,000

This leaves \$60,606,800 consols of 1867 uncalled.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from February No., page 655.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	National Bank Republic....	Eugene H. Pullen, <i>Cas.</i>	H. W. Ford.
CAL....	Bank of Anaheim, Anaheim....	S. H. Mott, <i>Pr.</i>	
	Bank of Visalia, Visalia.....	J. J. Mack, <i>Cas.</i>	J. W. Crowley.
	Farmers' Bank, Wheatland....	T. S. Ewing, <i>Pr.</i>	C. Holland.
CONN....	City National Bank, Bridgeport	D. N. Morgan, <i>Pr.</i>	G. B. Waller.
	Nat'l Pahquioque Bk., Danbury	Barzillai B. Kellogg, <i>Pr.</i>	B. Allen.
	Mechanics' Bank, New Haven. }	Charles S. Leste, <i>Pr.</i>	
	National Whaling Bank, New London. }	John P. Tuttle, <i>V. P.</i>	
		Aug. Brandegee, Jr., <i>Cas.</i>	J. C. Douglass.
		Ferris W. Douglass, <i>A. C.</i>	
FLA....	First Nat'l Bank, Jacksonville.	John Clark, <i>Pr.</i>	T. W. C. Moore.
GA....	La Grange Bank'g & Trust Co.	George A. Speer, <i>Cas.</i>	J. F. Moreland.
	Bank of Rome, Rome..... }	C. G. Samuel, <i>Pr.</i>	A. T. H. Brower.
		J. S. Panchen, <i>Cas.</i>	
ILL....	First National Bank, Belleville.	Joseph Fuess, Jr., <i>Pr.</i>	J. Kohl.
	First National Bank, Lanark....	C. W. Franck, <i>Pr.</i>	R. Paley.
	First National Bank, Macomb....	C. V. Chandler, <i>Pr.</i>	C. Chandler.
	Union National Bank, Macomb	William E. Odell, <i>Pr.</i>	W. S. Bailey.
	First National Bank, Mattoon..	W. R. Warren, <i>Pr.</i>	M. Kahn.
IND....	Madison Co. N. B., Anderson..	John W. Pence, <i>Cas.</i>	J. H. Terhune.
	First National Bank, Attica....	George Nebeker, <i>Pr.</i>	M. Nixon.
	First Nat. Bank, Crawfordsville	W. H. Durham, <i>Pr.</i>	A. Thompson.
	First National Bank, Madison..	R. McKim, <i>Pr.</i>	D. E. Doherty.
	First Nat. Bank, Michigan City	George Ames, <i>Pr.</i>	H. H. Walker.
IOWA....	Merch. Nat'l Bank, Burlington.	H. C. Garrett, <i>Cas.</i>	
	Bank of Carroll, Carroll.....	R. E. Coburn, <i>Cas.</i>	E. P. Wood.
	Appanoose Bank, Centreville..	W. L. Selby, <i>Cas.</i>	J. W. Calvert.
KANSAS.	Holton City Bank, Holton....	Henry Kirkpatrick, <i>Pr.</i>	J. S. Hopkins.
	National Bank of Lawrence, Lawrence. }	J. E. McCoy, <i>Pr.</i>	J. S. Crew.
		J. S. Crew, <i>V. P.</i>	
	Topeka Bank, Topeka..... }	John R. Mulvane, <i>Pr.</i>	
		Byron Roberts, <i>Cas.</i>	J. R. Mulvane.
		J. W. Thurston, <i>Ast. Cas.</i>	B. Roberts.
KY....	Central Nat'l Bank, Danville..	Robert P. Jacobs, <i>Pr.</i>	
	Farmers & Traders' Bank, Owensboro. }	L. Gray, <i>Pr.</i>	A. D. Hill.
		T. C. McCreery, <i>V. P.</i>	L. Gray.
MAINE..	Calais National Bank.....	L. G. Downes, <i>Pr.</i>	J. A. Lee.
MD....	Farmers & Merchants' Bank, Baltimore. }	James Sloan, Jr., <i>Pr.</i>	J. H. Thomas.
		E. S. Beall, <i>Cas.</i>	J. Sloan, Jr.
	Westminster Sav. Institution, Westminster. }	Benj. W. Bennett, <i>Pr.</i>	J. Reifsnider.
		Jesse Reifsnider, <i>Cas.</i>	B. W. Bennett.
MASS....	Fourth National Bank, Boston.	W. W. Kimball, <i>Pr.</i>	S. F. Woodbridge.
	Mount Vernon National Bank, Boston. }	Thomas N. Hart, <i>Pr.</i>	C. E. King.
		Henry W. Perkins, <i>Cas.</i>	D. H. Belknap.
	Nat'l Market Bank, Brighton....	Frank G. Newhall, <i>Cas.</i>	E. P. Wright.
	Packard Nat'l Bank, Greenfield	N. F. Henry, <i>Pr.</i>	W. N. Packard.
	First National Bank, Haverhill.	George Cogswell, <i>Pr.</i>	M. How.
	First Nat'l Bank, New Bedford.	William Watkins, <i>Pr.</i>	E. W. Howland.
Plymouth National Bank, Plymouth. }	I. N. Stoddard, <i>Pr.</i>		
	C. R. Fillebrown, <i>Cas.</i>	I. N. Stoddard.	
MICH....	First Nat'l Bank, Grand Rapids	M. L. Sweet, <i>Pr.</i>	S. L. Withey.
	First National Bank, Houghton. }	J. W. Wright, <i>Pr.</i>	J. Chassell.
		James B. Sturgis, <i>Cas.</i>	
	First National Bank, Leslie....	W. W. Pierson, <i>Cas.</i>	C. C. Walker.
Lowell National Bank, Lowell.	Charles T. Wooding, <i>Pr.</i>	W. W. Hatch.	



	<i>Name of Bank.</i>	<i>Elected.</i>	<i>In place of</i>
MO.....	Valley National Bank, St. Louis.	J. Lippman, <i>V. P.</i> .....	G. H. Goddard.
" ..	Bank of Commerce, St. Louis.	G. H. Goddard, <i>Cas.</i> ....	L. C. Nelson.
" ..	Mechanics' Bank, St. Louis.	J. C. Van Blarcom, <i>Cas.</i> .....	.....
" ..	Moniteau National Bank California.	R. R. Hutchinson, <i>Ass't C.</i> .....	.....
" ..	Moniteau National Bank California.	R. Q. Roache, <i>Pr.</i> .....	S. H. Owens.
" ..	Moniteau National Bank California.	N. C. Rice, <i>Cas.</i> .....	R. Q. Roache.
N. H. ...	Connecticut River Nat'l Bank Charlestown.	R. Elwell, <i>Pr.</i> .....	H. Lathrop.
" ..	City Nat'l Bank, Manchester.	James A. Weston, <i>Pr.</i> ...	C. W. Stanley.
N. J. ...	Central Nat. Bank, Hightstown	O. H. Reed, <i>Act'g Cas.</i> ...	W. C. Norton.
" ..	First Nat'l Bank, Hightstown.	Joseph H. Johnes, <i>Cas.</i> ....	.....
N. Y. ...	First National Bank, Candor.	J. W. McCarty, <i>Cas.</i> .....	J. Thompson.
" ..	First National Bank, Cobleskill	J. R. Herrick, <i>Pr.</i> .....	C. Courter.
OHIO...	Farmers' National Bank, Franklin.	J. C. Stoutenborough, <i>Pr.</i>	D. Adams.
" ..	First National Bank, Geneva.	David Adams, <i>Cas.</i> .....	R. C. Adams.
" ..	First Nat'l Bank, Green Spring.	H. S. Munger, <i>Pr.</i> .....	S. Seymour.
" ..	First National Bank, Lima.	J. W. Cummings, <i>Pr.</i> ....	R. Smith.
" ..	Madison Nat'l Bank, London.	William F. Coulson, <i>Pr.</i>	R. Mehaffey.
" ..	Madison Nat'l Bank, London.	S. A. Baxter, <i>Cas.</i> .....	W. F. Coulson.
" ..	Madison Nat'l Bank, London.	Stephen Watson, <i>Pr.</i> ....	S. Sidner.
PENN...	Northampton Co. Nat'l Bank, Easton.	Cyrus Lawall, <i>Pr.</i> .....	J. Laubach.
" ..	Manheim Nat'l Bank, Manheim	Jacob L. Stehman, <i>Pr.</i> ...	J. Stauffer.
" ..	German Nat. Bank, Millerstown	H. L. Westermann, <i>Pr.</i> ..	C. Duffy.
" ..	First Nat'l Bank, Mt. Pleasant.	H. W. Stoner, <i>Pr.</i> .....	J. Sherrick.
" ..	First National Bank, Strasburg.	Geo. W. Hensel, Jr., <i>Cas.</i>	R. F. Rauch.*
TENN...	East Tennessee Nat'l Bank, Knoxville.	Joseph Jaques, <i>Pr.</i> .....	R. C. Jackson.
" ..	East Tennessee Nat'l Bank, Knoxville.	F. H. McClung, <i>V. P.</i> .....	.....
" ..	East Tennessee Nat'l Bank, Knoxville.	R. C. Jackson, <i>Cas.</i> .....	.....
VT. ....	Caledonia Nat. Bank, Danville.	Samuel Ingalls, <i>Pr.</i> .....	B. N. Davis.
WIS....	First National Bank, Boscobel.	B. M. Coates, <i>Pr.</i> .....	J. M. Sarles.
" ..	First National Bank, Boscobel.	Richard Meyer, <i>Cas.</i> ....	M. D. Tillotson.
PR. ONT.	Merch. B'k of Canada, Ingersoll	George Easton, <i>Mgr. pro tem.</i>	D. Miller.
" ..	Consol. B. of Canada, Norwich	H. I. I. Campbell, <i>Act'g Agt.</i> .....	.....
" ..	Merch. B., Canada, Owen Sound	D. Miller, <i>Mgr.</i> .....	W. H. Scott.
" ..	Consol. B. of Canada, Seaforth	A. Green, <i>Mgr.</i> .....	M. P. Hayes.
" ..	" " " " " " " " " " " "	Wingham F. J. Gosling, <i>Mgr.</i> .....	A. Green.
PR. QUE.	Bank Jacques Cartier, Montreal	A. Desjardins, <i>Pr.</i> .....	J. L. Beaudry.

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS

(Continued from February No., page 654.)

<i>No.</i>	<i>Name and Place.</i>	<i>President and Cashier.</i>	<i>Capital.</i>	
			<i>Authorized.</i>	<i>Paid.</i>
2408	Burgettstown National Bank.. Burgettstown, PA.	John L. Proudfit..... James L. Patterson,	\$ 50,000	\$ 30,000
2409	Farmers' National Bank..... Danville, Ky.	James G. Cecil..... G. W. Welsh,	100,000	51,000
2410	Farmers' National Bank..... Rome, N. Y.	R. M. Bingham, <i>V. P.</i> .... Samuel Wardwell,	100,000	100,000
2411	First National Bank..... Nashua, IOWA.	A. G. Case..... A. J. Felt,	50,000	30,000
2412	First National Bank..... Stockton, CAL.	Frank Stewart..... Henry H. Hewlett,	300,000	150,000
2413	Citizens' National Bank..... Princeton, ILL.	Tracy Reeve..... W. Glenn Reeve,	50,000	30,000

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from February No., page 655.)*

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
CAL....	Stockton..... \$ 300,000	First National Bank..... Frank Stewart, <i>Pr.</i>	First National Bank. H. H. Hewlett, <i>Cas.</i>
ILL....	Princeton..... \$ 50,000	Citizens' National Bank.... Tracy Reeve, <i>Pr.</i>	Merchants' National Bank. W. Glenn Reeve, <i>Cas.</i>
IOWA...	Nashua..... \$ 30,000	First National Bank..... A. G. Case, <i>Pr.</i>	First National Bank. A. J. Felt, <i>Cas.</i>
MASS...	Boston.....	Brooks & Warner.....	Hewson, Kilbreth & Co.
MICH. .	Grand Rapids.. \$ 100,000	Farmers & Mechanics' Bank Leonard H. Randall, <i>Pr.</i>	Chemical and Imp. & Tra. James C. Darragh, <i>Cas.</i>
MINN ...	Jackson.....	B'k of Jackson (J.K.Brown)	American Exch. Nat'l Bank.
MO.....	Pleasant Hill... \$ 10,000	Bank of Pleasant Hill..... William Heins, <i>Pr.</i>	Donnell, Lawson & Co. John C. Knorpp, <i>Cas.</i>
NEB....	Fremont.....	George W. E. Dorsey.....	Kountze Brothers.
N. Y....	Ogdensburg.. \$ 100,000	Ogdensburg Bank..... James G. Averell, <i>Pr.</i>	Metropolitan National Bank. William H. Averell, <i>Cas.</i>
" ..	Rome..... \$ 100,000	Farmers' National Bank... R. M. Bingham, <i>V. P.</i>	..... Samuel Wardwell, <i>Cas.</i>
" ..	Saratoga Spr'gs \$ 100,000	First National Bank..... Augustus Bockes, <i>Pr.</i>	Imp. & Tra. National Bank. William Hay Bockes, <i>Cas.</i>
N. C....	Shelby.....	H. D. Lee & Co.....	Hinson & Cumming.
OHIO...	Granville.....	Wright, Sinnet & Wright..	Fourth National Bank.
PENN...	Burgettstown. \$ 30,000	Burgettstown Nat'l Bank.. John L. Proudfit, <i>Pr.</i>	..... James L. Patterson, <i>Cas.</i>

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from February No., page 656.)*

N. Y. CITY.....	Randall H. Foote; suspended.
CAL....	San Francisco.. Odd Fellows' Savings Bank; in liquidation.
ILL....	Clayton..... Burgesser & Crane; dissolved.
KANSAS.	Osage Mission.. Neosho County Savings Bank; closed.
MAINE..	Bangor..... Traders' National Bank; in liquidation.
MASS...	Boston..... N. F. Fenno & Co.; voluntary insolvency.
MINN ..	Fairmont..... Bank of Fairmont; failed.
" ..	Minneapolis... Lumbermen's Bank; wound up.
" ..	Wells..... Bank of Wells; assigned.
MO.....	St. Louis..... Lucas Bank; retired. Business transferred to Mechanics' B'k.
N. Y...	Oswego..... Bank of Oswego; suspended; in hands of receivers.
" ..	..... City Bank of Oswego; suspended; receiver appointed.
" ..	Rochester..... Stettheimer, Tone & Co.; suspended.
N. C....	Salem..... First National Bank; closing.
OHIO...	Lebanon..... B. A. Stokes & Co.; sold to Lebanon National Bank.
PENN...	Philadelphia... Samuel N. Davies; stricken from list.
VA.....	Petersburg..... Commercial National Bank; in liquidation.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from February No., page 656.)*

- N. Y. CITY..... St. Nicholas National Bank; capital reduced to \$500,000.  
 " " ..... Clark, Dodge & Co.; dissolved. New firm, same style.
- CAL.... Stockton..... First Nat'l Gold B'k; now First Nat'l B'k. Same officers.
- GA.... Rome..... Frost & Panchen; merged in Bank of Rome. C. S. Samuel,  
*President.* J. S. Panchen, *Cashier.*
- ILL.... Princeton..... Citizen's Exch. B'k; now Citizen's Nat'l B'k. Same officers.
- IND.... Hartford City.. Citizens' Bank; is a chartered bank—capital \$25,000.
- IOWA... Anamosa..... First National Bank; succeeded by H. C. Metcalf's Bank.  
 " .. Emmetsburg... Shea & Brown; now M. L. Brown.  
 " .. Nashua..... A. J. Felt; suc. by First Nat'l B'k, of which he is Cashier.  
 " .. Primghar.... Citizens' Bank (Isaac W. Daggett); removed to Sanborn.
- KANSAS. Solomon City.. Solomon Valley Bank (E. G. Clark & Co.); sold to N. F.  
 Follett.
- MASS. . Boston ..... National Eagle Bank; removed to 95 Milk Street, cor. Pearl.  
 " .. " ..... National Rockland Bank; removed to 2343 Washington St.  
 " .. " ..... Robert F. Clark; removed to 48 State Street.  
 " .. " ..... Fogg Brothers & Co.; removed to 96 Summer Street.  
 " .. Ware..... Ware National Bank; capital reduced to \$300,000.
- MICH... Manistee ..... Bank of Manistee (William Dunham & Co.); now State  
 Bank of Manistee.
- MO.... Pleasant Hill.. John W. Mercer; succeeded by Bank of Pleasant Hill.  
 " .. Versailles..... Avery & Kelsey; now Briscoe & Kelsey (Morgan Co. B'k.)
- N. Y.... Ogdensburgh .. Averells, Chapman & Bean; now Ogdensburgh Bank, under  
 State charter.  
 " .. Oswego..... Oswego City Savings Bank; injunction removed and busi-  
 ness resumed.  
 " .. Sarataga Sp'gs. First National Bank; re-opened. New capital and officers.
- N. C.... Shelby..... J. Jenkins & Co.; succeeded by H. D. Lee & Co.
- OHIO... Cincinnati..... Jos F. Larkin & Co.; R. S. Rust retires. Remaining  
 partners continue. Style same.  
 " .. Granville..... First National Bank; suc. by Wright, Sinnet & Wright,  
 as Bank of Granville.
- Wis.... Darlington.... James Judge; now Judge & King.

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ATTEMPT TO MAKE A FAILED BANKER CRIMINALLY RESPONSIBLE.—Horace E. Taylor, banker, who failed some time ago and was subsequently arrested, was arraigned at Williamsport, Pa., on January 9th, before the Criminal Court, on the charge of embezzling some \$80,000. The defense claimed that the money on deposit ceased to be the property of the depositors and became the property of the defendant, and therefore he could not embezzle his own funds. The prosecution attempted to prove by depositors that they had placed money in his bank, when Judge Mayer ruled that under the act of Assembly of 1862, the evidence of depositors could not be admitted. The Court then ordered the case *not pros.*, and Taylor was discharged.

SURETY.—Although the administrator of a principal in a note may defeat the recovery upon the note by the plea of the statutes of limitations, yet the exoneration of such administrator does not relieve the surety of the instestate from liability. And when the surety on such note is compelled to pay the debt, such surety then has a cause of action against such administrator for the amount so paid, or against the administrator of a co-surety for contribution.—*Reeves vs. Pullman*, Sup. Ct., Tenn.

## NATIONAL-BANK CIRCULATION.

STATEMENT of the Comptroller of the Currency, showing Issue and Retirement of NATIONAL-BANK NOTES, June 20, 1874 to February 1, 1879.

## 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.....	72,076,059
Surrendered between same dates.....	10,629,672
Total redeemed and surrendered.....	82,705,731
Issued between same dates.....	53,775,130
Decrease from January 14, 1875, to date.....	28,930,601
Outstanding at date.....	322,930,849
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.....	82,701,857
Total deposits.....	86,515,532
National-bank Circulation redeemed by Treasurer between same dates without re-issue.....	74,843,292
Greenbacks on deposit at date.....	11,672,240
Greenbacks retired under act of January 14, 1875.....	35,318,984
Greenbacks outstanding at date.....	346,681,016

JOHN JAY KNOX, *Comptroller of the Currency.*

THE BANK OF FRANCE.—The *Bulletin de Statistique* gives the proportion of gold and silver in the cash reserve of the Bank of France on the 31st December of each year, which information is never contained in the balance sheets or annual reports of the Bank. In spite of the efforts of the Bank to put silver in circulation, by withdrawing all the small notes, it has accumulated in such a manner that, instead of forming about one-fourth of the reserve as formerly, it now exceeds the amount of gold. The proportion of each metal at the end of each year since 1870 was as follows:

31st Dec.	Gold coin and bullion. Francs.	Silver coin. Francs.	Total. Francs.
1870 ..	428,700,000 ..	68,500,000 ..	497,200,000
1871 ..	553,400,000 ..	81,200,000 ..	634,600,000
1872 ..	658,700,000 ..	132,600,000 ..	791,300,000
1873 ..	611,300,000 ..	156,300,000 ..	767,600,000
1874 ..	1,021,100,000 ..	313,200,000 ..	1,325,300,000
1875 ..	1,174,300,000 ..	505,000,000 ..	1,679,300,000
1876 ..	1,530,400,000 ..	638,600,000 ..	2,169,000,000
1877 ..	1,177,100,000 ..	865,400,000 ..	2,042,000,000
1878 ..	983,600,000 ..	1,058,100,000 ..	2,041,700,000

At the end of 1877, 267,500,000 francs of the gold consisted of bullion (ingots and foreign coin); on the 31st December, 1878, the amount of bullion had become reduced to 32,300,000 francs. A part of the bullion was probably taken for coinage during the year, as will, no doubt, be shown when the mint returns are published; but a considerable portion of the difference on the two years may be accounted for by the purchases of Russian, German and American coin from the Bank for export during the last quarter of the year.

## NOTES ON THE MONEY MARKET.

NEW YORK, FEBRUARY 24, 1879.

*Exchange on London at sixty days' sight, 4.85 a 4.85½ in gold.*

The money market is becoming more irregular in its movements. But the tendency which occasionally appears to promise an advance of rates has not been very well sustained, and usually passes away with the circumstances which evoked it. Several speculative causes have stimulated the market to a spasmodic agitation, of narrow extent, during the past fortnight, so that a certain volume of business has been done at five to seven per cent. Unless in such exceptional cases, the usual range has fluctuated from two to four per cent. on prime collaterals; time loans on Governments being made at one to two per cent. for sixty to ninety days. The supply of prime commercial paper falls below the demand; and there is, therefore, less firmness to the market. For choice bills the quotation is three to five per cent. The agitation in the State legislature, and the expected passage of the bill now pending in Albany, for the reduction of the rate of interest to six per cent. in New York, seems to have no influence, as yet, in the money market. If the legislature would incorporate in the proposed law a provision repealing the usury penalties which are now almost nullified by conflicting legislation and by the force of events, it is believed that few, if any, serious evils would result from the new usury act. Some persons suppose that the present agitation about usury and the rate of interest is favorable to a discussion of the probable rate of interest which is likely to rule in this country hereafter. Because money is cheap now, they argue that it will be equally cheap for years to come. The *London Times* and other greater and lesser authorities here and in Europe, a few years ago, used precisely the same argument to prove that money would be dear for many years to come. At that time speculation was rampant, the rates of interest were high and people forgot the axiom that high rates of interest imply low safeguards and dangers of insolvency. As low security and high rates of interest

go together, it has been plausibly contended that the present low rates of interest are a mere temporary reaction, and will be followed by a rebound, as soon as the depression of public confidence shall have spent its force and ceased to reduce the rates for money below the average level. Whether this be true or not, the obvious duty and advantage of our people is to legislate cautiously on all matters touching the movements of capital and the rates of interest. There is no doubt that any legislation on this subject is to be deprecated that fails to relax the stringent penalties for usury which cumber the legislative system of New York and other States, and hinder the movements of capital between borrowers and lenders, to the great detriment of industrial progress and productive growth. The reason why the agitation of this subject in Albany does not disturb our money market at present, is obviously to be found in the plethora of the money market. The supply of idle capital far exceeds the demand for the wants of business. Had the money market been in a more active condition during the discussion of the proposed legislation, more derangement would, doubtless, have been visible. It is worthy of remark that the rates of interest are now more nearly at the same level all over the world than they have ever been before during this century. Any argument as to the future rates of interest must, of necessity, be imperfect and untrustworthy, which fails to regard with other related facts and principles, those which are connected with this singular and unprecedented uniformity in the average rate of interest among commercial nations.

In several of our chief cities the Clearing-House averages show some changes which had not been anticipated. Among them is a decline in the legal-tender averages. This movement is ascribed, in part, to the heavy payments into the Treasury, of late, on account of bond purchases.

The New York bank statements compare as follows :

1879.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
Feb. 1.....	\$238,241,400	\$18,633,300	\$54,048,800	\$19,846,600	\$219,219,200	\$17,877,300
" 8.....	242,280,200	17,849,300	51,135,400	19,427,100	219,387,300	14,137,875
" 15.....	244,186,500	18,059,500	48,334,800	19,398,800	217,271,200	12,076,500
" 22.....	244,007,000	17,931,300	45,377,000	19,335,900	216,382,600	9,212,650

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

1879.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 1.....	\$139,979,500	\$3,927,500	\$5,127,900	\$87,609,000	\$25,486,600
" 8.....	139,891,100	3,816,200	4,720,200	86,732,300	25,566,800
" 15.....	144,980,000	3,708,300	4,406,500	92,270,300	25,545,500
" 22.....	143,799,200	3,645,700	4,273,300	89,842,000	25,481,100

The Philadelphia bank exhibit for the same period is as follows :

1879.	Loans.	Reserve.	Deposits.	Circulation.
Feb. 1.....	\$57,138,020	\$15,950,850	\$45,666,154	\$11,310,790
" 8.....	56,743,684	16,549,118	45,273,026	11,309,856
" 13.....	56,992,785	15,914,566	44,946,027	11,306,127
" 22.....	57,012,193	15,754,299	44,576,408	11,338,434

The stock market is active. Government bonds continue to attract extraordinary attention, and the Treasury Department issued, to-day, the ninetieth call for twenty millions of five-twenties to mature on the 24th of May, next. Hence, during the first four weeks of that month 100 millions of five-twenties will mature, and 150 millions in April. It thus appears that, with the sixteen millions which mature in March, the total aggregate of called bonds

maturing during the three months ending 24th May amounts to 266 millions of dollars. The extent and progress of the refunding plans of Mr. Sherman are thus beyond all expectation, and their success so far has done much to strengthen the credit of the United States at home and abroad. In illustration of this we may mention that the importation of called bonds from London is said to be more than equaled by the outflow of four-per-cent. refunding bonds which are in active request among foreign investors.

Many of our banks hold fives of 1881 and sixes of 1881 in considerable amounts. The question is asked by some of them whether these bonds are likely soon to be called. The reply is obviously dependent on contingencies which cannot be certainly foreseen. If Mr. Sherman's plans continue to succeed some of the bonds above mentioned must be reached sooner than has been supposed. As we have shown, \$282,736,350 of the sixes of 1881 outstanding must be funded before the fives of 1881 can be called. But the Secretary will not reach the sixes of 1881 until he has first called \$98,079,300 of matured five-twenties, and \$194,556,300 of ten-forties.

When these \$292,635,600 five-twenties and ten-forties are out of the way, the sixes of 1881 will be reached. Of these there are \$18,415,000 which will be due December 30, 1880, and \$264,321,350 which will not be due until June 30, 1881, or about twenty-eight months hence. There are, therefore, yet to be refunded \$575,371,950 bonds (five-twenties, ten-forties and sixes of 1881) before the \$508,420,350 fives of 1881 can be reached, it being assumed that the needful legislation will be passed by Congress, and that the process of refunding will go forward so that the ten-forties will be reached before December 30, 1880, when the right to redeem the first issue of the sixes of 1881 matures.

In railroad shares there is considerable activity and strength, especially in the lower priced speculative stocks. The most notable operation has been the purchase of nearly 100,000 shares of Union Pacific stock at about 70 from Mr. Jay Gould by a syndicate of capitalists. What effect this transaction will have upon prices remains to be seen. An increase of speculation, and many alternating movements of advance and decline from the operations and combinations of the cliques are freely predicted. Subjoined are our usual quotations:

QUOTATIONS:	Jan. 24.	Jan. 30.	Feb. 6.	Feb. 13.	Feb. 21.
U. S. 5-20s, 1867 Coup.	101¾ ..	101¾ ..	102 ..	103¾ ..	102½
U. S. 10-40s Coup.....	104¾ ..	105 ..	105¾ ..	105½ ..	105
West. Union Tel. Co. . .	96¾ ..	99¾ ..	100¾ ..	99 ..	102¾
N. Y. C. & Hudson R.	114¾ ..	115 ..	116 ..	116¾ ..	118
Lake Shore.....	72¾ ..	71¾ ..	71¾ ..	70¾ ..	71
Chicago & Rock Island	125¾ ..	126 ..	127¾ ..	131¾ ..	132¾
New Jersey Central... .	41¾ ..	42¾ ..	42¾ ..	44¾ ..	44¾
Del. Lack. & West ...	53¾ ..	50¾ ..	51¾ ..	52¾ ..	53¾
Delaware & Hudson... .	44¾ ..	41 ..	40¾ ..	42¾ ..	43¾
North Western.....	61¾ ..	59 ..	62¾ ..	61¾ ..	60¾
Pacific Mail.....	13¾ ..	12¾ ..	13¾ ..	13¾ ..	14¾
Erie.....	26¾ ..	25¾ ..	25¾ ..	25¾ ..	99
Call Loans.....	1 @ 2½ ..	2 @ 5 ..	2 @ 3 ..	2 @ 7 ..	2 @ 5
Discounts .....	3½ @ 3½ ..	2½ @ 6 ..	3 @ 5 ..	3 @ 5 ..	3 @ 5
Bills on London.....	4.85-4.88¾ ..	4.84¾-4.88 ..	4.85¾-4.88 ..	4.86¾-4.89 ..	4.85¾-4.89
Treasury balances, cur.	\$ 45,068,065 ..	\$ 47,395,401 ..	\$ 47,007.42 ..	\$ 51,383,109 ..	\$ 49,997,722
Do. do. gold.	\$ 114,534,297 ..	\$ 114,922,340 ..	\$ 115,523,659 ..	\$ 116,045,056 ..	\$ 115,579,179

State bonds are dull and for the most part neglected. Railroad bonds are

advancing. Those of the best-known descriptions are selling at prices which produce to the purchaser less than six per cent. on the investment, and the attention of the public seems to be turning to cheaper securities hitherto less in favor.

Foreign exchange is irregular and prices favor the buyer. The supply of bills is ample, owing, as is affirmed, to the negotiation of Government securities and railroad bonds abroad. Prime sterling bills are quoted at 4.86 for sixty days bills and 4.89 for three days sight bills. But the actual transactions of the day are at lower rates, a concession of half to one per cent. being made in some cases from the causes above indicated.

In about a week Congress will adjourn and at present it is quite uncertain whether an extra session will be convened of the Forty-sixth Congress. In anticipation of this possible contingency, the Greenback members elect are in Washington consulting as to their future political movements. Their numbers are small, but they are hoping to work together and thus to gain, by adroit management, a consideration which might otherwise be beyond their reach.

With the seventeen greenback Congressmen newly elected it is alleged that several old members will unite. The names of Mr. Phelps, of Connecticut, of Mr. Kelly and Hendrick B. Wright, of Pennsylvania, Mr. Felton of Georgia and of Mr. Acklin, of South Carolina, have been mentioned. Of course, with resumption accomplished, the greenback platform becomes somewhat loose and dilapidated, but its anti-bank portions are said to be firm and strong. General Butler is mentioned as the leader of this little party who seem very anxious to impress both the public and the banks throughout the country with a sense of their importance and power. The Forty-fifth Congress has passed no laws, as yet, which affect bank interests. To-day the Internal Revenue Bill is under discussion in the House, and it contains a clause relieving savings deposits from taxation so far as they are invested in United States bonds, and beyond that to the extent of two thousand dollars for each depositor. The opinions are conflicting as to whether this provision will become a law. It is re-assuring to know that, by the efforts of the American Bankers' Association, due warning has been given to the conservative members of Congress of both parties, and several mischievous legislative schemes have thus proved abortive during the anti-bank agitation which has been so rampant during the three sessions of the Forty-fifth Congress.

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## DEATHS.

At PROVIDENCE, R. I., on Wednesday, February 19th, aged seventy-five years, HENRY G. GLADDING, formerly Cashier of the Exchange Bank.

At WATERBURY, VT., on Monday, February 17th, aged eighty-one years, LEANDER HUTCHINGS, late President of the Waterbury National Bank.

At LANCASTER, PA., on Sunday, February 9th, aged sixty-seven years, R. F. RAUCH, Cashier of the First National Bank of Strasburg.



THE  
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**THE HOME MARKET FOR AMERICAN SECURITIES.**

Near the end of February, the Bank of Montreal, acting in conjunction with a banking firm of New York city, undertook to place in the markets on this side of the Atlantic a five-per-cent. loan of the Province of Quebec, for about three million dollars, on better terms for the Province than were offered by any bankers in London. It is understood that they had succeeded, three weeks ago, in accomplishing what they undertook. This is a competition with British money lenders in cashing a security of a class, the manipulation of which has heretofore been entirely monopolized by them. It has always been considered that London was the exclusive, because the best, market for the public stocks of the British Colonies, quite as much as for the consols of Great Britain itself.

It may be that in this case, the London bankers would have offered better terms for the Province of Quebec loan, if they had conceived of the possibility of a competition from New York.

Loanable capital has increased enormously in this country relatively to the demand for it, within three or four years. This is shown by the rapid and large fall in the rates of interest in our money markets, and in the constant flow of American securities from Europe to this country. It is not yet true that rates of interest here are as low as they are on the other side of the Atlantic, but the difference between them has diminished, and is now not great. All sound American securities still held abroad will be purchased and

brought home, and no new negotiations of sound American securities will be made in Europe, unless the difference in the rates of interest here and there shall become large. It is not necessary, in order to ensure these results, that American rates should be lower than, or even exactly equal to, European rates. There is always a certain margin of preference for a home security over a foreign security, from the greater convenience and less expense of collecting the dividends, and from the more perfect knowledge and confidence of investors. Europeans will not purchase or hold American securities except at such prices, that the return will be appreciably greater than what they could obtain upon European securities. Furthermore, it is probably only a very small fraction of European investors who will purchase American security at any price, although doubtless this fraction, although small in numbers, includes those whose investments are on the largest scale.

It is the settled opinion of the great majority of the people of this country, that it is a misfortune to have its public, corporate, or private, securities held abroad. The doctrine of borrowing in the cheapest markets may be theoretically correct, but to popular apprehension, interest paid to foreigners is very much like the rent paid to absentee landlords, which is the standing grievance of Ireland. If the difference of the rate of interest at home and abroad is not excessive, the people prefer to have for their creditors, those who live and spend their incomes here. This popular view of the subject has been very uniformly reflected in the legislation of Congress. Of the great number of laws authorizing loans, passed during and since the Civil War, only one ever authorized a loan payable abroad, or in foreign money. The exceptional law was passed at a disastrous period of the war (*U. S. Statutes*, vol. 12, page 260), giving to the Treasury this authority (which was never exercised, however), in respect to a loan of \$100,000,000.

When the law of 1870, under which the National debt is now being refunded, was pending in the Senate, an effort was made by the present Secretary of the Treasury, to authorize any of the bonds under it to be made payable in London, Paris, or Berlin, and in pounds, francs, or thalers. The proposition met with no favor, and was voted down by an overwhelming majority, the late Senator Sumner expressing (March 9, 1870) the prevailing sentiment of the Senate in the following language :

"I cannot forget my own country, nor can I forget that great primacy which I hope to see her assume in the money markets of the world. New York is our natural money centre. Why should we revolve about European money centers? Let us keep our own center here at home."

Concurring ourselves fully in this general popular repug-

nance to the placing of American loans in Europe, and entertaining the opinion that it should be discouraged as much as possible by laws, State and National, we will proceed to submit to the judgment of our readers, some suggestions as to practical measures of legislation having that object in view.

It is quite obvious that if the reasons are sound, which have decided Congress to make National loans payable only at home, and in American money, they apply with equal force to State loans, and to municipal and corporate loans made under the authorization of the States. Very few State loans have been made payable in foreign money. Massachusetts, we think, has made more of them than any other State, and perhaps more than all other States together. Railroad loans made payable in gold, or in sterling money, have been very common in recent years.

If it is to be the policy of this country to have its metallic money consist of gold and silver, it is unwise on many accounts to permit bonds to be made payable in gold. Congress can prevent the issue of gold bonds, by an exercise of the power to impose stamp duties, and the States can act directly on the subject, by declaring void all such bonds hereafter issued by public or private corporations under their jurisdiction. The fact that Europeans prefer gold bonds and dislike coin bonds, which can be discharged in silver at the option of the paying party, is reason enough for preventing the issue of any bonds, except those payable either in coin, or in lawful money. Of course, the real disadvantage to a holder of having an American bond payable in coin, rather than in gold, when there is a difference in the value of gold and silver coins, is as great to an American as it is to Europeans, but it is not felt in the same way, and is a less obvious objection to the holding of such bonds. An Englishman or German who receives silver on an American coin bond when silver is at discount as compared with gold, suffers a loss which is forced upon his observation when he converts the silver into the money current in his country. The American holder of such a bond receives what is for him current money. He cannot fail to perceive, if his attention is called to it, that he would have enjoyed a gain, or premium, if the payment had been made to him in gold, but he is not conscious of any loss because the payment is made to him in silver.

The different methods of imposing taxation have an influence in favoring, or in checking, the tendency of securities to pass into, or remain in the hands of foreigners.

We had, in this country, for many years, an income tax upon U. S. bonds, or what was called an income tax. It is hardly respectful to the intelligence of the leading financial managers in Congress who prescribed the method of collect-

ing it, to assume that they had at any time the serious purpose of obtaining any revenue in that way from those bonds. Instead of deducting the tax from the coupons, as is done by the intelligent governments of Europe, which would infallibly have assured its collection, they charged the tax only to such citizens of this country as were disposed to disclose the fact of their ownership of the bonds. This method insured infallibly the non-collection of the tax, and the revenue derived from it was substantially nothing. It is not our present purpose however, to comment upon the failure to produce revenue of that method of collecting an income tax. The objection we now make to it, is that just so far as it was effective at all in producing revenue, it gave a direct bounty upon the foreign holding of U. S. bonds, by subjecting American holders to a tax from which European holders were exempt.

Upon the general question that incomes derived by foreigners from investments in this country should be taxed to the same degree as similar incomes derived by our own citizens, there always was but one opinion in Congress. Soon after income taxes were first imposed during the Civil War, a construction was given to them by one of the bureaus in the Treasury Department, exempting foreigners in those cases in which the tax was specifically levied upon dividends and coupons. Congress lost no time in overruling this construction, by an express enactment to the contrary.

There has been a good deal of popular prejudice against the exemption of U. S. bonds from State and municipal taxes. But manifestly, if they were not so exempt, the tendency would be strong and constant to transfer the holding of them to foreigners. The difference of profit in holding them would be so much in their favor, by reason of their escape from a burden so considerable as State and municipal taxes, that it would only be in exceptional cases and for exceptional purposes, that they would be held in this country at all. The present policy seems to us to be, in all respects, the best. As the exemption is a part of the terms under which they are issued, and quite as much so as either the rate of interest, the term which they have to run, or the kind of money in which they are payable, the public are supposed to receive an equivalent for the exemption in the price of the bonds, or in the reduced rate of interest at which the exemption enables them to be negotiated. In fact, as we apprehend, the public receive, in this way, a good deal more than an equivalent, inasmuch as the revenue possible to be derived by States and municipalities, from taxing U. S. bonds, is largely illusory. They have no certain and effective means of finding out who hold them, and always and necessarily fail in collecting any appreciable revenue from taxes attended with that species of difficulty.

It is not asking too much in the way of favoring the holding by Americans of American securities, that they should be made payable here and in American money, and that foreigners should enjoy no bounties or advantages in competing for them, in the shape of exemption from taxes to which home investors are subjected. To insist upon these terms is entirely consistent with every fair requirement of the doctrine of free trade as applied to money.

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### AN EXPORT OF GOLD.

Exchange on London has been for many weeks close up to the point which would cause an export of gold. Such an export is regarded in some quarters with more apprehension than it ought to excite.

It is quite plain that we cannot go on forever, retaining for our exclusive use, the products of our gold and silver mines, coining them at our mints and adding them to our stock of money. Sooner or later, we must come to what is the normal condition of countries possessing rich mines of the precious metals, that is to say, we must export such a portion of them as is required by the commercial laws which control their diffusion over the world. We are now adding annually to our stock of money twenty-six millions of coined silver dollars, and (approximately) thirty million dollars of gold, the material for both kinds of dollars being obtained within our own territories. This is after an allowance for that portion of our gold product which is absorbed in the arts and does not go to the mints. These new metallic dollars swell by so much the aggregate of the monetary circulation. They are not substituted for paper dollars, nor are they any longer accumulated and locked up in the U. S. Treasury to protect coin resumption. The accumulation of the fund required for that purpose was completed as long ago as last November. When the channels of coin circulation become in this way properly filled, so that they may be said to be saturated, an outflow of coin equal to the current out-turn of the mints will be in the natural order of things. Of course, nobody can positively affirm that this point of saturation is now reached, or fix the exact time when it will be. We only know that it is certain to be reached, sooner or later.

It is agreed that we do not now require, and shall not use so great a proportion of coin, as compared with either population or the total volume of the currency, as we did during the period of specie payments which preceded the Civil War.

The reasons for this are numerous. Rather more than half the paper we now have possesses the quality of legal tender,

which none of it then possessed. Greater confidence is felt in both the kinds of paper we now use, greenbacks and National bank notes, than the old issue of the State banks ever enjoyed. Furthermore, the greenbacks and National bank notes are equally good and current in all parts of the country, and people are not obliged, as formerly, to carry gold for use at distant points. How much these circumstances will reduce the necessary proportion of specie in our circulation can only be determined by experience, but nobody doubts that the reduction will be large.

It is as undesirable as it is impossible to retain an excess of the precious metals, beyond our own fair requirements for money. If gold goes abroad, it will be in free and voluntary exchanges for something else, and just now, when we are buying our own securities in Europe, and not mere luxuries, as was too commonly the case a few years ago, there can be no better exchange for any gold we have to spare. It is also manifestly true that any gold which we do not absolutely need, will be more useful to us in Europe than at home. Next to having money enough for our own use we are interested in having money abundant in Europe, because it is there that we dispose of rather more than four-fifths of all our exports. The worst possible policy for us to pursue, would be to cramp the European money markets, with the inevitable consequences of low prices for our agricultural staples, for which Europe is the chief outlet. The Board of Trade of one of our leading Western cities, congratulated the country a few weeks ago upon the prospect of retaining at home, for an indefinite period, the entire product of our gold and silver mines. Nothing worse for Western farmers could be imagined.

When an export of the precious metals arises from an adverse balance of trade, it proves that prices are relatively too high in the country from which the metals flow. The indicated and only possible remedy is that always disagreeable thing, a reduction of prices. Formerly, the international movement of the precious metals depended wholly upon fluctuating balances of international trade, and hence it is, that an export of gold and silver has become associated in the public mind with ideas of an unfortunate condition of foreign commerce. But in modern times, the international movements of specie are influenced by the movements of financial securities, almost as much as by the movements of trade. In our own present case, if it shall turn out that we are called upon to send some gold to Europe, it will not be because the balances of foreign trade are against us. It will be because those balances, although heavily in our favor, are still not sufficiently so to offset the sales to us, by foreigners, of American bonds. An export of gold under such circumstances does not show that our prices are relatively too high and that a reduction

must be submitted to. That they are low enough, to say the least of it, is proved by the fact of the large balance of trade in our favor, and is not disproved because this balance is temporarily exceeded by our purchases of securities.

A case, similar in the principles involved, was shown in the dealings between France and England during the closing six months of last year, when immense amounts of gold were sent from Paris to London. That movement did not result from a condition of trade unfavorable to France, or indicate the necessity of a fall in the prices of French commodities. It resulted from the facts that loans were dear in London and cheap in Paris, and that Parisian bankers discounted English acceptances, and bought English securities on a great scale, and upon very advantageous terms. The outflow of French gold, under such circumstances, was not a weakening of French resources, but rather an advantageous change in their character.

It is natural enough, that during the first weeks of coin resumption in the United States, there should be a sensitiveness if an export of coin should occur. We do not believe that such an export will occur to any extent sufficient to cause rational alarms, until there is a radical change of circumstances, not to be looked for within any near period. The low prices here, which are the cause of the favorable balance of our foreign trade, may be changed to higher prices, but only gradually, and it must be a long time before the country relapses into the extravagant habits which caused the excessive importation of the era ending with 1873. In the meanwhile, the country is getting out of foreign debt, and growing financially stronger with every passing day. So also, is general confidence in the substantial strength and full success of coin resumption, and we shall soon be in a condition of mind to be as little disturbed as is France, Great Britain, or Germany, by temporary outflows of coin.

In the early part of March an export of gold was considered imminent, but the subsequent reduction of the Bank of England's rate of interest and the increasing ease of the London money market, together with the higher rates for money now prevailing in New York, have changed the situation for the time being. It will be affected for several months to come by a variety of circumstances, such as an increase or decrease of the flow of Government bonds from Europe, depending upon the rate at which the refunding operations shall progress. The longer an export of gold is delayed, the better able we shall be to bear it, as the mines are adding constantly to our stock. But whether it comes sooner or later it will be no good cause for alarm, unless it assumes proportions which there is no reason to anticipate.

## AMATEUR BANKING.

The disastrous failure of a great dignitary of the American Catholic Church, who had undertaken to act as the banker, as well as the spiritual head, of his diocese, has caused great scandal in the important religious body to which he belongs. The Catholic pulpit has already visited it with well deserved censure from the ecclesiastical side; it remains for secular journals to point the moral of it from the side of business life. The church and the world are entirely agreed that Archbishop Purcell made a grave mistake when he assumed that the learning and experience which fitted him to become a distinguished prelate, made him also a competent manager of great financial interests. The mistake, however, is not an uncommon one. Far abler men have not unfrequently been known to overrate the versatility of their gifts, and to hold in too light estimation the particular training necessary to success in other callings than that to which they have been specially educated. Sidney Smith said of Lord John Russell, that, "he would, with equal confidence, at a moment's warning, assume the lead of the House of Commons, or take the command of the channel fleet, or undertake to cut for the stone." We are glad to have so high authority for believing that this overweening self-confidence is not exclusively an American trait, but belongs equally to the elder branch of the Anglo-Saxon family.

Our countrymen are, however, certainly open to the charge of respecting too little the particular training necessary to success in any trade or profession. The great complaint of old fashioned tradesmen is, that there are no longer any apprenticeships; that half-trained men and boys set up for themselves as master workmen. Anybody who has had occasion to employ a variety of mechanics in house-building, within the last twenty years, has had painful occasion to learn, how small a proportion of first-rate workmen is to be found among the younger class of American handicraftsmen. Undoubtedly, the best carpenters and cabinet makers are Germans, or of other European nationalities. So difficult is it to compel young men, in this city, to go through a thorough mechanical apprenticeship, that we heard, the other day, of a leading German tradesman sending his son to the fatherland to go through the discipline and drudgery to which apprentices are still subjected there, in utter despair of ever getting the young man to submit to it at home.

This country is full, not only of amateur mechanics, but of amateur merchants, doctors, lawyers, ministers, school-masters, and, not the least, of amateur bankers. Each one



of these pretenders brings a respectable calling or profession into disrepute, and adds to the long catalogue of failures which so far outrun the successes in life. There is not a particle of doubt that it is the duty, as well as the right, of society to protect itself against such a needless addition to the burdens which the community at large has in the end to bear. There has been far too great a relaxation of the old requirements for admission to the trades as well as to the professions. We are glad to see that the Courts of New York have lately restored the probationary period of attorneyship, before admission to the privilege of practicing before the higher judicial tribunals.

Amateur banking is, perhaps, the commonest of all amateur professions, because there has never been any particular education marked out for bankers. In the incorporated banks, especially in large cities, the matter regulates itself, because capitalists will not intrust the handling of the money which they subscribe to set up a bank to any but men experienced in the business. Bank presidents are often taken from the higher walks of other business life, but cashiers, tellers, and book-keepers, are almost always selected from those brought up from boyhood behind a bank counter. We are still speaking of the practice of large cities. In the country towns and villages a much looser practice often prevails. Small banks are got up in places where there has never been a bank before, and where, therefore, no experience of the business exists. Many such banks have been unsuccessful, mainly for the want of such experience. The officers and directors have had good intentions, but they have lacked the knowledge requisite to keep them from making serious mistakes.

In the first place, a bank should never be organized in a small place, if there is not local business enough to give it a living. The very best business which any bank can do is that which lies all around it, where the business done, and the people who do it, are perfectly well known. Of course, there are the same reasonable limits to be imposed on domestic lines of credit as to outside loans; but, subject to the same general rules of prudent banking, the home business is the safest, the most legitimate, and the best. In the first place, it brings more or less of steady deposits, and the range of inquiry as to paper offered is far more limited; and, in the second place, it establishes relations of mutual dependence and confidence between the money lender and the money borrower, which lead, in the long run, to the best pecuniary interests of both classes.

The small country bank, when got up to give some briefless lawyer, or otherwise dependent and unsuccessful person, a place, is sure to become a prey to bad banking. Sharp city speculators and over-trading merchants are constantly on the lookout for puny institutions of this character, where the

want of a healthy home business breeds an appetite for high rates of discount and speculative ventures; and where the means of accurate information as to the standing of business houses is generally wanting. A city bank officer often opens his eyes widely with surprise at the sort of paper which his country correspondent lays away in the recesses of his pocket book, with the comfortable consciousness of having shaved it at a usurious rate, and with a happy unconsciousness of the risk which he runs in taking it at all.

If small banks, got up for the benefit of a needy office seeker, are hazardous, small Savings banks are still worse. We might mention instances within our own knowledge which would be ludicrous, if the matter were not far too serious for jesting, where respectable figure-heads have been set up as managers of Savings banks without a particle of experience or capacity to learn; men who could not open a set of books, and who stared with a look of blank inquiry when called upon by public officers to produce a balance sheet. We recall a respectable country trader who sold hardware, rum, molasses, boots and shoes, school-books, and calicoes over the counter, who persuaded his neighbors to set him up as Treasurer of a Savings bank. He had a high standing in the church, and he belonged to the dominant political party. From the variety and respectability of his functions, the poor people of his village looked up to him and trusted him. On the first examination of his bank by public officers his only book of accounts was a blotter, his vouchers for loans were mixed up with private papers in a common receptacle, and his cash box was an empty nail cask. Of course, his business operations had been as irregular as his methods of authenticating them. With much good nature and painstaking he was instructed how to conduct his business in future, and started on a fresh career. After a year or two, another visit of the officials found him with a large sum of money on deposit—a hundred thousand dollars or more—with a greater semblance of regularity in his bookkeeping, but with inextricable confusion at the bottom. Severe censure and threatenings of legal proceedings followed this second exhibition of incompetency; but as there was then no sign of malversation in office, his trustees were allowed to call in the services of a city expert and to bring order again out of chaos. But, as not unfrequently happens, corruption in the end followed upon the heels of incompetency, and the unhappy treasurer turned out at last a heavy defaulter—bankrupt in character as well as in fortune. He was not in the beginning a dishonest man, perhaps never so till he found himself hopelessly involved in the intricacies of a business which he had never learned and could not understand.

Archbishop Purcell's banking was probably of the same ignorant but, in the end, disastrous character. His people

trusted him because he was their religious teacher and spiritual guide; they committed the mistake of confounding virtue and religious zeal with business capacity. These things are excellent when united, but the first are not safe substitutes for the last. As we took occasion to say a short time ago, in reference to the failure of a private banking house in the same city which has witnessed this religious scandal, not every man who sets up a bank is to be trusted as a banker. It is just as much a profession as any of those which the world denominates as learned, and pretenders and ignoramuses are more dangerous in this calling than in any other which could be mentioned.

There has been, unhappily, too much occasion within the past few years to quote the oft-repeated commentary, that religion is one of the commonest garments with which dishonesty clothes itself. We do not believe that this observation applies to Archbishop Purcell's case. But the use of this sheep's clothing by wolves in business circles has been unusually prevalent of late. The list of directors of the City of Glasgow Bank, who are at present under penal servitude, included a number of church elders and other seemingly exemplary Christians, whose religious professions and religious offerings seem to have kept even pace with their fiduciary rascality.

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### THE GOLD BASIS OF BRITISH NOTE CIRCULATION.

The bank-note circulation in Great Britain has a temporary variation based on the activity or the dullness of trade. There is, however, a permanent increase in the amount of bank notes outstanding, which results from the permanent growth of business transactions.

The bank-note circulation in Great Britain is issued under two conditions: part of the circulation being issued as a matter of privilege, and a second part being, under the law, represented by the deposit of an equal amount of gold coin or bullion. It is characteristic, however, that the law under which bank-notes are issued based on a deposit of gold, should be so dependent upon its construction that the "authorities" differ entirely as to the material point.

The Bank of England issues about fifteen millions of pounds sterling, in notes not secured by gold. The circulation of other banks in the United Kingdom, including that of the Private and Joint-Stock banks in England and Wales, and the authorized issue of the banks in Ireland and Scotland, amounts to about fourteen millions of pounds sterling. This makes a total circulation of bank notes not based on gold, of not quite twenty-nine millions sterling in the United Kingdom; on the other hand the issue of bank notes in the

whole country, based on a deposit of gold, is between sixteen and seventeen millions sterling.

It is generally supposed, outside of banking circles, and perhaps even among students of finance, that this deposit of gold, on which the issue of so large a part of the bank notes is based, is to redeem the circulation so issued; but, upon this point, there is some controversy. The gold held by the Scotch and Irish banks, provides no security for the note circulation; and it was the opinion of Mr. Freshfield, the solicitor to the Bank of England, in 1856, that the Act of 1844 must be interpreted in the same manner, as regards the circulation of the Bank of England. Mr. Freshfield considered "that the provisions of the Act are not for the benefit of the note holders, but for ascertaining the limit of issue." The directors of the Bank of England do not, however, agree with this opinion, but have asserted that the gold is specifically held to redeem the notes issued, or that the gold is "ear-marked" for this purpose. In the recent failures of the Scotch banks there appeared to be no specific provision for holding the gold *after* the notes were issued. The words of the Act under which the Bank of England issues its entire circulation, are, that the notes "shall be deemed to be issued on the credit of such securities, coin and bullion so appropriated and set apart to the said issue department." Sir Robert Peel in defining the Act when it was passed, described the bullion as "the foundation of issue." It certainly seems singular that so important a matter as the continuous holding of the redemption fund, for the bank-note circulation of Great Britain, either coin or securities, should not be accurately defined by law. The former confidence that ruin by means of unlimited liability was impossible to shareholders, was as great as the confidence now existing in Great Britain, that no failure to redeem bank notes, issued on a deposit of gold, can happen; but management like that under which one became a reality, may make the other equally so.

Comparing the amount of bank-note issue against gold with the issue not protected by gold, we find the following changes:

TOTAL BANK-NOTE CIRCULATION IN GREAT BRITAIN.

Year.	Total circulation.	—Circulation issued against gold.—		Amount not issued against gold.
		Amount.	Percentage.	
1845 ..	\$ 193,000,000 ..	\$ 37,400,000 ..	19 per cent. ..	\$ 155,600,000
1850 ..	167,500,000 ..	28,000,000 ..	17 " ..	139,500,000
1855 ..	186,000,000 ..	34,300,000 ..	19 " ..	151,700,000
1860 ..	194,000,000 ..	43,700,000 ..	22 " ..	150,300,000
1865 ..	186,000,000 ..	40,500,000 ..	22 " ..	145,500,000
1870 ..	200,000,000 ..	55,000,000 ..	27 " ..	145,000,000
1875 ..	226,500,000 ..	81,500,000 ..	36 " ..	145,000,000
1878 ..	225,000,000 ..	82,500,000 ..	37 " ..	142,500,000

The noticeable fact in the above table is the steadiness of the issue of notes since 1865, based on privileges and securities, and the rapid increase in the issue based on gold.

The conservative course of finance in Great Britain is a great safeguard, but it should be supplemented by legal restrictions to reduce losses to a minimum; and especially should it be settled authoritatively that the coin upon which bank notes are issued, must be specifically kept to redeem them.

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### PRODUCTION OF THE PRECIOUS METALS.

The falling off in the production of gold and silver in the United States in 1878, as compared with 1877, and the opinion of Wells, Fargo & Co., that an additional falling off, equal to \$10,000,000, is probable in 1879, are attracting great attention. While the volume of metallic money is not the sole factor in determining the metallic prices of commodities, it is certainly true that such prices depend wholly upon the volume of metallic money, when other things are equal. Of course, the stock of the precious metals is a very different thing from the annual supply of them by new production, and is so large, as compared with the annual supply, that it is only slowly affected by changes in the yield of the mines. Still, in the present depressed condition of metallic prices throughout the world, it is not wonderful that any circumstances tending still further to depress them, is viewed with apprehension and anxiety.

During the years 1875, 1876, and 1877, the production of gold and silver in the Comstock lode, was nearer one-fifth than one-sixth, of the total production of those metals in the entire world. That fact made the situation somewhat critical, as the explorations of that lode had already attained great depths, and as its continuous yield depends upon successive discoveries of great ore bodies, or bonanzas. Just now, the yield is small, but it is the opinion of those who have the best means of knowing, as shown by the current prices of the stocks which represent the mining properties on the lode, that its capacity of turning out the metals is still great.

It is with some diffidence that we should presume to differ from an authority on this subject so well approved as Wells, Fargo & Co., but we think there is reason to hope that any falling off in the yield of the Comstock lode in 1879, as compared with either of the previous years, will be made good elsewhere, and especially by the new silver discoveries in Colorado, in the Leadville region. The same circumstances which depress other industries, tend to stimulate gold and silver mining, and, in fact, it is being prosecuted with increased vigor in all the regions in which those metals are found; and more and more of these regions are being constantly opened by the construction of new railroads, particularly in Arizona and Colorado. The silver found in the Leadville region, not in rocks, but in earthy carbonates, cost-

ing very little in the mining and in the extraction of the pure metal, is something new. It remains to be seen how extensive this region may be, and how permanent the yield from it may be, but there is certainly a mass of testimony from those who have the best means of knowing, which favors hopefulness on both those points.

In other countries than the United States, the outlook is decidedly unfavorable for any such increase in the production of the precious metals, as is demanded by the increase in the population, trade, and industries of the world. The production of gold in Australia is steadily declining, and the recent strong hopes of a recovery from that decline by the opening of gold fields in New Guinea, have been decisively dissipated by late explorations. The production of silver in Mexico is stationary, and so also, so far as is known, is the production of gold in Russia. It has been the opinion for some years, of those most conversant with the general subject, that the best indications of a new and important gold field were found in the African regions adjacent to the late Transvaal Republic, now absorbed in the African possessions of Great Britain. The war with the Zulus postpone the realization of any expectation from that quarter.

We reprint, in this connection, the annexed extract from the *Edinburgh Review*, for January, which gives as clear an account as any we have seen of the great gold-bearing gravel-bed, running from North to South, in California. As the gold can only be obtained from it by the use of water, and as only limited amounts of water can be made available at the great elevation of this gravel-bed, no increase of the annual yield from it is probable. The same facts, however, justify the expectation that it may prove to be a long enduring source of supply.

The *Edinburgh Review* says :

“At first the gold-seekers worked away in the ravines and river-beds, content with the ample gold which repaid their labors. But by-and-by the miners began to track these golden sands to a common source. They found that there was a point in the course of the streams beyond which little or no gold was found, but at which point a vast gravel-bed arose on either hand, richly charged with gold, extending for miles from North to South, and that it was the cutting of the various streams through this immense gravel-bed that brought down the golden sands. As explorations were made, it was found that this gravel-bed was the channel of a great river which had once flowed there. Its course has not yet been fully ascertained, but by sinkings at various points it has been traced continuously for fifty miles; its breadth varies from half a mile to a mile and a half; and the gravel-bed which marks the course of this old stream is upwards of a hundred yards in depth! At this depth below the present surface they find the original bed of the river—a

bed of rock, smooth and water-worn, with pot-holes where the eddies once swirled; and the middle of the bed, where the current ran strongest, is a good deal lower than the sides. How many centuries must have passed while this mighty river still flowed upon the bare rock! especially as its current must have been slow, for the bed slopes only two or three feet in the mile. Thereafter, as time and the weather, and the feeding torrents and streamlets of the mighty river began to wear down the rocks around its source, its channel began to be covered with boulders and gravel, until it was filled up to a depth of 400 feet. What ages must have passed during the existence of the river! And how remote is the time when it vanished or forsook its course! This old river-bed is now a thousand feet above the level of any of the existing rivers of the region. It is 1,000 feet above the Bear River, and 1,500 feet above the American River. It must have been in a valley, but now its channel occupies high ground, sometimes actually topping a ridge, through which the torrents of subsequent times have cut passages, at varying depths below the surface, but none of them reaching down to the rock, the original bed of the great river.

"Here, then, was the main source of the gold as found in the ravines, gulches, and sands of the rivers. This vast river-course, a mile in breadth and more than a hundred yards in depth, is filled with pure quartz, varying in size from sand and gravel up to boulders, intermixed with hard clay. The boulders are chiefly in the lowest part of the bed, which is also the richest in gold, but at every depth the gravel is amply auriferous. But whence had come all this immense pure quartz, surcharged with gold? No rocks or mountains of such a kind as would furnish this quartz-gravel are now to be found in California. The ancient river flowed from North to South, and away somewhere in the North there must have been mountains composed almost entirely of quartz; for, we repeat, it is quartz alone (intermixed with alluvial clay) which fills the broad and deep channel of this old river. It could have been no mere hillocks of quartz which sufficed to fill a channel fifty miles in length, a mile broad, and 400 feet in depth. Mountains of quartz, lofty and broad, must have been there in remote ages to fill with their *débris* so vast a river-bed as this, besides supplying the other auriferous gravel-beds of California.

"Geologists have an interesting field for study and research in the various gold-bearing gravel-beds of California. These are distinct from the auriferous sands of the existing streams; they mark the course of ancient inundations, or of rivers which have long ago ceased to flow. They mark the course of extinct rivers, just as the boulders and detritus of moraines mark the course of extinct glaciers. The largest of these gravel-beds is that which we have described, running

from Sierra County through Placer County, and which is crossed by the Pacific Railway, at Gold Run. What a strange and striking picture presents itself to the mind's eye of anyone standing there now! Far in front of him, across a mile of gravel-bed, and stretching on either side out of view, busy miners and hydraulic appliances are at work where once a primeval river, a mile broad and proportionately deep, flowed in slow and stately course through a lonely valley, untenanted by any tribe of man. The mammoth, the great elk, and the moose-deer (the last named being the most ancient of surviving quadrupeds in North America), may have stood by the wide stream drinking their fill at morn and eventide, and with blank-gazing eyes beheld to the north the far-off mountains of quartz shooting their white pinnacles into the sky, thick-flaked with gold—a dazzling, glittering mass of light visible from afar as the slanting sunshine gleamed on their snow-white sides and summits—whiter than any marble, and sparkling with gold. Next, these glittering mountains vanished, sinking in ruins into the bed of the great river. Then the sides of the valley, too, sank away, and the river itself disappeared, seeking lower channels; and finally, its old course was left on high ground, where only tiny rivulets are found, far too small to meet the wants of the miners now toiling in the dry bed of the vanished river—a mighty Pactolus of primeval times.

“Capital has now come into the field. The small holdings of the first miners, about 100 feet square, have been brought up and consolidated into properties of 200 or 300 acres each, held by companies. Tunneling and hydraulic operations on a larger scale are carried on. Water is brought from the mountains, perhaps for a dozen miles or more, in channels cut in the rock, or carried in troughs over valleys and ravines, and stored in reservoirs at the gravel-beds. The water is then carried down to the bottom of the excavation, in very strong pipes, and employed under a pressure of 150 or 400 feet in washing down the cliffs of clay and quartz, hard and firm as a wall, which rise around as the excavations descend. Large tunnels, sometimes 1,500 feet in length, are constructed from the bottom of the excavations to the nearest ravine; and through these tunnels the loosened gravel is carried away by the water from the workings, and also washed of its golden particles. Although many properties of this kind have been bought, only a few of them can be worked at a time, or even brought into the market for the formation of a company; for there is a scarcity of water in that upland region, and the water that can be obtained is already appropriated. The scant supply of water, indeed, limits the extent of the mining operations. A wet or dry year largely affects the produce of gold; but the quantity of gold as yet untouched, and for the present unworkable, is said to be absolutely incalculable.”



## THE NEW TENDENCIES OF POLITICAL ECONOMY.\*

[TRANSLATED FROM THE REVUE DES DEUX MONDES BY GEORGE WALKER.]

(Concluded from March Number, page 706.)

The physiocratic optimism which has inspired political economy from its inception, and which is interwoven, at the present time, with all its speculations, is not only contradicted by facts, but is opposed to the fundamental principle of Christianity. A certain school has reproached political economy with being an immoral science, because it urges man to the pursuit of nothing but his own material advantage, and to live only for sensual gratification. Since it is the object of political economy to find out how societies ought to be organized, in order to arrive at a condition of general well-being, it is nothing more than a revolt against asceticism, and not against Christianity, which, by no means, requires of us to give up everything; but the idea that order is established spontaneously in society, as in the universe, by virtue of natural laws, is entirely opposed to the Christian idea both of the world and of humanity. According to Christianity man is so thoroughly depraved that it requires the direct intervention of God and the constant working of His grace to keep him in the right way and to accomplish his salvation; the world itself is so much a prey to evil that Christians long ago expected, and in certain sects still expect, the *palingenesia*, "new heavens and a new earth," according to the Messianic promises. The evil that is within us, therefore, must be put under subjection by the sentiment of duty, and that which is outside of us, by laws inspired by a sentiment of justice. If we are to hold with the orthodox economists, that the better order of things arrived at results spontaneously from unlimited *laissez faire*, we must suppose man either to be good, or to be necessarily obedient to inspirations which make him act in conformity to the general good. This idea is not only the opposite of Christianity, but it is also contradicted by facts. If the human animal is let loose you have the warfare of all against all, the *bellum omnium contra omnes* of Hobbes. We find this warfare first in the caverns of the pre-historic times, the home of cannibalism, later in the forests of the barbarous age, and at the present day in the haunts of industry. Even in nature there does not prevail an order of justice which we could safely take as our exemplar; the utmost that we find in her is a rude species of equilibrium which we call the natural order. In

\* *Les Tendances nouvelles de L'Economie Politique et du Socialisme. Revue des Deux Mondes.* July, 1875. By EMILE DE LAVELLEVE.

nature, as in history, injustice often triumphs and justice is overborne. When a king-fisher has, by patience and address, succeeded in seizing its prey and is bearing it homeward to its hungry offspring, and an eagle, freebooter of the air, pounces on it, and robs it of the fruit of its labors, the same sentiment of justice is aroused in us, as when an idle master forces his bondman to maintain him on the product of his toil. If Cain, the follower of the chase and the warrior, kills Abel, the peaceful shepherd, we side with the victim against the assassin. Thus it is that we are constantly revolting against facts which take place in nature and in society. The Chinese, and those excellent women who see in every event that happens an effect of the Divine will, are optimists after the manner of the economists who believe in the empire of natural laws. Physiocratic optimism also puts its trust in the judgment of God and in the ordeals which are found among all nations, for the custom of ordeals springs out of the idea that God always causes the innocent to triumph. Job, on the contrary, protests against this immoral doctrine, and the children of Israel, down-trodden and scattered among the nations, do not yet despair of justice, but await the hour of recompense. The facts which exist and the present organization of society are, doubtless, the necessary result of certain causes, but those causes are not natural laws, they are human facts: ideas, manners, beliefs, which may be modified, and from the modification of which other laws and other customs will be deduced.

The theory of natural laws has had two other unfortunate consequences: it has discarded all notion of an ideal to be attained, and has very considerably narrowed the conclusions of political economy. In the writings of the orthodox economists, the final object to be striven for is never mentioned, nor the reforms which justice might demand. Does distribution take place in the way most favorable to the progress of humanity and to the happiness of all? Is consumption conformable to moral laws? Is it not desirable that there should be less of hardship among the lower classes and less of luxury among the upper? Have we not economic duties to fulfill? Since the primitive era, the organization of society has been materially modified; will it not undergo still further changes, and in what direction? These are some of the questions which official political economy never touches, because they do not, it is alleged, enter into its domain. We have seen that Bastiat and Cherbuliez point out the reasons. The strict science does not concern itself with what *ought to be* but only with what *is*; it can, therefore, neither propose an ideal nor labor to attain it. It simply describes how riches are produced, distributed and consumed; and thence results the poverty of its practical conclusions. In short, if it were enough simply to proclaim liberty in order that every-

thing should arrange itself in the best way, and that harmony might be established, the office of political economy is very nearly ended in countries which, like England, the Netherlands and Switzerland, have adopted free trade and free competition. It will, no doubt, have rendered an important service in promoting the abolition of the restraints which prevented the expansion of productive forces, and a better distribution of labor; but at the present day its functions are nearly exhausted. We are approaching the last pages of the book, and there will soon be nothing left but to close it and to lay it respectfully on the shelf.

On this point, I think, the criticisms of the Socialists of the Chair are well founded. In aiming to make political economy an exact science its domain has been too often narrowed; it cannot separate itself from politics, morality, law and religion. Since it tries to discover how men can best arrive at the satisfaction of their wants, it ought to tell us what are the forms of government, of property, of religious worship, the methods of distribution, and the moral and religious ideas most favorable to the production of wealth. It ought to present to us the ideal to be attained, and point out the way of reaching it. To obtain liberty is most desirable, but we ought to know further what use to make of it. In civilized society, not less than in the primitive forest, if liberty is not put under the restraints and ordinances of morals and of law, it ends in the oppression of the weak and the domination of the stronger and more capable; this will speedily occur not less in the domain of economy than in that of education. The disciples of Darwin will say that this is the law of nature and of "selection." Very well; but if it has the effect of crushing me inexorably, I may, at least, be excused from giving it my blessing.

Thus, as it seems to me, has the official political economy been justly reproached with enunciating as absolute truths, propositions which, in reality, are falsified by facts, just as though in mechanics we were to formulate laws of motion without taking any account of resistances and friction.

It is these abstract and general formulas which have inspired practical statesmen like M. Thiers with a great distrust of economic axioms. Let me cite some examples of these axioms. Since the time of Ricardo it has been a dogma of the science that wages, like profits, tend to equalize themselves, because free competition speedily brings an increased supply to the point where the highest remuneration is to be obtained. Now Cliffe Leslie has shown, by statistics gathered both in England and on the Continent, that no such equality of wages really exists; but on the contrary, that the difference of compensations for the same industry, between one place and another, is greater at the present day than formerly.\*

\* See foot-note on following page.

It is also an economic axiom, often quoted in the recent discussions of the double standard, that the abundance of silver is an evil, inasmuch as business is carried on just as well with a small as with a large quantity of money. And yet the daily quotations of European money markets prove that a scarcity of money causes crises, while an abundance of it lowers the rate of discount, and gives, in consequence, an impulse to production and to transactions. Free trade holds that the balance of trade is of no consequence, because products are exchanged against products, and we have only to congratulate ourselves if foreigners furnish us commodities cheaper than our own people. This would be true if all peoples composed only one nation, and if all men were capitalists. Take the case, however, of a nation which is obliged to sell its public securities and shares in private corporations abroad. Products are exchanged against products, as before, but it is henceforth the foreigner owning these securities, who enjoys the income which others labor to produce. If England were able to furnish to France all manufactured articles more cheaply than France could produce them at home, the rich consumers in France would be the gainers, but French workmen would be deprived of work, and would either disappear, or would have to go to England to pursue their occupations. It was thus that in France, after the suppression of provincial tariffs, industries abandoned the less favored localities and established themselves in places where they met with more advantageous conditions. Doubtless, if the human race were considered from a cosmopolitan point of view, and if all nations were regarded as constituting a single people, it would matter little at what points population centered or wealth was accumulated, provided only that a general progress resulted; but can we reasonably demand of any people such a disregard of its own peculiar interests and of its own particular future?

Moreover, if we consider civilization in all its bearings, and not merely the accumulation of wealth, is it not desirable that each nationality should maintain its perfect independence and its utmost power, in order that each shall contribute its own peculiar note to the grand harmony of human society? †

Such, at least, is the position which political economy has assumed in Germany since the time of List; and hence in that country the science is generally called the Science of National Economy.

It seems to me, also, that the elder economists have

\* In Belgium the facts are very curious. At the moment I write these lines, near Ypres, I am paying for cutting hay a franc and a half a day; in the neighborhood of Liege, they are paying four francs. There, a day laborer earns three francs or three francs and a half; in Campine only a franc and a quarter; and yet the farm hand in Campine performs more labor.

† In a work published as long ago as 1857, I made use of what is called the new method: I endeavored in it to show that the free traders defended a just cause with bad arguments, and a useful reform with indefensible axioms. See *Etudes historiques et critiques sur la liberté du commerce international*.

attempted to abridge too much the functions of the State. When one considers all the injury which bad Governments have done to the people, especially in France, one understands the desire to abridge their power and to restrict their functions; but the *laissez faire* school, in theory at least, has overstepped the line, and those countries which should absolutely follow its counsels would have reason to repent of them, for they would find themselves outstripped by others. England has come to a recognition of this truth, and although that country is a model of self government, so far from persevering in the course marked out by the economists, it is every year imposing new functions on the State, which now intervenes in industrial and agricultural contracts, with a detail and with restrictions which would be hardly admitted elsewhere.

In Prussia, everything is under control of the State: its lands, its military establishment, its agriculture, its industry, its religion, and, lastly, its education of all grades—that principal source of its power. From being once no more than the sandy wastes of the Marquis of Brandenburg, the jest of Voltaire and Frederick II, it is now the Empire of Germany. Some years ago, a President of New Granada on assuming the Presidential chair, being imbued with pure economic doctrines, announced that “thereafter the State would confine itself to its legitimate functions, and would leave all enterprises to individual initiation.” The economists applauded. After a short time the highways were impassible, the harbors were washed away, personal security was at an end, and education abandoned to the priests, or, in other words, reduced to nothing. There was a return to a state of nature—to the primeval forest. In Turkey and in Greece the State does nothing, because the public treasuries are empty; it is dangerous even to visit the spot in order to attest the benefits of the system. Let us suppose two countries, side by side, of equal power and resources, in one of which the Government carefully abstains from all intervention, and, as a consequence, individual necessities exhaust all its products; in the other, the State withholds from the consumption of individuals, which is often useless and even hurtful, the wherewithal to pay for all services affecting the public interests; it opens highways and harbors, it builds railways, constructs schoolhouses, endows liberally all scientific establishments, encourages men of learning, stimulates the higher arts as was done at Athens, and finally, by means of obligatory education and obligatory military service, takes the rising generations under its control in order to develop their bodily and mental forces.

When a half century has passed by, which of these two peoples will be the more highly civilized, the richest, the most powerful? In Belgium, the State, which, since 1833, has

established the railway system, has rendered the economical existence of the country secure by the development of its industries, in spite of its separation from Holland, which deprived it of its principal seaport. It is in a similar manner that Italy is, at the present day, cementing her national unity, and that Russia is laying the foundations of her future greatness.

The State has, therefore, a double mission to fulfill. The first part of it, which no one disputes, but the full scope of which few persons understand, consists in subjecting society to the rule of order and of law; that is to say, in ordaining laws as nearly conformable to distributive justice as the advancement of social culture will permit. The second consists in providing out of the public purse, through means of taxes levied proportionately upon individuals, everything which is indispensable to progress, and for which private initiative is not sufficient.

An incontestable merit of the new economists is that they approach the study of the social question with a true sentiment of Christian charity, but at the same time in a strictly scientific spirit, supporting themselves throughout by historical facts, and thus escaping Utopian theories.

In order to combat the socialists, Bastiat and his entire school have maintained the theory of a natural harmony of interests, and have thus been obliged to deny the existence of any problem to be solved. It is a dangerous error. In truth, the social question dates very far back; it had its origin at the time when real property ceased to be held in common, and, as a consequence, inequalities of condition began to show themselves. This it was which disturbed the Greek republics and hastened their downfall. This it was which agitated the Roman republic in spite of the palliative of agrarian laws, again and again renewed in vain. It reappeared in the communities of the middle ages, as soon as industry had acquired some headway among them, and later when the Reformation had established religious freedom in society, and when the French revolution made proclamation of equality and fraternity; but in our day it presents so grave and general a character as to compel the attention of statesmen, of publicists, and especially of economists; for it involves the safety of civilization itself, put in peril as it is by the demands of the working classes.

Economic interests will always be found among the principal causes of the grander evolutions of history—a truth coarsely expressed by Napoleon when he said: "The seat of revolutions is the belly."

The new economists have published a considerable number of special studies on the social question in one or another of its phases, and as they pique themselves on being "realists," that is to say, on supporting their principles by statis-

tics, they must, without doubt, contribute to the advancement of the science. In its summing up, the new doctrine is still somewhat vague both as to premises and conclusions, and when it endeavors to define the relations of political economy to morality and to law, it is less original and less new than some of its more enthusiastic followers are willing to admit. Referring only to contemporary economists, who are occupied with this subject, it will suffice to mention the writings of Dameth, Rondelet, and Boudrillart, and the well-known though badly translated (into French) work of M. Minghetti, now President of the Council in Italy. It seems to me, however, that such writers as Cliffe Leslie, Luzzati, Frederiksen, Schmoller, Held, Wagner, Contzen, and Nasse, are better equipped than the school of Bastiat, in a contest with the existing scientific socialism, which supports itself in precisely the same way, on abstract formulas and natural economic laws, in its assaults on social order and in its demand for a radical reconstruction of society. Bastiat imperilled his defence at the very outset, by placing himself too exclusively on the ground of theory, for he was thus compelled to contradict facts and to deny doctrines which are admitted by all economists, as, for example, the classic theory of rent.

The realistic economists, on the contrary, lay hold on principles and fortify themselves by facts, in order that they may follow up Utopian theories step by step, being careful to distinguish possible reforms from those which are not possible, and the rights of the human race from the exactions of covetousness and envy. Such is the mission of safety which to-day, more than ever before, is imposed on political economy in presence of the new aspects and rapid development which socialism, especially in Germany, has recently assumed.

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TIME BARGAINS ON THE LONDON STOCK EXCHANGE.—The Court of Appeal recently gave judgment in the case *Thacker vs. Hardy*, which involved the question as to whether a stockbroker can recover from his client money paid for differences in respect to transactions which, to the knowledge of the broker, were purely speculative. The defendant resisted payment of a sum of £18,415 in respect of a long series of such transactions, on the ground that the contracts under which the claim arose were made by way of wagering, and were therefore void and illegal. The Court of Appeal, however, upholding the decision of Mr. Justice Lindley, gave judgment in favor of the plaintiff. Whatever may have been the intentions of the defendant, the transaction in which he engaged involved actual purchases and sales of stocks and shares, and therefore the Court held that neither the broker nor the jobber had been engaged in a gambling contract. As Lord Justice Brett put it, the relation between the plaintiff and his client was that of principal and agent, and if the transaction was a piece of gambling, the plaintiff had been employed to gamble not with, but for, the defendant.

## WAGES AND COST OF LIVING IN MASSACHUSETTS.

Col. Wright, of the Labor Bureau of Massachusetts, gives, in a recent report, elaborate tables of comparative wages, and prices paid by laborers for rent, clothing, fuel, food, etc., in that State, in 1860, the year before the war; in 1872, the year of the greatest inflation; and in 1878. He makes the average increase of wages from 1860 to 1878, 24.4 per cent., and of the prices of the necessaries of life only 14.5 per cent., from which he deduces the following conclusion :

That the average weekly wages of workmen in manufacturing and mechanical industries in Massachusetts, allowing for the advance in the cost of living, were ten per cent. higher in 1878 than they were in 1860, no account being made of the fact that the wages in 1878 were paid for fewer hours of labor per week, in many industries, than were required in 1860.

He is also convinced that the number of persons in 1878 unable to obtain employment is comparatively small. It is on that particular point that he will find the public generally incredulous, or, if they can be made to believe that it is true in respect to Massachusetts, they will conclude that the special industries in which the labor of that State is engaged, are more favored than the industries of the country at large.

Comparing prices in 1872 and in 1878, Col. Wright finds them higher in 1872, by the following percentage :

Provisions .....	17 per cent.
Groceries .....	43 "
Fuel .....	44 "
Dry goods .....	40 "
Men's boots .....	21 "
Rents .....	105 "
Board was .....	37 "

Taking an average of these items numerically, and without taking into account their relative importance, the prices of 1872 were forty-four per cent. higher than in 1878, which makes the fall in prices from 1872 to 1878, thirty and a half per cent.

With a deduction of the item of rent, which is not paid by that considerable class of the earners of wages who own their own houses, either with or without the incumbrance of mortgages, the fall in prices from 1872 to 1878, is twenty-five per cent.

The industry employing the most labor in Massachusetts is shoemaking. The average weekly wages of shoe finishers, heelers, edge-fitters, beaters-out, trimmers, and general shoemakers, were, in 1872, \$16.31, and in 1878, \$12.30, being a fall of twenty-seven per cent., or rather less than the fall in the cost of the subsistence of the laborer who has rent to pay.



In the foregoing statements, the greenback prices and wages of 1872 are reduced to gold.

These figures of Col. Wright will illustrate the fact, always theoretically admitted, that neither a fall nor rise in wages and prices, arising from a cause which affects them all alike, produces any disturbance in the relation of one thing to another.

It is to be considered, however, in respect to the laborers of this country, that in normal conditions they are not obliged to expend, and do not expend, for their subsistence, as the laborers of Europe must and do, all that they earn. There is an overplus which they save. In respect to this overplus, they are not affected by a change in the value of money, if they are out of debt. In that case, if money rises in value, their overplus will be less, but it will improve in quality as much as it loses in quantity. But if they are in debt, in the way of mortgages on their houses, or otherwise, their overplus is diminished in amount without gaining any new power in paying what they owe.

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### THE PUBLIC CREDIT.

The situation at Washington is a very dangerous one for the solid and permanent maintenance of the public credit.

It became known fully a month before the termination of the late Congress that, during the next fiscal year, commencing on the 1st of next July, there would be a deficiency of revenues to meet the expenses of the Government, even after diverting to the general uses of the Treasury the funds which had been pledged, and as was once supposed, irrevocably pledged, to sink the National debt. This deficiency was then estimated at from twenty to twenty-five million dollars, and is now estimated somewhat higher. This anticipation of a deficiency is based upon the reduction of the tobacco taxes, and upon the magnitude of the appropriations, and especially upon the discovery that a recent law for the payment of what are called arrears of pensions, would occasion an expenditure much in excess of what was generally expected when the law was passed.

There is nothing in the expectation of an impending deficit, which need of itself to excite alarm about the public credit. The revenues and expenditures of governments are constantly fluctuating from a variety of circumstances, and it must frequently happen that the fluctuations in both will be unfavorable at one and the same time, that is to say, that revenues will decline while expenditures are increased. No apprehension is excited about the public credit of England or France,

when the British Chancellor of the Exchequer, or the French Minister of France announces a deficit, even if it is a large one, for a coming year. In our case, it is not the deficit which is alarming, but it is the entire want of any manifested disposition, on the part of the legislative and executive authorities, to prevent the anticipated deficit in the way which is the only proper one in time of peace, that is to say, by restoring the equilibrium between receipts and expenditures. There was, and is, plenty of time to do that, and the methods of doing it are numerous. The deficit is not expected until the next year. Nobody expects a deficit during the current fiscal year, which has yet three months to run, and which had five months to run when the discovery was made as to the magnitude of the draft upon the Treasury to be made by the law relating to arrears of pensions. That discovery was made before several of the general appropriation bills had been passed. In fact, two of them are not yet passed. It is quite practicable to reduce these bills largely. Very little has so far been done to conform our public establishments to the present state of things, and to reduce the salaries which were raised, and perhaps properly raised, when the currency was depreciated. The efforts of the House in that direction were as inflexibly resisted by the Senate, during the late session of Congress, as ever before, and both the House and Senate were agreed in swelling the River and Harbor Bill to the highest proportion for which there was any precedent.

If economies were distasteful and politically impracticable, it was easy to increase the revenue. Congress has been reducing or repealing taxes continuously since the Civil War closed. There are several of the repealed taxes which could be restored without disarranging industries, and as to some of them, such as the tax on tea and coffee, it is doubtful if the burden of them does not fall largely upon foreigners. It is true that no proper opportunity for a complete revival of the revenue system was afforded in the last month of the late Congress, but a proposition to restore the tea and coffee and income taxes, in the precise form in which they existed when repealed, could have been made and voted upon during the last twenty-four hours of the session. They are thoroughly understood and need no further discussion.

But, although easy enough to be done, if there had been a disposition to do it, it was not necessary that the new revenue should be provided by the late Congress. The present Congress was already elected, and an early extra session of it only required a call from the President. In fact, such an extra session has been called, but we know very well that it was the failure of two of the general appropriation bills, and not the impending deficit in the Treasury which has caused it to be called.

Whether provided by the late, or the present, Congress, the proceeds of new, or increased, taxes would have reached the Treasury in ample season to prevent a deficit, and especially as the President might, without injury to the public service, postpone, for short periods, the actual expenditure of some of the moneys appropriated. The exercise of such a power is a common thing in the history of the Government.

But no other proposition than that of borrowing money to meet this deficit was made in either the Senate and House, and it commanded votes of alarming strength in both of them. One-third of the Senate supported that proposition, and a larger proportion of the House. The influence of the Secretary of the Treasury was actively exerted in favor of it, and, since the adjournment of Congress, he has continued to insist that borrowing was the only resource. In an interview reported in the *New York Tribune*, of March 10, he is reported as saying that "*we can pay by borrowing,*" which is plainly true, but also as saying that "*this can only be done by borrowing,*" which is as plainly not true.

The proposition to create permanent loans to carry on the Government in time of peace, and when ample opportunity exists to raise by taxation all necessary revenue, is in itself so monstrous, that its direct success is not probable. The danger arises from the fact, that it may be indirectly successful. It will be so from the mere inaction of Congress, under the power given to the Secretary of the Treasury to issue bonds to an unlimited extent, for the purpose of maintaining coin resumption. He has for that purpose accumulated (approximately) \$140,000,000, which now lie in the Treasury undistinguishably intermixed with the other funds which it contains. Taking all the moneys in the Treasury together, they are in great excess beyond the requirements of all the appropriations, and the deficit will only show itself if there should be a large call, of which there is no immediate probability, for the redemption of greenbacks. To meet that emergency the Secretary of the Treasury can issue bonds at discretion, and thus at last, if Congress fails to improve the revenues, the deficit will assume the form of an addition to the funded debt.

How rapid the progress has been on the road which leads to National bankruptcy and repudiation, will appear from a short statement of the financial history of the country during the last decade.

When Gen. Grant came into the Presidency in March, 1869, there was a surplus revenue of one hundred millions, which was by no means in excess of the sum which it was expedient to apply in reduction of the National debt in the then existing circumstances, money being cheap and wages and prices of commodities high. In his first message, of December, 1869, to Congress, Gen. Grant insisted that there should

be no reduction of the aggregate revenues, until the entire debt was refunded at lower and more moderate rates of interest.

In the discussions in Congress upon the law of 1870, under which the public debt is now being refunded, it was agreed on all sides that there must be no departure from the old American doctrine that there should be no permanent National debt, and that it was the first and most urgent duty of times of peace to discharge obligations unavoidably incurred in times of war. As the law passed the Senate, the longest bond which it authorized was one for twenty years, Mr. Sherman especially insisting that there was no American precedent for anything longer. Mr. Sumner thought that the final extinguishment of the whole debt might be extended over a period of thirty years, and his view seems to have prevailed in the House, where the law was so amended as to permit the issue of a portion of the bonds on that term of time. The difference of opinion was thus only as to whether the whole debt should be finally extinguished in 1890, or 1900.

A change in views set in rapidly, and Gen. Grant, renowned for his stubbornness in the field, seems to have been the first to see new lights. Within four months after his message of December, 1869, he was found urging a repeal of the income tax. The revenues were reduced so rapidly, that in the fiscal year 1873-4 the surplus fell to four millions. There has been some recovery since, but in no year has it been sufficient to meet fully the requirements of the sinking fund, and is now on the point of being converted into a deficit. The laws creating that fund set apart the customs revenues to pay in each and every year, *first*, the interest, and *second*, one per centum of the principal, of the public debt. Successive Secretaries of the Treasury have entirely disregarded these laws, certainly with the acquiescence, and probably with the approval, of successive Congresses. The sinking fund is practically abolished, and its repeal, which is openly urged from many quarters, would only be a matter of form. The reduction of the National debt is no longer talked of, and, much less its complete payment at any fixed period, however remote.

Of course, any reduction or repeal of a tax finds supporters in the special interest which is thereby relieved, and every appropriation in those who are directly or indirectly its beneficiaries. But the general policy of maintaining the National debt at its maximum has been upheld mainly by the three following classes :

I.—Lenders of money who wish it to be always as large as it is safe to have it, because it is a profitable investment, and because to the extent that it absorbs moneyed capital, it enhances the general rates of interest in the country.

II.—The *doctrinaires* of the peculiar Pennsylvania tariff

school, who see that the necessity for large annual payments of interest tends to secure high duties on imports, and who would be glad to have the National debt twice as large as it now is. They have not got beyond the old idea, that the products of our manufacturing and mining industry cannot expect any other than a home market, and that the only thing needed to secure that is to keep out foreign competition. They are not yet able to comprehend the present actual position of many of our industries, whose production has become so large as to require foreign outlets, and which find themselves hampered in the struggles for such outlets, by the internal taxation which a great National debt renders necessary.

III.—Those who really desire to see a repudiation of the National debt. Their views are, that the older a debt is the less is the obligation of it felt; that the successors to the generation which created the present debt, admitted to have been largely swollen by frauds and jobbery, will not regard themselves as specially responsible for it; that it is essentially weak and exposed to attack, because it is, and must continue to be mainly held in a minority section of the Union; and that its repudiation will be insured, if, instead of being in a course of gradual reduction, it can be put in a course of gradual enlargement.

The true wisdom is to return to the doctrine and practice of the fathers, to resist all loans in times of peace, and to steadily pay off the debt of the Civil War, as they paid off the debts of the war of the Revolution, and of the war of 1812-15. A permanent National debt ought not to be maintained anywhere. It cannot be maintained in this country, as those who try it will find to their cost.

GEO. M. WESTON.

GOLD AND SILVER MINES.—The assessments falling due upon mining companies, having their headquarters in San Francisco, are as follows for three months:

January, 39 mines.....	\$1,251,040
February, 41 " .....	1,194,100
March, 44 " .....	1,447,900
	<u>\$ 3,893,040</u>

This is at the rate of a little less than \$16,000,000 per annum. Last year the aggregate was a little less than \$14,000,000.

Of the assessments for March, \$957,500 were made on mines in the Comstock Lode.

The market valuation of the stocks in all the mines in the Comstock Lode is now about \$40,000,000. The bears say that the gross bullion yield of all these mines will not exceed seven million dollars in 1879, while the assessments will be eleven millions. The bulls take a very different view of the prospect.

## THE GOLD DISCOVERIES OF 1848 AND 1851.

The *Edinburgh Review*, for last January, commences an article upon the gold discoveries in California and Australia, with the following description of the preceding years of depression in trade and industry :

"The previous half-century had been a bad time. War and the heavy war-taxation came to an end with the crowning victory of Waterloo. Nevertheless, a strange and persistent distress pervaded our country. Excepting the brief gleam of prosperity in 1822-5, when our people went mad over the liberation of South America from the rule of Spain, and when we lost several millions of our recently re-acquired gold in loans to the new republics, while a frenzy of speculation created a baseless and transient prosperity at home—and again in 1843-6, when some fine harvests and a small but welcome influx of gold from the Ural mines, combined with the excitement of free trade, and the railway mania to increase employment—the whole period had been one of extreme depression and distress, which naturally showed itself in political virulence and discontent. The expenses of Government had been reduced to a minimum, and the army and navy largely curtailed. Peace and retrenchment were the watchwords of the Whig Administrations which followed; sinecures were hunted out and abolished; even the yeomanry was all but disbanded for the sake of saving a few pounds a year. Yet all this economy was inadequate to meet the diminished productiveness of the taxes. Every year there was a difficulty with the budget, sometimes a deficit. It became a saying that the Whigs were bad financiers, just as a similar saying has been, in later times, applied to the Conservatives. Mr. Fawcett, in his recent book, remarks that during the thirty years between 1815 and 1845, although the National expenditure had reached its lowest point, and the rivalry with the French Empire in military armaments had not begun, there was absolutely no development of the foreign trade of the country. 'In 1841,' he says, 'the exports were about fifty-one millions a year, the precise amount at which they stood a quarter of a century previously.' At that time the Burnley guardians wrote to the Home Secretary that the distress was far beyond their powers; at Stockport more than half the master-spinners failed before the close of 1842; and a committee of inquiry reported that half the population of Carlisle were likely to die of famine. So different has been our experience since 1850, that such statements seem well-nigh incredible. Even Sir Robert Peel's wise fiscal measures,

and the completion of the Free-Trade system by the subsequent Liberal Administration, could not contend against the tide of adversity. Just as the agriculturists, although enjoying Protection, had suffered intensely throughout these thirty years, so the manufacturers found Free Trade an inadequate talisman to ward off the epidemic distress. From 1846 to 1850 or 1851, the times were at least as bad as ever, farmers and manufacturers suffering alike; while low wages and lack of employment fell heavily upon the working classes.

"It was upon this dismal background of universal suffering in Europe that the tidings of the gold-discoveries flashed like a ray of happy light, quickly broadening and brightening into what seemed a daybreak of golden summer, full of hope and joy. The working classes, in tens of thousands, rushed off to the new golden lands, rejoiced to find good employment for their strong arms and hopeful hearts—thereby at once relieving the over-stocked labor market at home, and soon creating new markets for produce and additional employment for their fellows whom they left behind. It was a thrill of joyous elation such as had never before pervaded the population of Europe and America. On the banks of the Sacramento river, and on the alluvial plains of Ballarat, there was gold in abundance, gold everywhere. The news penetrated into every workshop, and was talked of by the shepherds on every hillside. There were new homes for the half-starving people beyond the sea, new regions where political discontent might become its own master. And these golden stores of nature were as open to the poor as to the rich, or indeed were peculiarly the property of the working man."

This "*joyous elation*" of the masses was by no means shared by all the political economists, a considerable portion of whom feared a rise in prices injurious to creditors and to all persons enjoying fixed incomes. On that point, the *Edinburgh Review* says:

"The majority of writers on the subject, especially the political economists, regarded the new gold supplies simply or exclusively as affecting the amount of currency in its relation to the then existing requirements for it, without considering the expansion of commerce which these gold supplies would facilitate, and which expansion would largely provide new requirements for them. Thus regarded, of course, a great fall in the value of money was inevitable—a revolution of prices and property, which *per se* is undoubtedly a great evil. The other party looked mainly at the new gold as promoting commerce, and therewith production and employment, and also as lightening the pressure of taxation, and of mortgages and all fixed payments, which are mainly due by the poorer classes to the rich.

"Alison hailed the new gold mines with enthusiasm. He

had discerned the evil effects upon our own country, of the decline of the gold and silver mines in South America and Mexico, owing to the anarchy prevailing in those countries. This diminution of the supplies of the world's currency is now acknowledged to have been one of the causes of the extraordinary depression of trade, and of the wide-spread and mysterious distress, which had prevailed in this and most of the other countries of Europe during the first half of the present century. Instead of increasing with the population, the supplies of the precious metals had sunk below their old level, thereby raising the value of money, and increasing the difference betwixt rich and poor, while augmenting the pressure of the National Debt, which in this country at that time required for itself much more than half of the whole taxation."

In support of the view that the depression, prior to the California discoveries, was largely attributable to the diminished supplies of gold and silver from the mines, the *Edinburgh Review* quotes the following from an address delivered by Mr. Newmarch, before the London Statistical Society, in May, 1878:

"There is now no question that, for about twenty years prior to 1848, the annual supplies of gold had been insufficient to meet the wear and tear of the coins in use, the requirements of the arts, and the needs of enlarging industry, commerce, and population. There had been a slow but steady and progressive tendency towards lower prices, and, therefore, towards a discouragement of enterprise."

We think the *Edinburgh Review* states the case rather too strongly, in saying that the writers who maintained, twenty years ago, that a fall in the value of money was impending, looked only to "*the then existing requirements*" for money, and did not take into account the constantly enlarging needs for it. It is hardly credible that anybody could have entirely overlooked what was so obvious. But they manifestly did not foresee, or did not make sufficient allowance for, that amazing increase in the commerce and industrial enterprises of mankind, which was caused by the stimulus of the new gold mines and the consequent enlargement of the volume of money.

Chancellor Kent described a short statute of the State of New York as having been as fatal to a mass of legal literature upon the subtle distinctions between a contingent remainder and an executory devise, as the torch of Omar was to the books piled up in the Alexandrian library. The events of the last six years and the present condition of prices throughout the commercial world have been equally fatal to a mass of printed learning, in which the ruin of mankind, from an excess of money and an inflation of metallic prices, was shown to be an inevitable consequence of the production



of the California and Australian mines. Current debates turn upon the quite different question, whether the attempt to escape that ruin, by demonetizing one of the precious metals, has not substituted real and great evils for imaginary ones. In fact, it may be said that even this last question is no longer debated, because, while many persons maintain that particular countries are constrained to follow a general example in that respect, there is substantially no difference of opinion that it is a misfortune to mankind, that the policy of discarding the monetary use of either of the metals, was ever entered upon at all.

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### RESUMPTION IN GOLD.

The resumption of specie payments must be maintained, not only in coin, but in gold; not because this metal is more suitable for currency in the present state of civilization and commerce, or more stable and unchangeable in value; but because the actual standard in the whole of Europe is now of gold; and as our European commerce is much larger than our Asiatic or American, it is more important that our merchants and bankers should have a par of exchange with Europe than with India and China, Mexico and Peru, or other silver countries in the East or the West. In France and Belgium, Holland and Greece, Switzerland and Spain, and even in the paper-money countries of Austria, Italy, Russia and Turkey, silver retains by law its ancient privileges. But as American coins are not current in foreign countries until they are melted down and restamped by the sovereign authority, and as all the mints of Europe are temporarily closed to the public for the coinage of silver, while they are open for gold, everything that is bought in any part of Europe must be paid for with gold. Foreign silver is only merchandise, but foreign gold can be promptly converted into current coin. The exchanges are therefore on the gold basis in every part of Europe, and a redemption in silver would, at the present time, be of no practicable service to those who are engaged in foreign commerce and to all those important interests which depend thereon.

The friends of silver do not object to this resumption in gold. Although they believe, that silver is more stable and unchangeable in value than gold, because the annual supply is more regular, having varied only from twenty to eighty millions during the present century, while that of gold has been as small as five and as large as one hundred and seventy-five millions; and because these annual additions are made to a larger accumulated stock of silver than of gold in

the possession of the whole human family ; while the annual demand for the one is about the same as for the other, not only for the arts but for currency ; they also believe that both metals, taken together, are more stable than either, and that it is better to have a par of exchange with all countries than with some only, and that it would be a great addition to the taxes and interest which the people of Europe and America have to pay for the debts they have contracted, if prices were measured by one of the precious metals instead of both. For these three reasons they wish to restore the former equality between gold and silver, and to maintain this by such regulations, that any advance of either of the two in any foreign market would lead to the export of the dearer, so as to meet the extra demand and check the rise and restore the former equality ; exactly in the same manner as the pressure of the atmosphere is kept practically uniform at every place on the whole earth, from day to day and year to year, by the movement of the winds. This equality was preserved from the very beginning of the world's commerce and exchanges until 1873, and it can be done again and by the same methods which have been approved by reason and experience. No novelties are proposed ; no new schemes are suggested ; no theories are to be tried ; nothing is to be done but to follow that well-beaten track which the wisdom of the past as well as the history of the last five years has shown to be practicable and advantageous.

From the earliest periods of history down to the present century gold and silver were both used for currency in every part of the world. Although the legal ratio between the two was nowhere the same, both continued in general use as unlimited legal tenders in all countries. The value of gold was rated much higher during the whole of the eighteenth century at the English than at the French mint, so that gold became the principal currency of the one country and silver of the other, but both circulated together. When the English Parliament, after the close of the wars of the French revolution, adopted their law for the resumption of specie payments, in the year 1816, the single standard of gold was a novel experiment. Portugal soon followed this example. The Germans, by a general convention at Vienna in 1857, adopted silver for the same purpose, as Holland had done a few years before. But the other States of Europe retained both the precious metals and kept both in circulation. Neither expelled the other. The relation between the two of 15½ to one, which was established by the French law of 1795, was not always the exact price at London, the centre of the world's commerce, but as both had the privilege of unlimited coinage at the Paris mint, an advance of either in the English market led to the export of the cheaper metal to Paris to be exchanged for the dearer, and this transfer

restored the equilibrium which had been temporarily interrupted. If silver advanced to sixty-two pence for the standard ounce in London, the brokers could send sovereigns to Paris, coin them into Napoleons, exchange these for five-franc pieces, bring these back to England, sell them as bullion, paying the freight and insurance, the cost of coinage and brokerage, meeting the loss of interest, and then realizing a profit by the operation. If, on the other hand, the price declined to sixty, they could buy the silver and send it to Paris to be exchanged for gold. The first checked the rise and the second the fall in the English market. The French mint was thus the governor and the regulator of the English price of silver, so that any unusual supply or deficiency of either metal from the mines, or any increase or decrease in the demand for any part of the world, was unable to cause a rise or fall of more than two or three per cent. from the French ratio. The extraordinary supplies of gold from California and Australia, between 1850 and 1860, and the excessive demand for silver during our civil war to pay for India cotton, were thus deprived of all disturbing influence by the hundreds of millions of gold and of silver which were stored in the double-standard countries.

This is the history of the past, and this the method by which the equality in value was preserved. The present trouble in the market for bullion has been brought about by the abandonment of this method; and by its restoration the friends of silver propose to rectify the disturbance which has been created.

In 1873 the German empire, with Norway, Sweden and Denmark, prompted by no commercial or industrial interests, but in the mere spirit of innovation or reform, began to exchange their silver currency for one of gold. In the five years ending with 1877, there was no more silver received in Europe from the mines, nor any less exported to India and China than in the preceding five; but the export and sale of German silver in London, and the demand for gold to take its place, changed the relative value of these two metals in this great mart of the world's commerce, and produced the most serious disasters, because the double-standard countries, which had in former times counteracted far more serious disturbances in the specie equilibrium, refused to perform their regulating office. The United States, as one of these, had become a paper-money country, and though she retained her gold for import duties and for interest on Government bonds, she not only exported the Mexican dollars that remained in the vaults of her banks in 1861, but even her light fractional coins that were used for her retail trade. Italy had followed the same course and sent nearly a hundred millions of silver coins into Belgium and France where they were current by law. The surrender at Sedan had forced the Bank of France

and its branches to suspend specie payments, and the exaction by the merciless conqueror of a thousand millions from the prostrate foe paralyzed French finances for the time. No country was left of sufficient strength to be able to give up the gold which Germany wanted and receive the silver she offered in exchange. The mintage of silver in the double-standard countries was, therefore, first limited and then suspended, and the natural laws of supply and demand were left to rectify the disturbance.

The evils which followed this abandonment of the double standard have extended far and wide, and there is no difference of opinion among the friends of gold and those of silver on the extent and magnitude of these troubles. The exchanges between the silver and gold countries are so seriously disturbed, that the commerce between them has been greatly injured. The English merchant that sends his goods to Mexico or India, cannot foresee how many pounds sterling he will obtain for the dollars or rupees received for his sales, and his trade is paralyzed. The Indian Government is compelled to pay, at the present rate of exchange, a premium of seventeen millions out of its revenue for the current year, in buying exchange for the eighty-five millions of obligations which she has to meet every year in London. The extra demand for gold has raised its value, or depressed the price of commodities, which is precisely the same thing, so that the United States is losing millions and tens of millions in the sale of her cotton, grain, and tobacco, to foreign countries. Besides all these, there is a general anxiety and alarm lest these troubles should become still greater by a further advance in the ratio between gold and silver. The English Government, heretofore, so independent and exclusive in the management of her currency, has reversed her traditional policy, and sent representatives to our Monetary Congress at Paris, instructing them to oppose the abandonment of silver in any of those countries which have hitherto used it and given it unlimited legal-tender privileges. Her economists have acknowledged the advance in the value of gold, which is making every English and American taxpayer contribute fifteen or twenty per cent. more for interest on the debts which their local or general governments had contracted. Prof. Jevons, who is a staunch supporter of the single gold standard, has proved that the present advance in gold (December, 1878) is sixteen per cent. over its former value, by comparing the present prices of commodities in the English market with the minimum rates to which they had fallen in the extreme depressions which occurred about ten and twenty years since. Mr. Newmarch, the highest authority in Great Britain, has distinctly traced this advance to the changes in the German currency, and the demand for gold for resumption in the United States. Mr. Giffin, the eminent

English statistician confirms this advance; and the London *Bankers' Magazine* makes the present high ratio between gold and silver to be due to an advance in gold of fifteen per cent., and a fall in silver of five.

The meaning of this rise in gold may be understood and appreciated by referring to our exports for the past year. They exceeded the imports about 250 millions. The difference was expended in paying interest and debts abroad. The advance of sixteen per cent. on gold, required us to pay about forty millions extra for this purpose; and that too in cotton, grain, and provisions reduced to their lowest prices by commercial depression. We paid our debts in dear gold, with the products of our labor reduced to their lowest prices.

All these and other evils followed immediately from the abandonment of the double standard. As Mr. Bagehot explained in his evidence before the English Silver Commission, the throwing of a few millions of German silver on the bullion market were sufficient to derange prices, because the ordinary outlet to the Continental mints was closed. As it could not be coined into French money, it was only merchandise and declined according to the natural laws of trade.

Our Congress has restored the ancient system, but as the derangement had already become serious, it was deemed best not to permit free coinage, as Mr. Bland proposed; or the issue of unlimited certificates for the deposits of silver bullion, as Mr. Stephens suggested; but to limit our mintage to two or four millions per month. The policy of the Treasury has reduced this to the minimum, so that our new coinage will be only twenty-five millions per year. This protracts the period of disturbance, but as it keeps down the price of Indian exchange, it promotes the absorption of silver in India by encouraging the importation of Eastern goods and the export of specie in return. The prostration of business in England has not permitted much progress in this export during the last year, as the shipments of silver to the East were only twenty-nine millions, which is two millions less than the average of the last twenty-eight years. But the low price of silver and the necessities of a loan by the Indian Government, because of the Afghan war, must soon give a new impetus to this export, and the small balance that yet remains of German silver must therefore soon disappear.

The English Silver Commission, in June, 1876, estimated that these maximum sales of Germany would not exceed a hundred millions after that date. Up to October, 1876, they had sold sixteen of this, making a total of fifty-one instead of thirty-five. During 1877 they shipped sixty-five millions to England, and in 1878 they sent twenty more. At the same time large sales were made to Spain, Russia, Turkey, and Austria, so that the hundred millions was more than exhausted. This maximum estimate was therefore too low,

as Gen. Walker reported in October last that seventy-five millions were yet to be sold. The estimate of Dr. Söetbeer, who superintends the German currency reform, was also too low. He placed the total German circulation of silver in 1870, at 296 millions. Of this, 106 were used for the new subsidiary coinage. The known sales (51, and 65, and 20) would reduce this to fifty-four millions and the others would bring it much lower than the present stock yet to be sold.

But whether the remaining stock is forty, or fifty, or sixty millions, it must soon be absorbed by the exports to the East, the coinage in Spain, the demand for Russia, Austria, and Turkey, and the wants of the whole of Europe for the arts. If our demand for the mints and for domestic consumption, and the export from San Francisco to Japan and China, continue as in 1878, to consume all the products of our own mines, and seven millions from Mexico and five from Europe, the German supply cannot last long. It may be one year, or two, or even longer, but the time will, of necessity, be short. As soon as this result shall be accomplished, the market will be restored to its former condition, before 1873, when a large export from the United States was consumed in meeting the demands of the world. That supply cannot be obtained from France where the mint rate is fifteen-and-one-half for one; and it must be had here at our price of 15.98 to one. There is no other possible source of supply; and silver must advance to our mint rate before any export will be possible.

In the meantime, our silver dollars must accumulate in the Treasury; but as the annual profits of the mint in the purchase of silver are about five millions, the Government can afford to wait for the advance in prices. As large shipments of five-franc pieces were made from the Continent between 1850 and 1873, to meet the demands of the London market, over and above all the supplies from the mines of the whole world, the same demand will require similar shipments of our dollars, because our mint gives a lower value to silver than the mints of Paris and Brussels, or of any other country.

Before this exhaustion of the German stock, we must ship gold to Europe whenever the adverse balance of trade requires an export of specie. But as our annual production of this metal is forty-five millions, we may export this amount without encroaching on our present accumulations, and there need be no alarm for our loss of gold, by any probable shipments that may occur. The danger of an export of all our gold, and of a redemption of our Treasury notes in silver, is a contingency too remote and improbable to be worthy of serious consideration.

As our population and wealth increase, we shall need more silver for domestic uses, and more for our subsidiary coinage. As the smaller Treasury notes shall be withdrawn and larger ones substituted in their place, the circulation of silver for

the retail trade will increase. If our new dollars should decline an eighth, or a quarter, of one per cent. below gold, silver certificates would be used for the payment of customs and internal revenue, and for the reserves in the banks. For all these purposes, four or five hundred millions would be needed. Fifteen or twenty years must pass away before this amount could be coined at the present rate of progress, and by that time our population will be double that of France, and our wealth much larger—and she has a silver currency of 450 millions at par with gold. Even if ten or fifteen years shall be required to exhaust the German supply of silver, the experience of France, Belgium, Switzerland, and Spain, shows that there is no danger that our resumption in gold will be converted into one of silver, under existing laws. Long before that time, this exhaustion must take place, and the price of silver restored to its natural limit, or at least to that low value given to it by our mints, and then the export of silver will be as suitable to the merchants as of gold, and the United States will be the regulator of the exchanges of the world. As the London rate for the standard ounce shall rise or fall above or below fifty-nine pence, and not the old rate of sixty and three quarters, silver or gold will flow into Liverpool. At this price it will be maintained; and the mints of Philadelphia and San Francisco, and not those of France and Belgium, will be the governors and the regulators of the exchanges of the gold and silver countries of the world, the dollar in gold and the dollar in silver being everywhere the standard from which all variations shall be measured, and towards which all prices will perpetually gravitate. Our stock of both the precious metals will be the accumulated treasure from which all nations will draw their supplies. Our great American lake of gold and silver, communicating with those of Europe, Asia, and America, will keep all at the same level, and any new supply of either metal, or any deficiency of either, will only change the level of the whole volume of connected lakes, reducing the variations to their minimum, preserving the mutual exchanges of every separate part, and preventing any permanent elevation or depression of the entire system.

These are the three great objects which are aimed at in the bill of Mr. Alison, and its friends must sustain it against all attacks, until these are accomplished. It wrongs neither capital or labor; it favors no dishonesty or wrong; it robs no man and befriends none; it is the common benefactor of all men and of all nations. As the French Convention of 1795 established and preserved the equality of all the coins of Europe and America until 1873, it is to be hoped that our statute of 1878 will, in the future, perform the same office and secure the same benefits, for as long a period, and for as many countries and people.

C. F. McCAY.

BALTIMORE, March, 1879.

## HISTORY OF THE FIRST ISSUE OF CONTINENTAL MONEY.

At the opening of the second session, Congress began to wrestle with the grave question of finance. An issue of paper money or bills of credit—a practice in which all the colonies had indulged—was regarded as the best expedient, yet several weeks elapsed before taking final action thereon. In the meantime, the matter was referred to the several colonial assemblies for their opinion. Previous to this reference, the provincial assembly of New York had appointed a committee to consider the propriety of emitting a Continental paper currency; and on the 20th of May the assembly addressed a letter to the Congressional delegates representing that colony, on the subject. "To the scheme of issuing a universal paper currency," says the address, "it may naturally be objected that it will be imprudent in one colony to interpose its credit for the others. On the other hand, it is clearly impossible to raise any sum adequate to the service by tax; and the necessary intercourse of expenditure throughout the colonies will be obstructed by separate emissions of the several colonies which cannot, in their nature, gain universal circulation. We have this important subject under serious deliberation, and are still at a loss for the best expedient most effectually to answer the purpose. We have, therefore, appointed a committee of our body to give it their closest attention," whose report was to be communicated to the delegates, without delay. "If Congress is considering the subject," concludes the letter, "we earnestly request that its determination may be so postponed as to furnish an opportunity of acquainting you with our more mature sentiments on this most important point."

The delegates from New York were not blind to the importance of the question, and to the need of a better knowledge concerning it. This is shown by their reply to the letter of the Assembly, in which they express the wish of a speedy determination, "as it may throw some light upon the subject we may otherwise want." Dark indeed was the subject in the beginning, yet it grew darker as the days and years went by.

Not long afterward, the report of the committee, prepared by Gouverneur Morris, was sent to Philadelphia, where Congress was in session. It displays a pretty thorough comprehension of the situation, and gives clear proof of a high order of financial ability, which the author on more than one occasion afterward exhibited. Concluding an issue of paper



money by Congress to be necessary, the report discusses the several modes of issuing it, which were the following: first, "that every colony should strike for itself the sum apportioned by the Continental Congress; secondly, that the Continental Congress should strike the whole sum necessary, and each colony become bound to sink its proportionate part; thirdly, that the Continental Congress should strike the whole sum and appropriate the several shares of the different colonies, every colony becoming bound to discharge its own particular part, and all the colonies to discharge the portion which any particular colony should be unable to pay." The committee recommended the adoption of the latter plan, sagely remarking that there were only two obstacles in the way of emitting paper money, the first was, "to give it an immediate and ready currency;" and the second, "to provide ways and means for sinking it." They had no doubt about its ready reception throughout the Continent; and, on the second point, the committee observed that "whenever a paper currency has been emitted and obtained a general credit, it will be a new bond of union to the associated colonies, and every inhabitant thereof will be bound in interest to endeavor that ways and means be fallen upon for sinking of it."

Before any plan had been perfected, the need of money to purchase powder for the Continental army, which was already organized, had become so great that Congress resolved to borrow six thousand pounds for the defence of America, pledging the faith of the colonies for repayment. The Pennsylvania delegation were appointed a committee to execute the resolution. Phillips says: "The desire of borrowing so small a sum, which, even if obtained, would have been of very slight assistance, shows conclusively the reluctance of Congress to use its paper credit." May not the reason have been that Congress needed only a small sum as a temporary expedient while perfecting a plan for the issue of paper money? As only six thousand pounds were borrowed, is not the inference very strong that Congress expected to issue paper money at an early day, otherwise a much larger sum would have been absolutely necessary? Congress afterwards ordered \$16,000 in Continental bills to be paid for the specie thus obtained.

What opposition was made to issuing paper money we have only scanty information. The records of Congress are silent concerning the discussion of all questions; and we can glean but little from the votes of Congress and the hints of members. Had not secrecy upon their proceedings been enjoined, which was most faithfully kept, doubtless the letters and diaries of some of the members would have thrown much light upon the deliberations of that body; in consequence of this injunction, however, not much knowledge can be gleaned even from these sources.

Two kinds of paper money had been tried in the colonies, with a marked difference in their operation. The improved method had been practiced most successfully in Pennsylvania, and consisted in emitting a certain amount of paper for a given time, say ten years, at the expiration of which period, it was all redeemed. The paper was put into circulation in the form of loans to individuals, secured by mortgages on their land. One-tenth of each loan was repaid annually, with interest. Thus, at the end of ten years, the whole was returned to the loan offices and redeemed; the Government in the meantime having gained the interest, and the community having had the benefit of the circulation. It was made a legal tender for the payment of debts, and it generally maintained its original value, with slight fluctuations caused by the rise of gold and silver when a larger quantity of these metals than usual was wanted for exportation. This form of paper currency delighted Pownall, an English writer upon the *Administration of the Colonies*, for he declares that "paper money thus lent upon interest, will create gold and silver in principal, while the interest becomes a reserve that pays the charges of Government. This currency is the true Pactolian stream, which converts all into gold that is washed by it." The other kind of paper money was emitted by a colony, upon the pledge of certain taxes, which were considered sufficient to redeem it within a specified time. This was the older and more general method employed among the colonies.

The bill passed by Congress, authorizing the first issue of bills of credit, certainly encountered the opposition of Franklin, for he wrote to Samuel Cooper that he took all the pains he could in Congress to prevent their depreciation, by proposing that the bills should bear interest; this amendment, however, was rejected, and they were struck in a different manner. It is quite probable that other delegates shared his views, or favored the adoption of the Pennsylvania plan, which had proved so successful, for, as the need of money was very great, had there been no opposition to the report of the committee, it would have been speedily adopted. Both Congress and the colonies needed funds, yet Congressional action was delayed.

Paper money had been tried in all the colonies, and nowhere had the experiment worked satisfactorily, save in Pennsylvania. Of all the numerous issues, none had been redeemed in conformity with the agreement; and hardship, extravagance, and corruption, even in those primitive days, had grown out of the employment of paper money. We may readily believe, that more than one delegate knew of the evils springing from the use of credit as money. John Adams had "seen paper annihilated at a blow, in Massachusetts, in 1750;" was not this event enough to make him sceptical

respecting the virtues of paper money? That he was no friend of it is evident from his reply to the letter of John Taylor, recommending the latter to read Count Destutt Tracy's work upon *Political Economy*, which had just been translated by Jefferson. Adams says: "His chapter '*Of Money*' contains the sentiments I have contended for all my lifetime." After quoting a passage declaring that to diminish the quantity of metals in coins is to steal, the quotation continues, "A theft of greater magnitude and still more ruinous, is the making of paper money; it is greater, because in this money there is absolutely no real value; it is more ruinous, because, by its gradual depreciation during all the time of its existence, it produces the effect which would be produced by an infinity of successive deteriorations of the coins. All these iniquities are founded on the false idea, that money is but a sign." If John Adams entertained these sentiments all his lifetime, as he affirms he did, he could not have favored the issue of paper money by the Continental Congress.

However divergent were the views of the delegates upon the question of issuing paper money, or the mode of issuing it, Congress decided, near the end of June, to issue bills of credit not exceeding two million Spanish milled dollars, pledging the faith of the twelve confederate colonies for their redemption. This was the plan recommended by the committee of the New York Assembly; and it received the support of the delegates representing that colony in Congress.

The next day some minor matters respecting the bill were settled, and a committee consisting of John Adams, John Rutledge, James Duane, Benjamin Franklin, and James Wilson, were appointed to engrave the plates, procure paper, and arrange for printing the notes. Franklin was more familiar with this work than any other member, as he had printed paper money for the colony of New Jersey, and devised the first copper-plate press for printing the bills.

The Continental bills were of several denominations, from one to twenty dollars, and in form as follows:

"Continental Currency.

No.                  Dollars.

"This Bill entitles the bearer to receive          Spanish milled dollars, or the value thereof in Gold or Silver, according to the resolution of the Congress, held at Philadelphia, on the 10th day of May, A. D. 1775."

In thus issuing paper money it has been affirmed that Congress committed two capital errors: first, in issuing any bills whatever; and secondly, in not taxing the colonies immediately to redeem them. It is easy for us to discover errors strewn over the past, but to judge fairly of the wisdom or ignorance displayed by Congress, we must transport ourselves back to those troubled times and survey, as accurately as possible, the situation of the actors of that period.

In the first place, when this issue was ordered, it was not

believed that the sum would be very much, if at all, increased. Never in the history of issuing paper money has it been supposed that a large amount would be forthcoming. This is one of the dangers of embarking upon this always deceptive sea. One issue authorized, others are sure to follow; but the Continental Congress of 1775, like the Congress of 1863, never intended in the beginning to flood the country with paper money. No one dreamed of the long and fearful contest before the country. When, therefore, the first issue appeared, it was thought the trouble with Great Britain would be soon adjusted; that the total amount of paper issues would be small; and, consequently, could be easily discharged.

Nor did Congress suppose that paper money would float without taxing the colonies for its redemption. Accordingly, Congress apportioned to each colony its share of the sum required, on the basis of population. True, this was an injustice, but what else could Congress do? It was impossible to form an accurate idea of the wealth of the colonies, and though the estimate of the inhabitants was a crude one, yet, so far as we can discover, it was the most satisfactory basis which could be adopted.

Bronson and other writers declare that Congress ought to have assessed and collected the taxes, leaving no authority to the States upon the subject. But Ramsay, Bancroft and many other historians assert that Congress had no power to tax the colonies. This answer is true in one sense, though not in another. Congress had no power to tax the colonies; on the other hand, there was no legal prohibition. Congress had just as much power to tax as to issue bills of credit. Whether Congress should tax them or not was a question of expediency. The course to be pursued depended on the temper of the people. Congress was obliged to look to them for the sanction and enforcement of all legislation. Surely it was not wise to enact a law which the people would not obey, however correct it might be in principle, because if they would not observe it, Congress was powerless to enforce obedience. Of what use was it to tax the colonies if they would not pay? Congress could not enforce the collection of it; there lay the root of the whole difficulty.

If the colonies had been directly taxed, probably they would have refused to pay and then denounced Congress for daring to exercise so much power. Gov. Colden wrote to the Earl of Dartmouth during the debate on this subject: "The Congress are well aware that an attempt to raise money by an immediate assessment upon the people would give disgust that might ruin all their measures, and therefore they prefer to do it by issuing paper money." The people had rebelled because Parliament assumed the right to tax the colonies without their consent; and would they allow Congress to do

what they had denied to Parliament? This was to contradict the very idea of resistance. Whatever might have been the opinion of Congress in respect to direct taxation, the inexpediency of resorting to such a measure was manifest, and any enactment involving the right would have been disobeyed and treated with contempt. Having recommended the colonies to pay their respective quotas of the sum required to redeem the bills, Congress went to the verge of safety. To have attempted to go further might have caused the speedy and inglorious end of that body.

Congress, it has been said, ought never to have issued bills of credit, but provided funds in some other way. Whether a loan could have been obtained when Continental bills were first issued it is impossible definitely to ascertain, but surely the credit of Congress must have been very poor, as the organization was only a few days old, while many regarded the future with uncertainty and alarm. What if the colonies were unsuccessful in their demands of Great Britain, and were prohibited from redeeming the obligations incurred by Congress? Would any one trust the Government under such circumstances?

Nevertheless, Dr. Franklin urged Congress to resort to loans, instead of issuing any more paper money when the question of a second issue arose, showing that, in his opinion, money might at that time have been obtained in that manner. Whether the country would have loaned funds to any extent, or not, no one will question the wisdom of such policy had it been practicable.

From all that can be learned about public sentiment during this period, it is probable that Congress issued these bills in obedience to the popular demand, just as that body many a time since has enacted measures, not because they were right, but for the sake of pleasing the people. It must be remembered, however, that in those days Congress was obliged to follow public sentiment closely in order to exist; now Congress can fall back upon the Constitution in defence of the measures adopted. The people, as we have observed, had tried paper money in all the colonies and knew its virtues as well as its defects, and they believed it was the best mode of raising funds to carry on the Government. These were solely needed to purchase supplies for the army; the colonies "had stretched their own faith as far as it would go;" yet they had faith in a currency issued by Congress upon pledge of payment by all the colonies, and circulating in all of them. The paper currencies then existing were local, and many and grievous were the complaints arising from their use: these, it was believed, would be unknown of the bills of credit issued by Congress. Such was the way the people reasoned; and nothing except paper money would satisfy them. "Their representations," says Phillips, "seem at

least to have wrought on Congress a knowledge that their constituency, whether for well or ill, desired a Continental paper currency which should be equally current in all the colonies." On the 17th of June, Mr. Duane, a delegate from New York, wrote to his constituents: "Your great complaint of the want of money will, I hope, be soon removed. For your present satisfaction we have obtained leave of the Congress to inform you, that the general committee of the whole body have reported a resolution to emit, in Continental paper currency, a sum not exceeding the value of ten millions of Spanish dollars, for the redemption of which all the colonies are to be pledged." Within a week the recommendation of the committee was adopted to the extent of authorizing the issue of two millions.

It is not fair to impute all the blame for enacting this measure to the people, because it is very probable that many of the delegates were sincere advocates of it. During one of the debates on this subject, a member rose and said: "Do you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer and get a wagon load of money, one quire of which will pay for the whole?" The conclusion which it is believed can be fairly drawn is, the people wanted paper money, and Congress could not have done otherwise than it did in satisfying this desire. It was necessary for Congress to obey the people in order to exist.

A month elapsed before any measures were taken for printing the bills. Finally, on the 21st of July, a committee were appointed for this purpose. Finding the amount authorized insufficient to supply the demands made upon Congress, four days later that body issued an additional million. Franklin opposed this measure, for he declared in a letter to a friend: "After the first emission I proposed that we should stop, strike no more, but borrow on interest those we had issued. This was not then approved of, and more bills were issued."

As the signing of so large a number of bills consumed more time than the committee appointed for that purpose could give to the business, another committee were raised, composed of persons residing in Philadelphia, two of whom were required to number and sign each bill and then deliver them to Michael Hilligas and George Clymer, joint treasurers of the colonies. The notes are fine specimens of the progress to which the art of engraving had attained in the country at that period.

Congress supposed that each colony would provide ways and means for sinking its proportion of the bills, "in the manner most effectual and best adapted to the condition, circumstances, and equal mode of levying taxes therein." An assessment also was prepared based upon the supposed population of the colonies, including the negroes and mulattoes,

which was to be revised as soon as the correct list of each colony could be obtained. As Georgia had not yet linked her fortunes with those of the other colonies, the sums assigned to each colony were the following :

New Hampshire..	\$ 124,069½	....	Delaware.....	\$ 37,219½
Massachusetts Bay.	434,244	....	Maryland.....	310,174½
Rhode Island.....	71,959½	....	Virginia.....	496,278½
Connecticut.....	248,139	....	North Carolina...	248,139
New York.....	248,139	....	South Carolina...	248,139
New Jersey.....	161,290½	....		
Pennsylvania.....	372,208	....		\$ 3,000,000

Each colony was to pay its respective quota in four equal payments, annually, commencing with the last day of November, 1779. One of the links in the system was for the several colonies to levy and collect taxes, which were to be applied in sinking the bills. When these were received by the collectors, they were to send them to the Continental treasurers, and in case they could not secure their quota, either directly in the way of receiving the bills for taxes, or by exchange of colonial notes for them, the deficiency was to be made up in silver or gold. The treasurers appointed by the colonies, before sending their bills to Philadelphia, were to "take care to cut, by a circular punch of an inch in diameter, a hole in each bill, and to cross the same, thereby to render them unpassable, though the sum or value is to remain fairly legible." As fast as the bills were received, they were to be destroyed by a committee appointed for that purpose; and the silver and gold sent to make up deficiencies in quotas were to be retained until demanded in redemption of Continental bills. The act further provided that whenever the treasurers had gold or silver in their possession for the redemption of Continental bills, they should "advertise the same, signifying that that they were ready to give silver or gold for such bills to all persons requiring it in exchange."

It may seem singular that a people who had been trying to establish these two great principles, no taxation without representation, and representation based on population, should have committed the palpable injustice of recommending a tax founded on population and not on property. Let no one forget how chaotic was the condition of the country at that time, or the infancy of the central Government, which was only half-formed, and without clearly defined powers; the colonial governments, too, were in the same condition; nor had any estimate ever been made of the wealth of the colonies. It is true none had ever been formed of the inhabitants, but amid the confusion of the time, the rule adopted was likely to give rise to less dissatisfaction than the adoption of any other.

ALBERT S. BOLLES.

## FLUCTUATIONS IN THE VALUE OF GOLD.

The British journalists and financial writers seem now to be well agreed that there has been an important rise throughout the commercial world in the value of gold, indicated and measured by an important fall in the general range of the gold prices of commodities. This fall is ascribed by them to the diminished production of gold, to the increased use of it from the expansion of population and commerce in countries where it was always used as money, and to the recent special demands for it arising from the change of the German currency from silver to gold, and from the resumption of specie payments (practically in gold) in the United States.

But these journalists and financial writers are by no means agreed that this rise in the value of gold and fall in the gold prices of commodities can be regarded as a general misfortune, however injuriously they may affect classes and individuals. Still less are they inclined to agree in favoring any policy which will arrest a further rise in the value of gold, and we are inclined to think that the great preponderance of British opinion is in favor of leaving things to take their course. This is less surprising, inasmuch as Great Britain, being a creditor country, is directly a gainer in all its international relations from a rise in gold. The views of Ernest Seyd, that its direct gains in that way are more than offset by its indirect losses from the prostration of the general commerce of the world, do not seem to produce any effect upon British opinions on the subject.

Two methods of British action, for the purpose of relieving the strain on the gold market, have been proposed :

*First.* The remonetization of silver, which may be called the Liverpool proposition, inasmuch as so far its advocacy is principally confined to the commercial interests of the City of Liverpool, and makes but little headway elsewhere.

*Second.* The proposition of Mr. Giffen, made in an address, January 21, 1879, before the London Statistical Society, to authorize the issue of one-pound notes. So far as we have seen, this proposition meets with no more favor than that of remonetizing silver.

The *Pall Mall Gazette*, of January 21, comments as follows upon Mr. Giffen's views :

In the paper which he read last night before the Statistical Society, Mr. Giffen entered at some length upon a subject to which we have frequently called attention, and one which is of great and growing importance. There can be no doubt whatever that a serious



influence on prices has been exerted of late years by the appreciation in the value of gold. While the gold supply has been falling off from year to year, the demand for that metal has increased, not only with the volume of the trade of the world, but because countries which had previously required little now base their entire coinage on gold. Giving the estimated production of gold in quinquennial periods, Mr. Giffen finds that from 1852 to 1856 the total production was £149,665,000, or an annual average of £29,933,000; between 1857 and 1861 the production fell off on the average £5,000,000 a year, or to £24,633,000, showing a total of £123,165,000; from 1862 to 1866 the total production remained almost stationary, being £123,800,000, or an average of £24,760,000; from 1867 to 1871 the total production was £108,765,000—an average of £21,753,000. Thus in the twenty years from 1852 to 1871 the average annual production, stating it roughly, had fallen off no less than £8,000,000. But in the succeeding four years the reduction of output became yet more marked, the total from 1871-5 being only £76,800, or at the rate of only £19,200,000. Here, then, is a steady decrease amounting in 1871 to £10,000,000 in the supply of gold bullion since 1852. But during the last eight years Mr. Giffen estimates that Germany, the United States and Holland have taken for their own purposes not less than £120,000,000, or at the rate of £15,000,000 a year. "It was quite plain that these extraordinary demands could have left very little for the ordinary wants—the wear and tear of coinage, losses, uses in the fine arts, and new coinage, to correspond with the wants of population increasing in numbers and wealth." Undoubtedly. And the further point raised that the current supply of gold may be permanently insufficient for the wants of gold-using countries is worthy of grave consideration, for it may be that we are thus exposed to the chances of a continuous but gradual shrinkage of values on this account alone. Without, however, entering upon this now, or the other two causes of depression cited by Mr. Giffen, it is clear enough that the shrinkage of prices caused—so far as it is caused—by the appreciation of gold is not a matter to occasion any alarm. It is undoubtedly a cause of great inconvenience to individuals, the rather that until lately it has been generally assumed that the tendency was all the other way. This notion is now on the high road to be corrected, and the struggle to adapt prices to the new standard of values in every department produces inevitable disturbance. But the whole subject suggests numerous interesting and practical questions; and although Mr. Giffen's suggestion for economizing gold by the adoption of £1 notes may not meet with acceptance, it ought to be recognized as one of the difficulties of the future that, failing the discovery of large new deposits, a cheaper method of mining deep lodes, or a more satisfactory system of dealing with bad ones, a sovereign will be more and more valuable as time goes on.

As will be seen, the *Pall Mall Gazette* agrees with Mr. Giffen that "there can be no doubt whatever that a serious influence on prices has been exerted of late years by the appreciation in the value of gold," and also, that unless the production of gold can, in some unexpected way, be increased, "a sovereign will be more and more valuable as time goes on." But, unlike Mr. Giffen, it is of the opinion that "the appreciation of gold is not a matter to occasion any alarm," although it is "undoubtedly a cause of great inconvenience to individuals."

The London *Economist*, January 25, scouts Mr. Giffen's remedy of one-pound notes, and maintains that the best hope for revived industries and commerce is in such a further fall in wages and prices, as will make them conform to the actual fact of the existing quantity of gold. Its language is:

It would be worse than useless to attempt to bring any artificial means to bear on prices through the introduction of a small note currency or any expedient of that nature. It is probable that money wages will have to drop lower before any real reaction from existing commercial depression can take place.

Upon the subject of "Fluctuations in the purchasing power of Gold," the *Economist* of December 28, has an article so full of interest that we reproduce it below:

It is a fact which will scarcely be disputed that the purchasing power of gold is now considerably greater than it was in the three years 1872-3-4. This assertion may readily be corroborated by an appeal to the market prices of commodities then and now; and the result, which yields an average fall probably exceeding twenty per cent., will forthwith be ascribed to the existing great depression in trade, to over-production, and to the collapse of speculation after the years of inflation and mania. Although these have undoubtedly been potent causes operating to produce a fall in market prices, it is probable that others, which it is now our purpose to consider, have also contributed towards this great and general movement. If, as can undoubtedly be shown, market prices are, taking an average of a great number of commodities in daily use, from ten to twelve per cent. cheaper than in any of the years of depression which followed the panic of 1866, and from eight to ten per cent. below those of 1859—the *cheapest year* of the series after the crisis of 1857—the conclusion is forced upon us that either (1) the present depression is far in excess of that which existed in those previous periods of depression; or (2) the world's productions are far more easily rendered marketable; or (3) there has been an increase of late years in the intrinsic worth of our unit of value, namely gold. Tracing prices further back, to the time of stagnation following upon the railway panic of 1847, we at length obtain a record of prices apparently cheaper than those at present existing, and in 1849, the "cheapest year of the century," the average of marketable commodities was probably somewhere about seven per cent. lower than at present. Consequently, either that depression was (1) more severe than this, and very much more severe than after 1857 and 1866; or (2) the world's productions were then more easily rendered marketable; or (3) the intrinsic worth of our unit of value was then much higher than after 1857 and 1866, and somewhat higher than it is now.

Cause 1 may be passed over lightly. We do not think it capable of proof that either 1848 to 1851 or 1878 were periods of far greater depression than those of 1858 and 1859, or 1868 to 1871. Cause 2, however, when first stated, wears an aspect of probability, for it may with truth be contended that goods are in reality more readily brought to market than either in 1858 or 1868-71. But when in tracing back the record it is found that cause 2 involves an admission that goods must have been more readily brought to market in 1849-51 than in either of the three succeeding periods of commercial stagnation, the proposition is at once reduced to an absurdity. Steam

and electric facilities have rendered the movement of merchandise cheaper and more expeditious than it was either twenty or thirty years ago, and the outlook for the people of this country would indeed have been a bad one had it not been so, for the increase of mouths to feed and bodies to clothe has nearly kept pace with the increase in market facilities thus afforded, and the effect of the two increases has been in a great measure to counteract one another. The productions of the soil in this country are less and less able to support us, and it is well that we can more easily draw from the foreigner what our own land is powerless to yield. Cause 2 has, therefore, we may fairly argue, operated to influence these changes in prices less than might at first have been supposed, and we are, therefore, brought face to face with cause 3. The question now before us is—how has the value of gold fluctuated in the past thirty years? Can adequate reasons be assigned why gold should have been cheaper in 1859 and in 1868 than in 1849?—why gold should be dearer in 1878 than in 1859 and 1868, but yet not so dear as in 1849?

To enable us to comprehend the bearings of this important subject, the valuable researches of the compiler of the *Commercial History and Review*, published annually with this paper, are available. He has for many years past given comparative tables of the market fluctuations of a great number of articles of produce and merchandise, and he has summarized the results thus obtained as regards twenty-two of the most important classes of merchandise. By combining the changes there recorded he has obtained a succession of aggregate "index numbers," which are indicative of the general variations in the prices of commodities expressed in sterling money. These index numbers are reproduced in the following table, and an estimate for December, 1878, has been added, showing a very heavy fall during eleven months of the current year:—

COMBINED FLUCTUATIONS IN TWENTY-TWO PRINCIPAL ARTICLES.  
THE AVERAGE PRICE OF 1845-50 BEING TAKEN AT PAR.

	"Index Number," Aggregate of 22 ratios.	Average per article.		"Index Number," Aver- Aggregate of 22 ratios.	Average per article.	
1845-50 (average) ..	2,200	100	....	1867 (Jan.).....	3,024	137
1851 (Jan).....	2,293	104	....	1868 "	2,682	122
1853 "	2,361	107	....	1869 "	2,666	121
1857 (July).....	2,996	136	....	1870 "	2,689	122
1858 (Jan.).....	2,612	119	....	1871 "	2,590	118
1859 "	2,543	115	....	1872 "	2,835	129
1860 "	2,692	122	....	1873 "	2,947	134
1861 "	2,727	124	....	1874 "	2,891	131
1862 "	2,878	131	....	1875 "	2,778	126
1863 "	3,492	158	....	1876 "	2,711	123
1864 "	3,787	172	....	1877 "	2,715	123
1865 "	3,575	162	....	1878 "	2,554	116
1866 "	3,564	162	....	1878 (Dec.).....	2,290	104

This table tells us that certain quantities of twenty-two descriptions of goods in daily use, costing in 1845-50 £100 each, or £2,200 in all, would, in January, 1857, have cost as much as £2,996; but in 1859 could have been purchased for £2,543. In 1864 the cost would have risen to £3,787, but in 1869 would have relapsed again to £2,666; and in 1871 to £2,590. In 1873, however, the same quantities were worth £2,947; but now in December, 1878, their value has fallen back again to £2,300. In the second column, which is the first divided by 22, the percentages of rise and fall in prices at these periods is obtained. Thus—



			%	%
Between 1845-50 and 1857 there was a rise in prices averaging.....			36	..
" 1857 " 1859 a fall of.....			..	21
" 1859 " 1864 a rise of [1864—Cotton famine]..			57	..
" 1864 " 1868-71 a fall of.....			..	52
" 1870-1 " 1873 a rise of.....			14	..
" 1873 " 1878 (Dec.) a fall of.....			..	20

[Net movement in thirty years—a rise of four per cent. notwithstanding the world's productions being more readily marketable.]

Another striking feature in this table is that in spite of the general inflation which followed the war of 1870, the average rise in prices between that time and 1873 was only fourteen per cent. It was, of course, more in such items as iron and coal, but on balance of the twenty-two commodities that was the rise, or less than half the rise in the inflationary period of 1850-57, and not much more than one-fourth that from 1859 to the admittedly exceptional year 1864. We can, in a measure, account for the immense advance shown in 1863-64 by the effects of the American civil war, which raised the price of cotton and other produce in a most remarkable manner; and the very considerable expansion between 1850 and 1857 has partly been attributed to the gold discoveries, first in California, then in Australia, which, it is admitted on all sides, caused a decided fall in the value of gold, a fall variously estimated at from ten up to twenty per cent. The world's production of gold was suddenly quadrupled, and the demand for the most precious metal for currency purposes being still in its infancy, the supply exceeded that demand, and an unmistakable fall in value was the result. The price of silver rose considerably in consequence.

On the 8th May, 1869, Professor Jevons wrote to the *Economist*: "I cannot help reasserting with the utmost confidence that a real rise in prices to the extent of eighteen per cent., as measured by fifty chief commodities, has been established since 1849." This rise, by the way, is somewhat less than that shown in our *Commercial History and Review* as the average of twenty-two prices. The writer continued:—"This is an undoubted depreciation of gold, because it represents a real diminution in the purchasing power of gold. Nor can we avoid attributing it to the gold discoveries. Indeed, as Professor Cairnes has so distinctly pointed out, the effect of those discoveries is probably much greater than we can prove, because the course of prices in previous years was decidedly downwards, so that the new gold has both prevented a further fall and occasioned a rise in its stead." The following paragraph, in the same letter, written as it was nearly ten years ago, is so applicable to the present time that we will make it our point of departure:

"The present year is especially suitable for a retrospective inquiry because we have just passed through nearly three years of commercial prostration, during which the use of credit has undoubtedly been reduced to its minimum, and prices have suffered a corresponding depression. Taken in connection with the similar depression which followed the collapse [we will alter the year] of 1866, this gives us ample means of judging whether a real rise, or fall, of prices has been established, because it assures us that any rise, or fall, of prices is not due to a temporary cause, such as the inflation of prices by credit." Upon reference to the table of fluctuations already furnished, it will be seen that the "average per article" in the years 1868-71 was a trifle over 120, that is, twenty per cent. above the average of 1845-50—it is now only 104, or four per cent. above the average. A fall, therefore, which may be estimated at

about sixteen per cent. is the result, although Professor Jevons' description of the condition of trade during one period suits equally the other. Take, for instance, the *Economist* price-list of May 8, 1869—that of December, 1868, or 1869 would suit equally well—and compare this with that published last week. We note a fall in the interval of 3s. 8d. per quarter in wheat, of 2s. 5d. in barley, of 5s. 4d. in oats, of 6¼d. per lb. in cotton, of £2 5s. per pack in English wool, of £13 per ton in hemp, of 8s. per lb. in silk, of 12s. per ton in Scotch pig iron, of £11 per ton in copper, of £5 per ton in lead, of £65 per ton in tin, of 6s. per cwt. in tallow, of from 1s. to 2s. per cwt. in sugar, of 22s. per cwt. in lard, of 24s. in American cheese; and the list of depreciated prices might be greatly extended. On the other hand, meat, except pork, which is cheaper, is practically without change; and so is coal; while coffee and rice have risen in price. The recent famine in India clearly accounts for the still enhanced value of rice, and the large diminution in the number of sheep in the United Kingdom while the population has grown upwards of three millions, ought to have resulted in a rise in the price of mutton. In coal, too, we are contrasting winter with summer prices, so that it is apparent these few exceptions to the one great rule—a heavy fall in the prices of commodities in the past ten years—are due to causes shown in themselves to be exceptional. Wages likewise are, as a whole, decidedly lower in the manufacturing districts than they were ten years ago. What, then, has been the great reason for this fall? May we not reproduce the words of Professor Jevons, as follows:—"I cannot help asserting with the utmost confidence that a real fall in prices to the extent of sixteen per cent., as measured by twenty-two chief commodities, has been established since 1869. This is an undoubted appreciation of gold because it represents a real increase in the purchasing power of gold." We have already shown reason why causes 1 and 2, if existent, were only minor causes. Are there reasons, therefore, why cause 3—an important increase of late years in the actual worth of our unit of value—should afford the real clue to the problem?

First,—there has been a diminution in the supply of gold. Of this there can be little doubt. In the appendix to the report of the Select Committee on the Depreciation of Silver, four estimates of the world's production of gold were furnished. We will quote from them all:—

WORLD'S PRODUCTION OF GOLD.

	Tooke and Newmarch and Economist.	Sir Hector Hay.	Journal des Economistes.	United States Bureau. (E. B. Elliott.)	Mean of four Estimates.
	£	£	£	£	£
Average, 3 years 1853-4-5	28,900,000	27,900,000	27,800,000	28,700,000	28,300,000
" " 1863-4-5	20,000,000	22,600,000	22,600,000	20,400,000	21,400,000
" " 1873-4-5	20,700,000	19,000,000	19,300,000	18,400,000	19,350,000

The result shown is a reduction between 1855 and 1875 of about £9,000,000 a year in the total production of gold, the bulk of which falling off, however, had occurred prior to 1865. Nor since 1875 has there been any recovery, for Australia has yielded to the world less than she did then.

Secondly,—there has been a marked increase in the demand for gold. The effect of the adoption of a gold standard in Germany, as well as in some other European countries of minor importance, has been, as we have clearly seen, to depreciate the value of silver, measured by a gold standard, in an extraordinary manner. Large



Consequently, if the value of gold depends upon the relation between supply and demand, fair grounds exist for stating that the supply has diminished and the demand much increased—the natural result being a rise in value.

In the foregoing remarks we have stated a case which has already received passing attention from some leading authorities, but, as we think, far too little. We have not touched upon the question of the circulation of bank or State notes in substitution for gold, nor upon other increased banking facilities, nor yet upon the growth of population in the past ten years. But the fact remains that commodities are much cheaper than they were ten and twenty years ago in periods of great depression in trade, and the same amount of gold—not silver—will buy more of such necessaries of life. Probably, therefore, gold has risen, while silver has fallen, as nations have competed for the one and discarded the other.

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## FINANCIAL NOTES AND COMMENTS.

### RATES OF INTEREST.

In these days of four-per-cent. bonds, the rates of interest paid on perfectly sound securities only a few years ago look strangely.

On the 1st of March, 1867, the State of Nevada, which has never had a debt of any magnitude, issued gold bonds for \$ 500,000, having five years to run, and bearing an interest of fifteen per cent.

On the 31st of December, 1878, there were outstanding bonds of the same State as follows:

10 year bonds, issued in 1871,	10 per cent.	.....	\$ 74,400
10 " " " " " 1872,	9½ " "	.....	86,000
15 " " " " " " "	9½ " "	.....	380,000

A large portion of these bonds are held by the State itself, as the trustee of school and other funds, but this may only prove that other takers were not easily found on the Pacific coast, where ten per cent. interest was considered very low in 1871-2.

The State of Nevada could now doubtless borrow at five per cent. all that it needs to borrow to carry its very small debt.

It is said that Delaware, having a State debt of less than a million, now carrying an interest of six per cent., proposes to refund it at four and a half. Delaware holds interest-bearing railroad securities, exceeding the amount of its debt, which is therefore not a charge upon its tax-payers. Delaware will doubtless be able to borrow all that it needs to borrow, at four per cent., if it does not hurry the negotiation too much. Boston has just borrowed a million at four per cent., and has not promised to pay the interest in gold, or even in coin, but only in lawful money.

### TEXAS.

When this State was admitted into the Union in 1845, all its then existing debts were provided for by the United States. In thirty-four years, Texas has incurred a new debt of five and one-half million dollars, and got rid, in various ways, of a public domain of one hundred and fifty million acres. It has no public works, except railroads, and these have been chiefly built, and are now chiefly owned by citizens of other States. Texas is flourishing

in the sense that it is being rapidly filled up by immigrants from the South and West, but it is at least doubtful whether those who have gone to Texas would not have been personally better off, and would not have added more to the National wealth, if they had remained at home. The rapid diffusion of population over vast spaces is now a fixed American policy, and it is too late to think of reversing it. In giving away its public lands, Texas has only been doing what the United States Government has been doing during the same period. The circumstances of the country have been so happy, that it was certain to flourish under almost any policy, but the results by no means demonstrate that the policy actually adopted has been the wisest one. The enormous distances of our extreme Western populations from their present markets, constitute a tax upon their products impossible to be escaped, and grievous to be borne. In due time, they will have markets at home, in manufacturing towns, but the period for that is remote.

#### JANUARY BALANCE OF TRADE.

The excess of merchandise exports over imports in January, was \$25,876,364, as compared with \$33,539,829, in January, 1878. Although decreased from last year, the balance is still very large, and has been sufficient to provide for the purchase of all the Government bonds and other securities sent home from Europe, and prevent any export of gold. It is probable that the remaining five months of the current fiscal year, will also show some falling off in the amount of the favorable balance of trade, as compared with the same months of last year, but the gain was very large during the first five months of the year, and on the whole year the balance is not likely to be reduced below the 258 millions shown for the year ending on the 30th of last June. The falling off since the first of last December, is chiefly due to the reduction, not in the quantities, but in the prices of our exports. In respect to breadstuffs and provisions, the recent indications are rather hopeful for some recovery in prices.

#### MUNICIPAL DEBTS.

The municipal and county debts of New York, Massachusetts, Ohio, Illinois and Wisconsin, returned in the census of 1870 at \$221,695,011, had increased in 1878 to \$467,998,514. On the assumption that such debts in other States have increased in the same proportion, Mr. Robert P. Porter estimates the present aggregate of the local debts of the whole country at \$1,350,000,000. That is considerably higher than the estimates ordinarily made. The real burden of these debts has been aggravated quite as much by the enhanced value of money as by the increase of their nominal amount.

#### IMPORTED SUBSIDIARY SILVER.

It is frequently said that the considerable amounts of American silver subsidiary coins of old dates, hitherto circulating abroad, but brought back into the United States within a year or two, have come from the Spanish-American countries. No reason appears for such a movement of silver, except from the recent suspension of specie payments in some of them. We apprehend that the larger part of this returning subsidiary silver has come, not from Spanish America, but from the British West Indies, including British Guiana, and that the return of it has been caused by the changes in their currency, described in our last number. Until lately, their metallic money was double, not exactly gold and silver, but having two units,



the pound and the dollar, with a relation between them fixed by law. This legal metallic pound sterling was, however, not exclusively the gold sovereign, but either that coin or twenty British silver shillings. The pound in the latter form was, and is, with them, a tender for all sums, and, in fact, has long constituted the bulk of their sterling money. This double standard of the pound and the dollar, continued until after the fall in silver relatively to gold, or rise in gold relatively to silver, whichever mode of expression may suit the reader best, which occurred in 1876. They then decided to demonetize, not silver, but the dollar, and, of course, all the fractions of a dollar. The fractions of a dollar which they had had in use, were principally American coins, including some dated prior to 1853, and, therefore, of full weight, and these fractions of a dollar were naturally sent back to this country, which was the only market for them. Their actual currency is still silver, but it consists almost exclusively of British silver shillings. They so far decline to act upon the advice of the British Ministry, to restrict their legal-tender capacity to debts not exceeding forty shillings, as it is restricted in England.

#### BRITISH BANK-NOTE CIRCULATION.

Since 1844, the date of Sir Robert Peel's law regulating the note issues of the banks in the United Kingdom, including the Bank of England, the following changes have occurred:

#### CIRCULATION NOT REPRESENTING GOLD.

1844.....	£ 31,130,000
1878.....	28,496,000

#### CIRCULATION REPRESENTING GOLD.

1844.....	£ 6,250,000
1878.....	16,560,000

The circulation representing gold is required by law to represent it dollar for dollar, and in most cases does actually so represent it. But whether it does so or not, depends upon the honesty of bank officials, and it was found in the recent case of the failure of the Bank of Glasgow, that the gold supposed to be represented did not exist in its vaults.

The theory of Sir Robert Peel's Act of 1844, was, that there should be no paper money proper, that is, paper resting on the credit of the issuing banks, except the £ 31,130,000, which was then found in existence, and that any paper beyond that sum, should be nothing but a certificate of so much gold retained to redeem it. The Act of 1844 did not provide for an increase of paper money proper, as the United Kingdom should become richer and more populous. On the contrary, it provided that as the then existing banks should be wound up, or go out of business in any way, the right to only two-thirds of their note issues should go to the Bank of England, and then only if the Bank of England should choose to demand it. Since 1866, the right of certain private and joint-stock banks to issue notes to the amount of £ 1,300,000 has lapsed in various ways, but the Bank of England has not demanded its privilege of an additional issue of two-thirds of that sum.

#### SILVER MOVEMENT IN GREAT BRITAIN.

The silver movement in Great Britain was small during 1878, and still continues so, as compared with 1877, when the sales by Germany and the purchases by India, were on a great scale. During January, 1879, the British movement was as follows:

Imports of silver.....	\$ 5,839,420
Exports " .....	7,255,790

Of the imports, more was received from France (\$2,012,960), than from any other country. This was principally silver bullion which was deposited last summer in the Bank of France by British speculators, in the hope of a rise, but now withdrawn and sold in London.

Of the exports, India took \$4,590,800, being a good deal more than it has taken in any month since February, 1878.

#### BRITISH BANK DEPOSITS.

During the year 1878, the deposits with the three discount companies in London underwent a remarkable shrinkage. In the National Discount Company, the reduction was from ten millions sterling to seven; in the General Credit Company from  $5\frac{3}{4}$  millions to  $1\frac{1}{2}$ ; and in the United Discount Company from two millions to  $1\frac{1}{2}$ . The total reduction was, therefore, from  $17\frac{3}{4}$  millions to  $10\frac{1}{4}$ , or more than forty per cent., and illustrates the severity of the pressure on the money markets in England, and the general prevalence of distrust there during the past year. If all the British banking institutions had been subjected to an equal withdrawal of deposits simultaneously, there must have been a general crash. But the drain of that kind upon the joint-stock banks was much less, and at the Bank of England deposits rather increased than diminished.

That the English carry the practice of paying interest on deposits in banks to a most injurious excess is entirely plain to everybody but themselves. There is no appearance, however, that any reform in that particular is probable. A proposition to curtail the practice by means of stamp duties, recently made in Parliament, met with no favor. The average British opinion on the subject is, without doubt, fairly reflected in the following from the London *Economist*, of March 1:

That the system of receiving money at call, or on short notice, and allowing interest upon it, is attended with a certain risk is unquestionable. But payment of interest on deposits is essential to the accumulation in banks of the supplies of capital necessary for the carrying on and extension of trade.

In truth, the worst possible support to legitimate trade is that of loans from banks and bankers, who are themselves debtors at call to a great amount, and constantly exposed to the necessity of crippling their customers, in order to meet the demands of their own creditors.

And nothing is so apt to tempt, and almost force, banks and bankers into illegitimate transactions, as the necessity they are under of making a greater interest on money than they are themselves paying for it.

The depositing of money in banks adds nothing to the real capital of a country, available for trade, or for any other purpose.

Whatever the reason, or reasons, may be, the fact is certain that there is no place in the commercial world in which financial and banking crises are so constant, frequent and violent as they are in London, the condition of which ought to be more steady and equitable, in view of its great wealth, than that of any other city. The most enlightened Englishmen do not hesitate to say that the fault is in their banking system and in the practices which have grown up under it.

#### LOW PRICES OF WHEAT.

The average price of wheat per quarter in Great Britain during the month of February was 38s. 1d. An average price for a year so low as that is not recorded since 1780, and very rarely has the average price for a week fallen so low. During the last ten years, the

lowest average price for a week was 40s. 1d, in March, 1875. During the same ten years, the highest average price for a week was 68s. 9d, in May, 1877.

#### THE BRITISH DEBT.

The floating debt of Great Britain, represented by exchequer bills, is now £26,000,000, or \$130,000,000. British financial writers agree that a new issue of consols to fund the whole, or some considerable part, of this floating debt, cannot long be postponed. An addition to the aggregate of the consols, is, in every way, disagreeable, but the necessity of it is admitted on all hands. The revenues have not only lost that *elasticity*, which has heretofore been supposed to be inexhaustible, but are positively falling off. At the same time, new occasions for expenditure have arisen in the wars in Afghanistan and South Africa, and in the necessity of aids to India. When the revenues were expanding, so as to yield a surplus, taxes were remitted, instead of applying the surplus to the reduction of the National debt. Nobody is more responsible for that folly than Mr. Gladstone, who now sees and deploras it. Nobody is left to defend it but the editors of the London *Times*, and nobody but the editors of that journal would be capable of adopting the line of defense which they assume. They say that it was wise to leave the debt unreduced, *because the value of gold money has been depreciating, and is likely to depreciate hereafter.* A journal capable of saying that has established its capacity to say anything.

#### THE INFLATION OF 1872-3.

The London *Economist* of December 28, 1878, has a list of the average prices in England of twenty-two leading articles of merchandise, for several years past. Calling the prices of the period from 1845 to 1850, which were the lowest for the century, 100, it finds the prices for certain other years, to be, comparatively, as follows:

1870.....	122
1871.....	118
1872.....	129
1873.....	134
1878.....	116
For the month of December, 1878.....	104

Upon this showing, the *Economist* observes:

In spite of the general inflation which followed the (Franco-Prussian) war of 1870, the average rise in prices between that time and 1873 was only fourteen per cent..

A rise from 122 to 134 is not fourteen per cent. It is not quite ten per cent. No where else in the commercial world was there any such such rise as ten per cent., except in England, where general averages of prices were raised by the enormous advances in iron and coal, resulting from the culmination of the business of railroad construction.

The average prices of the ten years ending with 1869, are represented in the tables of the *Economist* by the figure 131. The culminating point of prices during the rise in them resulting from the Californian and Australian gold discoveries, was not in 1873, when they are represented in the tables of the *Economist* by the figure 134, but at an earlier period, when the prices of certain years are thus given by the *Economist*:

1863.....	158
1864.....	172
1865.....	162
1866.....	162

Nothing is more certain than that the general tendency of metallic prices has been downward since about 1865, since which date the aggregate production of the precious metals has been stationary, while the needs for them have been increasing. Undoubtedly there was a temporary upward movement of metallic prices in Europe, after the Franco-Prussian war. The method by which that temporary rise was brought about is plain enough, but the financial writers of Europe have so bewildered themselves that they do not see it. France suspended specie payments, and conducted its business upon paper, while considerable sums of its coined money went to other countries in Europe, and remained in those countries long enough to stimulate prices.

One theory of European writers on the subject is, that the Franco-Prussian war interrupted production to such an extent that commodities rose in prices because they became scarcer. But the war was only an affair of months. It was not waged on German soil at all, and the larger part of France was exempt from the actual presence of the invaders. The interruption to production was trivial at most. It was French gold and silver scattered broadcast through Germany and thence reaching adjacent countries, which stimulated prices.

#### INDIA.

Under the heading of *Standard of Currency for India*, the London *Economist* of February 22, says:

The Chancellor of the Exchequer's reply to Mr. Goschen's inquiry on this subject will scarcely tend to allay the anxiety which must be caused by the prospect of any considerable alteration in a matter of so much importance to the business of the country. The Chancellor stated in substance that under the Indian Coinage Act, the Governor-General in Council had the power to regulate the details of the currency without fresh legislation; but that the Secretary of State for India, authorized him to say that should any large change be adopted while Parliament was sitting, he would take care that Parliament should have an opportunity of expressing an opinion on the matter before it was finally settled. Any alteration in the standard, should such be contemplated, could hardly be deemed to be among "the details of the currency." Its influence on our commerce would be very great, and any sudden change might be very prejudicial. Further, and more complete, information is much to be desired.

The measure which is now urged in respect to India, by some interests in that country, is not to introduce a gold currency, but to bring the present silver currency up to or near a parity with gold, by stopping the further coinage of silver rupees. It is the same proposition that was negatived by the present Governor-General of India, in the summer of 1876. It is now strenuously resisted by the *Times*, *Economist*, *Statist*, and, in fact, all the London financial journals which we read or see quotations from, but it would seem from the tone of the above extract from the *Economist*, that those who oppose it have some fears that it may be carried.

#### DEBT OF PARIS.

At the end of the Empire, in 1870, the debt of Paris was 1,602 million francs. It is now 1,987 million francs, and an addition of 600 millions for various improvements and embellishments is in contemplation. With all this present magnitude and proposed increase of debt, Paris stocks command money in the market at better rates than the National stocks of France.

## CHINESE BORROWINGS.

It appears that in 1877, the Chinese Government effected a loan of £1,604,276 through the Hong-Kong and Shanghai Banking Corporation, at the rate of ten per cent. interest, and has just effected another loan through the same agency of £535,000 at the still higher rate of eleven-and-a-half per cent. It is said, and would seem to be true, that the capacity of the government to effect internal loans is exhausted, and that taxes do not yield enough to support the devastating war on its North-western frontiers. Debts accumulate very rapidly at ten and eleven-and-a-half per cent. rates of interest, and it may not be long before Great Britain will be taking possession of Chinese custom houses, and of Chinese trade in general, to enforce the payment of such debts. Possession of a country for one purpose, is very apt to end in retaining possession of it for all purposes.

## AUSTRO-HUNGARY.

Vienna letters state that it was determined by the Government, in the latter part of February, to withdraw all one-florin (forty-five cents) notes. The object, of course, is to make room for the silver florins. Whether this is the beginning of a policy of resuming coin payments remains to be seen. Silver is the legal metallic money of Austro-Hungary. All the outstanding one-florin notes are issued by the Government; the National bank issues no notes below the denomination of ten florins. In January, 1877, the number of one-florin notes in circulation was 77,325,929, and the number is probably not less now.

## SILVER IN AUSTRIA.

The silver coinage of the Austrian mint during the last half of 1878, was thirty-two million florins, or \$16,000,000. The coinage is probably now going on at the same rate. The mint is not receiving, from private persons, any more silver for coinage, but it had on hand, on the first of January, large amounts received before that time, and then remaining to be coined. The Vienna correspondent (February 10) of the London *Economist* says that the mint is coining for the government at the rate of two million florins, or \$1,000,000, per month. The same correspondent says:

"The Austrian Government has decided upon making some payments in silver florins."

The *Frankfurter Zeitung* stated, early in February, that the Austrian National Bank, having a large payment to make to the government, on the sale of some bonds, had made it in silver, in preference to making it in paper, and that, it was also paying out small amounts of silver to individuals. These facts, taken together, indicate that Austria may be meditating a resumption of specie payments. Silver being its exclusive metallic standard, and its paper being at a parity with silver, and being, in fact, worth rather more than silver, any hesitation about a resumption of specie payment must arise from an apprehension of a rise in the value of silver. The policies of European governments are, however, obscure at this distance, and the safest course is to wait patiently, and see what they do. The Europeans have always been puzzled, as to the motives which could have induced a country situated as the United States is, to demonetize silver. There are many things done in Europe which are equally puzzling to us on this side of the Atlantic.

## RUSSIAN FINANCE.

The cost of the Turkish war and of the subsequent, and to some extent still continuing, occupation of Turkey, has made the following additions to the debts of Russia:

	<i>Roubles.</i>
Loans, internal and external.....	700,000,000
Treasury bonds.....	50,000,000
Issues of paper money.....	475,870,000
	1,225,870,000

The only external loan was one for fifteen millions sterling, bear-five per cent. interest, and sold for about seventy-five per cent. at the commencement of the war. Russia has tried several times since to negotiate another external loan, but has so far failed. It is now reported that a new attempt at a loan is being made. The Russian officials, of course, deny it, but nobody will doubt that they will borrow of foreigners at the first opportunity and all they can get, and it is doubtful if they will stickle much about terms.

The annual charge for interest and a sinking fund of one-half of one per cent., on the Russian funded debt, has increased from 109,350,000 roubles in 1876 to 156,580,000 at the present time. If the Russians care as little about sinking-fund pledges as Americans do, that part of the yearly cost of the debt will not trouble them over-much.

The London *Economist* thinks that the debt is an "enormous burden for an undeveloped country such as Russia is." The London *Times* takes a more hopeful view, and does not conceal its belief that the English had better take hold of Russian stocks. What the *Economist* describes as "an undeveloped country," appears in the more roseate language of the *Times*, as "virgin resources."

## PORTUGUESE FINANCE.

During the past year, the total revenues of Portugal, "including some small receipts from loans," amounted to 26,329,842 milreis, equal to £5,850,000. The interest on the public debt amounted to 13,621,161 milreis, or rather more than half of all the receipts, and perhaps a good deal more than half the actual revenue, exclusive of loans. The admitted deficit on the year is three million dollars. A deficit is as chronic a feature of the Portuguese Budget, as it is of the Austrian Budget.

## THE ITALIAN NATIONAL DEBT.

According to the Paris correspondent of the London *Economist* of March 8, the National debt of Italy, which was, on the 1st of January, 1878, equal to 389 million pounds sterling, was held—328 millions by Italians, and sixty one millions by foreigners. In what way this proportionate holding is ascertained is not exactly explained. It seems to be assumed in Italy, as it is in the United States, that the registered stock is to be put down to the score of home ownership, and in recent years there has been a large relative increase in that description of stock. In 1872 the coupon stock exceeded the registered by seventy-three millions, but in 1878, the two classes of stocks had become nearly equal, the registered being 184 millions, and the coupon, 190 millions. In 1877, of the interest on the coupon stock, 63.54 per cent. was paid to Italians, and 36.46 to foreigners. Of the stock registered in 1878, 125 millions were owned by Italian corporations.

## NATIONAL BANKS AND REAL ESTATE SECURITY.

SUPREME COURT OF THE UNITED STATES—OCTOBER TERM, 1878.

*The Union National Bank of Saint Louis, Thomas K. Skinker, George D. Davis, Assignee of Sterling Price, and William M. Ladd, Plaintiffs in Error, vs. Elizabeth A. Matthews.*

In error to the Supreme Court of the State of Missouri.

Mr. Justice SWAYNE delivered the opinion of the Court.

This case involves a question arising under the National banking law, which has not heretofore been passed upon by this court. We have considered it with the care due to its importance. There is no controversy about the facts, and so far as it is necessary to advert to them, they may be briefly stated.

On the first of March, 1871, Hugh B. Logan and the defendant in error, Elizabeth Beard, executed and delivered to Sterling Price & Co. their joint and several promissory note for the sum of \$15,000, payable to the order of that firm two years from date, with interest at the rate of ten per cent. per annum. The payment of the note was secured by a deed of trust, executed by the defendant in error, of certain real estate therein described.

On the thirteenth of the same month, the note and deed of trust were assigned to the bank. The answer of the bank avers that the bank "accepted the said note and deed of trust as security for the sum of \$15,000, then and there advanced and loaned to said Sterling Price & Co. . . . on the security of said note and deed of trust." Price & Co. failed to pay the loan at maturity. The bank directed the trustee in the deed of trust to sell. The defendant in error thereupon filed this bill in the proper State court to enjoin the sale. A perpetual injunction was decreed upon the ground that the loan by the bank to Price & Co. was made upon real-estate security; that it was forbidden by law, and that the deed of trust was, therefore, void. The decree was made upon the pleadings. No testimony was introduced upon either side. The plaintiffs in error removed the case to the Supreme Court of the State. There the decree of the lower court was affirmed. Hence this writ of error.

Our attention has been called to but a single point which requires consideration, and that is whether the deed of trust can be enforced for the benefit of the bank.

The statutory provisions which bear upon the subject are as follows:

"SEC. 5,136. Every National banking association is authorized "to exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary 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."

"SEC. 5,137. A National banking association may purchase, hold, and convey real estate for the following purposes, and for no others: First, such as may be necessary for its immediate accommodation in the transaction of its business. Second, such as may be mortgaged to it in good faith by way of security for debts, previously contracted. Third, such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings. Fourth, such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts to it. But no such association shall hold the possession of any real estate purchased to secure any debts due to it for a longer period than five years." Rev. Stat. U. S., 1,999; 13 U. S. Stat. at Large, 99.

Here the bank never had any title, legal or equitable, to the real estate in

question. It may acquire a title by purchasing at a sale under the deed of trust, but that has not yet occurred, and never may.

Section 5,137 has, therefore, no direct application to the case. It is only material as throwing light upon the point to be considered in the preceding section. Except for that purpose it may be laid out of view.

Section 5,136 does not, in terms, prohibit a loan on real estate, but the implication to that effect is clear. What is so implied is as effectual as if it were expressed. As the transaction is disclosed in the record, the loan was made upon the note as well as the deed of trust. *Non constat*—that the maker who executed the deed would not have been deemed abundantly sufficient without the further security. The deed, as a mortgage would have been, was an incident to the note and a right to the benefit of the deed, whether mentioned or delivered or not, when the note was assigned, would have passed with the note to the transferee of the latter.

The object of the restrictions was obviously threefold. It was to keep the capital of the banks flowing in the daily channels of commerce; to deter them from embarking in hazardous real estate speculations, and to prevent the accumulation of large masses of such property in their hands, to be held, as it were, in *mortmain*. The intent, not the letter, of the statute constitutes the law. A court of equity is always reluctant in the last degree to make a decree which will effect a forfeiture. The bank parted with its money in good faith. Its garments are unspotted. Under these circumstances the defence of *ultra vires*, if it can be made, does not address itself favorably to the mind of the chancellor. We find nothing in the record touching the deed of trust which, in our judgment, brings it within the letter or the meaning of the prohibitions relied upon by the counsel for the defendant in error.

In *First National Bank vs. Hare and others*, 36 Iowa, 443, the bank refused to discount a note for a firm, but agreed that one of the partners might execute a note to the other, that the payee should endorse it, that the bank should discount it, and that the maker should indemnify the endorser by a bond and mortgage upon sufficient real estate executed for that purpose, with a stipulation that in default of due payment of the note, the bond and mortgage should inure to the benefit of the bank. The arrangement was carried out. The note was not paid. The maker and indorser failed and became bankrupts. The bank filed a bill to foreclose. The same defense was set up as here. In disposing of this point the Supreme Court of the State said: "Every loan or discount by a bank is made in good faith, in reliance, by way of security, upon the real or personal property of the obligors, and unless the title by mortgage or conveyance is taken to the bank directly, for its use, the case is not within the prohibition of the statute. The fact that the title or security may inure indirectly to the security and benefit of the bank will not vitiate the transaction. Some of the cases upon quite analogous statutes go much further than this.—*Silver Lake Bank vs. North*, 4 J. C. R. 370."

But it is alleged by the learned counsel for the defendant in error that in the jurisprudence of Missouri a deed of trust is the same thing in effect as a direct mortgage—with respect to a party entitled to the benefit of the security—and authorities are cited in support of the proposition. The opinion of the Supreme Court of Missouri assumes that the loan was made upon real estate security within the meaning of the statute, and their judgment is founded upon that view. These things render it proper to consider the case in that aspect. But, conceding them to be as claimed, the consequence insisted upon by no means necessarily follows. The statute does not *declare* such a security void. It is silent upon the subject. If Congress so meant, it would have been easy to say so, and it is hardly to be believed that this would not have been done, instead of leaving the question to be settled by the uncertain result of litigation and judicial decision. Where usurious interest is contracted for, a forfeiture is prescribed and explicitly defined.

In *Harris vs. Runnels*, 12 How., 79, this court said that "the statute must be examined as a whole to find out whether or not the makers meant that a contract in contravention of it was to be void, so as not to be enforced in a court of justice." In that case a note given for the purchase money of slaves, taken into Mississippi, contrary to a statute of the State, was held to be valid.



Where a statute imposes a penalty on an officer for solemnizing a marriage under certain circumstances, but does not declare the marriage void, the marriage is valid; but the penalty attaches to the officer who did the prohibited act.—*Milford vs. Worcester*, 7 Mass. 48; *Barton vs. Hervey*, 1 Gray 119; *King vs. Birmingham*, 8 Barn. & Cr. 29.

Where a bank is limited by its charter to a specified rate of interest, but no penal consequence is denounced for taking more, it has been held that a contract for more is not wholly void.—*Bank of the State of Mississippi vs. Sharp*, 4 Smedes & Mar. 75; *Grand Gulf Bank vs. Archer*, 8 Id. 151; *Rock River Bank vs. Sherwood*, 10 Wisconsin 230.

The charter of a Savings institution required that its funds should be "invested in, or loaned on, *public stocks or private mortgages*," &c. A loan was made and a note taken secured by a pledge of worthless bank stock. The borrower sought to enjoin the collection of the note upon the ground that the transaction was forbidden by the charter, and therefore void. The Court held the borrower bound, and upon a counter claim adjudged that he should pay the amount of the loan with interest.—*Mott vs. U. S. Trust Co.*, 19 Barb. 568.

Where a corporation is incompetent by its charter to take a title to real estate, a conveyance to it is not void, but only voidable, and the sovereign alone can object. It is valid until assailed in a direct proceeding instituted for that purpose.—*Leasure vs. Hillegas*, 7 Serg. & R. 320; *Goude vs. The North Water Co.*, 7 Barr 233; *Runyon vs. Coster*, 14 Pet. 122; *The Banks vs. Poitiaux*, 3 Randolph 136; *McLindo vs. The City of St. Louis*, 10 Mo. 577.

The authority first cited is elaborate and exhaustive upon the subject. So an alien, forbidden by the local law to acquire real estate, may take and hold title until office found.—*Fairfax's Devisee vs. Hunter's Lessee*, 7 Cranch. 604.

In *The Silver Lake Bank vs. North*, 4 John. C. R. 370, the bank was a Pennsylvania corporation, and had taken a mortgage upon real estate in New York. A bill of foreclosure was filed in the latter State. The answer set up as a defense "that by the act of incorporation, the plaintiffs were not authorized to take a mortgage except to secure a debt previously contracted in the course of its dealings; and here the money was lent, after the bond and mortgage were executed." The analogy of this defense to the one we are just considering is too obvious to need remark. Both present exactly the same question. Chancellor Kent said: "Perhaps it would be sufficient for this case, that the plaintiffs are a duly incorporated body, with authority to contract and take mortgages and judgments; and if they should pass the exact line of their power, it would rather belong to the government of Pennsylvania to exact a forfeiture of their charter than for this Court in this collateral way to decide a question of misuser, by setting aside a just and *bona fide* contract." \* \* \* "If the loan and mortgage were concurrent acts, and intended so to be, it was not a case within the reason and *spirit* of the restraining clause of the statute, which only meant to prohibit the banking company from vesting their capital in real property, and engaging in land speculations. A mortgage taken to secure a loan advanced *bona fide* as a loan, in the course and according to the usage of banking operations, is not surely within the prohibition."

It is not denied that the loan here in question was within this category. This authority, if recognized as sound, is conclusive. See, also, *Baird vs. The Bank of Washington*, 11 Serg. & R. 411.

Sedgwick (*Stat. and Const. Constr.*, 73) says: "Where it is a simple question of authority to contract, arising either on a question of regularity of organization or of power conferred by the charter, a party who has had the benefit of the agreement cannot be permitted in an action founded upon it, to question its validity. It would be in the highest degree inequitable and unjust to permit a defendant to repudiate a contract, the benefit of which he retains."

What is said in the text is fully sustained by the authorities cited.

We cannot believe it was meant that stockholders, and, perhaps, depositors and other creditors, should be punished and the borrower rewarded, by giving success to this defense whenever the offensive fact shall occur. The impending

danger of a judgment of ouster and dissolution was, we think, the check, and none other, contemplated by Congress

That has been always the punishment prescribed for the wanton violation of a charter, and it may be made to follow whenever the proper public authority shall see fit to invoke its application. A private person cannot directly or indirectly, usurp this function of the government.

The decree of the Supreme Court of Missouri is reversed and the cause will be remanded, with directions to dismiss the bill.

Mr Justice MILLER dissenting.

I am of opinion that the National Banking Act makes void every mortgage or other conveyance of land as a security for money loaned at the time of the transaction by the bank, to whomsoever the conveyance may be made; that the bank is forbid to accept such security, and it is void in its hands.

The contract to repay the money, and the collateral conveyance for security, are separable contracts, and so far independent that one may stand and the other fall.

In the present case the money was loaned on the faith of the deed of trust, and that instrument is void in the hands of the bank, but the note, as evidence of the loan of money, is valid against Mrs. Matthews personally. With this latter contract the State Court did not interfere. It enjoined proceedings under the deed of trust against the land, and did no more.

Its judgment in that matter ought, in my opinion, to be affirmed.

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## FINANCIAL LAW.

[COMPILED FROM THE ALBANY LAW JOURNAL.]

### NEGOTIABLE INSTRUMENT.

In *Petition vs. Lorden*, to appear in 86 Illinois Reports, it is held that under the statute of that State (which provides that any instrument of writing whereby one person acknowledges any sum of money to be due to any other person, the same shall be taken to be due and payable; that any such instrument made payable to any person named as payee shall be assignable by indorsement thereon, in the same manner as bills of exchange; and that such an assignee may bring an action thereon in his own name) an instrument in writing as follows: "Forty-five days after date, pay to the order of A eighty dollars, value received, and charge the same to the account of B. To —" is a negotiable promissory note, upon which the assignee of A is entitled to recover in a suit against B.

### DELAY IN PRESENTING CHECK.

The Supreme Court of Wisconsin, in *Kenyon vs. Stanton*, decided on the 27th August, holds that delay to present a bank check until the failure of the bank, ten days after its receipt, would be negligence which would discharge the drawers if they had funds in the bank, until that time, to meet the check. But where the drawers drew out their entire account in the bank before its failure, they are liable to protect the check; and this though the bank would probably have paid it at any time before the day of failure, and although its assignee (under the Federal Bankruptcy Act) recovered from the drawers the money drawn out by them on that day.

### CHECKS.

In *Lanback vs. Liebert*, decided by the Supreme Court of Pennsylvania, on the 6th of May last, it is held that as between the depositor and his banker, a check drawn by the depositor operates as an appropriation of the fund from the date of its presentation, and the banker cannot refuse to receive it in payment of an independent debt due by the depositor to him.

## DESTROYED PROMISSORY NOTE.

At its recent June term the Supreme Court of Michigan, in the case of *Marvin vs. Neuman*, held that in a suit on a promissory note, where the maker testifies he paid and then destroyed it, while the payee insists that it was snatched from him and destroyed without payment, the chief question is whose testimony is most worthy of belief; but if any burden of proof can be said to rest on either party, it is upon the debtor, who, admitting that the demand was in force when the creditor entered his place of business, claims that a few minutes afterward he discharged it.

## COLLATERAL NOTES.

The Supreme Court of Tennessee, in *Richardson vs. Rice*, decided in April, 1878, held that negotiable paper transferred as collateral security before maturity is subject to all equities existing at the time of transfer; and the maker is protected if, before such transfer, he has paid the note to the rightful holder. The case of *Gosling vs. Griffin*, decided by the same court in 1875, but unreported, is distinguished. The latter case overruled *Vatterlien vs. Howell*, 5 Sneed, 441.

## SURETY.

In *Bullock vs. Taylor*, decided by the Supreme Court of Michigan at its June (1878) term, in an action against a surety whose principal had agreed to execute and deliver for the purchase-price of goods sold him, promissory notes payable at a certain price, it was held that a provision inserted without the surety's consent, in the notes, for payment of exchange or express charges, did not add to or vary the surety's liability, as it was the promisor's duty, independently of agreement, to be at any expense necessary in the transmission of the money to the place of payment. In this case in each of several promissory notes varying from \$41.50 to \$194.12, there was inserted a provision for an attorney's fee of \$15 should any proceedings be instituted for collection. The court held that this was absolutely void as against the policy of the laws limiting attorney's fees and the rate of interest. A surety's liability continues, where the provision which would add to it without consent is void as contrary to law.

## ORDER OF INDORSEMENTS.

At the April (1878) term of the United States Circuit Court for the District of Indiana, in the case of *Howe Machine Co. vs. Hadden*, it was held that where one indorses a note to another specially, and such other re-indorses it to the first indorser, who then indorses it to a third party, such third party cannot recover from the second indorser on his indorsement.

## CONTRACT.

In *Coffman vs. Campbell*, recently decided by the Supreme Court of Illinois, it is held that a telegram agreeing to accept a person's draft for a certain sum, "for stock," is not a conditional contract, but an absolute undertaking to accept and pay the same; and a party discounting the draft, on the faith of such telegram, is entitled to recover the amount of the party so agreeing to accept. It is the duty of a party agreeing to accept a draft to be drawn on him to express clearly the condition of his acceptance, if he desires to make it conditional, and the burden is upon him to show it, and not upon the holder of the bill. The court in this case decides that in a telegram to a party, in relation to a draft, that the person sending the dispatch "will pay A B's draft, twenty-three hundred dollars, for stock," the words "for stock," subserves no purpose as between the payee and the acceptor. At most, those words are but an indication of the nature of the consideration as between the drawer and the acceptor. As to usage in such matters, it is said that an usage of trade must be generally known and established, and so well settled and so uniformly acted upon as to raise a fair presumption that it was known to both contracting parties, and that they contracted in reference to it and in conformity to it. Proof of a particular usage among commission merchants, in Chicago, in respect to the acceptance of drafts, not extending to bankers, nor to a foreign State where a draft is negotiated, fails to establish any binding usage.

## TAXATION OF BANKS.

The Supreme Court of Illinois, on the 24th of June last, in the case of *Danville Banking Co. vs. Parks*, held, in reference to the taxation of banks, that the tangible property of a corporation and the shares of stock are separate and distinct kinds of property under different ownerships, the first-named being the property of the corporation, and the last-named the property of the individual stockholders, both of which, under the revenue laws are subject to taxation, and such taxation is neither double nor unconstitutional. While at common law, and as a rule, personal property has no *situs* of its own, but follows the person of the owners, the rule is one of convenience only, and there is no constitutional prohibition on the Legislature to change the rule, and therefore the act of 1867, providing for the taxing the shares of National banks at the place where such banks are located is constitutional and valid, and under the present revenue laws the doctrine applies as well to private banks as to National banks.

## NOTICE OF PROTEST.

In *Dicken vs. Hall*, decided by the Supreme Court of Pennsylvania on the 29th October, the Elk County Bank at Ridgeway, Penn., the next subsequent indorser of J. G. Hall, by its cashier, mailed notice of protest to Hall at Louisville, Ky. The cashier did not go to Hall's residence or place of business at Ridgeway to give notice, or make inquiry, but knowing of his absence and where he was, and Hall having no one in Ridgeway expressly authorized to attend to his private business, he mailed the notice to him at Louisville, on February 20th. Hall received the notice on February 22d, and the same day mailed the notice to the defendant, who was the next prior indorser at Pittsburgh, Pa. The court held that although the residence or place of business are the usual or proper places for giving notice or protest, it will be good as against him and as against his prior indorser, if actually given anywhere within a reasonable time, at all events where the prior indorser fails to prove that the interim between the constructive notice required at the residence or place of business and the actual notice within reasonable time was a delay to his injury or prejudice.

## NATIONAL BANKS AND MORTGAGES.

The same court, in *Fridley vs. Bowen*, holds that the banking law of the United States prohibits National banks from loaning money on real estate security. They are limited to loans on personal security. Therefore, a mortgage given to an officer of such a bank, at the time of a loan by the bank, to secure its payment, being, in effect, the same as if made to the bank, is void, and will not be enforced by the courts. A bank can only exercise its franchises and powers in the manner prescribed by the law under which it is organized. The rule is the same with all bodies having only a statutory existence. Where one mode of exercising an express power, by a banking corporation, is prescribed in the law creating such corporation, by implication this will seem to forbid the exercise of such power in any other way.

## RESPONSIBILITY FOR OFFICIAL DEPOSIT.

In *Shaw vs. Bauman*, 34 Ohio St. 25, a justice of the peace received money in his official capacity in satisfaction of a judgment on his docket, and deposited the same in bank to his private account. The bank failed before the sum deposited was drawn therefrom. The court held that the justice was liable to the judgment creditor for the amount so received and deposited. The general principle governing these cases is stated in *Robinson vs. Ward*, 2 C. & P. 59. In that case it was held that where an attorney, having in his hands the money of his client, places the same to his private credit at his bankers, he will be liable to the client for the amount, if the bank fail, although he does so *bona fide* and has a large sum of money of his own at the bankers. The court says, "If the person having the money mixes it with his own, he thereby makes himself personally debtor to the estate. Here the defendant has mixed this money with his own, by paying it to the credit of

his private account at his bankers, and he is, therefore, liable in this action." In *Phillips vs. Lamar*, 27 Ga. 227, a sheriff collected money under an execution, and of his own accord deposited the same in bank, which failed, and he was held liable to the plaintiff in execution. See also *Macdonnell vs. Harding*, 8 Eng. ch. 177; matter of *Stafford*, 11 Paige, 520. Where money is to be transmitted to a distant place, the trustee may take bills of credit, but the bills must be taken by him as trustee. If he neglect this precaution, he will be liable for any loss. *Wren vs. Kiston*, 11 Ves. 380; *Massey vs. Banner*, 1 J. & W. 247. And it has been held that when a trustee deposits money in a bank so that it cannot be withdrawn without the concurrence of other persons he will be liable if the bank fails, *Salway vs. Salway*, 2 R. & M. 215, so he will be if he keeps money in a bank an unreasonable time, or where it is his duty to invest the fund in safe securities, (*Moyle vs. Moyle*, 2 R. & M. 710) or to pay it over to a newly appointed trustee, (*Lanhorn vs. Blundell*, 4 Jur. [N. S.] 3) or into court, (*Wilkinson vs. Bewick*, 4 Jur. [N.S.] 1010) or lends to a bank at interest on personal security not sanctioned by the court; *Darbe vs. Martin*, 1 Bear, 525. See, also, *School Dist. Greenfield vs. First Nat. Bank*, 102 Mass. 174.

#### PAYMENT INTO BANK THEREAFTER FAILING BY DIRECTION OF HOLDER OF NOTE.

September 9, defendant executed and delivered his promissory note payable ten days after date at a certain bank. Defendant paid the amount to the bank September 11th. The bank received the note for collection on the 17th, suspended on the 18th and on the 20th made an assignment. On the 15th inst. plaintiff sent notification to the defendant that the note had been sent to the bank for collection, and payment might be made at any time before the note fell due, if desired.

*Held*, that the payment made on the 11th was effectual and a good payment before the failure of the bank. Wisconsin Sup. Ct., Nov., 1878, *Osborn vs. Baird*, (N. W. Rep.)

#### COLLATERAL.—DUTY OF HOLDER OF STOCK IN NON-PAYMENT OF DEBTS.

A creditor, holding stock assigned to him as collateral security for the payment of a promissory note, is not bound, upon the non-payment of the note at maturity, to sell the stock at its market value, without notice from the debtor to do so. That the stock subsequently became worthless is no defense to an action on the note, *Per Curiam*. Had the plaintiff sold the stock (at a loss) without notice to or from the defendant, it might have raised a serious question as to the plaintiff's liability for the sacrifice. Pennsylvania Sup. Ct., Nov., 1878, *O'Neill vs. Whigham*, (W. Not. Cas.)

#### SURETYSHIP.—SURETY NOT DISCHARGED BY INVALID AGREEMENT FOR DELAY.

An agreement for further delay made between the creditor and the principal debtor after the maturity of the note, in consideration of an additional sum to be paid by the debtor over and above the lawful debt and interest, is not binding upon either party, although the additional sum stipulated be actually paid within the time of delay agreed upon; and a surety will not be discharged by such agreement, although made without his knowledge or assent. The amount paid will be regarded as a payment upon the lawful debt. Tennessee Sup. Ct., Sept. 28, 1878, *Howell vs. Sevier*, (Tenn. L. Rep.)

#### SET-OFF AGAINST CLAIM OF INSOLVENT BANK.

Where a bank has suspended payment, and is in the hands of a receiver, a stockholder cannot use the check of depositor in payment of his unpaid subscription to the stock of the corporation. The entire capital stock of a corporation is a trust fund for the payment of its debts. *Wood vs. Dumomer*, 3 Mass. C. C. 308; *Man vs. Pentz*, 3 N. Y. 422; *Bank of Va. vs. Adams & Parsons*, Eq. 534. The unpaid subscriptions to the stock are part of the assets and available in equity to the creditor. The creditors have the first claim

upon the capital and assets, and the stockholders have no rights until all the other creditors are paid. A demand, to be a subject of set-off, must be one that the party has a present right to enforce. One who is a debtor to a bank, the funds of which are placed in the hands of commissioners for liquidation, may properly claim a set-off for anything due to him from the bank at the date of the assignment. *Waterman on Set-off*, 24. Debtors of an insolvent bank in the hands of a receiver may set off demands which were due to them from the bank whilst it was doing business against the debts due from them to the bank. *Berry vs. Bret*, 6 Bosw. (N.Y.) 627. A deposit in a bank may be a set-off against a note of the depositor held by the bank at the time of its assignment. *Bank vs. Sherlock*, Leg. Int., June 22d, 1877, per Agnew, C. J. And it makes no difference that the indebtedness of the bank to the customer had not matured at the time of the insolvency. *Morse on Banking*, 41; *Bruyn vs. Receiver*, 9 Cowen 413, in note. Where a person owes an insolvent bank on a note discounted for himself, he may set-off the proceeds of the discount passed to his credit on the books of the bank, but not a check drawn in his favor by another depositor. *Waterman on Set-off*, 190; 5 Bosw, 341. The bank, at the time it closed its doors, was in no way indebted to Breckens or his estate; and it seems clear from the authorities cited that a check drawn by a creditor of the bank cannot be used in payment of any part of the indebtedness of Breckens to the bank on account of his stock. Com. Pleas. Penn. *Allison vs. Mountain City Banking Co.*, opinion by Pershing, P. J.

#### COLLATERAL SECURITY—RIGHT OF HOLDER.

In an action by the holder against the maker of a promissory note, evidence that the note was given by the payee to the plaintiff as collateral security for the payment of a loan, which loan was subsequently repaid, is not sufficient to defeat the plaintiff's right of recovery against the maker, unless the defendant has a valid defense to an action by the payee. The plaintiff having obtained the notes in good faith, he might maintain an action on them in his own name, although the right of property therein had again passed to the payee. Whether the plaintiff sued for himself or as trustee for the payee, constituted no defense for the maker, unless he was thereby deprived of some equitable defense which he may have had as against the payee. 2 Pars. on Notes and Bills, 437; *Whiteford vs. Burckmyer*, 1 Gill, 127; *Mauran vs. Lamb*, 7 Cowen, 174; *Dean vs. Hewit*, 7 Wend, 257; *Brown vs. Clark*, 2 Harris, 469; *Pearce vs. Austin*, 4 Whart. 489; *Holmes vs. Paul*, 6 Am. Law Reg. 482; *Ballentine vs. McGeagh*, 4 Brewst. 95; *Way vs. Richardson*, 3 Gray, 412. (Penn. Sup. Ct., Jan., 1879.) *Logan vs. Cassel*. Opinion by Mercur, J.

#### INDORSEMENT AFTER MATURITY.

One who indorses a past due note at the request of the maker, pursuant to a contract with the payee for further indulgence, is liable as guarantor. *Irish vs. Cutter*, 31 Me. 536; *Tenney vs. Prince*, 4 Pick. 385; *Beckwith vs. Angell*, 6 Conn. 315; *Camden vs. McKoy*, 3 Scam. 437; *Oakley vs. Boorman*, 21 Wend. 588; *Greenough vs. Smead*, 3 Ohio St. 415; Sto. on Prom. Notes, §§ 133, 477; 1 Dan. Neg. Instr. 715; *Rey vs. Simpson*, 22 How. (U. S.) 341. (Tenn. Sup. Ct., Dec., 1878.) *Rivers vs. Thomas*. Opinion by Cooper, J.

#### ACCEPTANCE WITH VERBAL CONDITIONS.

The Supreme Court of Wisconsin in the case of *Foster vs. Clifford*, decided on the 13th October, held that in an action by the indorser of a bill of exchange (who has been compelled to pay the same), the drawer and acceptor cannot defend on the ground that the bill was given and accepted on an unfulfilled *parol* condition, as that the payee would surrender a note held by him against a third person.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. THE COLLECTION OF COUPONS FROM COLLATERALS.

A party borrows a sum of money from a banker upon his note, giving as collateral security bonds of a certain corporation. Before the maturity of the note, a coupon attached to the collateral bonds becomes due. (There is no particular market value for the bonds.)

Has not the lender—for the purpose of ascertaining the value of his security—the right to detach the matured coupon and present same for payment at the proper office of the corporation, the money, if collected, to be applied toward the payment of the note, or to be attached to the bond from which the coupon was cut, to be delivered to the borrower upon the fulfillment of his contract?

In case that the lender has no such right, would it make any difference if the corporation, whose bonds are the collateral, is becoming embarrassed, and this fact is well known to the lender?

REPLY.—We have found no case in which this question is directly decided, but, upon the general principles governing the law of pledges, we think the lender has the right to detach and collect these coupons. Moreover, it has frequently been decided that one who holds promissory notes, as collateral security for a loan, has a right to collect them as they mature, and, indeed, that it is his duty to do so; for in some cases he has been held liable for losses arising from negligence in making such collections.

We can see no essential difference in this respect between a coupon and a promissory note. Further, a coupon, while it is a negotiable instrument, is also nothing more than a convenient voucher for the interest accruing upon the bond. It has never been doubted that a pledgee of a note bearing interest, payable at fixed periods before the maturity of the principal, may collect such installments of interest as accrue while the note is held in pledge.

We answer the inquiry upon the supposition that the contract of pledge is silent upon the matter; and we think the embarrassment of the corporation to the pledgee's knowledge, so far as it has any bearing, simply increases his duty to present the coupons promptly at their maturity.

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### II. IRREGULAR CHECKS FALLING DUE ON SUNDAY.

When is a double-dated check, falling due March 9th, payable—on Saturday, 8th, or Monday, 10th inst.?

REPLY.—The principle is settled that "if a bill or note without grace, or any non-commercial instrument for the payment of money, falls due on a Sunday, or a legal holiday, it is not payable until the next regular business day, for the payer is not compellable by law to pay on the exact day named, and the next day is the first that the creditor can demand payment." In this State (whence the inquiry comes,) it is provided by special enactment, that all checks payable on any specified day or in any number of days after the date or sight thereof, are due and payable on the day mentioned, without grace. The check described is, therefore, payable on Monday, 10th.

### III. RE-PROTEST OF DISHONORED DRAFTS AT MATURITY.

The question has arisen whether a draft payable *at sight*, in States where such a draft is allowed grace, requires protest both for non-acceptance and three days later for non-payment, where both acceptance and payment are refused when first presented.

It has been said that the grace is intended by the law as a forbearance on part of the owner of claim, of three days, in acknowledgment of the drawee's expressed willingness to honor the draft; and that when, for any reason, on first presentation payment or acceptance is refused, the grace is not expected by drawee; hence one protest (but to be stated in manifest) for non-acceptance and non-payment is a sufficient legal proceeding on part of notary to bind all parties interested.

REPLY.—Where grace is allowed on sight drafts the drawee, if he wishes the benefit of the three additional days, must accept the draft upon presentation. If he fail to accept the draft, it is at once dishonored and the liability of the drawer and indorsers is fixed, upon proper protest and notice being given them. No further demand or protest is necessary, because the draft is already dishonored and the drawer and indorsers liable. The better opinion as to days of grace is, that they are now given as matter of strict legal right, and any idea of favor has been abandoned. See *Parsons' Notes and Bills*, Vol. 1., pp. 350, 394.

### IV. HOW FAR IS A CHECK A TRANSFER OF FUNDS, ETC.?

I enclose herewith, a letter received from the Cashier of a Chicago bank, upon a case just decided in that city, which seems to me against the generally understood ruling that a check is *not a transfer of funds* until accepted by the bank. I take the liberty of asking your opinion upon this question. The writer speaks of the point made by an attorney as to *the time of day* when a note or check is due. May I ask upon this also? I have been able to find no ruling upon the matter. I have always understood it was due at any time during the last day, in reasonable business hours.

REPLY.—Whether a check is a transfer of funds, binding upon the bank, until accepted by it, is a question frequently mooted, and upon which there is some conflict of authority. We think the better opinion to be, that it is not; and we answer all inquiries upon that theory. Our correspondent will find some of the authorities collected in our number for March, 1878, while the contrary view, and the authorities in support of it, will be found in *Daniel on Negotiable Instruments*. The Illinois decision quoted has no binding force outside the Courts of the State of Illinois, and would not be followed by the Courts of the United States sitting in Illinois, which are governed by the decisions of the Supreme Court at Washington. It has no value anywhere.

As to the time of day when a note is due, the rule is this. The note is due at the first moment of the business day, *i. e.*, during reasonable business hours, and may be demanded at any time during those hours; but the maker has the whole of the day to make payment, and the note is not *dishonored* until the end of business hours, unless there has been a refusal to pay, or some other act equivalent to a refusal. In this case, the bank seems to have been the agent of the maker to pay the note, as well as the holder of it. It could, therefore, demand of itself, and pay itself, by charging the amount of the note to the maker in his account, at the beginning of the day upon which the note fell due. The checks which came in at a later hour, not being then good, were refused, and the suit was based upon the claim that these checks being drawn the day previous, were entitled to priority of payment.



## V. PROTEST BY A PERSON NOT A NOTARY.

When a note or draft is payable at a point where there is not a notary public, and, consequently, cannot be protested for non-payment, are the indorsers released?

REPLY.—It does not follow that protest is to be omitted in the absence of a notary. The courts have held that when no notary can be conveniently found, the protest may be made by any respectable private person of the place where the bill is dishonored. It has been said that such protest should be done in the presence of two witnesses. Unless there be demand, protest and notice, at the proper time, the indorsers would, of course, be released.

## VI. CONFLICT OF USURY LAWS.

Which would govern in the matter of interest or usury: the law of the place of contract or the law of the place of payment? For instance, a note is given in Iowa at ten per cent. per annum interest, which is the legal rate there by contract, and payable in New York, where the legal rate is seven per cent. Would such a transaction be legal or usurious?

REPLY.—Such a note is not usurious. The rule of law is: "If the transaction is in itself not immoral, the rate of interest authorized either by the country where the contract is made or to be performed is allowed to prevail. Thus it has been held that a promissory note, made in Louisiana, bearing ten per cent. interest, which was legal in that State, would not be usurious, but valid, although payable in New York, where all contracts to pay more than seven per cent. interest are usurious." (*Daniel on Negotiable Instruments*, § 922.)

## VII. THE GUARANTEE OF IRREGULAR INDORSEMENTS.

It is the general custom of banks to require special guarantees to irregular indorsements, such as, John H. Brown, per Hays; or, Pay to the order of C. F. Perkins, John H. Brown, H.

Please inform the writer *why* such special guaranties are required.

Some banks insist that the indorsements guarantee all before, and that the words "indorsement guaranteed" are not necessary. Should banks be justified under the law in refusing payment unless the irregularities were specially guaranteed?

REPLY.—There is no rule of law better established than the one, that every indorsement is a guarantee of the genuineness and validity of the indorsements which precede it. The special guarantee is, therefore, unnecessary and cannot be insisted upon. It is the duty however, of a bank, if a check drawn to order is presented for payment, to see that the indorsements are genuine and authorized, so that the party presenting has a good title to demand payment; and it consequently has the right to take time to inquire and satisfy itself as to the same. Now, a check irregularly indorsed (but indorsed in blank and so payable to bearer) is deposited in bank A for collection through the Clearing House or otherwise. Upon presentation to the drawee, bank B, it may say, "We cannot pay this at once unless you will guarantee the validity of these indorsements, but if you will do so we will pay without inquiry, and rely upon your guarantee." It has, accordingly, been found convenient, and to facilitate business, for the collecting bank to give the special guarantee in this form. But bank B has no right to call upon bank A to indorse the check generally,

or to give the special guarantee. It is sufficiently protected if it has time to inquire about the indorsements, before it can be held liable to its customer for refusing to honor the check.

#### VIII. IRREGULAR OR QUALIFIED ACCEPTANCE OF DRAFTS.

I receive, for collection, a draft, as follows :

"NEW YORK, Jan. 10th, 1879.

"Sixty days after date pay to the order of John Jones, five thousand dollars, and charge to account of,  
 "To James Brown, Ridgway."  
 GEORGE SMITH.

On day of receipt, I present draft at Brown's residence and am told he is not at home, but is expected in the course of four or five days. Should I protest this draft at once for non-acceptance, or await Brown's expected return home. Second, when Brown returns home to Ridgway, he is willing to accept the draft upon presentation, but wishes to make it payable in New York City. Has the acceptor a legal right to make a draft payable wherever he chooses?

REPLY.—1st. Protest for non-acceptance before Brown's return would be improper. The bill has not been dishonored. "Absence from home or place of business without leaving any one to accept a bill, is not a refusal to accept, for the drawee may not be aware that the bill is drawn, and is not bound (in the absence of a promise to accept) to be prepared for its presentment." *Daniel on Negotiable Instruments*, § 931.

2d. No. You are entitled to demand of the drawee an acceptance according to the tenor and effect of the bill. This bill is, by its terms, payable at Ridgway, and an acceptance payable at New York would be a qualified acceptance, to which, if you mean to acquiesce in it, you must obtain the assent of the other parties to the bill, or they will be discharged. See *Byles on Bills*, p. 192, and *Niagara Bank vs. Fairman Co.*, 31 Barbour 403.

In such a case, you should either at once protest the bill as dishonored, or give the other parties to the bill immediate notice of the qualified acceptance, and obtain their consent to it. If they refuse, you may then elect whether you will protest the bill generally, or rely upon the qualified acceptance.

#### IX. NOTES PAYABLE IN TWO-AND-A-HALF MONTHS.

Please say when a note should be protested which is dated December 16, 1878, and payable two and one-half months after date.

REPLY.—Upon first consideration of this inquiry, we supposed that the note fell due on March 6th, and this date was also fixed as that of maturity by one of the most experienced notaries of this city. But upon further examination, we think that the proper day for protest is March 5th. "Month," when used in a note or bill, means calendar month; and half a month should mean, in this case, half the month actually occurring from the end of the second month. By the calendar, two months will have run on February 16th, and three months on March 16th. One-half the last month is fourteen days, and, adding grace, we have seventeen days. From February 16th, seventeen days brings us to March 5th. The only other meaning of the word month, legally possible, is a lunar month of twenty-eight days, which gives precisely the same result.

## X. INTEREST UPON THREE DAYS OF GRACE.

Suppose we hold the note, payable three months after date, at this bank, of a depositor whose account is good for the amount. Have we a right to charge the note to his account before the expiration of the three days' grace, without instructions from him to do so? If the note draws interest have we not the right to charge interest on the three days of grace?

REPLY.—The custom of merchants gives the maker of the note three days of grace in addition to the three months, as a matter of strict legal right; and the contract contained in the note, by implication from this custom, is really a contract to pay money in three months and three days. The note not being *due* until the last day of grace, of course payment of it cannot be demanded, nor can it be charged to the depositor in his account until that time.

If the note is written "with interest," this is a contract to pay interest until the note *matures*, which, of course, includes interest on the days of grace. See *Daniel on Negotiable Instruments*, § 614.

## XI. DUPLICATE DRAFTS.

Knowing, from experience, that the question of duplicate checks is a troublesome one, I wish to suggest that checks be issued bearing upon their face notice that they are "good for — days only." The limit of time might be double that ordinarily required for their transmission, say, five, ten, or twenty, days. Should the purchaser of such a check claim, after a reasonable time, that it had been lost, we could safely issue a duplicate, knowing that it could not reach the paying bank before the validity of the original would have been cancelled by limitation. If the original had not been paid, on arrival of the duplicate, the latter could then safely be paid. It seems to me that this system would be an effective safeguard. It may be objected that such checks would be less acceptable for remittance from place to place, but I think it would, for various reasons, be better that a draft go directly to the bank on which it is drawn.

REPLY.—The result of using such a memorandum as that proposed, would probably be the same as though the draft were written "pay if presented within ten days," and not otherwise. There is, perhaps, no legal objection to drawing in this manner; though we can imagine numerous questions which might arise under it. For instance, suppose the payee, or some holder for value, fail to present the draft within the time, through negligence, or for any other reason, would the drawer be discharged? The practical objection suggested by our correspondent himself, seems to us important. It is common knowledge that drafts drawn by banks throughout the country, upon other banks in the principal commercial centres, form the principal medium of sending and carrying money from one place to another; such drafts being, through the credit of the banks, available everywhere.

Any such restriction as that proposed would seriously interfere with this use of bank drafts, and, upon the whole, we think in cases of extra precaution, the old practice of drawing drafts in sets of three would be the better. The *circulation* of bank checks, by means of which the actual balances, at points on which they are drawn, are kept so much the larger, forms, withal, an incidental branch of profit which is not to be despised.

## BOOK NOTICES.

*The Statesman's Year Book, Statistical and Historical Annual of the States of the Civilized World for the year 1879.* By FREDERICK MARTIN. London: MacMillan & Co., 1879. 800 pages, 12mo.

The sixteenth annual publication of this valuable manual evinces the careful research which characterizes Mr. Martin's statistical compilations. Beginning with a chronicle of the year 1878, it presents tables of the area and population of the greater nations, the density of population of the principal countries, and other exhibits of similar character. The work then furnishes elaborate statements regarding the different nations of the civilized world, beginning with those of Europe. The distinctive features of each government are given, with a sketch of the reigning sovereigns and family, of those countries which are not republican. The details embrace the Constitution, Government, Church, and Education, Revenue and Expenditure, Army, Navy, Births, Deaths, and Marriages, Trade and Industry, Railways, Post Offices, and Telegraphs, Diplomatic Representatives, Money, Weights and Measures. A list of statistical and other books of reference concerning each country is a very useful addition to the data given. To the student of political economy and the observer of current history, this compendium is of constant value. It is to be regretted that Mr. Martin does not, in all cases, bring his statistics down to so late a day as is desirable. Many of the figures are no later than 1877, but this is doubtless due to the fact that they are official, and to obtain the returns of last year would require an unwelcome delay in the issue of the *Year Book*.

*How to Abolish the National Bank System.* By GEORGE WILSON, JR. St. Louis: W. J. Gilbert, 1879. 55 pages, 8vo.

Mr. Wilson (who is well and favorably known as a bank officer of Lexington, Missouri), charges vigorously, lance in rest, upon the National Banking System, alleging that it is unconstitutional and unnecessary. He takes the ground that Congress has no power to provide a currency at its discretion, and says:

There is no Constitutional power to provide a National currency except to coin gold and silver into current money. Congress has no power to come within each State and manage the commercial transactions among the people. Its exercise is usurpation. It possesses no general power to prevent a citizen using his credit for what it is worth, under the laws of the State he is in. The power of Congress to incorporate business institutions is not a distinct sovereign power or end of the Government, but only a means. . . . Banking belongs, with all other private businesses, to the States. A National bank is a sort of alien forced upon a State, and allowed privileges forbidden to her own institutions. They cannot be home institutions in the sense that State banks are. The comparatively near State Government is better able to judge what banks ought to do business than the more remote Federal Government. It is more in accordance with the plan and spirit of our Government that the State, and not the Federal Government, decide who are proper and trustworthy custodians of the money and business of the people of the State. . . .

Mr. Wilson argues in favor of State banks as the only proper source of the paper money of the country. At the same time he proposes no hostile legislation against the National banks, but a complete re-habilitation of the State systems, with a circulation secured in manner similar to that of the present National bank currency. He would afford to the State banks thus issuing, exemption from payment of any tax to the United States on deposits, or on circulation, and also from the two cent stamp on checks. His plan is as follows :

SEC. I.—Any bank doing business under the laws of any State in the Union shall upon purchasing \_\_\_\_\_ thousand dollars, or more, of the registered four-per-cent. bonds of the United States, be entitled to use them to secure its circulating notes as hereinafter provided.

SEC. II.—Such bank shall file with the Secretary of the Treasury of the United States, a duly attested copy of its charter, or a certificate under the seal of the State in which it is situated, that it is doing business under the laws of the said State ; and shall deposit with the Secretary of the Treasury \_\_\_\_\_ thousand dollars of said four-per-cent. bonds, and shall receive from the Secretary notes for signature by the officers of said bank, for circulation, equal to ninety per cent. of the bonds so deposited. Said bonds shall remain as security for the payment of the notes, but no charge shall be made by the United States, or any officer thereof, for such care or custody.

SEC. III.—Such notes shall be, at all times, redeemable in coin on demand, at the counter of the bank issuing them.

SEC. IV.—All banks emitting circulating notes under this Act, shall be free from any tax to the United States on deposits, or on such circulation so issued, and shall not be required to use the two cent revenue stamp on checks or drafts. But nothing in this law shall be construed to release any other bank or banker than the State banks thus securing their circulation with deposits of United States bonds, from the taxes on capital or deposits, or from the use of revenue stamps on checks and drafts ; nor to release the State banks from the tax of ten per cent. on all circulation not secured as provided in this Act.

SEC. V.—The bills or notes of State banks thus secured, shall be receivable by all officers of the United States, the same as bills of National banks, so long as any National bank notes remain in circulation.

SEC. VI.—The United States reserve the right in case of the failure or bankruptcy of any State bank securing its circulation under this Act, to either pay the notes of such bank in coin, or to issue to the holders of such notes presenting them in sums of \$50.00 and multiples thereof, four-per-cent. bonds of the United States, at the option of the United States. The remainder, ten per cent. shall be returned to the Secretary or Treasurer of the State in which the bank is situated, or to the receiver or assignee of the bank.

The evil of any taxation on deposits is denounced in terms with which all bankers will agree :

There are sound reasons for taking off taxes on deposits. When they are not taxed, the banker may keep them in his vault at such times as it is unsafe to use them ; but when they are taxed, he will hazard the use of them because he cannot make the money to pay the tax without using them. No one supposes he will use his entire deposits ; it is understood that a sufficient portion of them to make a safe reserve, will always lie idle in the vault. Where, then, is the justice of making him pay a tax on this part which is not his, and is never used by him ? When a farmer sells produce and draws against it, his draft goes into the bank for his credit as money. It may go through a dozen banks ; it always goes through two or three, and is everywhere a deposit and everywhere taxed. This is a double and triple taxation where only single taxation was intended. . . . The circulation should be free of tax because the bank notes should be assimilated more to certificates of deposit than to money. If the banks pay a tax on circulation, their efforts will be to make their notes money instead of merely safe and convenient receipts for money ; and every effort to make them take the place of money, drives money away. It is not desirable to encourage bank bills to stay away from the bank issuing them. The aim of the law should be to make them as much like demand certificates of deposits as possible. Let them be frequently presented and frequently redeemed. The demands of trade, and the cupidity of the bankers, will invent enough ways of keeping them out, without assistance from legislation. This

plan supposes that the State banks are strong enough, and able to issue and secure a circulation even if we had no debt. It merely proposes to recognize the debt, to assist in refunding it at a low rate, and to utilize it as a security for the circulation instead of some other security.

The two cent stamp is a tax on a man every time he takes his money out of the bank; it amounts to little, and is an ignominious nuisance. . . . All of these taxes finally come out of the debtor class. They are aimed at the banks but not paid by them. Every debtor pays more interest by reason of them. The saving to the Government and the people on the refunding of the whole debt, will compensate for these taxes. These taxes, besides injuring the country and oppressing only the debtor class, are war taxes, and almost the only war taxes left. The National banks cannot consistently ask to be released from them, for they are a war tax themselves. Under this law, freed from unjust and burdensome taxation, legitimate banking would revive, and business of all kinds would revive with it. Nationals left to the present taxation would either have to close up or come under the new system.

We do not see that Mr. Wilson makes out a case against the National banks so strong as might be expected from the vehemence of his onslaught against them. In order to get rid of certain existing features which he regards as cumbersome and superfluous machinery, he would substitute a system which is certainly more simple, but as to the efficacy of which, opinions will differ. He proposes, apparently, to dispense with official examinations. These visitations, although they may not be pleasant, and perhaps not, in every case, fully efficient, have proven to be a safeguard to the interests of depositors too valuable to be hastily abrogated.

More than half of Mr. Wilson's pamphlet is devoted to the subject of "The Government as a Bank." The arguments adduced to show that banking is no part of the true functions of a Government, are generally sound and tersely put. The author is confident that this truth will be recognized, and that "the Federal Government must at last get out of the banking business, and the banks must be allowed their rights."

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*The Present and Future of Silver.* By GEORGE N. JACKSON. Chicago: The Western News Co., 1879. 80 pages, 8vo.

This pamphlet reviews the much discussed subject of "the battle of the standards," as seen from the silver side of the controversy. The author presents it in a clear and popular style, as free as possible from the absurdities of abstract discussion. He strenuously deprecates all schemes of inconvertible paper money, but insists that the success of some scheme of that nature is inevitable, if the volume of metallic money is reduced to the quantity of gold alone.

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*The American Almanac for the Year 1879.* Edited by AINSWORTH R. SPORFORD, *Librarian of Congress.* New York and Washington: The American News Co., 1879. 400 pages, 12mo.

This work is aptly described as a Treasury of Facts—Statistical, Financial, and Political. The statistics comprise details concerning American Agriculture, Manufactures, Mining, Shipping, Railroads, Telegraphs, Banks, Post Offices, Public Lands, Education, Currency, Revenue and Expenditure, Taxation, Coal, Iron, Imports and Exports, Public Debts, Investments, etc. The book contains an Official Directory of Congress [which should have been of the 46th instead of 45th] and of the Executive and Judicial Officers of the Government, with

tables of the Administrations and of Presidential Elections, from the beginning of the Government. Also, the full vote of every county in the United States at the Congressional election of 1878. There is also a brief view of each State in the Union, with a list of State Officers, Finances, etc.

Besides the array of tables, the volume contains articles on the History and Principles of Taxation, the Homestead and Exemption Laws in all the States, Facts concerning the Census, a History of the Continental and Confederate Currency, the Budgets of Nations, the World's Stock of Precious Metals, the Insolvent Laws of all the States, Sugar Production, Silver Money and the Paris Conference, History of Resumption in England, Vital Statistics of various nations, Cotton Production of the United States, the Army and Navy, etc.

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## THE TEN-DOLLAR CERTIFICATES.

### CIRCULAR RELATIVE TO THE NEW CONVERTIBLE BONDS.

TREASURY DEPARTMENT,  
WASHINGTON, D. C., March 7, 1879. }

The Secretary of the Treasury calls attention to the four-per-cent. refunding certificates of the United States, to be issued under the following provisions of the Act of Congress, approved February 26, 1879, entitled, "An Act to authorize the issue of certificates of deposit in aid of the refunding of the public debt," to wit: That the Secretary of the Treasury is hereby authorized and directed to issue in exchange for lawful money of the United States that may be presented for such exchange, certificates of deposits of the denomination of \$ 10, bearing interest at the rate of four per centum per annum, and convertible at any time, with accrued interest, into the four-per-centum bonds described in the Refunding Act, and the money so received shall be applied only to the payment of the bonds bearing interest at the rate of not less than five per centum in the mode prescribed by said Act, and he is authorized to prescribe suitable rules and regulations in conformity with this Act."

Each certificate will be of the denomination of \$ 10, will be made nearly of the form and size of a United States note, and will bear on its face and back the conditions of the issue, as follows: "United States Refunding Certificate—Ten Dollars, April 1, 1879. This certifies that the sum of \$ 10 has been deposited with the Treasurer of the United States under Act of February 26th, 1879.

"JAMES GILFILLAN, Treasurer of the United States.

"G. W. SCOFIELD, Register of the Treasury, Washington, D. C.

"Convertible with accrued interest, at four per cent. per annum, into four-per-cent. bonds of the United States, issued under the Acts of July 14, 1870, and January 20, 1871, upon presentation at the office of the Treasurer of the United States, Washington, D. C., in sums of \$ 50, or multiples thereof."

On the back: "Interest on this note will accrue as follows: For each nine days, or one-tenth of a quarter, one cent; for each quarter year, ten cents; for each entire year, forty cents."

Such certificates will be sold for lawful money at par and accruing interest to the date of purchase by the Treasurer of the United States at Washington, and by the Assistant Treasurers at Baltimore, Boston, Chicago, Cincinnati, New Orleans, New York, Philadelphia, St. Louis, and San Francisco, and the Treasurer of the United States at Washington, and the Assistant Treasurer at New York, will also receive in payment, drafts in favor of themselves respectively drawn on New York, which will be collected, and the excess, if any, returned by check to the depositors.

The Secretary of the Treasury will also accept in payment, certificates of

deposit of National banks especially designated to receive deposits on this account, but the refunding certificates will not be delivered until the certificates of deposit issued by the bank have been paid for by the Treasury draft, or by a deposit of a like amount with the Treasurer, or some Assistant Treasurer of the United States, or until United States bonds of equal amount are substituted in their stead.

All National banks, upon complying with section 5,153, *Revised Statutes of the United States*, are invited to become financial agents of the Government, and depositaries of public moneys accruing from the sale of these certificates. The money received by depositary banks for such certificates, will remain on deposit with said bank, subject to the order of the Treasurer of the United States, and calls for the redemption of bonds will issue from time to time, as the Secretary may direct. All banks, bankers, postmasters, and other public officers, and all other persons, are credited to aid in placing these certificates. They can make their arrangements through National banks for the deposit of the purchase money. Commissions will be allowed on purchase of these certificates as follows: On an aggregate of \$1,000, and not exceeding \$100,000, in any one calendar month, one-eighth of one per cent., and on any amount exceeding \$100,000 in a like period, a commission of one-fourth of one per cent. on the excess, and parties purchasing at one time \$1,000 or more of the certificates, will be entitled to receive them free of charge for transportation.

The certificates will be ready for delivery April 1st, 1879, at which date they will begin to bear interest, which will be payable upon the conversion of the certificates into four-per-cent. bonds.

The Secretary also announces that as soon as practicable, ten-dollar certificates will be issued under this law, similar in form and upon like similar conditions to those above described, to be registered on the books of the Treasury in the name of the owner, which name will also be entered on the face of the certificate.

(Signed) JOHN SHERMAN, *Secretary*.

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TRUSTEES AS SHAREHOLDERS.—The judges of the Scotch Court of Session, following the judgment of the House of Lords in the case of the Western Bank liquidation, have unanimously decided that trustees holding on behalf of their trust stock in the City of Glasgow Bank, are personally liable for the debts of the bank. No attempt was made on behalf of the trustees to contest the principle of law laid down thirteen years ago in the case *Lumsden vs. Buchanan*. It was contended, however, that on two material points the position of trustees holding shares in a company had been altered subsequent to the decision of the Lords in that case. By recent legislation, it was pleaded, provision has been made for entering trustees as such on bank registers in Scotland, while such entries are not allowed in England and Ireland, and this, it was argued, was equivalent to a recognition of trustees as partners in their governing capacity only. And it was further contended that the incorporation of the bank under the Companies Act of 1862 limited the liability of the trustees. But as regards the first plea, the Court held that the entry of the names of trustees upon the register was intended merely to facilitate the proof of trust, and did not in any way alter the liability of the trustees; while as to the second argument, it was held that the incorporation under the Act of 1862 did not limit the liability of trustees any more than that of other shareholders, and in fact did not limit liability at all. The lesson of the case is that no one should consent to act as trustee of shares in an unlimited liability company.



## BANKING AND FINANCIAL ITEMS.

**THE NATIONAL BANK REDEMPTION FUND.**—The Treasurer of the United States issued, on March 6th, the following circular :

"Hereafter National banks, in reimbursing the Treasurer for their circulating notes redeemed under section 3 of the act approved June 20, 1874, may forward directly to the Assistant Treasurer of the United States in New York checks drawn on New York payable to the order of that officer, with instruction to deposit the amount to the credit of the five-per-cent. redemption fund and to forward the certificate of deposit therefor to the Treasurer of the United States. Checks drawn on any other place than New York, or sent to any other officer than the Assistant Treasurer of the United States in that city, are not authorized to be received under these regulations.

**BANK NOTE CIRCULATION.**—The Comptroller of the Currency reports the increase of National bank notes during the month of February at \$1,648,401; in January, \$607,995; in December, \$490,618; in November, \$840,441; total increase for four months, \$3,587,455. The increase in the amount of legal-tender notes deposited for the purpose of retiring National bank circulation during the same period was \$2,684,614. Total decrease in National bank note circulation for the four months previous to November, 1878, \$2,090,369. Total amount of notes outstanding, exclusive of notes of National gold banks, on March 1, 1879, \$324,579,250. Amount of National gold bank circulation, \$1,466,920.

**DIVIDENDS.**—The Comptroller of the Currency has declared dividends during the months of February and March in favor of the creditors of the following insolvent or liquidating National banks :

	No. of Dividend.	Rate. Per cent.	Total Dividends.
First National Bank, Georgetown, Col.....	1st	12½	12½
City National Bank, Chicago, Ill.....	4th	5	50
First National Bank, Allentown, Pa.....	1st	20	20
First National Bank, Bozeman, Mon.....	1st	40	40
First National Bank, Tarrytown, N. Y.....	4th	10	80
Commercial National Bank, Kansas City, Mo.....	* 2d	* 5	* 20
Northumberland County National Bank, Shamokin, Pa..	3d	12½	62½
Third National Bank, Chicago, Ill.....	6th	5	80
Washington County National Bank, Greenwich, N. Y....	4th	15	90
Charlottesville National Bank, Charlottesville, Va.....	4th	10	40
National Bank of the State of Missouri, St. Louis, Mo..	4th	15	50
First National Bank, Tiffin, Ohio.....	6th	19	65
First National Bank, Delphi, Ind.....	3d	10	60

\* To shareholders, 20 per cent.; to creditors, 100 per cent.

**RESUMPTION.**—The Manhattan Savings Bank resumed payment on March 12th, after four months suspension caused by robbery. Several hundred depositors were in line before ten o'clock, the hour for business. Of the stolen securities, \$1,600,000 United States bonds have been duplicated, under authority of a special Act of Congress, in place of the registered bonds held by the bank.

**SALE OF A BANK BUILDING.**—The Bond Street Savings Bank Building, No. 330 Bowery, was sold at public auction at the Exchange Salesroom, by the Receiver, Mr. Willis S. Paine, on March 18th. The lot originally cost \$95,000, and the building \$125,000, making the total cost of the property \$220,000. The price realized at the sale was only \$55,000, Mr. M. J. Adrian being the purchaser.

ILLINOIS.—A bill is before the State Senate of Illinois to reduce the legal rate of interest from ten per cent. to eight. Its passage is said to be probable.

LOUISIANA.—A run began on the New Orleans Savings Institution, on February 24, and continued all the week, \$500,000 being paid out. The bank suspended on the 28th.

On March 18th, the Southern Bank of New Orleans suspended, being brought to this step by the depreciation of the consolidated city bonds, of which it held a large amount. On the 19th, the Mechanics & Traders' Bank also closed.

FINANCIAL PANIC IN NEW ORLEANS.—On March 20th the banks of New Orleans resolved to suspend payments temporarily on checks over \$200, the following having been announced by the Clearing-House Association on that day:

"Resolved, That in order to protect the business community of this city from the calamity of any further suspensions of banks arising from what appears to be an entirely unnecessary panic in the withdrawal of deposits from banks known to be solvent and sound, it is hereby resolved that the Clearing-House banks shall not pay out on checks more than two hundred dollars to any one depositor on any one day. All other payments shall be made by certification of checks which shall be received on deposit by banks members of the Clearing House. This arrangement is to be temporary, and shall expire on Saturday, the 29th inst."

A dispatch of the same date states that: "Collections for distant customers will be remitted for, as heretofore, in currency checks on New York. In effect, this action involves only local interests here and has checked the panic, the pretext for which will be entirely removed in a day or two, when currency arrives, which is already ordered from New York. The banks held this morning about \$2,200,000 in legal-tender notes and \$3,000,000 sight exchange on New York, exclusive of their portfolios, with which to meet about \$10,000,000 due depositors. Most of the banks to-day received more currency from depositors than they paid out."

The immediate cause of the run on the banks is believed to have been the recent suspension of the Southern Bank and of the Mechanics & Traders' Bank. The trouble in the first named bank was from the fact that it had invested nearly the whole capital in Louisiana consols, which, after the default in the interest, fell so heavily as to unsettle the confidence of the depositors of the bank. Heavy checkings had been made when the institution suspended. An impression that other banks might be similarly situated caused a run upon them, and hence the action of the Clearing-House Association. The course now pursued is similar to that taken by many of the banks in September, 1873, when, by reason of the panic, a virtual suspension of currency payments was resorted to, and this suspension continued for several weeks, the banks, meanwhile, conducting business as usual through the Clearing Houses of their respective cities. On March 22d, Bank Examiner Getman telegraphed to the Comptroller of the Currency as follows: "The aggregate deposit of the seven National banks here is \$6,425,000. The aggregate cash, exclusive of the redemption fund and a large amount with the New York reserve agents, is \$2,400,000. The condition of the banks is strong. The excitement was causeless and is now over. The action of the banks is approved by this community. The time of resumption is likely to be anticipated."

At a meeting of the New Orleans Clearing-House Association, held on March 24th, the condition of the banks members thereof was found so satisfactory that it was unanimously resolved "That payments by the banks composing this association shall be made as heretofore in currency on demand."

MAINE.—The report of Bank Examiner Titcomb, after examination of the books of the Dexter Savings Bank, says that he has gone over the books thoroughly from 1877 to the time of Treasurer Barron's death, and found them in fair condition. He discusses at length the item of \$2,000, and says that Barron did put his note for \$2,000 into the bank without any equivalent; that it was subsequently paid; that the bank received the money, and that in the end the transaction is correctly represented upon the books. Mr. Titcomb answers the recently published statement of the bank officers, and declares that Mr. Barron was not guilty of any dishonesty.

MASSACHUSETTS.—At a meeting of the stockholders of the Merchandise National Bank of Boston, held March 18th, it was voted that the capital be reduced from \$750,000 to \$500,000. The reduction to be made on April 1st, and the amount (\$250,000) to be paid back at par to the shareholders.

*Another Defalcation.*—Nathan P. Pratt, Treasurer of the Reading (Mass.) Savings Bank, has proven to be a defaulter to a large amount, and the bank is supposed to be ruined thereby. The estimated deficit is about \$90,000, the indebtedness of the bank to depositors being \$148,459, at last report.

NEW JERSEY.—The official labor statistics of New Jersey, recently published, show a decline in the wages of skilled labor, between 1872 and 1877, ranging from eight to thirty per cent. The decline in the wages of unskilled labor ranges from twenty to fifty per cent. In 1877, the average loss of time of both classes from non-employment was 49¼ days.

NEW YORK.—The following is the text of the Interest bill which is now before the State Legislature:

AN ACT to amend title three chapter four of part second of the *Revised Statutes*, entitled "Of interest of money."

Section 1. Section one of title three chapter four, part second of the *Revised Statutes*, entitled "Of the interest of money," is hereby amended so as to read as follows:

Section 1. The rate of interest upon the loan or forbearance of any money, goods or things in action shall, from and after the passage of this act, be six dollars upon one hundred dollars, for one year, and after that rate, for a greater or less sum, or for a longer or shorter time. *But nothing herein contained shall be so construed as to in any way affect any contract, or obligation made before the passage of this act.*

Section 2. All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.

Section 3. This act shall take effect immediately.

What would be far better than the above, is a simple bill fixing six per cent. as the legal rate in this State in the absence of a contract, allowing borrowers and lenders to agree on other terms if they choose, and repealing the present barbarous penalties.

VIRGINIA.—The bill providing for the settlement of the State debt was passed in the Senate, on March 5th, by a vote of 28 to 9.

The readjusters' amendments providing for the ratification of the proposed settlement by a vote of the people, etc., were all rejected. An amendment was adopted providing that bonds exchanged for outstanding bonds shall be taken and held as a full and absolute release of the State from all liability on account of certificates for West Virginia's third. The bill was passed in the House, on March 24th, by a vote of 76 to 50.

INTERNATIONAL LAW.—At St. John, N. B., on March 1, the Supreme Court ordered the discharge of Thomas Ellis, the defaulting Teller of the National Park Bank of New York, who has been in jail in St. John for nearly two years.

*Another Fraud.*—Jean S. Paquet, Cashier of the Bank of Hochelaga, Montreal, has been arrested on the charge of embezzling \$50,000 of its funds.

VICTORIA GOLD PRODUCTION.—In 1870, the gold production of the Australian Colony, Victoria, was 1,222,798 ounces, but has since steadily declined to less than two-thirds of that amount. In 1877, it was 799,760 ounces. In 1878 it was 755,754 ounces.

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ERRATUM.—In the notice upon page 822, of *The Present and Future of Silver*, for "absurdities" read "obscurities."

## THE NATIONAL BANKS OF NEW ORLEANS.

Abstracts of reports made to the Comptroller of the Currency by the National banks in the City of New Orleans, showing their condition on December 6, 1878, and January 1, 1879, and also of Examiner's reports of the condition of those banks made from February 13 to March 3, 1879.

RESOURCES.	Bank Reports.	Bank Reports.	Examiner's Reports.
	December 6, 1878.	January 1, 1879.	February—March.
Loans and discounts.....	\$ 6,122,395 25	\$ 6,200,325 52	\$ 5,534,451 82
Bonds for circulation.....	1,700,000 00	1,700,000 00	2,150,000 00
Bonds for deposits.....	25,000 00	25,000 00	25,000 00
U. S. bonds on hand.....	400 00	22,650 00	259,500 00
Other stocks and bonds...	331,132 08	257,845 59	356,436 59
Due from reserve agents...	372,186 22	784,052 18	1,241,824 93
Due from National banks.	102,838 96	114,912 54	337,410 18
Due from State banks.....	416,815 53	196,661 34	421,485 79
Real estate, etc. ....	439,510 52	399,822 95	395,078 33
Current expenses.....	124,965 12	34,890 24	55,978 34
Premiums paid.....	63,400 30	52,620 00	42,620 00
Cash items.....	150,182 59	149,295 39	17,513 55
Clearing-house exchanges...	1,578,427 37	1,471,214 33	1,333,070 48
Bills of other banks.....	126,890 00	138,772 00	177,912 00
Fractional currency.....	4,943 90	4,373 31	4,151 57
Specie .....	134,033 19	103,324 40	157,128 35
Legal-tender notes.....	1,017,566 00	1,545,558 00	1,534,948 00
Due from U. S. Treasurer	76,500 00	76,500 00	77,500 00

Total ( 7 banks )... \$ 12,787,187 03 . \$ 13,277,817 79 . \$ 14,122,009 93

## LIABILITIES.

Capital stock.....	\$ 2,875,000 00	\$ 2,875,000 00	\$ 2,875,000 00
Surplus fund.....	573,268 64	453,000 00	453,000 00
Undivided profits.....	425,305 18	287,514 91	312,762 86
National bank circulation..	1,488,600 00	1,489,525 00	1,485,600 00
Dividends unpaid.....	17,352 06	96,954 06	20,993 16
Individual deposits.....	6,517,074 07	7,266,761 14	8,061,345 06
U. S. deposits.....	21,389 72	3,000 00	24,642 33
Due to National banks....	339,460 65	234,866 69	296,496 26
Due to State banks.....	529,136 71	571,195 99	592,170 26

Total ( 7 banks )... \$ 12,787,187 03 . \$ 13,277,817 79 . \$ 14,122,009 93

CALLS OF FIVE-TWENTY BONDS.—The following calls by the Treasury Department, for "Consols of 1867," were issued in March. All numbers inclusive:

Ninety-first call, dated March 4, 1879: Matures June 4.

*Coupon Bonds.*—\$ 50, Nos. 100,001 to 105,000; \$ 100, Nos. 180,001 to 195,000; \$ 500, Nos. 100,001 to 104,000; \$ 1,000, Nos. 176,001 to 185,000. Total coupon, \$ 7,000,000. *Registered Bonds.*—\$ 50, Nos. 3,241 to 3,250; \$ 100, Nos. 23,621 to 23,650; \$ 500, Nos. 11,521 to 11,550; \$ 1,000, Nos. 44,401 to 44,500; \$ 5,000, Nos. 14,351 to 15,100; \$ 10,000, Nos. 26,951 to 27,730. Total registered, \$ 3,000,000. Aggregate, \$ 10,000,000.

Ninety-second call, dated March 12, 1879. Matures June 12.

*Coupon Bonds.*—\$ 50, Nos. 105,001 to 111,000; \$ 100, Nos. 195,001 to 208,000; \$ 500, Nos. 104,001 to 108,000; \$ 1,000, Nos. 185,001 to 194,000. Total coupon, \$ 7,000,000. *Registered Bonds.*—\$ 100, Nos. 23,651 to 23,700; \$ 500, Nos. 11,551 to 11,560; \$ 1,000, Nos. 44,501 to 44,550; \$ 5,000, Nos. 15,101 to 15,800. Total registered, \$ 3,000,000. Aggregate, \$ 10,000,000.

## SUSPENDED NEW YORK SAVINGS BANKS.

In the State Senate, March 13, Mr. Wendover, from the Committee on Banks, presented a detailed report relative to the broken Savings banks. There are twenty-eight banks in the hands of receivers, and \$13,207,850 was the aggregate amount due to depositors.

The following table is embraced in the report:

	<i>Due depositors at time of failure.</i>	<i>Amts. paid depositors.</i>
Abingdon Square Savings Bank.....	\$87,997 59 ..	\$25,483 35
Bond Street Savings Bank.....	1,284,894 01 ..	881,562 23
Bowling Green Savings Bank.....	514,299 56	152,060 98
Central Park Savings Bank.....	40,888 23 ..	Nothing.
Clairmont Savings Bank.....	102,544 73	Nothing.
Clinton Savings Bank.....	67,884 98 ..	16,971 36
German Savings Bank (Morrisania).....	227,779 52 ..	57,360 86
German Uptown Savings Bank.....	889,088 53 ..	529,153 78
Haverstraw Savings Bank (Haverstraw).....	68,583 13 ..	Nothing.
Long Island Savings Bank.....	857,478 00 ..	617,739 85
Market Savings Bank (Brooklyn).....	Nothing.	Nothing.
Mechanics and Traders' Savings Bank.....	1,453,916 59 ..	1,033,741 24
Mutual Benefit Savings Bank.....	437,466 57 ..	248,968 47
New Amsterdam Savings Bank.....	511,992 66 ..	391,780 13
New Rochelle Savings Bank (New Rochelle).....	69,470 05 ..	23,788 02
Oriental Savings Bank.....	182,278 34 ..	51,577 44
People's Safe Deposit and Savings Institution (Utica).....	833,299 20 ..	554,356 62
People's Safe Deposit and Sav. Institution (Syracuse).....	597,553 46 ..	315,182 70
People's Savings Bank.....	200,288 59 ..	84,410 66
Rockland Savings Bank (Nyack).....	39,868 02 ..	Nothing.
Saratoga Savings Bank (Saratoga Springs).....	44,157 34 ..	10,877 55
Security Savings Bank.....	395,518 28 ..	229,414 34
Sixpenny Savings Bank.....	1,783,408 16 ..	1,158,964 77
Teutonia Savings Bank.....	881,000 00 ..	440,268 00
Third Avenue Savings Bank.....	1,396,138 20 ..	207,856 23
Trades' Savings Bank.....	79,114 19 ..	11,867 10
Union Savings Bank (Saratoga Springs).....	152,884 95 ..	58,507 56
Yorkville Savings Bank.....	2,027 13 ..	Nothing

THE LEGAL-TENDER NOTES.—In order to test the legality of a re-issue, after their redemption, of the legal-tender notes, a test case is to be brought before the Supreme Court of the United States. To effect this, an agreement has been made between Mr. S. B. Chittenden, member of Congress for the Brooklyn (N. Y.) District, and Gen. Benjamin F. Butler, each agreeing to bear costs and other expenses on his side. The correspondence on the subject sets forth an agreement to find a real case in which a debtor shall have offered to his creditor, a citizen of a different State, payment of a debt in greenbacks of date since August, 1866, which is the officially-declared date of the close of the war. The creditor refuses payment and brings suit, and thereupon Mr. Chittenden binds himself to bear the expenses of the creditor, and Gen. Butler, on his side, agrees to defend and defray the costs of the debtor, he asserting the right of the Government to issue legal-tender paper money at all times. At the present time, the legal tenders are in effect a permanent issue, redeemable it is true in coin, while not only liable to be re-issued, but required by law to be kept in circulation. It is to be hoped that the question will be definitely settled.



	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
MO.....	Lawrence County Bank, Peirce City	Lewis L. L. Allen, <i>Pr.</i> ... Charles E. Allen, <i>Cas.</i> ...	A. L. White. L. L. L. Allen.
N. H. . . .	Keene National Bank, Keene...	J. R. Beal, <i>Cas.</i> .....	G. W. Tilden.
N. J. . . .	Burlington Savings Institution..	Richard F. Mott, <i>Tr. &amp; Sec.</i> .....	
"	City National Bank, Plainfield..	Charles Hyde, <i>Pr.</i> .....	E. R. Pope.
"	National Union Bank, Dover...	H. Hougland, <i>Pr.</i> .....	C. Beach.
"	Mount Holly National Bank...	Augustus M. Wills, <i>Pr.</i> ...	O. H. P. Emley.
"	First National Bank, Red Bank.	James H. Peters, <i>Pr.</i> .....	A. S. Parker.
N. Y. . . .	First National Bank, Newark...	E. T. Grant, <i>Pr.</i> .....	B. Thomas.
"	First National Bank, Oxford.	J. R. Van Wagenen, <i>Pr.</i> .....	
"	Westchester Co. N. B., Peekskill.	Peter W. Clarke, <i>V. P.</i> ... J. Fred Sands, <i>Cas.</i> .....	H. L. Miller. J. R. Van Wagenen.
"	Fallkill National Bank,	C. A. Pugsley, <i>Cas.</i> .....	
"	Poughkeepsie.	John Thompson, <i>Pr.</i> .....	G. Innis.
"	National Bank of Schuylerville.	Geo. H. Tompkins, <i>V. P. J.</i> Thompson.	
"	First National Bank, Whitehall.	George L. Ames, <i>Pr.</i> .....	C. W. Mayhew.
"	State National Bank, Whitehall.	H. T. Gaylord, <i>Pr.</i> .....	A. H. Griswold.
N. C. . . .	State National Bank, Raleigh..	Mrs. M. C. Williams, <i>Pr.</i> J. G. Williams.*	
OHIO... National Bank Commerce,	Cincinnati.	W. A. Goodman, <i>Pr.</i> .... Henry Peachey, <i>V. P.</i> ..... William J. Dunlap, <i>Cas.</i> .....	
"	First Nat'l B'k, New London...	John Barnes, <i>Cas.</i> .....	M. H. Smith.
"	Citizens' National Bank, New Philadelphia.	S. O'Donnell, <i>Pr.</i> ..... C. C. Welty, <i>Cas.</i> ..... E. A. Deardorff, <i>A. C.</i> .....	A. Patrick. H. Kaldenbaugh.
"	First National Bank, Norwalk.	D. A. Baker, Jr., <i>Cas.</i> ....	J. C. Curtiss, Jr.
"	First Nat'l Bank, Painesville.	Levi Kerr, <i>Pr.</i> .....	S. Marshall.
"	First Nat'l Bank, Portsmouth..	H. C. Nellis, <i>Cas.</i> .....	R. M. Murray.
"	First Nat'l Bank, Portsmouth..	E. Miller, <i>Pr.</i> .....	J. P. Terry.
"	National Bank of Wooster...	John Zimmerman, <i>Pr.</i> ... George P. Emrich, <i>V. P.</i> J. Zimmerman.	G. P. Emrich.
PENN.. Second Nat'l B'k, Philadelphia.		Benjamin Rowland, <i>Pr.</i> ... <i>Not Jr.</i>	
"	First National Bank, Franklin..	F. W. Officer, <i>Cas.</i> .....	A. D. Cotton.
"	First National Bank, Mercer....	William Logan, <i>Pr.</i> .....	S. Griffith.
"	Farmers' Bank, Mercersburg....	J. W. Witherspoon, <i>Cas.</i> W. M. Marshall.	
"	German Nat'l B'k, Millerstown.	G. F. Fetzer, <i>V. P.</i> .....	H. L. Westerman.
"	Sharon National Bank, Sharon.	James Westerman, <i>Pr.</i> ...	J. Forker.
"	First Nat'l Bank, Union Mills..	Edwin W. Hatch, <i>Pr.</i> ...	H. L. Church.
"	Western National Bank, York..	C. E. Lewis, <i>Cas.</i> .....	M. J. Skinner.
R. I. . . .	American National Bank, Providence.	F. W. Carpenter, <i>Pr.</i> .... Edward H. Robinson, <i>V. P.</i> .....	S. Harris.
"	Old National Bank, Providence.	John O. Waterman, <i>Pr.</i> ...	G. W. Hallet.
"	Centreville National Bank of Warwick, Centreville.	Ezra J. Cady, <i>Pr.</i> .....	J. Brayton.
TENN. . .	First Nat'l Bank, Columbia....	J. M. Mayes, <i>Pr.</i> .....	T. W. Keese.
"	First Nat'l Bank, Murfreesboro.	H. H. Williams, <i>Cas.</i> ....	I. B. Collier.
"	Giles National Bank, Pulaski...	S. E. F. Rose, <i>Cas.</i> .....	H. F. Ewing.
VT. . . .	Caledonia Nat'l Bank, Danville.	Newell Stocker, <i>V. P.</i> ....	S. Ingalls.
"	National Bank of Royalton....	Crosby Miller, <i>Pr.</i> .....	C. Downer.
"	National Union B'k, Swanton...	Albert Sowles, <i>Pr.</i> .....	W. L. Sowles.
W. VA..	Merch. N. B., Point Pleasant...	J. McCulloch, Jr., <i>Cas.</i> ...	C. C. Miller.
WIS. . . .	Wisconsin Nat'l B., Watertown.	Daniel Jones, <i>Pr.</i> .....	W. M. Dennis.
PR.QUE	Exch. B. of Canada, Montreal.	Thomas Craig, <i>Cas.</i> .....	C. R. Murray.

\* Deceased.

A LADY PRESIDENT.—The directors of the State National Bank of Raleigh, N. C., have elected Mrs. M. C. Williams president of the bank, in place of Mr. John G. Williams, deceased.

This is, we believe, the first instance in which a lady has been appointed to the office of President, although there are several among the directors of National banks, and two or three among the cashiers of State or private banks.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from March No., page 737.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2414	First National Bank..... Winsted, CONN.	Elias E. Gilman ..... Harvey L. Roberts,	\$ 50,000	\$ 30,000
2415	Fort Pitt National Bank.... Pittsburgh, PENN.	David Hostetter..... D. Leet Wilson,	200,000	105,750
2416	Third National Bank..... Cumberland, MD.	James M. Schley..... William E. Weber,	100,000	100,000
2417	Oskaloosa National Bank.... Oskaloosa, IOWA.	M. E. Cutts..... W. A. Lindly,	50,000	50,000
2418	First National Bank..... Johnstown, N. Y.	John Stewart..... Howland Fish,	100,000	50,000
2419	Winsted National Bank..... Winsted, CONN.	John G. Wetmore..... Henry C. Young,	50,000	33,646
2420	First National Bank..... Leadville, COL.	James F. Eshelman..... John W. Zollars,	60,000	60,000

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from March No., page 738.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ALA....	Opelika.....	Bank of Opelika .....	Continental Nat'l Bank W. B. Shapard, Pr. J. W. McNamee, Cas.
COL....	Carbonateville..	Merchants & Miners' Bank. \$ 50,000	Anthony Blum, Pr. A. H. Reynolds, Cas.
" ..	Leadville.....	First National Bank..... \$ 60,000	James F. Eshelman, Pr. John W. Zollars, Cas.
CONN. .	Winsted.....	First National Bank..... \$ 30,000	Elias E. Gilman, Pr. Harvey L. Roberts, Cas.
" ..	" ..	Winsted National Bank ... \$ 33,646	John G. Wetmore, Pr. Henry C. Young, Cas.
DAK....	Deadwood.....	Stebbins, Post & Mund....	Kountze Brothers.
DEL....	Newark.....	First National Bank.....	.....
ILL....	Bradford .....	C. W. Phenix.....	First National Bank, Chicago.
IOWA...	Oskaloosa.....	Oskaloosa National Bank . \$ 50,000	M. E. Cutts, Pr. W. A. Lindly, Cas.
MD....	Cumberland ...	Third National Bank..... \$ 100,000	James M. Schley, Pr. William E. Weber, Cas.
MASS...	Boston .....	Harry V. Long .....	.....
N. Y...	Johnstown....	First National Bank..... \$ 50,000	John Stewart, Pr. Howland Fish, Cas.
" ..	Bath .....	Campbell Brothers.....	National Park Bank.
OHIO...	Perrysburg....	Citizens' B'k (N. L. Hanson, Cas.)	Fourth National Bank.
PENN...	Pittsburgh....	Fort Pitt National Bank... \$ 105,750	David Hostetter, Pr. D. Leet Wilson, Cas.
WIS....	Boscobel.....	Exchange Bank, (M. D. Til lotson.)	.....



## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from March No., page 738.)*

- ILL.... Pontiac..... Joseph F. Culver & Co.; closed by creditors. Failed.  
 " .. Watseka..... H. T. Skeels.
- LA.... New Orleans... Citizens' Savings Bank; suspended.  
 " .. " .. Mechanics & Traders' Bank; suspended.  
 " .. " .. New Orleans Savings Institution; suspended.  
 " .. " .. Southern Bank; suspended.
- MAINE.. Bangor..... Farmers' National Bank; in liquidation.
- MO.... Osceola..... Osceola Savings Bank; cons. with St. Clair County Bank.
- N. Y.... Brooklyn..... Emigrant Savings Bank; closed. Paid in full.  
 " .. Oswego..... City Bank; closed by order of Supreme Court.
- OHIO.. Cincinnati..... Lafayette Bank; consolidated with Nat'l Bank of Commerce.
- PENN... Philadelphia... C. Camblos & Co.; suspended.  
 " .. Tremont..... First National Bank; in liquidation. No successor.  
 " .. York..... Dime Savings Institution; suspended.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from March No., page 739.)*

- ALA.... Opelika..... Shapard & Co.; succeeded by Bank of Opelika. W. B. Shapard, Pr.  
 " .. Selma..... Selma Savings Bank; now Commercial Bank of Selma. Same officers.
- COL.... Leadville..... Lake County Bank; now First Nat'l Bank. Same officers.
- CONN... Windham..... Windham Nat'l Bank; location changed to Willimantic.
- IND.... Brookville..... Brookville National Bank; now Brookville Bank. (J. R. Goodwin & Son.)  
 " .. Gosport..... Pettit & Montgomery; now Montgomery & Henry.
- KANSAS. Newton..... Knox & Harris; now Harris & Fowler.
- MD.... Cumberland... Queen City Savings Bank; now Third Nat'l Bank. Same officers and capital.
- MASS.. Boston..... Merchandise National Bank; capital reduced to \$500,000.  
 " .. " .. N. F. Fenno & Co.; succeeded by Harry V. Long.
- MO.... Marshall..... Saline County Bank; succeeded by Cordell & Dunnica.
- N. Y... Havana..... Elbert P. Cook; now Cook & Sackett.  
 " .. Johnstown..... David Hays; succeeded by First National Bank.
- PENN... Pittsburgh..... Fort Pitt Banking Co.; now Fort Pitt National Bank. Same officers.
- WIS... Boscobel..... First National Bank; in liquidation. Succeeded by Exchange Bank. M. D. Tillotson, Cas.

CONNECTICUT.—Mr. Daniel Hatch, for many years a prominent banker of Bridgeport, died in that city on March 14th, at the age of seventy-six. He was the father of Mr. D. B. Hatch, senior partner of the New York banking firm of Hatch & Foote.

## 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 March 1, 1879, 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.....	\$ 1,402,180	\$ 206,700	\$ 600,000	\$ 806,700	\$ 198,704
New Hampshire..	499,765	27,400	10,800	38,200	1,950
Vermont.....	1,586,370	151,097	952,340	1,103,437	69,988
Massachusetts.....	12,940,325	234,800	5,887,200	6,122,000	172,043
Rhode Island.....	709,110	32,350	617,385	649,735	20,120
Connecticut.....	1,831,530	65,350	1,249,490	1,314,840	20,548
New York.....	14,800,085	2,081,661	18,068,800	20,150,461	2,496,384
New Jersey.....	1,475,365	119,260	1,183,040	1,302,300	221,917
Pennsylvania.....	7,394,180	1,025,711	5,967,986	6,993,697	1,107,434
Delaware.....	164,275	—	—	—	—
Maryland.....	350,810	166,600	1,575,470	1,742,070	172,141
Dist. of Columbia.	454,500	400,164	427,500	827,664	60,891
Virginia.....	408,100	805,569	853,510	1,659,079	234,181
West Virginia....	49,870	731,060	270,000	1,001,060	159,863
North Carolina...	1,082,660	—	922,585	922,585	119,395
South Carolina....	45,700	—	953,380	953,380	53,405
Georgia.....	352,930	287,725	437,675	725,400	122,004
Florida.....	45,000	—	—	—	—
Alabama.....	198,000	—	94,500	94,500	688
Mississippi.....	—	—	—	—	506
Louisiana.....	1,237,630	645,750	2,099,250	2,745,000	357,843
Texas.....	116,100	10,000	229,340	239,340	5,435
Arkansas.....	135,000	—	135,000	135,000	14,483
Kentucky.....	2,968,040	575,867	1,378,033	1,953,900	402,818
Tennessee.....	433,700	235,901	533,859	769,760	115,307
Missouri.....	261,150	816,810	3,544,410	4,361,220	714,409
Ohio.....	1,681,670	1,483,319	2,732,922	4,216,241	1,234,898
Indiana.....	2,503,980	996,297	4,753,483	5,749,780	1,403,608
Illinois.....	1,561,485	1,515,134	6,195,896	7,711,030	1,021,464
Michigan.....	1,060,010	364,500	1,952,590	2,317,090	414,053
Wisconsin.....	233,000	537,360	860,439	1,397,799	318,871
Iowa.....	1,094,300	698,669	1,554,955	2,253,624	432,125
Minnesota.....	768,900	385,095	1,218,545	1,603,640	214,243
Kansas.....	111,600	781,721	190,550	972,271	323,714
Nebraska.....	45,000	45,000	188,080	233,080	30,654
Nevada.....	—	—	—	—	2,309
Dakota.....	54,000	—	—	—	—
Colorado.....	396,900	135,083	149,400	284,483	40,960
Utah.....	—	161,191	196,800	357,991	26,026
Washington.....	95,000	—	—	—	—
Montana.....	39,600	13,500	45,000	58,500	—
Totals.....	\$60,587,820	\$15,736,644	\$68,030,213		\$12,312,812
Legal-tender notes deposited prior to June 20, 1874, and remaining at that date.....				3,813,675	
Total deposits.....				\$87,580,532	

JOHN JAY KNOX, *Comptroller of the Currency.*

## NATIONAL BANKS OF THE UNITED STATES.

*January, 1879.*

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 January 1, 1879; also on December 28, 1877, and December 22, 1876.

	1879. January 1, 2,051 banks.	1877. December 28, 2,074 banks.	1876. December 22, 2,082 banks.
<i>LIABILITIES.</i>			
Capital stock paid in.....	\$ 462,031,396 .	\$ 477,128,771 .	\$ 497,482,016
Surplus fund.....	116,200,863 .	121,618,455 .	131,390,664
Other undivided profits .....	36,836,269 .	51,539,910 .	52,327,715
National bank notes outstanding.	303,506,470 .	299,240,475 .	292,011,575
State bank notes outstanding ...	386,603 .	479,540 .	608,548
Dividends unpaid.....	5,818,113 .	1,404,178 .	1,286,540
Individual deposits.....	643,337,745 .	604,512,514 .	619,350,223
United States deposits .....	59,701,222 .	6,529,031 .	6,727,155
Deposits of U. S. disburs'g officers	3,556,801 .	3,780,759 .	4,749,615
Due to other National banks ...	118,311,635 .	115,773,660 .	122,351,818
Due to State banks and bankers	44,073,882 .	44,807,958 .	48,685,392
Notes and bills re-discounted ...	2,888,339 .	4,654,784 .	4,553,158
Bills payable.....	3,942,659 .	5,843,107 .	5,882,672
<i>Aggregate Liabilities.....</i>	<i>\$ 1,800,592,002</i>	<i>\$ 1,737,295,145</i>	<i>\$ 1,787,407,093</i>
<i>RESOURCES.</i>			
Loans and discounts .....	\$ 820,213,811 .	\$ 881,856,744 .	\$ 929,066,408
Overdrafts .....	3,693,954 .	.....	.....
U. S. bonds to secure circulation	347,118,300 .	343,869,550 .	336,705,300
U. S. bonds to secure deposits...	66,501,350 .	13,538,000 .	14,757,000
U. S. bonds on hand .....	44,263,250 .	28,479,800 .	31,937,950
Other stocks, bonds & mortgages	35,569,400 .	32,169,491 .	31,565,914
Due from approved reserve ag'ts	77,916,814 .	75,960,087 .	83,789,174
Due from other National banks..	44,170,202 .	44,123,924 .	44,011,664
Due from State banks & bankers	11,881,540 .	11,479,945 .	12,415,841
Real estate, furniture & fixtures.	47,091,964 .	45,511,932 .	43,498,445
Current expenses and taxes paid	4,033,024 .	8,958,903 .	9,818,422
Premiums paid.....	6,366,048 .	8,841,939 .	10,811,300
Checks and other cash items ...	13,564,550 .	10,265,059 .	10,658,709
Exchanges for Clearing House..	100,035,237 .	64,604,415 .	68,027,016
Bills of other National banks....	19,535,031 .	20,312,692 .	17,521,663
Fractional currency .....	475,538 .	778,084 .	1,146,741
Specie.....	41,500,314 .	32,907,750 .	32,999,647
Legal-tender notes.....	70,561,233 .	70,568,248 .	66,221,400
U. S. certif. for dep. legal-tenders	28,915,000 .	26,515,000 .	26,095,000
Five-per-cent. Redemption fund	15,269,625 .	.....	.....
Due from U. S. Treasurer.....	1,905,809 .	16,493,577 .	16,359,491
<i>Aggregate Resources.....</i>	<i>\$ 1,800,592,002</i>	<i>\$ 1,737,295,145</i>	<i>\$ 1,787,407,093</i>

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statement—cents omitted.*

## INTEREST BEARING DEBT.

	<i>Feb. 1, 1879.</i>	<i>March 1, 1879.</i>
Bonds at six per cent.....	\$ 656,839,000 ..	\$ 640,105,250
Bonds at five per cent.....	703,266,650 ..	703,266,650
Bonds at four-and-a-half per cent.....	250,000,000 ..	250,000,000
Bonds at four per cent.....	330,700,000 ..	406,900,000
Navy pension fund.....	14,000,000 ..	14,000,000
Total principal.....	\$ 1,954,805,650 ..	\$ 2,014,271,900
" interest.....	22,695,869 ..	24,603,587
DEBT ON WHICH INTEREST HAS CEASED.....	6,608,080 ..	6,372,930
Interest.....	320,622 ..	326,361

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.....	346,743,031 ..	346,742,941
Certificates of deposit.....	40,940,000 ..	46,100,000
Fractional currency.....	16,027,495 ..	15,986,412
Gold and silver certificates.....	20,197,880 ..	19,087,680
Total principal.....	\$ 423,908,406 ..	\$ 427,917,033
Unclaimed Pacific Railroad interest.....	8,197 ..	8,227
Total debt.....	\$ 2,385,322,136 ..	\$ 2,448,561,863
Interest.....	23,024,689 ..	24,938,176
TOTAL DEBT, principal and interest.....	\$ 2,408,346,826 ..	\$ 2,473,500,040
TOTAL CASH IN THE TREASURY.....	\$ 382,450,695 ..	\$ 447,292,498
Debt, less cash in the Treasury at date.....	\$ 2,025,896,130 ..	\$ 2,026,207,541
Decrease of debt during the month.....	2,751,980 ..	..
Increase ..	..	311,411
Decrease of debt since June 30, 1878.....	9,890,711 ..	9,579,300

## CURRENT LIABILITIES.

Interest due and unpaid.....	\$ 5,989,288 ..	\$ 5,622,543
Debt on which interest has ceased.....	6,608,080 ..	6,372,930
Interest thereon.....	320,622 ..	326,361
Gold and silver certificates.....	20,197,880 ..	19,087,680
United States notes held } certificates of deposit....	40,940,000 ..	46,100,000
for redemption of } fractional currency.....	8,560,824 ..	8,519,741
Called bonds not matured, for which 4% bonds have been issued.....	157,161,950 ..	216,628,200
Cash balance available at date.....	142,672,049 ..	144,635,042
	<u>\$ 382,450,695 ..</u>	<u>\$ 447,292,498</u>

## AVAILABLE ASSETS.

Cash in the Treasury.....	<u>\$ 382,450,695 ..</u>	<u>\$ 447,292,498</u>
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## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES.

Principal outstanding.....	\$ 64,623,512 ..	\$ 64,623,512
Interest accrued and not yet paid.....	323,117 ..	646,235
Interest paid by the United States.....	41,773,745 ..	41,773,745
Interest repaid by transportation of mails, etc.....	10,657,028 ..	10,658,076
Balance of interest paid by the United States.....	31,116,717 ..	31,115,668

## NOTES ON THE MONEY MARKET.

NEW YORK, MARCH 25, 1879.

*Exchange on London at sixty days' sight, 4.85 a 4.85½ in gold.*

The quietude of the money market has been disturbed by several causes, and the predicted advance in the rates of interest has, at length, arrived. How long it will be sustained is a question which provokes some discussion. Prominent among the more active causes which have broken in upon the protracted monetary ease is, of course, the depletion of the legal-tender reserves of the Clearing-House banks in this city. By the reports given below, it will be seen that the surplus bank reserves are reduced to a lower point than has been considered safe even at this period of the year; when, in consequence of the drain of currency for the March and April settlements in the interior, the legal-tender aggregates of the banks often fall to a low level. The required reserves under the law amount at present to \$51,647,850, while the actual reserves held are \$55,776,300, of which the legal tenders amount to \$36,972,600, while the specie is \$18,803,700. Thus the total reserve held by our Clearing-House banks at the beginning of this week was but four millions in excess of the legal-tender minimum, and the reports were made upon declining averages. It is a signal proof of stability, if not of stagnation, in the money market that this condition of the reserves, which otherwise might induce a panicky perturbation of public confidence has, so far, done little more than to impart a steady, firm tone to the money market and to establish for a day or two an active demand at 6 to 7 per cent. from the best borrowers and upon the best collaterals.

Another cause of trouble has been the apprehension awakened by the condition of monetary affairs at New Orleans. A fall in the value of the securities held by some of the New Orleans banks has so shaken their credit that for self-protection the solvent banks, which are unusually strong were obliged to suspend temporarily, and to adopt the only course which was compatible with public interests and commercial stability. As will be seen from

the details which we print elsewhere, the fears which were at first excited are passing away, and have almost spent their force upon our money market. Still there is much regret expressed that Southern securities should have been, at this time, held up to the public view as unsafe investments for banks to hold. The South needs capital so much, and the flow of capital thither has been checked by so many concurring circumstances which might have been prevented, that the true friends of Southern growth and material development will have much to say about this latest incident in our Southern banking troubles. So far, however, as the New York money market is concerned, the suspensions in New Orleans have ceased to attract much special anxiety, as the course of exchange sufficiently demonstrates.

There are other causes of trouble to which we need not specially direct attention. Last month we pointed out the danger and difficulty which might come from the settlements for the four-per-cent. bonds this month. Mr. Secretary Sherman, however, has adopted such precautions and so much judgment has been exhibited by the Clearing-House banks, by the sub-treasurer, and by the syndicate, that the vast mechanism connected with the refunding movements here and in Europe has worked with gratifying smoothness and ease. It has been said that some of the banks and capitalists have taken large amounts of the four per cents. which they have not been able to sell, and that the struggles of these speculative purchasers to make good their subscriptions will add to the perturbation which has been brought on by other causes. In reply to this apprehension it has been very justly remarked that "subscribers are called upon to pay only as fast as the corresponding calls for six-per-cent. bonds mature. As these calls approach maturity, holders of the six-per-cent. bonds will be as anxious to find new investment for their money as the holders of four per cents. are to find purchasers. The whole question is one of rate; at what price must the holders sell four per cents. in order to get possession of six per cents. which are about to be redeemed? Under the latest order of the Secretary of the Treasury, any subscriber for the four-per-cent. loan can obtain in settlement interest on six-per-cent. bonds to the date of maturity of calls prior to April 11, but any other holder of those bonds can obtain at the Treasury interest only to the date of their redemption. Consequently, the subscriber to the four-per-cent. loan can, without loss, pay at once to the holder of the called six per cents., all that he can possibly get by holding them until the maturity of the calls. The Government allows a commission to subscribers, also, and they can, therefore, sell the four per cents. at less than par by the amount of that commission. If these concessions do not bring the old bonds, those who have bought four-per-cent. bonds on speculation will be obliged to sell them at a small loss, but that loss will probably be insignificant in the aggregate. There is no doubt that holders of called sixes amounting to many millions are patiently waiting for just this concession, in order to get four-per-cent. bonds at a quarter or a half per-cent. below par. But the operation need not cause any disorder in the money market. Whenever the speculative buyer of fours finds that he can do no better, he will offer his new bonds at a small loss, and the old six per cents. will come forward in abundance for the settlements with the Treasury." These suggestions are confirmed by other facts elicited in reply to what we said a month ago on this subject. It is gratifying to find that, so far, little if any trouble has been visible in the monetary situation from the settlements for the four-per-cents. with

the Treasury. It may be added that the ablest of our bank authorities concur in believing that serious anxiety on this account may be dismissed as probably needless. In conformity with this view the rates for money are easier, and call loans are quoted at five to seven per cent. Subjoined are the bank averages of the New York Clearing House :

1879.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
March 1.....	\$246,716,900	\$16,456,500	\$42,651,800	\$19,232,400	\$213,429,700	\$5,750,875
" 8.....	247,674,200	16,945,200	40,593,800	19,236,000	213,293,100	4,215,725
" 15.....	246,324,500	17,312,400	39,173,400	19,335,200	210,563,300	3,844,975
" 22.....	243,839,800	18,803,700	36,972,600	19,290,900	206,591,400	4,128,450

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

1879.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
March 1.....	\$144,969,200	\$3,625,700	\$4,324,300	\$91,153,300	\$25,399,700
" 8.....	141,623,700	3,664,500	4,650,500	87,339,600	25,613,100
" 15.....	141,308,300	3,649,900	4,750,300	86,453,700	25,562,000
" 22.....	140,442,800	3,620,800	4,713,600	84,675,700	25,445,500

The Philadelphia bank exhibit for the same period is as follows :

1879.	Loans.	Reserve.	Deposits.	Circulation.
March 1.....	\$57,600,832	\$15,947,786	\$45,378,745	\$11,321,223
" 8.....	58,268,234	15,939,655	46,028,638	11,347,059
" 15.....	58,486,555	15,859,150	46,336,572	11,355,472
" 22.....	58,506,715	15,360,266	45,763,408	11,361,550

The stock market is more quiet. Governments are fairly active but irregular. State bonds are neglected. Railroad bonds are firm, with less inquiry for the lower-priced securities. Railroad shares are unsettled, and prices favor the buyer. The coal stocks are less in favor. The uncertainty which has shrouded the monetary situation is reflected in the movements of several of the more speculative descriptions of securities. The following are our usual quotations :

QUOTATIONS :	Feb. 24.	Mar. 4.	Mar. 11.	Mar. 17.	Mar. 24.
U. S. 5-20s, 1867 Coup.	102	102½	102½	102½	102½
U. S. 10-40s Coup.....	104¾	102¾	102¾	101¾	101¾
West. Union Tel. Co. . .	101¾	107¾	104¾	104¾	102¾
N. Y. C. & Hudson R.	117¾	116½	115½	114¾	112¾
Lake Shore.....	70¾	71¾	71½	71½	69¾
Chicago & Rock Island	132¾	129½	129	131¾	129
New Jersey Central...	42¾	37¾	38¾	38¾	36¾
Del. Lack. & West ...	53	45¾	48¾	47	45¾
Delaware & Hudson . .	42	38¾	41	40	39
North Western.....	57¾	52¾	54¾	57¾	55¾
Pacific Mail.....	14¾	13	12¾	12¾	12¾
Eric.....	26¾	25¾	25	25¾	23¾
Call Loans.....	3 @ 4	3 @ 4	3 @ 5	4 @ 7	5 @ 7
Discounts .....	3 @ 5	3½ @ 5	3½ @ 5½	4 @ 5	5½ @ 6½
Bills on London.....	4.85-4.88½	4.86½-4.89½	4.86½-4.89½	4.87-4.90	4.86-4.88½
Treasury balances, cur.	\$49,774,540	\$45,049,384	\$47,606,820	\$47,157,216	\$45,947,638
Do. do. gold.	\$115,889,200	\$116,723,823	\$116,557,138	\$117,168,200	\$118,212,362

Foreign exchange is lower in consequence of the monetary outlook having been somewhat lowering, and the rates of interest enhanced. The few transactions which are reported range somewhat below the usual quotations. The foreign money markets are easy. At London, the rate of discount for three months bills is one and three-quarters per cent., which is three-quarters per cent. below the bank rate. There is, however, of course, a large volume of business

at higher rates. For money must be had by merchants and tradesmen, and considerable apprehension prevails in some quarters from the depression of trade, the frequency of failures, and the falling off in British exports. Further rumors of impending banking trouble in London are renewed to-day by the announcement that heavy losses by the Oriental Banking Co-operation have not only made it pass its usual semi-annual dividend, but have also wiped out its whole remaining surplus of £325,000 sterling. Last year its surplus was £500,000, of which £175,000 was absorbed by the losses written off. This bank has always done a large business in India and China. It was organized in 1851. Its paid up capital is £1,500,000 and the dividend last year was ten per cent. The £25 shares sold last December at 32 and to-day they are quoted at 18 against 27 three weeks ago.

During the six months ending February 28, 1879, the money value of the wheat, flour, barley, oats, peas, beans and Indian corn, imported by Great Britain was £10,091,959 less than during the six months ending February 28, 1878. The larger part of this reduction was from a fall in prices. There was no appreciable reduction of quantities except in respect to wheat, the import of which was diminished 5,509,525 cwt. Comparing the same periods, there was during the last year an increased sale by British farmers of 4,989,650 cwt. of wheat.

The Bank of England rate of discount was reduced, on March 13th, to two-and-a-half per cent.

During the six months ending March 1, 1879, the exports of wheat from the Atlantic ports of the United States, reducing flour to wheat, are computed at 75 million bushels, of which 28 went to Great Britain and 32 to the Continent of Europe.

The wheat crop in France in 1877 was short, so that a French importation of 22 million bushels was required during the year 1877-8. The crop in 1878 was very much worse, being deficient, as French statisticians compute, 56 millions as compared with 1877. The British crop of 1878, although bad in quality, was an improvement in quantity on the crop of 1877, but this gain in the amount of the British crop was much less than the reduction of the French crop. The wheat harvest of 1878 was nowhere extraordinarily good, except in Hungary and the United States.

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## DEATHS.

At NEW CANAAN, CONN., on Monday, February 24th, aged seventy-nine years, STEPHEN HOYT, late President of the First National Bank.

At EXETER, N. H., on Saturday, March 8th, aged sixty years, JEREMIAH L. MERRILL, President of the National Granite State Bank.

At SALEM, MASS., on Wednesday, December 24th, aged seventy-eight years, WILLIAM B. PARKER, late President of the Naumkeag National Bank.

At RALEIGH, N. C., on Thursday, February 6th, JOHN G. WILLIAMS, late President of the State National Bank.

At BARRE, MASS., on Thursday, January 16th, aged sixty years, EDWIN WOODS, late Cashier of the First National Bank.



THE  
**BANKER'S MAGAZINE**  
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THE GREAT REFUNDING OPERATIONS.

The month of April, 1879, witnessed the largest and most successful financial operations ever made by the Government of the United States. They have been so great and so brilliant and unexpected, that they have absorbed the attention of American banks and bankers to the exclusion of almost everything else, while they have excited the surprise of Europeans.

On the 4th of March, the Secretary of the Treasury issued a circular stating to proposing investors that when the funding of the six-per-cent. bonds of 1867 and 1868 was completed on the terms which had been some time before the public, he should offer new terms, and less favorable to lenders, for the funding of the ten-forty bonds. This circular had the expected and doubtless intended effect of stimulating the rapidity with which the old offer was being accepted, and on the 4th of April a syndicate represented by the Bank of Commerce took \$40,000,000, being all that remained of the four per cents., which were to be sold to fund the five-twenty bonds.

On the 16th of April, after carefully feeling the market, the Secretary of the Treasury had decided to what extent he could make the new terms more favorable to the Government and less favorable to investors, without running a risk of arresting an operation, which, even on the old terms, was an advantageous one for the country. His circular of that date announced what the new terms were to be. Instead of selling the fours at par as heretofore, the Secretary

required a premium of one-half of one per cent., and he fixed a uniform commission of one-eighth of one per cent. on all subscriptions exceeding \$1,000, instead of the former graded commission, ranging from one-eighth to thirty-five hundredths of one per cent. The bonds are to be redeemable in thirty years from July 1, 1877.

The whole amount of the ten-forty bonds to be refunded was \$194,566,300. In his circular, April 16, the Secretary offered only \$150,000,000 of the new fours, retaining \$44,566,300 to meet the \$10 refunding certificates, if so many should be sold.

The circular of April 16 had been anxiously looked for, and was largely read by all bankers desiring to take a part in the operation. Their deliberations upon it were doubtless earnest. They were certainly short, inasmuch as they had arrived at a sharp and decisive conclusion in forty-eight hours. Admonished of the necessity of promptness, by the example of the sweeping off of all the fours remaining on offer April 4, by the Syndicate represented by the Bank of Commerce, a new Syndicate represented by the First National Bank accepted, April 18, not only the entire \$150,000,000, but they bid also for all the refunding \$10 certificates, \$44,566,300, on the terms on which they had previously been offered by the Secretary.

Of the \$150,000,000 proposed for, the new Syndicate secured only \$121,000,000, the remainder having been taken by prior bids, some of which, however, were made by individual members of the Syndicate. Of the \$121,000,000, the First National Bank and Messrs Fisk and Hatch have \$25,000,000 each.

The offer for the \$44,566,300 of refunding \$10 certificates in one round lot, the Secretary felt it to be his duty to decline, in view of the manifest intention of Congress that those certificates should be available for small savings. He therefore announced on the 19th of April, that these certificates would be left open for popular subscription for sixty days, and that those then remaining unsold should be awarded to the new Syndicate at par and accrued interest and one-half of one per cent. The question is raised and debated whether the strict letter of his offer of the refunding \$10 certificates did not require him to award them to the Syndicate at once, but the different construction of his duty in the premises is plainly in accordance with the object of the law authorizing those certificates.

Reviewing the whole matter, new fours have been subscribed for since May 1, 1878, to take up 456 millions of the 5-20 bonds, and 194 millions of the 10-40 bonds, thereby making an annual saving of \$11,060,000 in the coin interest account of the Government. Of the 650 millions of fours sold since May 1, 1878, 542 millions, or about five-sixths,

were sold between January 1 and April 18, 1879, thus compressing into a space of less than four months, the refunding at largely reduced rates of interest of nearly one-third of the entire bonded debt of the country.

The total amount of refunding which the present Secretary of the Treasury has accomplished since March 4, 1877, is \$791,202,450.

Until 1881, no bonds not already refunded will become redeemable, and, therefore, no further operations of that kind can be made for two years. In 1881 the Government will have the right to redeem \$283,681,350 of six per cent., and \$508,440,350 of five per cents. What policy the country will then decide to pursue, it is now impossible to foresee. If the conclusion is arrived at that it is wise to maintain a permanent national debt, after the fashion of England, and many other European countries, we may look for further issues of long bonds; but even in that case, if the national finances continue prosperous, it is not probable that the offer of so high a rate of interest as four per cent., with entire exemption from national, State and local taxes, will be required. If the country shall decide against a permanent national debt, no more long bonds will be issued. The present loans which become redeemable in 1881 could be paid off from the proceeds of taxes in about eight years, with an amount of surplus revenue as large as that which existed at the beginning of the first term of Gen. Grant's presidency.

Opinions differ as to whether the new fours will attain any sensible premium after they are permanently placed. That depends upon too many and too uncertain circumstances to permit of great confidence in any opinion. If current rates of interest go lower, and if the Government shall reduce its debt and issue no more long bonds, a very high premium may be reached. But if the tendency of Congress to take off taxes, and to pass river and harbor bills, arrears of pensions' bills and subsidy bills, continues as great as it now appears to be, and especially if it should become greater, it is difficult to predict what may become of the public credit.

The suggestion is made by a city journal, the *Evening Post*, that a competition for these bonds would arise in London, if they were payable in gold. There can be no doubt that the fact that they are payable, not in gold, but in coin, and have been issued after a very formal notice given in resolutions of Congress that the United States will insist upon its option of paying them in either gold or silver, will have a decided tendency to keep them in this country.

The effect of these large refunding operations upon the money market was to produce high rates for money on call

at the Stock Exchange during the first half of April. Very little effect was produced upon the rates of discount for mercantile paper, or upon the prices of securities in general, and the rates at the Stock Exchange have now returned to about their former level. Payments for rather more than 150 millions of the five-twenty bonds fell due in April, and there was naturally a good deal of apprehension as to the consequences. But it was apparent by the middle of the month that no strain would result. In fact the reserves of the banks have steadily increased while these large payments were in progress. The payments in May and June will be less. They will be as great in July, but that is ordinarily a period of dullness and plethora in the money market, and no further difficulty is now apprehended by anybody.

The general feeling in respect to what has been done, is one of satisfaction and even of exultation. The large saving in annual interest, while it is a gratifying proof of the improved and strong credit of the Government, does itself further strengthen that credit, by establishing a more favorable proportion between the income and outgo of the public treasury. It is also a gratifying proof of the increasing wealth of the country that these great loans have been placed principally at home, and that the participation of foreign capital in them has been far less than the payments made on bonds heretofore held by foreigners.

It is reported from London and other money centers on the other side of the Atlantic, that there was mingled with surprise at the sudden success of the recent operations, some little chagrin that the time had gone by for them to obtain the new four per cents. except at second hand and probably at enhanced prices.

Undoubtedly there are persons who deprecate both the principle and policy of issuing bonds not redeemable until after so distant a date as 1907, but even such persons must admit that the Secretary of the Treasury is not only carrying out the intention of Congress as declared in the Act of July 14, 1870, but a much more recent expression of the will of the legislative branch of the Government. It was by the very last Congress, and only a few months ago, that the Secretary was authorized, and perhaps directed, to refund in this way the 10-40 bonds.

Of the address and skill of the Secretary in securing the most favorable terms for the country in the recent negotiations, there is and can be but one opinion. Of course they have only been rendered possible by a combination of circumstances not looked for three or four years ago, such as an enormous and persistent favorable balance of our foreign trade, and a protracted stagnation of productive industries, which has left little employment for loanable capital, so that all negotiations for money, State, municipal, corporate and pri-

vate, are now made on much more advantageous terms than heretofore. But all skill in political and financial management consists in taking advantage of favorable circumstances and making the most of them. Nobody can fairly deny to the Secretary either the credit of having done that, or the still greater merit of keeping his eye single to the public interest which he represented, and of never, for one moment, yielding to the blandishments and persuasions of the classes who would have profited if the new loans had been on terms more favorable to investors.

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### THE BALANCE OF FOREIGN TRADE.

In February, 1879, the excess of merchandise exports over imports at all the ports of the United States was \$29,489,563 as compared with an excess of \$33,326,466 in February, 1878. The balance of trade in our favor for the month, although very great, was, therefore, somewhat less than for the same month of the previous year.

For the eight months terminating February 28, being the first eight months of the current fiscal year, the favorable balance was \$205,067,114, as compared with \$169,025,994 for the corresponding eight months of the last fiscal year. It is probable that during the four months commencing with March, the favorable balance will be less than during the corresponding four months of last year, but not so much less as to prevent some increase in the balance for the whole of the current fiscal year over that of the preceding one, which was 258 millions.

Of course, the balance of trade can continue in our favor only so long as foreigners possess securities, which they are willing to sell us to adjust such balances. Being the largest producers of the precious metals our normal condition is that of exporters, not importers, of gold and silver. Balances of trade in our favor cannot exist unless there is some way in which they can be paid for, and when Europe runs short of American securities, it must buy less of us, or sell us more, or do both things.

A city journal thinks that the existing balance in our favor will come to an end before 1881, in the following way:

“Home prices will go higher and foreign goods be sold cheaper.”

The same kinds of commodities cannot, as a rule, fall abroad and rise in this country. Prices of things which are identical, or the use of which is interchangeable, necessarily tend to an equilibrium everywhere, and therein lies the error of supposing that there can be any considerable improvement

in the general range of prices in the United States while it continues to be as low as it now is in Europe. No considerable improvement is possible unless it is universal throughout the commercial world. We refer, of course, to prices in metallic money, or in paper convertible into the metals. Of course, any country can have its own special prices just what it chooses to have them, by measuring them in irredeemable and depreciated paper.

In the actual present case of the United States, some degree of improvement of the general range of prices is possible, without a corresponding improvement elsewhere, because our range of prices is now depressed so much in relation to the range abroad, as to produce a favorable balance of trade too large to be of long continuance. If foreign prices remain the same, ours may and must go enough higher to reduce the balance within the limits which future conditions will impose, or to extinguish the balance altogether, if future conditions shall require it. When we reach the point of owing no foreign debts, the balance of the merchandise trade must be against us, in order to drain off that excess of the precious metals which we shall long have as a mining country. There is still a stage beyond that, and not so distant as many people suppose, when, instead of owing debts abroad, we shall have investments abroad, the income of which will be realizable in no other way than by a permanent excess of merchandise imports over exports.

If a country has the absolute monopoly of the production of any particular article, and to whatever degree it approximates to the possession of an absolute monopoly, it may enjoy a rise in the price of it when the price of other articles are falling. China once had such a monopoly in tea which was absolute, and possesses one now which is modified by the opening of Japan to foreign commerce, and by the introduction of the tea culture into India. The United States possess to-day a very near approximation to a monopoly in cotton and petroleum. They also possess very peculiar and decided advantages over most countries, in the production of wheat and cattle. In both these classes of things there is a possibility that "home prices will go higher" while other classes of things which we buy of foreigners may "be sold cheaper." But in respect to iron in all its varied forms, raw and manufactured, in respect to the whole range of textile fabrics, and in respect to innumerable other things, our prices must follow the ups and downs of the prices of the commercial world. And it is that fact which would make it unwise, even if it was possible, which it is not, to cut off the normal metallic supplies of Europe, by retaining for our exclusive use the entire product of the extraordinary mines of gold and silver for which we are indebted to the beneficence of nature.

## BRITISH TRADE.

Mr. Giffen, the Chief of the Statistical Department of the British Board of Trade, has prepared tables showing the rise of the prices of the exports of Great Britain and Ireland, compared with the range of prices existing in 1861. The highest point attained was in 1865, and the next highest in 1873 :

Years.	Rise per cent. compared with 1861.
1865.....	22.71
1868.....	9.99
1873.....	20.60
1875.....	8.26
1876.....	1.17

In 1877, instead of a rise, there was a fall of 2.04 per cent. Mr. Giffen's tables do not cover 1878, but it is known that at the end of that year prices had declined about ten per cent., as compared with the average of the entire year 1877, and therefore about twelve per cent. as compared with 1861.

On these figures the prices of British exports in 1877 were 97.96, and at the end of 1878 were 88 as compared with 120.60 in 1873. This makes the fall twenty-seven per cent. from 1873 to the end of 1878.

If, instead of taking the prices of the last two months of 1878, we take the average prices of the whole year 1878, the fall from 1873 would be less extreme. The London *Economist* of January 25, 1879, makes the fall from the average prices of 1877, to the average prices of 1878, only three and a half per cent. Assuming the accuracy of that calculation, the average prices of the whole year 1878 would compare with the prices of 1873 as 94.54 to 120.60, showing a fall in 1878, of twenty-two per cent.

The prices of imports into Great Britain did not, at first, fall so much after 1873 as the prices of British exports, but recently they have fallen more, and the depression at last reached is undoubtedly as great. Of British imports in 1878, the London *Economist* of January 18, 1879, says: "Altogether, we have received rather more in quantity than in 1877, and have paid for it some eight and a half per cent. less money."

Comparing the same years, the *Economist*, as already noticed, makes the fall in price of British exports only three and a half per cent.

The valuation of the imports into Great Britain is based on actual current prices when the imports are made, and include, of course, freights and all charges of importation. In respect to the exports of Great Britain, they are, in the majority of cases, not the results of orders or sales in

advance, but are consignments to agents, or partners resident abroad, or to foreign houses. The English are pre-eminently the traders of the world, and push for commerce in every direction. When prices of merchandise are rising, they realize on exportations something beyond their declared value at the custom houses; but when prices are falling, they realize less. In the recent condition of British markets, exportations have been forced, to get rid of merchandise at whatever price, and many exporting merchants are tempted to over-value their invoices for the purpose of sustaining a shaken credit. On this point of the probable over-valuation of British exports in 1878, the *Economist* of January 25, 1879, says :

It is doubtful whether even the reduced values assigned to them on leaving our shores have been actually realized on their ultimate disposal abroad. There is reason to believe that many of the sales have been forced, and probably at considerable sacrifice.

As is well known, it is in the India trade that British merchants have gone to the greatest lengths in exporting merchandise where there was no demand, and to be sold without the least regard to cost. That great branch of the British exporting business has been rotten for years, being in the hands of bankrupt concerns, intent only upon keeping up appearances and taking, without scruple, the most hopeless risks. The millions of the Bank of Glasgow were lost principally in those desperate ventures.

Following is a statement of the British exports of leading articles to India in the same month (February) of two years:

## EXPORTS TO INDIA.

	<i>February, 1878.</i>	<i>February, 1879.</i>
Beer.....	£ 58,800	. £ 44,300
Coal.....	26,700	. 21,500
Copper.....	63,700	. 26,700
Cotton yarn.....	158,900	. 110,500
Cotton piece goods.....	1,306,700	. 722,300
Iron and steel.....	288,800	. 161,200
Machinery.....	79,100	. 58,800
Silk stuffs.....	44,800	. 31,800
Total.....	£ 1,927,500	. £ 1,177,100

The fall in prices from 1878 to 1879 accounts for only a very small part of this great decline. It is principally attributable, in the opinion of the London financial journals, to the final breakdown in 1878 of certain great firms which had been gorging the Bombay and Calcutta markets with goods shipped for the purpose of drawing bills against them, and with entire indifference to the prices they would command.

In respect to the fall in the prices of British imports during the year 1878, the London *Economist* of February 8, 1879, comparing the imports of the preceding January with those of January, 1878, says that while the aggregate value of



wheat imports has declined twenty-three per cent., the reduction in quantity is only five per cent.; and that while the reduction in the value of the imports of raw cotton have been fifteen and a half per cent., the reduction in quantity has been only nine per cent. It also says that there have been "marked decreases in the values" of the "oats, bacon, hemp, sugar, and tobacco" imported, while the quantity of each have absolutely increased.

In respect to the fall in the prices of British exports since the beginning of 1878, the *London Times* of March 7, 1879, contrasting February, 1879, with February, 1878, says:

On the export side, every important article of home manufacture shows a serious reduction in both quantity and price. Cotton piece goods have shrunk eleven and a half per cent. in quantity and fifteen and a half in price, iron and steel twelve and a half per cent. in quantity, and twenty-two per cent. in price, and woollen and worsted cloths ten and a half per cent. in quantity and twelve and a half per cent. in price. So it is, more or less, throughout the list. Making all allowances for the unfavorable character of the season, everything indicates an intensification of business stagnation and an increase in trade losses. In some articles, and on both sides of the account, these losses continue to be gigantic, and must cause further serious embarrassments if the tide does not soon begin to turn.

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## EUROPEAN NATIONAL DEBTS.

The proposed conversion of that considerable part of the French National debt, on which the annual interest is now five per cent., into a four-and-one-half-per-cent. debt, is attracting great attention in France. There has been some scandal in connection with it affecting M. Say, the Minister of Finance, but he was acquitted of any blame in the matter by a very decisive vote in the French Chamber of Deputies, and apparently with the concurrence of French public opinion. The precise point of the charge against him was that the Messrs. Rothschild, with whom his relations are old and intimate, obtained, through his agency, a few hours' earlier information than anybody else, of a certain determination of the executive government in the matter of the projected conversion, and realized a good deal of money thereby.

The five-per-cent. French debt or *Rente* amounts to seven thousand million francs, or seven milliards, and the projected saving of annual interest would be thirty-five million francs. Apparently this important saving has been entirely practicable at any time within five years past, as that particular *Rente* has been above par since 1874, and commands now a premium of about thirteen per cent. But, of course, a reduction of the rate of interest to four-and-a-half would be disa-

greeable to the *Rentiers*, who happen to be in France a very numerous and influential body.

Such stocks as the English consols and the French *Rentes*, are sometimes spoken of as irredeemable, but that is an incorrect description of their character. They are perpetual debts, in the sense that the holders can never demand payment of the principal, but the governments issuing them can pay them off at par at their pleasure, unless some pledge is given at the time of their issue that they shall not be paid off until after the lapse of a certain number of years. In the practice of our Government, such pledges are given in the Acts of Congress authorizing loans, as in the Act of July 14, 1870, under which the National debt is being refunded. According to the French and English practice, they are sometimes, and perhaps generally, given by the executive authority. Thus, in 1852, Napoleon III paid off some five-per-cent. *Rentes* by an issue of four-and-a-half-per-cent. *Rentes*, guaranteed against payment for ten years. In 1844, the British Chancellor of the Exchequer paid off three-and-a-half-per-cent. stocks by an issue of three-and-a-quarter-per-cent. stocks, guaranteed against payment for ten years, and when 1854 came, paid off the three-and-a-quarter per cents. by an issue of three per cents. guaranteed against payment for twenty years. That was when the Californian and Australian gold flood was pouring in, and when British politicians of all shades of opinion seemed to be completely deluded as to the effect of an increasing volume of money upon rates of interest. Mr. Gladstone, then in power, was altogether confident that two-and-a-half per cents. would soon be negotiable. Disraeli, then in the Opposition, agreed with him as to the probable practicability of negotiating two-and-a-half per cents. at par, but disputed the wisdom of it, on the ground that the new gold might, after a little delay, reduce current rates of interest to two per cent., or even lower than that. Gladstone and Disraeli have since learned, or at any rate the world has, that an increasing volume of money, by stimulating industrial and commercial activities, makes the rates of interest higher and not lower.

Many of the British loans made under the direction of the younger Pitt, during the wars following the French Revolution, have been, down to the present time, practically irredeemable, from the peculiar method he adopted in making them. Instead of putting the interest at the rate of the market when the stocks were issued, he put it much lower and then sold stocks so much below par that the purchaser received the market rate of interest on the money which he paid. This method swelled the principal of the debt, while it did not increase the annual interest charge. Pitt, and his successors, acting upon his ideas, sold great amounts of three per cents. at about the price of sixty. So far, this has ren-

dered the right of redemption nugatory, as the government can only redeem by paying 100, which is a point rarely touched by the three per cents., and at which they have never remained any length of time.

The first reduction of interest on British debt was in 1717, and was from six to five per cent. The reductions since have been numerous, until nearly the whole of it now pays only three per cent.

The British and French practice has been, in all cases, to give to the owners of the old stock the first offer of the new, and it has turned out in fact that the operations have been in the main mere exchanges. Very few old holders have required cash payment, and very little new stock has been required to be sold for cash.

The French Government will not be able to continue for a great while a gratuitous annual payment to *Rentiers*, of thirty-five million francs, by refusing to convert seven milliards of fives into four-and-a-halves. All accounts agree that, whatever there is of disinterested public opinion in Paris demands that the conversion should be made at once. No securities deemed to be of the first class can be bought in Paris so as to yield as much as four per cent. on their market cost. Approved railroad bonds pay rather less than that on their price, and so do all the government bonds, not excepting the five per cents., which sell for 113, the purchaser taking the risk of losing the premium at any moment when the government may see fit to make the projected conversion into four-and-a-halves.

Beaulieu, the editor of the *L'Economiste Francaise*, condemns the inaction of the government in the following energetic language :

The State cannot be liberal to anybody, because it possesses nothing of its own. It is only the guardian of the tax-payers, who are its wards, and when it permits itself to be generous it commits an act of spoliation, and of the most reprehensible character, the spoliation of wards by their guardians who ought to protect them. The State has no right to continue for a single moment a tax not required for the public service. Mere complaisance and favor for particular classes can never justify either the imposition or retention of a tax not called for by absolute necessity.

In this country and in England public opinion has always compelled the prompt payment of all bonds which the nation has had the right to pay, when new bonds at a lower rate of interest could be negotiated. The same thing has been generally true in France, and the most notable exception is the present postponement of the conversion of the five per cents. The National bondholders are nowhere so politically powerful, because they are nowhere so numerous, as in France.

## STATE BILLS OF CREDIT.

The State of Georgia has recently issued bonds drawing four per cent. interest, of the denomination of five dollars. They are in the form and similitude of circulating notes, and the question will probably arise whether they are or are not bills of credit, and as such prohibited by law. These bonds are, in size and color, similar to greenbacks, and in other respects they are a bond, with interest payable six years after date, having six annual coupons, amounting to twenty cents each, upon the right end of the note.

The subject has already received the attention of the Comptroller of the Currency. Mr. Knox, in his reports for 1872 and 1873, called the attention of Congress to the issue of certificates of the denomination of \$5, by the State of Alabama, which were receivable in payment of taxes and all dues to the State. The Comptroller, in his report for 1872, pointed out that the Constitution of the United States provides that no State shall emit bills of credit, and it has been held by the Supreme Court of the United States (*Briscoe vs. Bank of Kentucky*), that a note of circulation issued by a State, involving the faith of the State, and designed to circulate as money, on the credit of the State in the ordinary course of business, is a bill of credit.

Chief Justice McLean, who delivered the opinion of the Court in the case of *Briscoe vs. Bank of Kentucky*, gave the following definition of a bill of credit. We quote his language :

The definition then, which does include all classes of bills of credit emitted by the Colonies or States, is, a paper issued by a sovereign power containing a pledge of its faith, and designed to circulate as money.

We quote also from the syllabus of the decision, as follows :

To constitute a bill of credit within the Constitution, it must be issued by a State on the faith of a State, and designed to circulate as money. It must be a paper which circulates on the credit of a State, and is so received and used in the ordinary business of life.

According to this decision, the question whether any species of paper issued by a State is a bill of credit and therefore prohibited by the U. S. Constitution, turns upon the point whether it is, or is not, designed to circulate as money, and is, or is not, "so received and used in the ordinary business of life."

In the Alabama case, the certificates contained no promise of payment at any time, and no promise of interest, but were merely made receivable for all taxes due the State. Their circulation as money must have been the object in-

tended, and unless they did derive a currency "in the ordinary business of life," from their receivability for taxes, they would have had little availability as an issue of paper.

In the Georgia case there is a promise, not only of payment at a fixed time, but a promise, evidenced by coupons, of interest. The latter circumstance would interfere somewhat with their use as money "in the ordinary business of life," but on the other hand, the fact that they are similar to the greenback in size and color, tends to show that they were intended to be so used.

The Commissioner of Internal Revenue made a decision April 11, 1879, that these Georgia notes when deposited with banks are not taxable as "deposits of money," and also, that they are not subject to the ten per cent. tax imposed upon circulating notes issued by persons, firms, associations and State banks. But this decision bears very little upon the question whether these notes are bills of credit.

It may be added that if States choose to issue bills of credit, although that is a thing prohibited by the Federal Constitution, it is not easy to see how they can be prevented from doing it. States cannot be fined or imprisoned. Possibly, the use of such notes by individuals might be made a punishable offence.

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## THE CURRENCY OF INDIA.

When the market value in Europe of gold relatively to silver was fifteen and a half to one, as it approximately was for seventy years after the adoption of that ratio by France in 1803, the market exchange between Indian silver rupees and British gold sovereigns, or pounds, was within a minute fraction of ten for one. The rupee was thus worth two shillings sterling, or twenty-four pence. It is now worth only nineteen pence. Briefly, that is the Indian-money difficulty of which we hear so often.

In a country, the metallic standard of which is silver, if the general range of prices remains steady, the price of the single article of gold is not a matter of much importance, aside from contracts it may be under to pay gold. Purchases of that metal are everywhere very small in comparison with the purchases of many other articles. In India, for example, during forty years the import of that metal has averaged annually only twelve and one-half million dollars. An increase of its cost by one-fifth or one-fourth, could not be a matter of grave National concern, and especially as its use can easily be economized when it becomes dearer. We can readily see that if the metallic standard of the United States

was silver, a rise in gold, aside from engagements we might be under to obtain and deliver it, would attract very much less attention, and interest very much fewer persons, than a rise in wheat, pork, cotton, tobacco, and numerous other articles, the sales and purchases of which vastly exceed the transactions in gold. Many persons have no occasion to buy gold at all, and few persons have occasion to buy more than a very little of it. And these observations are no more true in respect to countries where the metallic standard is made exclusively silver by law, as in India, than in respect to countries where it becomes exclusively silver in fact under the operation of the double standard, as has happened heretofore, and may again, in France and in this country.

If the phenomenon presented in India was not a rise in the price of gold alone, but an increased general range of prices, including that of gold, what would be thereby indicated would be a depreciation of the monetary standard of India, which would be a matter of importance. It would, to be sure, be a less grave event than an appreciation of the value of money, which is an incomparably greater calamity than a depreciation of it, but no fluctuation in it can occur without disturbing the relations of classes and the movements of industry. The judgment of mankind is fixed that steadiness in the value of money, or in other words, in the general range of prices, is the most desirable condition.

In this case it is not alleged that there has been any depreciation in the value of silver in India within the past half dozen years. On the contrary, it has, within that time, appreciated there, as it has everywhere else. It has fallen relatively to gold, but has fallen less than the general range of the prices of merchantable commodities reckoned in gold, has fallen. The value of silver in India has, therefore, risen relatively to the general range of commodities, and if it has become unsound as a money, it is in the direction of appreciation and not of depreciation. If the unsoundness of it in that direction proves to be permanent, and especially if it becomes very much greater, the appropriate remedy will be a reduction of the value of the rupee by manufacturing it from a less number of grains of silver. But, as yet, the case has not reached or approximated a stage, calling for that dangerous species of interference.

What is in fact proposed, is not a reduction of the value of the rupee, which, if unwise, has some color of reason to recommend it, but an appreciation of it, and a very great appreciation of it too. The proposed method of accomplishing this is to suspend the coinage of any more until the reduction of the quantity now existing by abrasion, loss, and melting for the manufacture of ornaments, a common practice in India, should have brought its value up to the desired point. As explained by those who make the proposi-

tion, the desired point is that the rupee, worth now only nineteen pence sterling, shall be made worth twenty-four such pence, which is a rise of twenty-six per cent.

Furthermore, it is among the possibilities that the value of the gold sovereign, or pound sterling, may continue to rise in value until it reaches a height so much above the height which it has yet attained, that a rupee of the present value would only be worth eighteen or seventeen pence sterling, or even less. But no matter how valuable the gold sovereign may become, the proposition made is, that the value of the rupee shall be carried up to and kept at one-tenth of a sovereign.

Cases are not wanting, where governments have proceeded upon the avowed policy of raising the value of money when it has been depreciated, as, for example, by excessive issues of paper, but there is no case where any such policy has been avowed when the existing value of money was not depreciated. No such policy was avowed in Europe, when the scheme of demonetizing one of the metals was first broached. On the contrary, it was claimed that such demonetization would only preserve the steadiness of the value of money, then supposed to be menaced by the extraordinary production of gold.

To raise the value of the rupee by twenty-six per cent. is to make that great addition to the burden of all public and private obligations incurred in terms of the Indian rupee. The magnitude of such a spoliation of debtors to the benefit of creditors, is incomputable. A considerable portion of the debt of the Indian Empire is a rupee debt. The entire body of the lands in that vast country is involved in the spoliation, as it is all held under a rupee rent to the government, the amount of which is stipulated in perpetuity, or for long terms. The promises of the debtors to all the British banks doing business in India, are to pay rupees. All the debts of every kind contracted and payable in India, are rupee debts. By what gauge can we measure the misery and ruin to result from the sudden addition of more than one-fourth, by a stroke of governmental policy, to the pressure of such a complicated and ramified mass of indebtedness?

To raise the value of the rupee twenty-six per cent., is to add that much not only to all the debts of India, public and private, but to the salaries of all officials civil and military, and thereby enormously to increase the burden of the support of its government, which is represented by high authorities to be already as great as the people of that country can bear.

To raise the value of the rupee twenty-six per cent. is to depress general prices in India, now very low, twenty and two-thirds per cent., and thereby to ruin all productive interests and to disorganize and prostrate all industries.

It is not wonderful that a proposition so revolutionary, so audacious in its attack upon the most sacred rights of property, so menacing to all the interests of 240 millions of British subjects in India, and involving so much danger to the permanence of British rule in that country, should provoke the strongest remonstrances in England against it. But while we recognize the vigor of these remonstrances as creditable to the sense of justice of the British people, it would be a mistake to assume that they ensure the rejection of the proposition by the British Government. It is safer to assume that the British interests to be benefited by it, will finally support it, and these interests are undoubtedly strong. Englishmen are large holders of the rupee bonds issued by the Government of India. They are the owners of numerous and great banks located in India, or having agencies and rupee debts there. The civil and military officials in India whose salaries are to be raised by an appreciation of the value of the rupee are Englishmen. The social and political influence of all these persons, in moulding public opinion, and in reaching through channels known and unknown, those who are in power, may prove to be a force strong enough to overcome any resistance which has, as yet, manifested itself.

The excuses given for the proposed artificial enhancement of the value of the rupee are various, but they all involve the same fallacy, and are all flimsy and shallow to the last degree.

It is said that the English officials in India who transmit funds home for the support of families are subjected to losses because it takes twelve and two-third rupees instead of ten as formerly, to purchase a draft for a pound sterling in London. Undoubtedly it does, but the pound sterling has increased in value, that is to say, in purchasing power, in London, in a still greater ratio. The exchange of rupees for pounds sterling, whether ten or twenty rupees are required for a pound, is an exchange of two things which must be the equivalents of each other. If the rupee has not fallen in value, and nobody pretends that it has, the English official in India who is paid in rupees can lose nothing, whether he expends them in India or buys sterling exchange with them.

It is said that the Indian Government suffers a loss because it takes more rupees than formerly, to purchase the fifteen millions of sterling money or thereabouts, which it must provide annually in London for interest and other charges payable there. But that is a loss not arising from the depreciation of the rupee and not to be escaped by appreciating it. It is a loss arising from the increased value of the pound sterling, or gold sovereign, in which a part of the payments of the Indian Government, are, unfortunately for it, stipulated to be made. The interests of the Government of India cannot be separated from the interests of the taxpayers from



whom its revenues come. It is true that those taxpayers are now compelled to pay more rupees than formerly, to provide for the payment of a pound in London, but they may as well pay the required additional number of rupees as to pay rupees so enhanced in value that an additional number would not be required. The fatal objections to an enhancement of the value of the rupee are, that while nothing is either gained or lost by it to the taxpayers in respect to sterling payments to be made in London, it will be a pure loss to them in respect to all the fixed charges in the way of interest and salaries now payable in rupees by the Indian Government, while it will aggravate the burden of all individual debts, and depress all productive interests in India.

In respect to the effect upon the current commerce between Great Britain and India, of the existing course of exchange, twelve and two-thirds rupees for a pound, it is said by some that it is injurious to both parties, and by others, that while it benefits India it is injurious to Great Britain. In fact, it is not of the slightest consequence to either party, so far as current trade is concerned, whether the course of exchange is ten rupees for a pound, or one hundred rupees for a pound. Nobody supposes that the grain trade between New York and Liverpool would be affected by an Act of Parliament changing the quarter of grain from eight bushels to sixteen, or that anything could result therefrom beyond the doubling of the price of a quarter of wheat or corn. Between countries using different kinds of money, as between countries using different weights or measures, those who conduct the traffic are familiar with the relation of one kind to another. Within fifteen years more than ten of the lawful and current dollars of this country were required to purchase a pound sterling, which can be purchased to-day for less than five. Within fifteen years the current dollar of San Francisco was worth more than two of the current dollars of New York. The commerce between the United States and England, and between the Atlantic and Pacific Coasts, was carried on just as easily and with as little loss at those former relations of their respective moneys, as at their present relations. A British exporter of an invoice of cotton cloths to Calcutta, would, it must be admitted, fare better than he now does, if he could obtain the present rupee price for his cloths and also convert rupees into pounds at ten for one, as in former times. But if the rupees were convertible at that ratio, he would obtain less rupees for his cloths. Their sterling price in the Calcutta market is fixed by the competition of Englishmen who send cotton cloths there for sale. The rupee price depends upon the relation of the rupee to the pound, and the calculation of the rupee prices is as easily made at twelve and two-thirds rupees to the pound as at ten rupees to the pound, and could just as easily be made at twenty

rupees to the pound. The best thing which it is possible to say of the theory that England loses in its India trade because twelve and two-thirds rupees are only equal in the market to a gold sovereign, is, that it is by one degree less absurd than the theory that India also suffers from the same circumstance in its trade with England.

It is said that even if it is unimportant what the relation of the rupee to the pound may be, it is desirable that this relation should not be a fluctuating one. Without doubt that is true, but it is clearly of infinitely greater importance that the value of the rupee upon which all the internal contracts and business of India depend, should be kept steady, than that its relation to any foreign money whatever should be kept steady. To so tie the rupee to gold as to compel it to follow the sovereign in all its fluctuations, and especially in an upward fluctuation, which is the most disastrous, is to sacrifice the steadiness of the currency of India, the most important of all its interests, for the comparatively trivial advantage of steadiness in value relatively to the currency of another country, its dealings with which are wholly insignificant in comparison with its own internal dealings.

That the currency of India has remained steady, or at any rate has not depreciated, is admitted even by those who now demand that it should be arbitrarily appreciated twenty-six per cent. at a single blow. Col. Geo. Chesney, a leading British advocate of that policy says in an article in the last January number of the *Nineteenth Century* :

It is said that silver has not yet undergone any depreciation in India, prices in that country being no higher—being even lower—than they were before the depreciation began in Europe. As a matter of fact, it would certainly appear that the depreciation has not yet extended to India, although it must inevitably do so in process of time.

Predictions are to be taken for what they are worth. What we have to deal with is the existing state of facts. It will be time enough to propose a remedy for the depreciation of the rupee, when it shall occur.

The actual thing proposed is to suddenly appreciate it twenty-six per cent. for the benefit of a vast body of enormously over-paid English officials in India, and to increase the value of the assets of British banks located in, or having agencies in India. The grounds upon which it is attempted to be justified are, as will have been seen, the flimsiest pretexts. The real nature of the proposed policy has been so clearly exposed to the British public, that if it is adopted it will not be from any want of understanding of what its effects are to be.

Appended hereto, will be found some extracts from London journals.

From the London *Economist* of December 14, 1878 :

If the purchasing power of the rupee is still unchanged, that is to say, if it exchanges for commodities on exactly the same terms now as it did before the

fall in the value of silver commenced, it is not easy to understand the equity of any proposal by which the value of the rupee is to be altered. If, by any action of ours, we lead the people to think the rupee is more hard to come by now than in past years, we shall have inflicted a blow on the stability of our hold over the population.

From the *London Statist* of December 14, 1878 :

Supposing the restriction on the coinage were carried far enough to attain the object in view, that is, to save the loss by exchange now incurred by the Indian Government, it would be requisite to raise the exchange value of the rupee just twenty per cent. above the present level. In other words, the rice, corn, and cotton which are now sold for ten rupees, would then fetch only eight; or, to put the matter a little differently, the ryot in making up his land tax would lose four shillings in every pound's worth of goods he carried to market. State it nakedly, then, this plan we are considering is neither more nor less than a proposal for indirectly raising the land revenue. Directly to propose to raise it, would be to suggest a manifest and indefensible breach of faith. In Lower Bengal there is a perpetual settlement; in the other Provinces the settlement is for long terms, generally thirty years. Nobody would deliberately recommend a disturbance of these solemn contracts.

From the *London Times*, December, 1878 :

India having got a sound money why run the risk of changes? The loss by exchange to the Indian community as a whole, except in so far as gold may be appreciated, is plainly only one of account. The tribute they pay to England is really paid in tea, cotton, and other goods, the value of which is determined by the gold price they realize in the markets to which they are exported. Whether Indian money is silver or gold is of no consequence. If the Government loses on the face of its accounts, because it receives its revenue in silver, the way to rectify the balance is to increase the nominal taxation, which may as well be done directly as by the suggested appreciation of the rupee, which would come to the same thing.

Ample reasons for advising the Indian Government to be chary of the scheme of appreciating the rupee, are found in the individual interests of many of its advisers, official or volunteered. The personal interest of Anglo-Indian officials in an appreciation of the rupee, is palpable. But others among the probable advisers of the Indian Government have even stronger interests involved, though not of so obvious a kind. The bankers and chief merchants in the trade with the East would all be enriched by a rise of the exchange. The assets of Anglo-Indian banks invested in the East would gradually rise from about 1s. 8d. to 2s. per rupee. A new sense of wealth and security would be felt by bankers and others who have drawn money from home for investment in India. But the gain of merchants and bankers in the India trade, as of Indian officials themselves, would not be the same thing as the gain of the Indian people.

GEO. M. WESTON.

LOW PRICES.—The *London Economist* of March 29, 1879, says: "The figures given below are sufficient to show what present low prices mean when contrasted with the quotations of five years ago :

	Cotton yarn.	40 inch sheetings.	Southdown wool.	British bar iron.	British tin.	Wages in Scotch iron industry.
1874	15d.	11s. 3d.	£ 21	£ 12½	£ 122	6s. 6d.
1878	10¾	9 1½	15½	6¼	72½	4 3
1879	8¾	8 0	13	5¾	65	3 3"

## OPERATIONS OF THE CONTINENTAL BOARD OF TREASURY, 1775-77.

When the first issue of paper money was ordered by Congress, many confidently believed the debt thus created would be promptly redeemed without loss to any one. But events not foreseen in the beginning, nor even dreamed, prevented the fulfillment of this hope. The colonies were rapidly drifting towards revolution without knowing it, or the cost of the movement. Only a few days after the first emission of bills of credit, the battle of Breed's Hill was fought, and gradually the hope of a cheap and peaceful solution of the grievance with Great Britain faded away.

Small as was the amount of bills authorized, two months after their authorization not enough had been signed to answer the urgent calls upon the Treasury. The signers neglected or refused to attend to their duties; and the bills did not come into general circulation before the middle of August, and even then in no great quantity. Indeed, so negligent were the signers of their duty, that Congress, on the 10th of November, directed the delegates to call upon those who had been appointed to sign the bills and request them to complete their task without further delay. Of course, such slight aid could not go far toward supplying the needs of Congress and the colonies. Consequently, before the year closed, it was resolved to issue three millions more of paper money. This measure was strenuously opposed by Dr. Franklin, who advocated borrowing the bills already issued upon interest. This plan he had favored when the preceding issue was under consideration, but his protest on both occasions proved unavailing, and so the third issue came forth printed from the same plates and under similar superintendence as the former issues.

Congress was not unmindful of the necessity of providing a way for redeeming these obligations. Accordingly, each colony was once more directed "to provide ways and means for sinking its proportion of bills in the most effective manner, and best adapted to the condition and equal mode of levying taxes in each colony." Congress also directed that each colony should pay its proportion of the bills determined by the number of its inhabitants, in four equal amounts, beginning the last day of November, 1783, a year after the redemption of the issues ordered at the last session of Congress, and ending three years later. The other features of the previous resolve relating to the redemption, exchange, and destruction of bills, were re-enacted. The year, there-



This certificate was countersigned by a loan-office commissioner, Congress having authorized the appointment of one by every State, who was responsible to the appointing power for the rightful discharge of his duties. No certificate was to be given for less than three hundred dollars, and the money thus borrowed was to be repaid at the expiration of three years. The commissioners were paid by a commission of one-eighth of one per cent. upon all loans made for the benefit of the Government. The resolutions were published by order of Congress, and the States were directed to send to the Committee of the Treasury the names of the commissioners as soon as they were appointed.

This scheme for raising money did not succeed, nor were those disappointed who opposed it, because so low a rate of interest was offered. It was hoped even by those who clearly saw the weakness of the measure in the beginning, that a considerable sum of money would be raised in this way, but lenders could not see the wisdom of letting the Government have their money at four per cent. upon the uncertain pledge of the Government, when they could get six per cent. from private borrowers with ample security. Is it not plain, then, why the Government failed in such a competition for money?

Now and then, patriotism rose above profits or even security, and some person would repair to a loan office and subscribe to the National loan; but either because those patriots were so few in number, or because they subscribed for such small amounts, the Government was not materially aided with funds flowing from this source.

In the early part of February, 1777, John Adams wrote to his friend Warren of Boston, that "four-per-cent. interest was not equitable," by which he meant that it "was not so much as the use of the money is honestly worth in the ordinary course of business, upon an average for a year, and I have accordingly exerted all the little faculties I had in endeavoring to raise the interest to six per cent." Continuing his letter, he declared that he trembled for the consequences of this determination of Congress. "If the loan offices should not procure us money we must emit more, which will depreciate all which is already abroad, and so raise the price of provisions and all the necessaries of life, that the additional expense to the Continent for supplying their army and navy will be vastly more than the two per cent. in dispute, besides all the injustice, chicanery, extortion, oppression, and discontent which is always occasioned everywhere by a depreciating medium of trade. I am much afraid of another mischief. I fear that for want of wisdom to raise the interest in season, we shall be necessitated, within a few months, to give eight or ten per cent. and not obtain the money we want after all." He then very quaintly adds:

"I have been so often a witness of the miseries of this after-wisdom that I am wearied to death of it." Before the letter was sent, the decision of Congress was wisely reconsidered, and Adams had the pleasure of writing a postscript, dated a month later, that after many days of deliberation the rate of interest had been raised to six per cent.

As not enough money flowed into the Treasury from this source to meet the demands upon the Government, another experiment was attempted, which was a familiar method of raising money at that period, though long ago condemned by law and public opinion. This new scheme was a lottery which had been often tried in the colonies, as well as in the old world, both for public and private purposes. Many a church still stands in New England built with funds raised in this manner.

The Board of Treasury reported a plan on the first of November, and subsequently all the details were added. It was resolved that the lottery should consist of one hundred thousand tickets, each ticket was divided into four billets of ten, twenty, thirty, and forty dollars respectively, which were to be drawn in four classes. Phillips says it was estimated that one million five thousand dollars would be drawn into the Continental Treasury in this way, though he has omitted to give any authority for the statement. The tickets were to be sold for ready money, which Breck construed to mean specie; and some of "the fortunate adventurers," as the resolution terms them, were to receive at their option, "a Treasury bank note" or certificate payable in five years with interest at four per cent., while others were to receive their money from the loan-office commissioner of the States where the drawers resided.

While Congress was discussing this scheme, the need of money was so great that a new emission of five millions was ordered, a small portion of which was to be issued in notes bearing the denominations of one-ninth, one-third, one-sixth, and two-thirds of a dollar. Phillips affirms that no vestiges of these notes remain, and that persons throughout the country who have made investigation about them can obtain no information concerning them. They have never appeared in any list of the various issues of paper money, and Phillips is probably correct in saying that for some reason unknown they were never sent into circulation. From no source could Congress obtain funds, though never were they more greatly needed.

On the 14th of January it was resolved to borrow \$2,000,000 more from the loan offices; and the commissioners were directed to receive bills of credit emitted by the States and use them in paying the Government. How much had been subscribed to the previous loan cannot be ascertained; in some measure, however, it had been successful,

else the experiment upon similar conditions would not have been repeated.

Happily the loan office and lottery experiments did not exhaust the fertile mind of Congress. The Legislatures of the several States were asked to raise by taxation in the course of the year, and remit to the Treasury, so much as they thought proper, considering the present condition of their inhabitants. These sums were to be placed to their credit and reckoned in the settlement of expenses for which the States were severally holden. Probably it was the injustice of assigning a sum to be raised by each State in proportion to its inhabitants which led to this new method of getting money from them. The plan was free from the criticism pronounced upon the mode first adopted for paying Continental notes, of basing the quotas upon the erroneous principle of population rather than property. The weakness of this last measure, however, was apparent, for only the most sanguine could hope for a favorable response from the States. But what more could Congress do? Without authority to coerce the States into the payment of money, having no stronger prerogative than to recommend and request, Congress could not enforce compliance with any requisition for a single dollar.

The Continental Treasurer also was directed to borrow money on loan-office certificates, countersigned by the Auditor-General. In conducting this business he was to proceed in the same way as the loan-office commissioners; indeed, the loan-office system was simply extended so as to include the Continental Treasurer among the number of those authorized to borrow money for the use of the Government.

Thus, within a very short time, four schemes had been launched for raising money to carry on the Government—the issue of Continental notes to be discharged by the States; loans to the Government by individuals through loan offices; a lottery; and advances of money by the several States. This variety of methods was owing to the great difficulty of raising funds in the ordinary manner for public uses. The doubtful existence of the Government and its weakness, the poverty of the States and their ignorance and unwillingness to submit to taxation, were the leading obstacles in the way of obtaining funds. Unwilling to be taxed by Great Britain for the benefit of the parent Government, they had come to regard taxation with strong dislike, even when it was a measure absolutely necessary to rescue themselves from still greater taxation and evils far worse if failing to secure independence.

Unable to obtain all the funds needed, from these several fountains, five million dollars upon the credit of the United States, of the same denomination and on the same conditions as the last emission, were ordered; and as much more three



months afterward. As counterfeiting the issues of Congress had become an extremely common practice, special pains were taken to print the bills in such a manner as to defy the art of the counterfeiter. The following form was employed :

No.                      Dollars.

This bill entitles the bearer to receive                      Spanish milled dollars, or the value thereof in gold or silver, according to a resolution of Congress, passed at Philadelphia, May 20th, 1777.

They were also ornamented, and bore escutcheons, and secret marks, devised by the Board of Treasury. Several resolutions were added relating to the manner of signing, striking, numbering, and issuing the bills, but these particulars need not be given.

Although the States retained exclusive authority to raise money from their members by taxation, and obtained only small sums in this way with great difficulty and cost, yet they were continually calling upon Congress for assistance. Choosing to retain the power, the States ought to have accepted the responsibility and burden; but, instead of doing this, they put too much faith in a weak, incapable, central government, and not enough in their own local ones. The States furnished some aid to the General Government, and this was reciprocated.

The accounts of the States with Congress are so inextricably mixed that it is difficult to tell how much support was rendered on the one side and the other during the early part of the war. Georgia appears to have been more prompt in furnishing assistance than any other State; so marked, indeed, had been her course that commissioners were appointed to go there and find out how much was due from the United States, while Congress remitted \$400,000 on account of assistance thus rendered, and \$300,000 more for the pay and subsistence of the Continental troops conducting operations in that quarter. As this amount did not then happen to be in the Continental Treasury, the printing press was started, by the direction of Congress, to add another million dollars to the amount already existing.

As summer waned, the cause of the Union grew desperate. Early in September, President McKinley, of Wilmington, was captured, and also all the papers and money in the loan-office there, amounting to \$25,000. Philadelphia was no longer tenable, and the contents of the loan office in that city were removed to East Town. On the 18th of the same month Congress adjourned to Lancaster; and on the 30th, to Yorktown. The demands made upon Congress at this time, were incessant. A mutiny had occurred among some of the troops owing to the distress caused by paper money, and from want of the necessaries of life. Though the flame was quickly subdued, the fires of discontent still smouldered, nor could they be entirely extinguished.

The 7th of November marked a fresh issue of paper money to the extent of one million dollars, and soon after, another emission of the same amount appeared; thus the year closed with five emissions of paper money aggregating \$ 13,000,000.

NORWICH, CONN., April, 1879.

ALBERT S. BOLLES.

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## THE GILBART LECTURES ON BANKING.

DELIVERED AT KING'S COLLEGE, LONDON (SESSION 1879),

BY PROFESSOR LEONE LEVI, DOCTOR OF POLITICAL ECONOMY.

[FROM THE LONDON BANKERS' MAGAZINE.]

### THE DUTIES AND RIGHTS OF THE AGENT—BANKERS AS AGENTS.

It is a characteristic feature of our modern life that, without moving ourselves, so to say, from our own place, we may carry on transactions of trade to any amount and in any part of the world, for everywhere there are persons ready to act as agents and to obey our instructions. Under the Roman law, when every act assumed the character of a ceremony, and nothing could be fixed except by the use of certain sacramental words, personal presence was indispensable. But we are freer now in our actions, and we can do almost everything by the instrumentality of others. The exigencies of trade, moreover, and the requirements of our ordinary life demanding immediate attention, great accuracy in execution, and skill and ability of a special and technical order, render it necessary that we should employ those who have the most familiar knowledge with certain subjects to act on our behalf; and we avail ourselves of their aid to the utmost of our power. Society, indeed, in all its branches, is divided into two great classes—the employers and the employed, the master and the servant, the principal and the agent. We all stand towards one another in one or both of these comprehensive characters. And, therefore, the contract of agency in all its branches is of a practical and essential importance.

The Civil Code defines a mandate or procuration as an act by which a person gives to another the power to do something in his name; the *mandant* being the principal, the *mandatarius* the agent. In English law, the relationship of principal and agent is constituted whenever one person, having power to do any act, authorizes another to do it for him in his name. Of course a person must have power to do a thing in his own right before he can ask another to do it for him. He must moreover be *sui juris*, that is, not subject to personal disabilities, competent to contract, of age and understanding.

The trust reposed by a principal in an agent is a personal one, and he cannot shift his responsibility or his duty upon another. A principal employs an agent from the opinion he entertains of his personal skill and integrity; and the agent has no right, without notice to his principal, to turn him over to another of whom he knows nothing. There are cases, certainly, where the agent may be authorized to delegate his authority, so as to accomplish the end; as where there is an express privity or an implied authority, or where the usage of trade authorizes or recognizes the practice. But, generally, the authority of an agent is exclusively personal, unless from the express language used, or from the fair presumption growing out of the particular transaction or of the usage of trade, a broader power was intended to be conferred on the agent. In a recent judgment in a case of importance, the judge, Lord Justice Thesiger, said, "As a general rule, the maxim, *Delegatus non potest delegare*, applies, so as to prevent an agent from establishing the relationship of principal and agent between his own principal and a third person; but this maxim, when analyzed, merely imports that an agent cannot, without the authority from his principal, devolve upon another obligations to the principal, which he has himself undertaken to personally fulfill, and that, inasmuch as confidence in the particular person employed is at the root of the contract of agency, such authority cannot be implied as an ordinary incident to the contract. But the exigencies of business do from time to time render necessary the carrying out of the instruction of a principal by a person other than the agent originally instructed for the purpose, and, when that is the case, the reason of the thing requires that the rule should be relaxed, so as, on the one hand to enable the agent to appoint a sub-agent or substitute, and on the other to constitute, in the interest and for the protection of the principal, a direct privity of contract between him and such substitute. Of course, although the authority delegated by the agent would not be held good with respect to the principal, yet it would be binding as between the agent and sub-agent.

An agency may be special or general, that is, a principal may give to his agent either special or general powers. A special agency exists when power is given to the agent to do any single act. A general agency exists where there is a delegation of authority to do all the acts connected with a business. A person entrusted with a general authority may bind his principal by his acts, though they may exceed any particular authority. Thus, if a servant entrusted, generally, by a horsedealer to sell his horse gives a warranty with it, such warranty will bind the master, though he was not particularly instructed to give such warranty. A general authority implies a right in the agent to do all subordinate acts incident to and necessary to the execution of that authority,

and if notice is not given that the authority is specially limited the principal is bound for all that the agent does. But an agent having specific instructions to sell certain parcels of goods, at certain conditions, would not bind the principal if he departs from them. A broker, a factor, or an attorney has a general employment in a specific capacity, but this does not imply that they have an unlimited and unrestrained authority. So an agency would be limited when accompanied by instructions as to the course the agent should pursue; unlimited, when such course is wholly left to the agent's discretion. Yet even when left to his discretion the agent's duty is to follow the accustomed course of the trade. Therefore, as stock is usually sold for money only, a principal would not be bound by the act of a broker employed by him who sells it upon credit without special authority, though acting *bona fide* and with a view to the benefit of the principal.

An agent may be appointed by verbal agreement, or by a formal instrument called a letter of attorney, or even by an informal letter, or the authority may be inferred from the conduct of the principal respecting him, either by the recognition or acquiescence of the agent's acts. No one, indeed, can become the agent of another except by the will of the principal, manifested in writing or orally, or by his being placed in a situation in which, according to the general usage of mankind, he would be understood to represent and act for the principal. When one has so acted as from his conduct to lead another to believe that he has appointed some one to act as his agent, and knows that that other person is about to act in that behalf, then, unless he interposes, he would in general be stopped from disputing the agency, though in fact no agency existed. The burden of proof, however, is on the person dealing with any one, as an agent, through whom he seeks to charge another as principal. *He* must show that the agency did exist, and that the agent had the authority he assumed to exercise, or otherwise that the principal is stopped from disputing it. If a merchant constitutes any one his general agent for buying and selling in the market, either through a particular broker or otherwise, then, until revoked, the agency will continue and the principal will be bound by his acts. And the fact, that such general agency once existed, would be admissible as *prima facie* evidence of its continuance, and the burden would be thrown on the principal to show that it had been terminated. But unless the agency were a general, continuing agency, to endure until revoked, the fact that there had been a separate agency, in any number of previous cases, would afford no evidence of agency in any subsequent transaction, however closely it may resemble all which may have gone before. The authority itself must be to execute what is lawful in itself, certain in character, and possible of execution.

There are various descriptions of agents; but though all are affected by the same general law relating to agency, each has certain special duties incident to the character of his agency. First and foremost among these is the broker, the word itself being derived from *abrocare*, to *broach*, literally one who broaches casks, but metaphorically one who broaches a business, sets it going—a negotiator, one who is engaged in the negotiation of contracts relative to property with the custody of which he has no concern. A broker is employed by persons who have opposite interests to manage, and is the agent, as it were, for the one and the other; his power is not to treat, but to explain the intentions of both parties, and to negotiate in such a manner as to put those who employ him in a condition to treat together personally. Although a broker is generally an agent for both parties, he is primarily the agent of the party by whom he is employed. Suppose I employ a broker to sell a lot of goods for me at the highest price he can get in the market, clearly he would not be justified to act for the buyer to purchase the like goods at the lowest price. He only becomes the agent of both parties when the contract is definitely settled. Bankers come into contact principally with stock-brokers and bill-brokers. In France and other continental countries stock-brokers are nominated by the Government. In London a stock-broker must be admitted by the Lord Mayor and Aldermen; and to some extent he stands in the capacity of a public agent. If a broker have been convicted of felony or fraud, or be certified by a superior judge to have been guilty of fraud, he may be absolutely or for a time disqualified. In continental countries stock-brokers are formed into a corporation, and are charged by the State to declare officially day by day the prices of stock. In England greater freedom exists in all these respects, and whatever vigilance may be needed to secure correct dealings among brokers is left in the hands of the Stock Exchange. Brokers are distinct from jobbers and dealers. The committee of the Stock Exchange will not sanction a partnership between a broker and a dealer. A bill-broker is one skilled in the money market, the state of credit, the rates of exchange, and is engaged in the purchase and sale of foreign and inland bills of exchange and promissory notes. In London a bill-broker is the medium through whom the spare capital of one class of the community is employed usefully by another class of the community where it is required. Through bill-brokers the commercial trade of London is supplied with money to which it otherwise would not have direct access. With the bill-broker the banker comes daily in contact. A bill-broker is not a person known to the law with certain duties, but his employment is one which depends entirely upon the course of dealing. If he receives a bill from a customer merely for the purpose of procuring

it to be discounted, he has no right to mix it with bills of other customers, and to pledge the whole mass as a security for an advance of money to himself. Still less has he a right to deposit bills which are received merely for the purpose of discount as a security or part security for money previously due for himself. There is some difference between brokers and factors. A factor is an agent employed to sell goods consigned to him by his principal for a compensation or commission; and when he acts for a merchant residing abroad he is called a commission merchant or agent. A broker must not act in his own name. A factor does so act, and has moreover a special property in the goods consigned to him, and a lien upon them.

An auctioneer is an agent authorized to sell goods at public auction. The difference between an auctioneer and a broker is, that the former must sell in public, whilst a broker cannot sell personally at a public auction. When the auctioneer knocks down the goods sold to the person who is the highest bidder, and inserts his name in his book or memorandum, he is the agent of both parties. Before the knocking down of the hammer he is the exclusive agent of the seller; after the knocking down he becomes also the agent of the purchaser. An auctioneer is an agent for each party in different things, but not in the same thing. When he prescribes the rules of bidding and the terms of the sale he is the agent for the seller; when he puts down the name of the buyer he is agent for him only. The auctioneer has a lien on the property or the goods, and proceeds thereof, for his commission, and he may sue the purchaser in his own name as well as in that of his principal. Besides brokers, factors and auctioneers, there are other classes of agents, such as ship's husbands, masters of ships, attorneys and solicitors, and partners, when they act one for another. But on these different descriptions of agents it is unnecessary for me to dwell, and I shall at once enter into the question before us—the duties and rights of an agent as such, whatever be his special function.

The first duty of an agent is, undoubtedly and necessarily, to be competent to fulfill the trust reposed in him. He ought not to engage to do what he has not sufficient skill to perform. A stock-broker, for instance, ought to know the character of the different securities usually negotiated, and the causes of the changes in prices. In France no one is appointed who cannot give guarantee of possessing such information. And it is because he is supposed to possess such information that the public engages a bill-broker, or a stock-broker, or any kind of broker. It is the same indeed with every class of agents. An insurance broker ought to know how to procure an insurance, and what cautions should be exercised in the preparation of the policy. An indigo

broker ought to know something about indigo. A master of ships ought to be able to navigate his vessel.

It is the duty of an agent to exercise strict morals and good faith, and to excel, rather than otherwise, in the boundaries of a candid and honest dealing. He must be ready to account faithfully, and not suppress, conceal, or overcharge; he is responsible for all payments and losses caused by his negligence. And on no account should he exceed his authority. Any loss accruing from a transaction in which the agent has exceeded his authority, will be at his charge, and any profit from it might be claimed by his employer.

An agent should have no adverse interest in the transaction committed to him. A person employed to sell could not be himself the purchaser, unless he had declared to the principal his intention of becoming such; nor ought an agent employed to purchase, to be himself the seller, unless by previous understanding to the principal. If an agent employed to purchase became the purchaser for himself, he would be considered as a trustee for his principal. An agent for sale, who takes an interest in a purchase negotiated by himself, is bound to disclose to his principal the exact nature of his interest, and it is not enough merely to disclose that he has an interest in it, or to make statements such as would put the principal on inquiry. One thing admits of no dispute. The moment it appears that, in the transaction between principal and agent, there has been any underhand dealing by the agent, or that he has made use of another person's name as a purchaser instead of his own, he would get no support in a court of equity. So every agent must account for all profit which he might make out of a transaction committed to him as such, and he is not allowed to put it into his own pocket. A London house, in the year 1868, consigned a ship to an agent in China for sale, fixing a minimum price of \$90,000, and requiring cash payment. The China house employed an agent in Japan to sell the ship, with the same instructions. This was done with the knowledge and consent of the London house. The agent in Japan having vainly attempted to sell the ship on the terms required, that is, for cash, bought the ship himself, and resold her to a Japanese prince for \$160,000, payable \$75,000 in cash and the rest on credit. The London house was not informed that the agent in Japan had purchased the vessel for himself, or that he had resold it, till June, 1869, after the transaction was completed. The agent in Japan paid \$90,000 to the China house, who remitted it to the London house, and he eventually obtained the whole amount of \$160,000 from the Japanese prince. In 1873 the London house filed a bill in chancery against the agent for the profit made by him in the resale of the ship, and the court held that the defendant was liable to account to the plaintiffs for the profits made by him in the transaction.

An agent should use all reasonable diligence in the execution of his orders. It is not sufficient that he has been guilty of no fraud or of no such gross negligence as would carry with it the *insignia* of fraud. He is required to act with reasonable care and prudence in his employment, and to exercise his judgment after proper inquiries and precaution. If he shut his eye against the light, or sell to a person without inquiry, when ordinary diligence would have enabled him to learn the discredit and insolvency of the party, he would not be discharged from responsibility to his principal. Thus he would not be permitted to sell his own goods to a party and take security, and at the same time to sell the goods of his principal to the same party without security; for he is bound to devote at least as much diligence and care to his factorage as to his own private business. Personally, wherever the agent has exercised a reasonable diligence and skill his duties are fulfilled, and he will not be liable for any accidents, losses or damages which may happen without his fault.

It is the duty of an agent to do whatever he is ordered by his principal, provided his obedience involve no fraud on third persons, or the act itself be not immoral, if he has once undertaken to do it, or to afford his service for a valuable consideration. In cases of sudden emergencies the agent is expected to act to the best of his ability. As I have said, an agent is always expected to conform himself to the usage of trade, and any departure from it would be at his peril. In all cases, if he omit what he generally knows to be wanted, he would be responsible. Thus, if he allows goods entrusted to his charge to be deposited in an improper place, contrary to the usual habits of the business, and they are destroyed by fire, he would be responsible. If he omit to insert in a policy of insurance the usual clauses in the like policies, or if he should give credit when it is usual to sell for cash, in all such instances the deviation from the ordinary course or usage of trade would be fatal to him.

An agent should consult his principal in all cases of emergency, if the nature of the business allows him to do so. If he cannot consult him, he should do precisely as he would do if the business were his own. The agent's duty is to perform his functions to the best of his abilities. And need I add that it is the duty of an agent to keep regular accounts and vouchers for all that he receives and expends. For if he does not keep regular accounts he would not be entitled to any compensation. Any property in his hand belonging to the principal he must keep quite distinct from his own. Should he mix it up with his own, the whole would be taken as the property of the principal,—at any rate, until he is able to prove satisfactorily what part of the property belongs to him and what part to his principal.

Such are the general duties incident to the undertaking of



an agency, of what kind soever it be. And it follows, that any neglect or omission of the same will render the agent liable to make a full indemnity to his principal for whatever loss or damage may accrue from it. It would not matter, indeed, whether the damage be or be not the direct result of his omission; it is enough if it be a natural and just consequence of the same. Even when the conduct of the agent is not the actual cause of the loss, if it be at all sufficiently proximate, it will entitle the principal to recover. The damage, however, must be certain, and not speculative, to give a right to recovery. But if it be so, the agent cannot, in extenuation of his neglect or omission of a particular act, produce the correctness of his former dealings, or that thereby he caused greater advantage to his principal, to counterbalance his negligence in any special case.

The rights of the agent may be easily described. In the first place, he is entitled to his commission, the amount of which will depend upon the usage of trade, except in cases where there is a specific agreement between the parties. But the agent is not entitled to his commission until he has completed the service and the contract is perfected. Nor can he demand a portion of the commission when the contract is not concluded, as a reasonable compensation for his trouble. It is only in very special cases, and where a custom of trade sanctions it, that the same would be allowed. An agent cannot claim his commission if the contract itself is illegal or immoral; and in order to enable an agent to claim his commission he must prove to have performed his duty diligently and faithfully. If, from ignorance or neglect, he leads the principal into mischief, he cannot ask for a recompense, although from a misplaced confidence the principal followed his advice without remonstrance or suspicion.

An agent who is paid for his services has no right to keep from his principal any amount which he may derive from the transaction, whether in the shape of commission or profit. If he accepts a compensation from the side against which he has been employed, there is too much reason to suppose that he has not acted with proper regard to his employer's interest. The subject of commission has been lately much discussed, and it was publicly alleged that solicitors often receive allowances for the introduction of business from insurance companies, as well as from stockbrokers and auctioneers, with results adverse to their clients; that architects sometimes insist on the contractor giving them a percentage on each certificate, besides the percentage paid by the client; that brokers, whilst professing to work for a nominal commission, frequently demand commission of the buyer, which payment comes out of the consignor's pocket; that bankers also make no secret that they receive a large part of the stockbroker's commission back, though they charge their clients the full

retail terms; that butlers, housekeepers, cooks, coachmen, gardeners, and ladies' maids often seek to supplement their wages by demanding from their masters' tradesmen a percentage on all bills. I do not know how far these charges can be substantiated, but the law is very clear against any such abuses. In a recent case in Manchester it was shown that a commission house, professing to act on behalf of a house in India as agents, and charging for their services a very low commission, sought to increase the profits from the business by systematically overcharging the price and cost of every transaction performed on account of their principals. And the Master of the Rolls laid down the rule of law that any money received by an agent as a commission or as profits belongs not to the receiver, but to the principal, and must be accounted for to him alone, whatever be the custom of trade, and whosoever be the parties committing the breach of trust.

The agent is entitled to be refunded of all the advances, expenses and disbursements he may have made on account of his principal, of all incidental charges he may have had to pay for the accomplishment of the agency, and to charge interest on the same. And for the repayment of such advances and charges the agent has a right to retain any property in his hands belonging to his principal. He has a lien upon such property for any amount he may have advanced, or any charge incurred in connection with the same, though not for any other debt contracted before and irrelevant to the agency. Into the rights of agents towards third persons, and of third persons towards agents, I have no time to enter at present.

All the observations I have made respecting agents apply to bankers, in so far as they act in that capacity. Generally speaking, however, the relation of banker and customer does not partake of a fiduciary character, nor does it bear analogy to the relation of principal and agent. The relation of banker and customer is that of debtor and creditor, and not that of agency. But if the banker does any act in the character of an agent or trustee, or in a fiduciary character, that, though it be only an incidental addition to that trade, will render the banker responsible in every respect as an agent. And there are many ways in which a banker does so act. Thus, a bank director is an agent for the company, and he is a particular agent, for he acts under instructions contained in the articles of association or other instrument constituting the company. Therefore, if he exceeds his limited authority his acts are void. It is not the practice of bankers to act for their customers as agents generally to find investments for their money. But if a customer sends them, with a power of attorney, a letter of instructions directing them to sell a particular sum of stock, they will do so; or if the customer wishes a particular investment in the Funds, and directs them

to lay out his money in the purchase of a particular stock, and debit him with the amount, they will do so; and by so doing the banker will act as agent for his customer. If, however, any partner of the bank should do any act beyond the scope of the ordinary business of the firm, and perform it outside the ordinary work, and not through the instrumentality of the firm, such act would not bind the bank. A, a partner in a banking firm, advised Mrs. Bishop, a female customer of the bank, to sell out some Dutch stock, telling her the firm could procure for her better security, and that he had one in view. He said the money was in fact wanted by his own son, who was in trade. Mrs. Bishop sold out the stock and paid the money into the bank; or she gave A a cheque to draw it out and invest it. He drew it out and misapplied it, and absconded, the interest having been regularly carried to her account in the meantime in the books of the bank, by whom did not clearly appear. All these transactions took place at the banking house, and Mrs. Bishop had no acquaintance or dealing with A, except as banker and member of the firm. The other partners did not appear to have known anything of the business at the time it took place, but they did know before A absconded. Mrs. Bishop filed a bill in Chancery against the bank to recover the amount, but the Court held that they were not liable, the ground of the decision being that the transaction was not within the ordinary course of banking business, and was not recommended or sanctioned by the other partners. But how could Mrs. Bishop, a female ignorant of business, know that the transaction was the act of an individual partner, and not of the firm? And does it not appear more reasonable that the bank should have borne the responsibility for the misdeeds of their co-partner, than that the loss should have fallen on their deluded and defrauded customer? Bankers should remember whether they act as agent for their customers or not; that in virtue of their character as bankers they are trusted almost blindfold by the outside world; that it is expected of them that they should act with more than ordinary good faith in the performance of their customers' orders, and that any gross negligence or fraud in the banker's dealing will be considered culpable in a high degree, and will be severely animadverted on and punished by the Courts.

It is customary for country bankers to appoint London bankers as their agents, and for their customers to accept their bills payable at such London house. But no agency or trust would be recognized in that relation. Johnson, a silk merchant at Southwell, banked at Messrs. Wylde & Co.'s, and made his acceptances payable at the London agent of Wylde & Co. He paid a sum of money at Wylde & Co.'s, to be remitted to London to meet certain acceptances, and Messrs.

Wylde & Co. sent the money to their London agents with directions to pay such bills. Messrs. Wylde having stopped payment owing them a large balance, their London agents refused to pay the amount due on the acceptances, and held that the money had been simply remitted to them in the ordinary course of business, and without reference to the acceptances. Johnson filed a bill in Chancery against the London bankers, but there was no privity between the plaintiff and the London bankers, and the Court held that the amount sent was appropriated to the general account, there being nothing in the relation between the country bankers and the London bankers to justify the assumption that the money so sent was to be appropriated to meet the acceptances. On the other hand, the Lima bank established a credit agency with the General South-American Company in London, and agreed to send remittances within ninety days to cover drafts. The General Company, being in difficulties, obtained an advance from the Anglo-Peruvian bank, to be repaid out of the expected remittances from the Lima bank to cover bills then current, and the Peruvian bank employed as agents to receive and select from the expected securities the managing directors of the General Company and their own managing director, who had been two years previously the manager of the General Company, and was cognisant of and party to the arrangement with the Lima bank. The securities were selected by and handed over to the Anglo-Peruvian bank upon their arrival, and the following day the General South-American Company stopped payment and was wound up. The Lima bank filed a bill in Chancery to recover the securities from the Anglo-Peruvian bank, but they did not succeed in recovering them, the relation having been found to be one of principal and agent, the Lima bank being the principal and the General Company the agents. If one firm, the bank of Lima, will place unbounded confidence in their agents, will trust them with bills, will trust them with their gold, there ought to be the very strongest case to deprive those who deal with agents, of the property which they acquire in the course of such dealing.

It is well, on the whole, that the law makes a clear distinction between a banker acting as banker and a banker acting as agent. But I apprehend the cases where a banker acts in the capacity of agent are very numerous. So the law has fully recognized his right to a commission for his trouble in transacting money transactions as a factor, for his trouble in effecting sales, and for his trouble in obtaining acceptances and payment of bills. On the Continent bankers are made use of as agents, even for commercial transactions, and in so doing they would certainly be bound to the exercise of the same circumspection and judgment, and to the performance of the same duties, as they would be entitled to the same

rights as other agents. I shall have occasion to refer to some other points in relation to this important subject, touching the moral and legal responsibility of bankers as such, as well as agents, when studying the lessons afforded by the recent catastrophe in Glasgow. Meanwhile, I submit the whole subject of agency to your careful consideration.

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## AN INTERNATIONAL RATIO FOR SILVER.

A LETTER FROM THE PRESIDENT OF THE LIVERPOOL CHAMBER OF COMMERCE TO THE CHANCELLOR OF THE EXCHEQUER.

SIR—I would like, with your permission, to say a few words in reply to the view so widely held in all trading communities, that legislation cannot fix a definite ratio of value between gold and silver. Till that view is dispelled, there is no chance of converting the British public to “bi-metallism.” It has much on the face of it to recommend it. All experience tends to show that articles of commerce vary in value according to supply and demand, and that no power on earth can fix a permanent ratio of value between, for instance, cotton and wool, or iron and copper.

The subject of “money” is a recondite one, and business men are apt, without reflection, to apply to it the principles they have found to be true in the ordinary operations of trade. But as soon as a careful examination of this subject is made, it is found that ordinary commercial laws are inapplicable to monetary questions. Let me illustrate this by referring to the history of gold and silver since the beginning of this century. Silver was produced far more largely than gold in the early part of this century—the best authorities say three times as much. Then came the extraordinary gold discoveries of Australia and California, which increased the yield of gold five-fold, and for several years afterward gold was produced to three-fold the value of silver—that is to say, the ratio of production between gold and silver has varied nine-fold since the beginning of the century. If that had happened between two competing articles of trade, we know that the relative value would have varied enormously. It actually did happen between cotton and wool during the American civil-war, and the price of cotton, which used to be less than half that of wool, became actually higher. But what happened in the case of the precious metals? Their relative value remained identically the same. The quotation of silver in the London market stood at 60*d.* to 61*d.* per ounce, with trifling oscillations, depending upon the demand for shipment to the East. In other words, the ratio of one to fifteen-and-a-half remained for seventy-five years practically the exchangeable value of the two metals.

Now, if the “free-trade” theories are sound, it is perfectly evident that gold should have become far cheaper compared with silver after the discoveries of Australia and California than it was before. The yield of these mines in twenty or thirty years nearly doubled the stock of gold money existing in the world, whereas that of silver money increased very slowly. Why did not gold diminish in value compared with silver? We have never heard an answer, or the attempt of an answer, to this question by our opponents. The reason

is that no answer can be given from their point of view, but an effective one from ours.

The answer is that France, up to 1875, coined both metals without restriction, making them equally full legal tender for the payment of all debts, at a fixed ratio of one of gold to fifteen-and-a-half of silver. Inside of France, it was impossible for the metals to vary materially from that ratio, and outside of it only by the trifling cost of carriage, and sometimes by the payment of a small commission to bankers, when a very heavy and unexpected demand for one metal arose, as happened with silver in 1864-6, when we had to ship such enormous amounts to India to pay for cotton at four times its usual price. For all practical purposes, gold and silver kept a fixed ratio of value to each other up to 1875, for the sole reason that France was bi-metallic, and thereby the whole world, and England more than any, enjoyed the advantages of bi-metallism. It is true that the people of this country did not know the reason of it. They supposed that the "intrinsic" or "natural" value of silver as compared with gold was about five shillings per ounce. It never occurred to them that it was owing to an "artificial" or "legislative" arrangement by France, and latterly by the combination of States called the Latin Union. We were like an ignorant man who never had indigestion, and did not know he had a stomach, but after a severe fit of dyspepsia, and after consulting a doctor, found he had a delicate apparatus for digesting food which could easily be put wrong. So we have discovered in regard to silver. The closing of the French mints to silver has snapped the tie which bound gold and silver together, and there is no longer in the world a regulating power. Precisely the same thing would have happened if in 1848-50 France had demonetized gold or refused any longer to allow it to be coined as full legal tender. That was what M. Chevalier proposed under dread of the huge influx of gold from Australia and California. Had his advice been followed we should have seen silver mounting up to 6s. per ounce in the London market; perhaps, after a while, to 10s. per ounce, and such intense inconvenience would have happened that possibly the leading nations would have been discussing the question of demonetizing the cheap and superabundant metal—gold, and sticking to the metal of more steady supply—silver.

Surely, if the bi-metallic machinery of France tided the world through the crisis caused by the vast increase in the production of gold, much more will the adoption of bi-metallism by England, France, and the United States, as we propose, tide us through a period of large silver production. And it must be remembered that, after all, the increase of silver production in late years, even when added to the mass of silver demonetized by Germany, is a trifle when compared with the huge addition made to the gold supplies by Australia and California. The annual production of silver is now about fourteen millions sterling, that of gold about nineteen millions; and the amount of silver sold by Germany may represent about five millions per annum for, say six years; so that the entire quantity of silver brought into the markets of the world is just equal to that of gold. For several years after the mines of Australia and California were discovered, the amount of gold brought to market was three times that of silver, but it was all absorbed without altering the relative value of gold to silver, thanks to the bi-metallic system of France. Surely an equal supply of the two metals can be far more easily disposed of by a bi-metallic compact between England, France,

and America; and the latter two powers would only be too glad to join us, and would be soon followed by most civilized nations.

People cry out against "artificial" arrangements. It was an "artificial" arrangement that made gold sole legal tender in England in 1816, whereas in past times sometimes silver only, sometimes silver and gold combined, had been full legal tender. It was an "artificial" arrangement that made France bi-metallic till 1875. Another "artificial" arrangement gave Germany a gold instead of a silver currency. An "artificial" arrangement by this country some time ago made silver sole legal tender in India. As a matter of fact, it is necessary and unavoidable for all countries to decree what metal, or whether both metals, be used as money; and to that extent "artificial" arrangements cannot be dispensed with. We only ask for one legislative or "artificial" act to undo what another one has done. We ask that law shall recognize what nature has always done, viz.: supplied both gold and silver to mankind for apparently no valid use except as "money," and all history records that they always have been used for money, and recent history proves to demonstration that they can be tied together by a fixed ratio to the immense advantage of mankind.

Gold and silver may be compared to two lakes—one fed by a golden, the other by a silvern stream. The supply pouring into each lake varies very much from age to age; hence it might be expected that the level of the two lakes would vary accordingly. But an extraordinary equality of level having been noticed for many years, a scientific investigation was made, and an underground pipe was discovered which connected the lakes and caused their waters to rise and fall simultaneously. This pipe was the bi-metallic system of France. But the pipe became choked, and a flood occurred in the silver stream, which made that lake rise above its ordinary level; while a drought on the other side caused the golden lake to shrink far below its former level. The stoppage of the pipe was the closing of the French mint to silver, and till that block is removed, the lakes will rise and fall without reference to each other, and the sage economists will tell us that their "natural" or "intrinsic" level must be determined by the volume pouring into each, and that no "artificial" arrangement can withstand "the laws of supply and demand." We say, restore the connecting pipe, and we shall soon see which is true—the logic of facts or the speculations of theorists.—I am, &c.,

SAMUEL SMITH.

LIVERPOOL, March 13, 1879.

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ILLINOIS LOCAL DEBTS.—The town, city and county debts in Illinois are officially reported at a little short of 52 million dollars. A recent number of the *Chicago Tribune* estimates the average interest upon these debts at eight and two-fifths ( $8\frac{2}{5}$ ) per cent. The *Tribune* also says that the burden of this interest is increased half a million of dollars, by the cost of collecting the taxes required for the purpose. Altogether, it is an annual burden of about four and three-fourths millions of dollars, and is severely felt at the present low prices of the products of the agricultural States. The *Tribune* thinks that these debts might be refunded at much less onerous rates of interest if they were exempted from taxation, and that very little loss would be experienced from giving up the power of taxing them, as taxes of that kind are easily evaded and yield scarcely any revenue.

## FINANCIAL NOTES AND COMMENTS.

## AUSTRIA.

Silver and paper reached a parity in October last, the difference between them having been very slight during the two or three previous months. Austrian Government stocks payable in paper, were in March only one-half of one per cent. below those payable in silver.

In respect to persons who, during 1878, had given notice of their intention to bring silver to the mint for coinage, their right to bring it was terminated on the 11th of March, by an order of the mint officials, and since that date no silver has been received except from the government. In the London silver markets continued silver purchases for the account of the Austrian Government are reported, but not on any great scale. During January and February of this year, British silver exports to Germany were £ 417,090, or \$ 2,085,450. The London journals say that this silver was sent to German ports *in transitu* for Austria, as the Germans themselves are selling silver rather than buying it.

The permanent joint Austro-Hungarian debt is 2,401 million florins (the Austrian florin being about forty-eight cents). Of this joint debt, by an arrangement entered into in 1868, Austria pays seventy per cent. and Hungary thirty. According to a statement in the London *Economist* of May 25, 1878, very little of this is payable in gold, the proportions being—

	<i>Millions of florins.</i>
Payable in paper.....	1,276
"    "    silver.....	993
"    "    gold.....	132
	<hr/> 2,401

The debts contracted since 1868 have been contracted by Hungary and Austria separately, and amount to not far from 500 million florins for each country. Of these separate debts a larger proportion is in gold, especially in the case of Hungary, than of the joint debts. In addition, there is a floating joint debt of about 400 million florins, consisting principally of currency notes, payable, of course, in silver, which is the legal metallic standard. On the whole, the embarrassment of Austro-Hungary from gold debts is not very great, and about half of their debts are not even coin debts.

## AUSTRIAN PAPER MONEY.

An official statement, February 28, 1879, gives the amount of the Austrian Government legal-tender notes in circulation at 344,922,419 florins. The Austrian florin is equal to about forty-eight cents. The denominations of these notes were as follows:

<i>Florins.</i>	
21,377,180.....	in one-florin notes.
112,178,280.....	"    five    "    "
151,366,950.....	"    fifty   "    "

If it is true, as reported by the Vienna correspondent of the London *Economist*, that the government has determined to withdraw the one-florin notes, room will be made for the circulation of \$40,000,000 of silver.



## THE AUSTRIAN RAILWAY BONDS.

The quarrel between the Austrian railways and the German holders of their bonds still continues, and there is enough at stake to be worth quarreling about. The aggregate amount of these bonds is 678 million florins (the Austrian florin being about forty-eight cents), and they were sold for silver florins, when the legal currency of Germany was silver, as that of Austria still is. It was stipulated that the companies might pay Prussian thalers, or Austrian florins, at the rate of four thalers for seven florins, which was the rate of exchange in the market when the bonds were issued. But the thalers having been raised to a gold standard are now worth more than at the rate of four for seven florins, and the German bondholders naturally desire payment in the dearer money. The German Courts sustain that pretension, and for a time the cars of the Austrian railways were levied upon if found within German jurisdiction, but that is now put an end to by a treaty between Germany and Austria. The Austrian Courts decide that the interest on the bonds may be paid in the same silver money in which they were contracted. Nothing seems to be left to the Germans except to publish books and pamphlets against this Austrian decision. Fortunately they are untiring and inexhaustible in writing and printing.

## THE ANGLO-INDIAN OFFICIALS.

A leading London journal says that the Anglo-Indian officials "who have been in the habit of purchasing so large a portion of their clothing at home," that is to say, in England, have suffered "materially" from "the depreciation of silver." As the gold price of silver has fallen only half as much as the gold price of dry goods, the sufferings of those persons in the purchase of their clothing, seem, at this distance, to be rather sentimental than material.

## BRITISH BANKING.

The Oriental Bank has a capital of £1,500,000, and had, at the beginning of 1877, a surplus of \$500,000. During 1877, it continued its usual semi-annual rates of dividend, but in order to do that, was obliged to write off £175,000 of the surplus. In 1878, it omitted the second semi-annual dividend, and was also obliged to write off the whole remainder of the surplus. It is claimed to be a sound institution, but its condition is very much expanded and really hazardous, as is that of nearly all the British banks and bankers. Instead of being lenders of money, they are, as a class, the greatest borrowers in the United Kingdom. The capital of this Oriental bank consists, according to the latest returns, of whatever nineteen millions sterling of assets may prove to be worth in excess of seventeen million sterling of debts. American bankers look at that style of business with astonishment. There is a good deal in getting accustomed to a thing, but it will take some time to make American financial managers believe that it is prudent for banks to owe eleven times as much as their nominal capital.

## BRITISH DISCUSSIONS.

The nineteenth annual meeting of the Associated Chambers of Commerce was held in London, in March, Mr. Floyd, M. P., in the chair. The following resolutions were moved by the Sheffield Chamber:

"Considering the long continuance of commercial depression in this and other countries, Her Majesty's Government is requested to

sanction an inquiry, by Royal Commission or Select Committee, into the present condition of British trade, and into the cause of the diminution of exports of British manufactures and produce; and also in particular to investigate how far, if at all, the results have been brought about by the restriction or diminution of the total amount of coined money available for the purpose of internal or international trade in the principal civilized and commercial countries."

The Chairman, Mr. Floyd, said, in support of the resolution :

"The question of the abundance or scarcity of coin money in the world was one which ought to be embraced in an inquiry such as was asked for in the resolution."

But after discussion, the latter part of the resolution was omitted, and it was finally adopted in the following form :

"In the opinion of this Association, it is desirable that a Royal Commission or a Select Committee should be appointed for the purpose of making an inquiry into the present condition of British trade, and that such Committee or Commission should investigate the causes of the decline of British exports."

This resolution calls to mind the somewhat ancient story of the debate, which long raged in a learned society in the same city of London, as to the cause of the fact that the weight of a pail of water would not be increased by putting a living fish into it. The debate might have lasted till this time if somebody had not questioned the fact, and if it had not been ascertained by a trial that exactly what the fish weighed was added to the weight of the pail of water.

In this case there has been no "diminution of exports of British manufactures and produce," but they are in as ample volume, taking the whole of them together, as they have been heretofore. The Associated Chambers of Commerce can ascertain by enquiry, if they will make it in the proper quarters, that the fall in the aggregate declared value of British exports has arisen, not from a diminution in their quantities, but from a decline in their prices. They can profitably use their time in searching for the causes of this decline in prices, but they will waste their time if they devote it to a hunt for the causes of something which has no existence.

#### FOREIGN DEMAND FOR WHEAT.

It has been estimated that Great Britain will require an importation of fifty millions of bushels of wheat during the six months beginning March 1, 1879, and that the amount at sea on that day *en route* for British ports was eleven million bushels. France is expected to require nearly as much during the same six months, in consequence of the extremely bad harvest of 1878. Ordinarily, France is not a wheat-importing country. Great Britain always is, and on a great scale, and for the next year, 1879-80, may require more than this, as the area in wheat, which was 3,381,701 acres last year, is now estimated at 700,000 acres, or nearly one-fourth less. British farmers cannot pay their rents raising wheat at present prices. The supply of wheat needed by all the European countries which are deficient is estimated at one hundred million bushels for the six months beginning March 1, 1879. The great sources of supply are Russia and the United States. A minor source of supply is Hungary. Prices are so low that India is shipping no wheat, and the crops now coming off in Australia are reported to be unusually poor.

## COIN IN EUROPE.

According to the latest reports, the coin and bullion in the principal European banks, stood at the following figures:

Bank of England.....	\$ 167,860,400
"  France.....	415,480,000
"  Austria.....	79,165,000
"  Russia.....	105,575,000
"  Germany.....	135,140,000
"  Netherlands.....	51,190,000
"  Belgium.....	21,055,000
"  Spain.....	14,000,000
Italian banks of circulation.....	30,080,000
Swiss Concordat banks.....	6,935,000
	\$ 1,026,480,400

In the Banks of Austria, the Netherlands and France, there is known to be more silver than gold, and it would seem that the same causes which have recently swelled the proportion of silver to gold in the Bank of France, are likely to have produced the same effect in the Banks of Belgium, Switzerland and Italy. The proportion of silver in the Bank of England is insignificant. In the Bank of Germany it is small and growing steadily less. In the Bank of Russia gold is reported to preponderate largely, but there is in Europe some distrust as to the reliability of the official publications in regard to that institution.

## INDIA COTTON MANUFACTURES.

The enormous amount of cotton cloths sold in the India markets, without regard to price, by the great British firms which went into bankruptcy last fall, necessarily had a most disastrous effect upon the India companies which manufacture cotton. The aggregate cost of a share in each of the six principal companies, at the quotations of the Bombay Stock Exchange, was 5,317 rupees on the 31st of last August, but had fallen to 3,475 rupees on the 27th of last February.

## FRANCE.

The population of France is fifty per cent. greater than that of England, and greater by three millions than that of the United Kingdom of Great Britain and Ireland, but its natural increase of numbers is much less than in either. In 1877, the excess of births over deaths, was:

In France.....	142,600
"  England.....	304,000
"  United Kingdom.....	387,000

Marriages in France have steadily diminished since 1872, when they were 352,700. In 1876 they were 291,900, and in 1877 they were 279,000. These falling numbers indicate and measure the progress of industrial distress.

French writers eulogize the wisdom and humanity of their country in restricting the increase of population, in contrast with other European countries, which, as they charge, recklessly multiply pauperism and misery. If Europe, instead of being a very insignificant part of the world was the whole of it, there would be more force in what these writers say. The British find room in their colonies and in the United States, for their surplus people, and the French might do the same thing if they were more disposed to multiply and replenish the earth.

## FRENCH SILVER.

In France, as in all the States composing the Latin Union, silver coins, by means of suspending any further silver coinage, are kept at a parity with gold coins. The bullion in their silver coins is at this time about seventeen per cent. less valuable than the bullion in their gold coins. Of course, an export of French silver coins *except to the other States of the Latin Union*, cannot take place, as it would involve a loss of about one-sixth of the value which they possess at home. What was recently said on this subject in the French Chambers is entirely misunderstood. The matter under discussion being an extension for six years of the Latin Union treaty, it was observed in favor of it that it would give a population of seventy millions to use and circulate French silver, instead of the population of less than forty millions in France alone. The idea of an export of French silver, outside of the Latin Union, is, under present circumstances, a mere absurdity.

Even if the coinage of silver was made free in both France and the United States, that metal would flow, not from France to the United States, but the other way, and for the plain reason that the mint valuation of silver in France is three per cent. higher than at the U. S. mint.

Under the present monetary laws of the European countries no silver can come from Europe to this country, except the silver in Germany not yet disposed of, which is not a great quantity, and is being constantly diminished.

## A SWEDISH VIEW.

At the second session (August 16, 1878) of the International Monetary Conference at Paris, the speech of Doctor Brock, late Minister of Marine, one of the delegates from Sweden and Norway, is reported as follows:

He recognized the fact that it was a matter of great interest to the United States that other nations should adopt the double standard and give to both the metals an equal legal-tender power.

The United States feared that if the nations now using paper should resume payments in gold, there would immediately follow the double consequence of a marked rise in the value of gold and of a fall in the price of products of every description, which, from the point of view of a great producing country and a largely indebted country, would be very inconvenient. The United States had a heavy debt, and it ought to be admitted that by the effects of a rise in the value of gold, the weight of this debt would be at once raised.

But he felt called upon to observe, on the other hand, that if the double standard with unlimited coinage of silver was admitted, which was what the United States asked for, it must be found that the prices of food and of other necessities of life would rise very much, which was another evil, and much more grave than the other, because it did not merely affect proprietors and producers, but the mass of consumers, workmen, people in small employments, and public functionaries, all those, in short, who received salaries or fixed compensations.

## FLORENCE.

European papers have a good deal to say about the bankruptcy of Florence, since the selection of Rome as the capital of the Italian kingdom. When Florence was made the capital, the municipality incurred such expenses in providing for the necessary conveniences, that a debt was run up of 160 million francs, or about \$30,000,000. Individuals also erected great numbers of new houses and enlarged old ones. The removal of the capital to Rome so depressed the

value of property, and rendered the collection of taxes so difficult, that the city stopped payment, and two moneyed institutions, the Florence Savings Bank and the Tuscan Credit Bank, having made large loans to the city, did the same thing. After much persuasion, the Italian Government came to the relief of the city to the extent of a grant of forty-nine million francs, but with the stipulation that that sum should be specially devoted to the payment of the loans of the Savings and Credit banks. Even after this grant the credit of the city is so low that its bonds sell for one-third of their face value. A correspondent (writing in March) of the British *Mercantile Gazette* says:

So great is the distress of the people, that in December alone there were six hundred seizures of household goods for arrears of taxes, three thousand houses—or their equivalents, suites of apartments—are tenantless, hundreds of bills of exchange are protested weekly, and failures are so numerous that a solvent trader is a rare phenomenon.

#### MANUFACTURING IN CHINA.

A Manchester (Eng.) journal, of March 15, having the appropriate name of "*Cotton*," says that orders have actually been given out for the machinery for the first cotton mill in China. Also that a site for the first woolen mill has been definitely selected at La-chow-fu, the capital of the province of Kansuh in North-Eastern China. The managers of both enterprises are stated to be Germans, one of them being a manufacturer at Aix-la-Chapelle. Some English journals affect to doubt whether cotton mills will make as rapid headway as they have in India. It is certainly true that they will be less likely to attract outside capital, as the security of property is not as great in China as in India, but in the particulars of cheap raw material and cheap labor, China is quite as good a field as India. Furthermore, China has, at present, an independent government, and can, if it will, protect the establishment of a home industry by taxing the importation of foreign competing articles. India, on the contrary, on the demand of the Lancashire cotton spinners, has been coerced to give up the larger part of very moderate duties which it had imposed on imported cotton cloths, and has been compelled to promise to repeal them entirely very soon. If China should exercise its rights in this particular in a manner too troublesome to Great Britain there would remain the remedy of a British seizure and occupation of the Chinese ports, for which some justification would never fail to be forthcoming.

While the English are watching these movements in China with a degree of apprehension, some of them are disposed to look for compensations, even if the Celestial Empire does become a competitor in cotton and woolen mills. Thus a writer in the London *Globe* says:

The competition of China as a manufacturer by steam-power would be completely lost in the immediate prospect of the vast opening up of resources, the prodigious demand for railways, machinery, and appliances of all kinds, the enormous increase of industrial activity and wealth, with the consequent expansion of trade in all directions, which would necessarily ensue. Indeed, we see instantly in such a case the rising of a wave of progress which would scarcely stop till it had enveloped the continent of Asia; and if we discern in the far distance a Chinese Lancashire competing with us, it is at the end of a vista of activity and prosperity, at least as long as our time, and affording an amply sufficient period for the full opening up of Africa, ready for a new commercial tide when Asia should be overdone by the Chinese, Russian, and Indian producers.

## GERMANY.

The seventh annual report made upon the progress of the change in the metallic money of Germany, puts the net loss to the Government at eighty-nine and a half million marks, or \$22,375,000, after deducting the considerable profit on the new subsidiary silver coinage. The loss does not arise wholly from taking in silver at one price and selling it at another, but the government also took the burden of the diminution of the weight of the old coins by wear, which averaged about three per cent.

The advices from Germany are, that the protectionist party are resisting what is called the currency reform, and are demanding the restoration not only of silver but of the notes below the denomination of 100 marks, or \$25. The line of division is about the same there on the two questions of currency and tariffs. The free-trade party are for a gold standard and for the continued suppression of small notes.

## METALLIC STANDARD OF SPAIN.

The metallic standard of Spain is, and always has been, the double standard, but, as stated in the United States Monetary Report, a decree was issued August 20, 1876, leaving the mint open to gold coinage but closing it to silver coinage except for the account of the Government, and reserving also, for the benefit of the producers of silver in the Spanish mines, the right of having it coined. This decree also declared it to be the purpose of the Government, as soon as a sufficiency of gold was coined, to make it the exclusive standard, and to reduce the legal-tender power of silver to 150 *pesetas*, or about \$28. For what has been since done in Spain in respect to metallic currency we are indebted to an account given by M. Parieu in the *Journal des Economistes* of last February.

He states that, in consequence of the high premium on gold, very little of it was brought to the mint for coinage, under the decree of August 20, 1876, and that on the 30th of August, 1877, the Government issued a new decree allowing coinage for individuals to be made only when amounts of gold and silver, equal in value, were brought at the same time. This new decree, therefore, put silver on the same footing as gold in respect to coinage, and held out to the owners of gold an inducement to bring it to the mint, in the shape of a right to demand the coinage of an equal value in silver.

In March last, the decree of August 30, 1877, was suspended by what M. Parieu calls a "royal order." What the exact difference may be between a decree and a "royal order," M. Parieu does not think it worth while to explain. He gives it as his opinion, however, that the "royal order" of last March is not to be regarded as a permanent revocation of the decree of August 30, 1877, but is merely a suspension of it to enable the Government to have the exclusive use of the mint to complete the coinage of a certain amount of silver bars, five million dollars of which it then owned and that as soon as that work is executed, the mint will be again opened to the public, and probably under the rule laid down in the decree of August 30, 1877. The capacity of the Madrid mint for silver coinage is stated by M. Parieu at only six million dollars annually.

The actual currency of Spain is a mixture of copper, bronze, silver and, practically irredeemable paper.

## SILVER IN GREAT BRITAIN.

Near the end of March, the council of the Liverpool Chamber of Commerce unanimously adopted the report of a special committee in favor of remonetizing silver, and advising that the Government should take measures to bring about an international understanding as to the ratio of value between gold and silver. The Liverpool interests have been known to favor this policy for three years past.

A press dispatch of March 28, from London, says:

The recent resolution of the Liverpool Chamber of Commerce, recommending an international convention for the remonetization of silver, has been received with some favor in financial and commercial circles.

Among the reported proceedings of the British House of Lords, March 29, we find the following:

Lord Huntley suggested that an inquiry be made into the depression of commerce and agriculture.

Lord Beaconsfield acknowledged that the depression of the agricultural interest was unprecedented, but the depression was anticipated when protection was abolished. It was estimated that the public wealth had diminished £80,000,000 (\$400,000,000), and the area of land under cultivation had diminished 1,000,000 acres. English industry and commerce, however, kept well on a level with those of foreign countries. They suffered only from low prices, the cause of which was, partly, the depreciation of silver. Lord Beaconsfield believed the inquiry suggested would be without results, but possibly an inquiry as to the change in value of the precious metals and its effect on English industry might hereafter be desirable.

It would rather seem, from this language, that Lord Beaconsfield still maintains the views which he insisted upon so strongly in his Glasgow speech of November, 1873, that the main cause of the existing commercial revulsion is the policy of demonetizing silver, and that relief was not to be looked for until that policy was abandoned.

## STEEL.

The money article (March 13) of the London *Times* has the following:

We understand that the experiments which have been so long carried on by Messrs. Bolckow, Vaughan & Co., of Middlesbrough, with a view to find means of making steel from Cleveland ore have been crowned with success. The results are said to exceed expectations, and it is claimed that this discovery will enable Cleveland, which has long produced the cheapest pig-iron in the world, to make steel at prices equally beyond the reach of competition. When it is borne in mind how steel has already supplanted iron for rails, for bridges, even for shipbuilding, and for all minor purposes, it will be at once seen what an important bearing this discovery is likely to have. It may, and probably will, make Cleveland as remarkable for its supremacy in manufactured steel as it now is for its pig-iron.

As we have often said, England will not give up its lead in the production of iron and coal and in textile manufactures without a vigorous and desperate struggle. Her competitors will find that in the contest of reducing prices there are blows to receive as well as blows to give.

## THE SAVINGS BANKS OF NEW YORK.

The report for 1878 of Acting Superintendent Lamb, of the Banking Department, has been submitted to the Legislature. Its substance is as follows:

The table below presents an extended exhibit of the condition and transactions of the Savings banks for the year:

LIABILITIES.	Jan. 1, 1878.	Jan. 1, 1879.	Decrease.
Open accounts.....	844,550 .	810,017 .	34,533
Accounts opened in the year.....	173,513 .	156,121 .	17,392
Accounts re-opened.....	9,948 .	10,418 .	470
Accounts closed.....	169,536 .	160,332 .	9,204
Institutions reporting January 1.....	138 .	132 .	6
Deposited during the year, excluding interest credited.....	\$ 119,063,068 00 .	\$ 100,754,398 00 .	\$ 18,308,670 00
Withdrawn.....	135,361,509 00 .	124,375,454 00 .	10,986,055 00
Interest credited and paid.....	14,926,868 00 .	13,139,690 00 .	1,787,178 00
Present appraised value of real estate.....	8,645,243 00 .	9,986,707 00 .	† 1,341,464 00
Loans on collaterals not authorized by Laws of 1875.....	844,253 00 .	526,999 00 .	317,254 00
Investments not authorized by Laws of 1875.....	842,337 00 .	603,338 00 .	238,999 00
Expenses*.....	1,496,279 02 .	1,320,451 00 .	—
United States internal revenue tax*	— .	75,669 00 .	—
Real estate purchased during the year*.....	— .	1,641,941 00 .	—
Average amount of each account Jan. 1.....	370 40 .	369 22 .	1 18

\* It is impossible to give this item accurately enough for comparison, owing to changes in the form of the reports. † Increase.

RESOURCES.	Jan. 1, 1878.	Jan. 1, 1879.	Decrease.
Bonds and mortgages.....	\$ 107,973,299 .	\$ 93,392,041 .	\$ 14,581,258
Stock investments, par value—United States	85,691,300 .	100,780,200 .	† 15,088,900
New York State stock.....	4,487,000 .	4,326,500 .	160,500
Stocks of other States.....	9,618,201 .	8,480,861 .	1,137,340
Bonds of cities in State.....	69,795,571 .	61,670,212 .	8,125,359
Bonds of counties in State.....	9,532,216 .	8,404,500 .	1,127,716
Bonds of towns in State.....	4,508,982 .	3,338,607 .	1,170,375
Bonds of villages in State.....	499,700 .	400,850 .	98,850
Other stocks or bonds.....	31,414 .	103,076 .	† 71,662
	<u>\$ 184,164,384 .</u>	<u>\$ 187,504,806 .</u>	<u>† \$ 3,340,422</u>
Excess of cost of stocks and bonds.....	\$ 8,049,313 .	\$ 8,685,242 .	—
Amount loaned on public stocks.....	5,200,677 .	3,025,244 .	\$ 2,175,433
Banking-houses and lots, at cost.....	8,657,135 .	8,580,277 .	76,858
Other real estate at cost.....	2,558,267 .	4,235,868 .	† 1,677,601
Cash on deposit.....	12,915,208 .	13,936,979 .	† 1,021,771
Cash on hand, not deposited.....	5,466,444 .	3,813,420 .	1,653,024
Assets of every description not stated above	* 11,741,475 .	* 11,063,434 .	678,041
	<u>\$ 346,726,202 .</u>	<u>\$ 334,237,311 .</u>	<u>—</u>
LIABILITIES.			
Amount due depositors.....	\$ 312,823,058 .	\$ 299,074,639 .	\$ 13,748,419
Other liabilities.....	1,852,594 .	609,410 .	1,243,184
Surplus on basis of market value of stock investments and cost of real estate.....	32,050,550 .	34,553,262 .	† 2,502,712
	<u>\$ 346,726,202 .</u>	<u>\$ 334,237,311 .</u>	<u>—</u>

\* This includes the excess of market value over cost of stock, and interest due and accrued on investments. † Increase.



On January 1, 1878, the number of Savings banks reporting to the Superintendent was 138, of which two were then practically closed. The largest number ever reporting was 158. Deposits were then \$303,935,000. On Jan. 1, 1879, the number reporting was 132, but of these eight were closed virtually, or were closing. The whole number of live Savings banks is now only 124.

"The deposits decline \$13,748,419; the surplus is increased \$2,502,712; the number of depositors falls off 34,533; mortgage loans have decreased more than 13 per cent.; investments in Government bonds have been increased about 17½ per cent.; other stock investments have shrunk in total amount; real estate acquired has increased \$1,677,601; the total transactions of the year are approximately 12 per cent. less than in the previous year; the chief portion of the decline in deposits is in the city of New York, in which confidence has been so shaken by the continued failures of Savings banks. The falling off in deposits in New York City is \$10,943,000; in the rest of the State, \$2,605,000. While the number of depositors has decreased, the apparent decrease is less by 4,868 than the number in the four institutions closed. The solvent Savings banks show a real increase in the number of depositors during the year."

Mr. Lamb adds to the statistics the result of his observations upon Savings bank management and legislation, past and present. The following extracts are interesting and suggestive:

"The expenses of Savings banks in the State are still larger than they need to be. It is found by comparison of the expenses of our Savings banks with those of other States, like Massachusetts, New Hampshire, Connecticut and New Jersey, that the per centum of expense to deposits is larger in New York than in any of the States named. And, in expenses, nothing is charged for the interest of capital in the banking houses owned by the Savings banks, which is a large item. In the English and Scotch Savings banks there is greater economy in conducting the business than in those in New York, as they average. The chief item of difference in the cost of managing our Savings banks and those in England and Scotland is in salaries. Thus, the Edinburgh Savings bank pays an actuary and assistant, and 16 clerks and 1 porter, \$16,076 salaries. The Broadway Savings Bank, in New York, with \$2,589,000 deposits and 4,006 accounts, pays its actuary alone \$8,000. The Provident Institution for Savings, in Boston, has \$18,647,000 on deposit and 45,442 accounts. Its expenses last year were \$39,396.23. The Emigrant Industrial Savings Bank, in New York, has \$16,793,000 deposits and 33,562 accounts. Its expenses last year were \$54,561; salaries were \$45,173. The Brooklyn Savings Bank has \$15,710,000 on deposit and 31,507 accounts. Its expenses last year were \$39,783; salaries, \$32,316.

"Few of the Savings banks which erected banking houses of large size and at much cost have found these buildings remunerative. It is rare that one of them realizes the expectations which were formed in regard to the probable rental of the building and the income to accrue to the corporation from it. The aggregate cost of such buildings, the rents received by the banks from lessees, and the expenses incurred on account of the buildings, do not make an exhibit which can encourage other Savings banks in venturing upon similar investments. The bonds of towns in the State have proved to be one of the most unprofitable and unfortunate investments which Savings banks have made, especially those given in aid of railroads. The very protracted depression in business, and the heavy and continued decline in the rents and value of real estate, have severely tested the investments of Savings banks in mortgages. The percentage of loss has been small, and where loss has come to any material extent it has been inflicted chiefly by the neglect, incapacity, or misconduct of the Trustees in making the original loans, and in the lack of proper care after they were made.

"Experience proves that loans upon unproductive and unimproved real estate are hazardous. Such property is apt to have a speculative value, which may soon and greatly change. The law authorizes loans on such property; but trustees ought to use the power with great circumspection and caution. Among the unproductive real estate, churches should be classed. It is difficult to



ings banks in proportion to the magnitude of the transactions and the sums of money involved. The whole loss can scarcely reach 2 per cent. of the average aggregate deposits for the last five years. There is another fact to which I wish to call attention, as it is very significant. The money which the Savings banks received from depositors was in currency largely depreciated. Four years ago, in this month, the currency dollar, in which deposits were payable, was worth in gold .866 (eighty-six and six-tenths cents). Therefore, while the depositors have lost in eight years in the State, by failures of Savings banks and pseudo Savings banks, not more than \$5,400,000, their deposits in the solvent Savings banks have appreciated in four years, in gold value, \$40,000,000. The same sum invested in Government bonds, excepting currency sixes alone, would now be worth some \$38,000,000 less, in currency, than in March, 1875. An equal sum invested, then, in bank stock would, according to the last official and accurate data I can procure, be worth now \$62,500,000 less than four years ago this month. The difference to the credit of Savings banks is something to which they are fairly and fully entitled in any survey of the value and tendencies of the Savings-bank system in New York. It is probable the value of the dollar for purchasing is relatively even greater than this percentage at the present time, in comparison with March, 1875. Neither Government bonds, nor bank stocks, nor manufacturing stocks, nor real estate, nor money in business, can be compared with this exhibit for the last four years in net gain.

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DEBT OF THE CITY OF PARIS.—Some interesting facts concerning the debt of the City of Paris are contained in a report presented to the Municipal Council by M. Germer Bailliere. The debt now amounts to 1,987 millions of francs (£79,840,000), and the annuity for interest and sinking fund to about 100 millions of francs, or four millions of pounds sterling. Of the above total the loans and liquidation of the situation left by the Empire, amount to 1,602 millions, to which a further sum of 385 millions has been added since 1871. The debt as at present constituted will only be entirely paid off in 1950, by which time a sum of 4,606 millions of francs (£184,400,000) will have been paid in addition to 852 millions (£34,080,000) already paid from the origin of the existing debt down to the present time. In twenty years time the annual charge will be reduced 11,310,211*f.* by the total redemption of the loans of 1855 and 1860, and the extinction of some smaller annuities; and in thirty years a further reduction of 33,433,618*f.* will be obtained by the extinction of the loan of 1869, and of the debt to the Credit Foncier. It is, however, more than probable that new loans will have been contracted in the interval, for the ideas of the present council in matters of public works are not less magnificent than those which prevailed under the Empire, and a plan has already been submitted to the council to expend a sum of 600 millions of francs in embellishments or improvements in addition to those carried out yearly by credits in the ordinary Budget. The municipal charges in Paris amount to 112*f.* (£4 9*s.* 7*d.*) per head of the Paris population. The credit of the city is nevertheless even superior to that of the State, to judge from the prices of the municipal loans, all of which are above par. Thus, the 500*f.* three-per-cent. bonds of 1855 and 1860 are at 520, while a tithe of State three-per-cent. redeemable Rente, returning also 15*f.* annual interest, is worth only 400*f.* Yet the holder of the municipal bonds will lose 20*f.* of his capital when his bond is drawn for redemption, while the title of Rente will be paid off with a premium of 100*f.* The difference in the value is to be accounted for by the attraction of the lottery prizes attached to the drawings of the city of Paris bonds. Among the different loans of the city of Paris, the value increases as the number of the bonds unredeemed diminishes, the chances of winning a prize in the drawing increasing as the number decreases. For example, the three per-cent. bonds of 1855 and 1860, which will be all paid off in 1897, are at the same price as the four-per-cent. bonds of 1875 and 1876, of which the period of redemption only terminates in 1950.

## THE PENALTY FOR USURY BY NATIONAL BANKS.

SUPREME COURT OF THE UNITED STATES—OCTOBER TERM, 1878.

*David Barnett et al. vs. The Muncie National Bank of Muncie, Indiana.*

In Error to the Circuit Court of the United States for the Southern District of Ohio.

1. The payment of usurious interest by defendant cannot be applied, by way of offset, to the payment of the instrument in suit.

2. When illegal interest has been paid, then the forfeiture of twice the amount so paid can only be recovered by a penal suit against the offending bank, brought by the party aggrieved, or his legal representative.

SWAYNE, J.—The bank brought this suit upon a bill of exchange, dated November 18, 1873, for \$4,000, drawn by David Barnett upon Barnets & Whiteside, in favor of Robert Marshall, and payable, ninety days from date, at the Second National Bank of Cincinnati, Ohio. It was accepted by the drawees, endorsed by the payee, and discounted by the bank. Before the maturity of the bill the acceptors made an assignment to the plaintiffs in error. The suit was commenced in the Court of Common Pleas of Preble County, Ohio, against all the parties to the bill. The assignees intervened and made themselves parties. After the pleadings were made up, the case was removed by the bank to the Circuit Court of the United States for that district. There new pleadings were filed on both sides. The assignees set up three defenses: 1. That Barnets & Whiteside were borrowers from the bank as early as January 11, 1866; that the indebtedness was continuous and unbroken from April 8th, 1866; that it was at no time less than \$4,000, and amounted at one time to \$36,000; that at the time of the assignment it was \$28,000, upon bills of exchange which represented it; that the bank had taken not less than \$5,000 in excess of the legal rate of interest; that for evasion the bills were arranged in series, and that each series was terminated, from time to time, by refusing to renew and the discounting of a new bill, the proceeds of which were applied in payment of the prior terminating one; that the bank had received satisfaction of all the bills but the one in suit, and that there was nothing due from the defendants. 2. That the bill in suit was the last of eight renewals; that illegal interest was taken upon the series to the amount of \$1,116, which, it was claimed, should be applied as a payment upon the bill in question. 3. That fifty-one bills of exchange of \$4,000 each, having ninety days to run, were discounted by the bank for the assignors, the first bearing date March 27, 1872, and the last July 27, 1873 (the date of each one is given); that illegal interest was taken upon these bills to the amount of \$6,324, and that the assignees are entitled to recover double this sum from the bank, to wit, \$12,648. There is a prayer for judgment accordingly, and for other proper relief.

Marshall, the payee and endorser of the bills, also filed an answer, but, as the record discloses no question raised by him, it need not be more particularly adverted to.

The bank demurred to the several defenses set up by the assignees. To the first and third the demurrer was sustained, and overruled as to the second. Upon the latter the plaintiff took issue, and the case was tried by a jury. The jury rendered a verdict in favor of the bank for \$4,080.31, and judgment was given accordingly. It does not appear that anything done by the court touching this trial was objected to by the plaintiffs in error. There is no bill of exceptions in the record.

But one point has been insisted upon by the plaintiffs in error in this court, and it is that the Circuit Court erred in sustaining the demurrers to their first and third defenses. That is the only subject before us for examination.

All questions arising under the second defense have been disposed of by the verdict and judgment. How the jury reached their conclusion it is not easy to see, but this is not material, as nothing relating to that part of the case is open to inquiry.

The National Currency Act of Congress of June 3, 1864, 13 Stat., 99, § 30, after prescribing the rate of interest to be taken by the banks created under it, declares:

"And the knowingly taking, receiving, reserving or charging a rate of interest greater than aforesaid shall be held and adjudged to be 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, in any action of debt, twice the amount of interest thus 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."

Two categories are thus defined, and the consequences denounced:

1. Where illegal interest has been knowingly stipulated for, but not paid, there only the sum lent, without interest, can be recovered.

2. Where such illegal interest has been paid, then twice the amount so paid can be recovered in a penal action of debt or suit in the nature of such action against the offending bank, brought by the persons paying the same, or their legal representatives.

The statutes of Ohio and Indiana upon the subject of usury may be laid out of view. They cannot affect the case.

Where a statute creates a new right or offense, and provides a specific remedy or punishment, they alone apply. Such provisions are exclusive.—*Farmers' Nat. Bank vs. Dearing*, 91 U. S. 35.

The procedure in the case after it reached the Circuit Court, as well as before, was governed by the Ohio code of practice.—*Indianapolis R. R. Co. vs. Horst*, 93 U. S. 291.

The ground of demurrer specified as to both the defenses in question is that the assignees had no legal capacity to defend or prosecute by counter claim in the case. But this does not take from the plaintiff the right to insist that the facts set forth were insufficient to bar the action: *Swan's Plead. & Prac.* 234; 1 *Nash's Plead. & Prac.* 161. Under the New York code, from which the Ohio code is largely copied, it has been held that a demurrer to an answer may be sustained upon a ground not adverted to in the argument by the counsel upon either side: *Xenia Bank vs. Lee*, 2 *Bos.* 701. The demurrer was a waiver of every objection not specified, except the substantial and fatal insufficiency of the pleading to which it related with respect to the facts alleged.

An issue ought not to be tried where it would be a sheer mistrial and a mere waste of time. The court ought *sua sponte* to strike it out or disregard it. If a frivolous issue is left in the record, it does not, therefore, follow that it is to be seriously treated.

In the first defense, the payment of the usurious interest is distinctly averred, and it is sought to apply it, by way of offset or payment, to the bill of exchange in suit. In our analysis of the statute, we have seen that this could not be done. Nothing more need be said upon the subject.

In the third defense, as set forth, the like payment is alleged, and there is a claim to recover double the amount paid, by way of counter claim, in the pending suit on the bill.

This pleading is also fatally defective for the same reason as the first one. The remedy given by the statute for the wrong is a penal suit. To that the party aggrieved, or his legal representative, must resort. He can have redress in no other mode or form of procedure. The statute which gives the right prescribes the redress, and both provisions are alike obligatory upon the parties.

While the plaintiff in such cases, upon making out the facts, has a clear right to recover, the defendant has a right to insist that the prosecution shall

be by a suit brought specially and exclusively for that purpose—where the sole issue is the guilt or innocence of the accused, without the presence of any extraneous facts which might confuse the case and mislead the jury, to the prejudice of either party.

The point specified in the demurrer we have no occasion to consider. Both defenses, as they appear in the record, are, perhaps, liable to other objections, but in examining the case we have not gone beyond the points we have discussed, and we decide nothing else.

The judgment of the Circuit Court is affirmed.

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## INSOLVENT NATIONAL BANKS.

### COMPOSITIONS BY RECEIVER—LIABILITY OF SHAREHOLDER—STATUTE OF LIMITATION.

IN THE CIRCUIT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA. MARCH 21, 1879.

*Price, Receiver of the Venango National Bank vs. Yates.*

A Court has no power, under section 5,324, *U. S. Revised Statutes*, to order the receiver of a National bank to compound debts which are not "bad or doubtful;" and a composition under such an order of debts not "bad or doubtful," as the debt of a shareholder arising on his subscription to the stock, is ineffectual.

Where the State and the Federal Courts have concurrent jurisdiction, a State statute of limitation may be pleaded as effectively in a Federal Court as it could be in a State Court; and in such cases the Federal Courts will follow the decisions of the local State tribunals, and will administer the same justice which the State Courts would administer between the same parties.

In an action by the receiver of a National bank to enforce the liability of a shareholder, it appeared that the date of the defendant's subscription to the stock was prior to May, 1866, when the receiver was appointed; that the Comptroller of the Currency decided on the 28th of June, 1876, that the enforcement of this liability to its full extent was necessary and instructed the receiver accordingly, and that this action was thereupon brought. *Held*, that although such decision and order of the Comptroller were necessary preliminaries to a suit against the shareholder; yet having been delayed without sufficient apparent reason for more than six years from the date of the subscription, the statute of limitation was a bar to the action—the State Courts having decided that an act necessarily preliminary to the commencement of a suit upon a contract must be done within six years, unless sufficient reason for the delay is shown.

Action by the receiver of a National bank against a shareholder to enforce his liability.

MCKENNAN, J. Two questions were reserved at the trial of the case, and a verdict was taken for the plaintiff subject to the opinion of the Court upon these questions:

1. The first question involves the effect of an order of the Court of Common Pleas of Venango County, Pennsylvania, for the composition of the claim now in suit.

In 1867, suit was brought in that Court by the receiver of the Venango National Bank, against the present defendant to enforce his personal liability as a stockholder in that bank, which is also the subject of the present suit. On the 23d of March, 1869, with the assent and concurrence of Judge Derrickson, then acting as the representative of the Comptroller of the Currency, and as the counsel of the receiver, the receiver made a written application to the Court for an order to adjust and settle the suit by the payment of twenty-five dollars by the defendant, whereupon an order was made by the Court that "the receiver may settle and compound the said suit and the claim involved therein on the terms prayed for in the proposition." The sum offered was afterward paid to the receiver. The order of the Court was made in the exercise of

authority supposed to be given to it by the 5,234th section of the *Revised Statutes*, and without an order of the Court, which it was competent to make, the composition could have no effect. By a separate classification, in the act of Congress, of the subject of the suit, as well as by the import of the terms of the act, the contested claim is excluded from the category of "bad or doubtful debts," which alone the Court is authorized to order the receiver to "sell or compound," and hence the alleged composition was ineffectual for want of power in the Court to direct or sanction it.

2. Is this suit barred by delay in the institution of it?

It is brought to enforce the personal liability of a shareholder in a National Banking Association. This liability is clearly contradicted. By his stock subscription the shareholder stipulates to pay an additional sum equal to the par value of the shares subscribed for by him, to discharge the debts of the association, when he is legally called upon to do so. The obligation to pay is assumed when the subscription is made, and proof of subscription is plenary evidence of the whole of the shareholder's enjoyment, and of his consequent individual liability. This liability then accrues at the date of the subscription, but is not enforceable until needed to meet the debts of the association, and the Comptroller has so decided and instructed the receiver. Hence it has been held, that this action of the Comptroller is an essential preliminary to a suit against a shareholder. *Kennedy vs. Gibson*, 8 Wall., 498. A right of action upon the contract does not therefore accrue until the Comptroller has acted; and by the terms of the General Currency Act, all suits by or against a receiver are alike cognizable by the State and Federal Courts. Where there is this concurrence of jurisdiction a State statute of limitation may be pleaded as effectively in a Federal Court as it could be in a State Court; and in such case the Federal Courts will follow the decisions of the local State tribunals, and will administer the same justice which the State Courts would administer between the same parties.

The Supreme Court of Pennsylvania has repeatedly recognized the general rule, that an act necessarily preliminary to the commencement of a suit upon a contract must be done within six years to avert the bar of the statute, unless sufficient reason for the delay is shown. In *Laforge vs. Jayne*, 9 Barr. 410, it was applied, the Court saying, "It was ruled in the case of *Codman vs. Rogers*, 10 Pick. 112, that although an action will not lie in some cases without a previous demand, and that in such cases the statute did not run until demand, that nevertheless the demand ought to be made in a reasonable time, and when no cause for the delay is shown it ought to be made within the time limited by the statute for bringing the action." The same doctrine was re-affirmed and decisively applied in the *Pittsburgh & Connellsville R. R. Co. vs. Byers*, 8 Casey 22, and in the *Pittsburgh & Connellsville R. R. Co. vs. Graham*, 12 Casey 79.

The application of this principle in this case is peculiarly appropriate. The date of the defendant's subscription, when his alleged indebtedness accrued does not appear, but it existed before the 5th day of May, 1866, when the receiver was appointed. Nothing was done to authorize a legal demand upon the defendant to respond to his individual liability, until the 28th day of June, 1876, when the Comptroller decided that the enforcement of this liability to its full limit was necessary, and instructed the receiver accordingly. This suit was shortly afterward brought. Not only six but more than ten years from the date of the defendant's enjoyment, was permitted to elapse before the essential conditions precedent to a legal call upon him to pay were performed. The delay seems to have been purely arbitrary—at least it is unexplained—and hence the strongest considerations of justice, and the obvious policy of the act of Congress demand that the defendant should not be vexed with litigation, touching a claim which has about it such an odor of staleness.

Let judgment be entered for the defendant, *non obstante verdicto*.

## THE NEW USURY LAW OF MINNESOTA.

AN ACT *Relating to Interest on Money and Usury.*

Be it enacted by the Legislature of the State of Minnesota :

SECTION 1.—That interest for any legal indebtedness shall be at the rate of seven dollars upon one hundred dollars for a year unless a different rate is contracted for in writing, and no person, company, or corporation, shall directly or indirectly take or receive in money, goods or things in action or in any other way, any greater sum or any greater value for the loan or forbearance of money, goods or things in action than ten dollars on one hundred dollars for one year; and in the computation of interest upon any bond, note, or other instrument or agreement, interest shall not be compounded. But any contract to pay interest not usurious upon interest overdue shall not be construed to be usury.

SEC. 2.—Every person who for any such loan or forbearance, shall have paid or delivered any greater sum or value than is above allowed to be received may, by himself or his personal representatives, recover in an action against the person who shall have taken or received the same, or his personal representatives, the full amount of interest or premium so paid, with costs, if such action shall be brought within two years after such payment or delivery. Provided, that one-half of the amount so recovered shall be paid by the officer collecting the same into the county treasury of the county where such penalty is collected, for the use of the county schools.

SEC. 3.—All bonds, bills, notes, assurances, conveyances, chattel mortgages, and all other contracts and securities whatsoever, and all deposits of goods, or anything whatever, whereupon or whereby there shall be reserved, secured or taken any greater sum or value for the loan or forbearance of any money, goods or things in action, than is above prescribed, shall be void, except as to the *bona fide* purchasers of negotiable papers as hereinafter provided in good faith, for a valuable consideration before maturity. Provided, that no merely clerical error in the computation of interest made with no intent to avoid the provisions of this act shall constitute usury. Provided further, that interest at the rate of one-twelfth of ten per centum for every thirty days, shall be construed not to exceed ten per centum per annum. Provided further, that the payment of interest in advance for one year at a rate not to exceed ten per centum per annum, shall not be construed to constitute usury. Provided further, that nothing herein shall be construed to prevent the purchase of negotiable mercantile paper, usurious or otherwise, for a valuable consideration, by an innocent purchaser, free from all equities at any price, before the maturity of the same, when there has been no intent to evade the provisions of this act, or where said purchase has not been a part of the original usurious transaction. In any case, however, where the original holder of a usurious note sells the same to an innocent purchaser, the maker of said note or his representatives shall have the right to recover back from the said original holder, the amount of principal and interest paid by him on said note.

SEC. 4.—Every person, company or corporation offending against the provisions of this act, shall be compelled to answer on oath any complaint that may be exhibited or filed against him in the District Court for the proper county, for the discovery of any sum of money, goods or things in action so taken, accepted, or received, in violation of any of the foregoing provisions.

SEC. 5.—Whenever in any action in any Court, the defendants shall plead or answer the defense of usury, either party to the action may be a witness in his own behalf on the trial, except in actions in which the opposite party sues or defends as administrator or personal representative of a deceased person; except also, actions in which the opposite party claims as assignee, and the original assignee is deceased. In case of all notes or other instruments bearing interest, when no rate of interest is specified after maturity, the said note or



other instrument shall be construed to bear the same rate of interest after maturity as before, and until fully paid and satisfied.

SEC. 6.—Whenever it satisfactorily appears to a Court that any bond, bill, note, assurance, pledge, conveyance, contract, security or other evidence of debt, has been taken or received in violation of the provisions of this act, the Court shall declare the same to be void, and enjoin any proceeding thereon, and shall order the same to be cancelled and given up.

SEC. 7.—Section 1, of chapter 15, of the *General Laws* of 1877, and section 1, of chapter 23, of the *General Statutes* of 1866, and all acts and parts of acts inconsistent with the provisions of this act are hereby repealed. “But none of the provisions of this act shall apply to mutual building associations.”

SEC. 8.—This act shall take effect and be in force from and after the first day of July, A. D. 1879.

Approved March 5, 1879.

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## LEGAL MISCELLANY.

ATTACHMENTS AGAINST NATIONAL BANKS AS FOREIGN CORPORATIONS.—U. S. CIRCUIT COURT, SOUTHERN DIST. OF N. Y.—Before Judge Blatchford. *Joel D. Harvey, Receiver of the Scandinavian National Bank of Chicago vs. Allen, Stephens & Co., The National Broadway Bank, et al.* Plaintiff was appointed receiver of an insolvent Chicago bank which had, at the time of its failure, certain moneys on deposit in the National Broadway Bank, New York. A New York creditor of the Chicago bank obtained from the Supreme Court of New York a warrant of attachment against the fund in the Broadway Bank, on the ground that the Chicago bank was a foreign corporation. On December 13th, 1872, this attachment was levied by the defendant Brennan, as Sheriff; summons and complaint were served by publication on the 19th of December. On February 8th, following, plaintiff's attorney moved in the State Court, on behalf of the defendant, to vacate the order of publication and warrant of attachment, and to stay the proceedings in the action. The New York Supreme Court denied this motion, and the General Term affirmed the order on appeal. The plaintiff did not become a party to the suit in the State Court, and in March, 1873, filed the bill in this suit in the United States Court to enjoin any action under the proceedings in the State Court, and compel the payment of the money to him, as receiver. On September 13th, the Sheriff, defendant, collected on the execution, and September 20th, satisfied the claim of Allen, Stephens & Co. On final hearing on pleadings, it was

*Held*, that the plaintiff did not submit himself to the jurisdiction of the State Court, and his rights were not affected by its decree; that the defendants, after being brought into the United States Court, went on at their peril in disposing of the fund in the Broadway Bank, and that bank must be held accountable to plaintiff for the money of the insolvent bank paid to Allen, Stephens & Co., the Broadway Bank to be also charged with costs.

DUPLICATE BILL OF LADING.—In the United States Supreme Court an important decision was rendered on March 31.

No. 171. *The Ohio and Mississippi Railroad Company, Plaintiff in Error, vs. The Merchants' National Bank of St. Louis.* In error to the Circuit Court of the United States for the Eastern District of Missouri.—This was a suit brought to recover from the Ohio and Mississippi Railroad Company as common carriers, the value of 108 bales of cotton for which the Merchants' Bank of St. Louis held the original bill of lading as security for a loan, but which was delivered by the agents of the railroad company in Philadelphia, upon a duplicate bill of lading to other parties. The judgment of the Circuit Court in favor of the bank is affirmed by a divided Court. The decision was announced by the Chief Justice. No written opinion.

THE LAW OF BILLS OF LADING.—In *First National Bank vs. Northern Railroad*, which we take from advance sheets of 58 New Hampshire, it was held that a common carrier by railroad, who delivers goods without the production of the bill of lading, is liable in trover to a *bona fide* holder of the bill for value, who took it before such delivery. The opinion of Allen, J., is so clear and compact that we quote it in full: "The transfer of a bill of lading to a *bona fide* purchaser, for value, or as security to one who makes advances on the goods described in the bill, entitles the assignee or pledgee to the possession of such goods, subject only to the lien of the carrier for freight, or to the claims of a consignee into whose possession the property may have come before transfer of the bill of lading. *Lickbarrow vs. Mason*, 6 East 21; *Walter vs. Ross*, 2 Wash. 283; *Ryberg vs. Snell*, id. 294; *Winslow vs. Norton*, 29 Me. 419; *Emery's Sons vs. Irving National Bank*, 25 Ohio 360; S. C., 18 Am. Rep. 299. The delivery of the bill of lading takes the place of delivery of the goods, for no delivery of the latter is practicable at the time, and the symbolical delivery of the bill is sufficient to pass the title *Ricker vs. Cross*, 5 N. H. 570; *Portland Bank vs. Stacey*, 4 Mass. 663; *Pratt vs. Parkman*, 24 Pick. 46; *Gardner vs. Howland*, 2 id. 601. The bill of lading represents the property, and is transferred by delivery merely, without regard to indorsement or words of negotiability on its face, and by such transfer the assignee acquires the assignor's rights in the property, and he may maintain an action for its loss or conversion in his own name. The goods, in this case, were consigned in the bill to Haynes & Co., the shippers, and only they, or some person by them authorized, were entitled to receive them of the defendants. By the transfer of the bill, the plaintiffs became so authorized and entitled, and having made a demand for the delivery of the corn, followed by the refusal of the defendants, they are entitled to maintain trover for its conversion."—*Albany Law Journal*.

REPUDIATING MUNICIPALITIES.—The United States Supreme Court on March 24th decided the following case:

No. 880. *William Henry Hackett vs. The City of Ottawa*. In error to the Circuit Court of the United States for the Northern District of Illinois.—It was brought upon the interest coupons of certain bonds issued by the City of Ottawa, Ill., to the "Ottawa Manufacturing Company," to enable the latter to improve for its own and the city's benefit the municipal water privileges. Payment was refused by the city on the ground that in the absence of express authority from the Legislature it had no legal right to issue the bonds in question, and that even if the authority had been given it would have no force, because the Constitution of the State prohibits the raising of money on bonds by municipal corporations, unless such money is to be used "for corporate purposes," and in this case, such it is alleged, was not the case. This Court holds that in view of the course of decisions in Illinois, it is by no means clear that money borrowed by the City of Ottawa and expended in developing its natural resources for manufacturing purposes is not, in the sense of the Illinois Constitution as interpreted by the Supreme Court of that State, expended for corporate purposes—that is, "to promote the general prosperity and welfare of the municipality." There is, however, another point in the case which is fatal to the defense of the city. The bonds in suit by their recital of the titles of the ordinances under which they were issued assured the purchaser that they were to be used for municipal purposes with the sanction duly given of a majority of the legal voters of the city. This relieved the purchaser of the responsibility of making a personal examination. It was, in effect, a declaration by the city to the purchaser that he need not examine the ordinances. The city is therefore estopped, by its own representations, from maintaining as against a *bona fide* holder of the bonds that they were not issued for municipal or corporate purposes. It would be the grossest injustice to permit it to escape liability upon the ground of the falsity of its own representations. The judgment of the lower Court is reversed, with costs, and cause remanded with directions to sustain the demurrer to the second and third pleas, and for further proceedings in conformity to the opinion of this Court. Mr. Justice HARLAN delivered the opinion.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. NATIONAL BANKS AND LETTERS OF CREDIT.

Since our reply on this question in our last November number, we have seen a decision of the Supreme Court of the United States, *Decatur Bank vs. St. Louis Bank*, 21 Wall. 294. In this case the First National Bank of Decatur wrote the St. Louis Bank substantially thus. "We . . . accredit with you A B, whose drafts on shipments of cattle to C D, Chicago, are herewith guaranteed to the amount of \$10,000, &c., &c." Drafts were drawn and accepted, but C D failed before they became due, and the Decatur Bank was held liable on their guaranty. This guaranty is quite like a letter of credit, and was treated as such by the Court. One defence raised in the Court below was that the Decatur Bank had no power to make such a contract; but the defence seems to have been abandoned, so that the Supreme Court held that the question, though argued there, was not properly raised by the record before them, and need not be considered. The implication from the decision certainly is that the Court consider a letter of credit valid.

## II. SET-OFF IN CASE OF BANKRUPTCY.

A is a merchant doing business in Milwaukee, who has from time to time been buying goods from B, a firm doing business in Chicago. A is in the habit of giving his acceptances for bills purchased, payable at M bank, and B hands said acceptances to their Chicago bank, who is the correspondent of the M bank that A is dealing with.

The amount of the acceptance in this case is, say \$400, matures March 4, 1878, and is received by M bank on February 20, 1878. A finding that he cannot meet said acceptance promptly at maturity, writes B for assistance, and B sends A (so it is alleged) \$300 in currency by express, which currency, with other items, A deposits with M bank to his regular account on Saturday, March 2, 1878, as usual. A is indebted to M bank say \$1,000, for which they have his past-due judgment notes.

On Monday morning, at nine o'clock (March 4, 1878), A files a voluntary petition in Bankruptcy Court (of which fact the M bank knows nothing until 4.30 P.M. of same day, *after close of business*). There being sufficient funds to A's account, his \$400 acceptance, due on that day, is cut on spindle by bank, cancelled with "paid" stamp, and amount of acceptance placed to Chicago bank's credit on books of M bank, and A's account is debited with like amount. As soon as the M bank ascertains A's bankruptcy, they at once telegraph Chicago bank that acceptance had been paid and credited them *in error*, which telegram was received by the Chicago bank five minutes after advice of credit reached them, but *before* they had communicated to B anything in relation to the acceptance, and Chicago bank on *strength of telegram* marks advice slip with the word "void."

The M bank charges back amount of acceptance to Chicago bank on their books, and credits amount to A's account, and *then* applies A's balance as an offset against their past-due notes, and proves the difference in bankruptcy against A's estate.

B demands amount of acceptance from M bank, as owner of acceptance, and upon their refusal, brings suit against said bank for *full* amount of acceptance; and also does *not* bring in amount of *this* acceptance as a claim against A in

bankruptcy proceedings. Only a provisional assignee is appointed, as A effects a compromise with his creditors, which is allowed by the Court.

Now, is B entitled to the *full* amount of the acceptance, or if not to that, can he claim the \$300 sent to A by him, unbeknown to M bank, who received said currency from A with other items on general deposit?

If A was not indebted to bank, could not the assignee recover amount of acceptance, even if paid under above circumstances? Had the M bank known of A's filing a petition in bankruptcy, they certainly would not have paid the acceptance, and then they were unquestionably entitled to use A's full balance as an off-set against their claim.

REPLY.—We do not see how B can maintain his action against the M bank. If he can, it must be because the acts of the M bank, done in ignorance of A's bankruptcy, to wit: the cutting and stamping the acceptance, the entries in the books, and the mailing of the letter of advice, amounted to an *irrevocable* payment of the acceptance. The position of the parties after nine o'clock A. M. on March 4th was this: The M bank held a deposit, for which, subject only to its right of set-off, it was responsible to the general creditors of A; for the rights of an assignee in bankruptcy date from the filing of the petition. After nine o'clock A's right to control the deposit, and the M bank's authority to pay the acceptance was gone. The M bank, indeed, treated the acceptance as paid, but before its letter advising the C bank of payment was received, a telegram was sent and received by the latter, stating that the "acceptance had been paid and credited in error," upon the strength of which telegram, the C bank acted as though the acceptance had been dishonored in the first instance. What was done by the M bank, was plainly done under a mistake of fact, and it is perfectly well settled that money paid under a mistake of fact can be recovered back, when the party receiving the payment has not changed his position on the faith of it. Though, in this case, it makes no difference, and it is not necessary to say, whether what was done even amounted in law to a payment or not, because the C bank and B having notice, by the telegram, did not and could not change their position on the faith of what had been done by the M bank. It happened to be for the interest of the M bank, in this instance, to act as it did; but, if it had done otherwise it would have been liable to A's assignee for the amount of the acceptance paid after the petition in bankruptcy had been filed.

Nor can B recover the three hundred dollars in currency sent to A. It is a familiar rule that money has no ear mark. When this \$300 was sent to A it became his money, B's claim upon him was not for any particular \$300, but was a mere debt for that sum, and when A deposited it in the bank it became the bank's money.

### III. INDORSERS AS JOINT MAKERS.

By decisions of Supreme Court of this State (Minnesota) it has been held in some cases that indorsement on note from A to B by C, before delivery, holds C as a joint maker. Is this the case in any other State, and what think you the U. S. Courts would hold? In such a case could payee of note legally collect protest fees of maker in event of a protest of same?

REPLY.—The law of several of the different States upon this point, will be found stated in vol. 32, p. 906, of this Magazine. The U. S. Courts follow the rule above given. *Good vs. Martin*, *ibid*, p. 475; also 95 *U. S. Reports* 90. Where protest is unnecessary, protest fees cannot be collected.

## IV. DUPLICATE CHECKS.

We issue sole drafts (or checks) on our New York bankers and when one is lost we take a bond and refund the money or issue a new draft.

We understand that the lost check does not outlaw, and ten years hence may be found and possibly paid at New York, and we stand charged for the amount. In the meantime, our indemnity bond may have become worthless.

Questions: Can the money be recovered from the last endorser? Should we order payment stopped in New York?

Formerly we drew drafts in duplicate and being in doubt as to the liability under sole drafts we feel like going back to the old custom.

REPLY.—We have had frequent occasion to point out the dangers and troubles arising from the issue of duplicate checks. If a check is indorsed so as to become payable to bearer, and is then lost or stolen, it may fall into the hands of a *bona fide* holder, who can recover on it against the drawer, or it may be paid by the drawee, to some one apparently entitled to it, and, if so paid, may be properly charged to the drawer's account. It is not true, however, that this liability lasts indefinitely. A check, or a bank draft, which in this respect is like a check, must be presented within a reasonable time, and if not so presented, it becomes "stale," so that the bank which pays it cannot charge it to the drawer's account, unless the check is good against the drawer, in the hands of the party receiving payment. Nor can the taker of a "stale" check claim to be a *bona fide* holder. What constitutes staleness is rather uncertain and depends upon the circumstances of the particular case. It was decided in one case that a check becomes "stale" in five months. See *Daniel on Negotiable Instruments*, § 1,633 *et. seq.* It should be noticed, however, that a check does not become "stale" in the hands of the rightful owner until the ordinary period of limitation has past, unless the drawer has suffered some damage by the delay in presentment. If the check is improperly paid, your remedy is against the drawee, by refusing to allow the charge in your account, not against an indorser of the check, for when the check is paid that is an end of the indorser's contract. It is neither necessary nor expedient to issue a duplicate at all, unless specially requested by the purchaser, nor to stop payment of the original check when a duplicate is drawn; as the original is properly at the risk of the purchaser whose business it is to notify the drawee. The duplicate should provide "original being unpaid," and the drawee should be notified when the duplicate is drawn. All original checks ought to bear the word "Original" upon their face.

## V. SUITS AGAINST INSOLVENT NATIONAL BANKS.

A National bank became insolvent and a receiver was appointed by the Comptroller of the Currency. A creditor of the bank wishes to bring suit to recover a debt which he alleges the bank owes him. Ought his suit to be against the bank or against the receiver? Will a suit lie against a bank after the appointment of a receiver?

REPLY.—It has been held that an action may be brought against a National bank after the appointment of a receiver. *Bank of Bethel vs. Pahquioque National Bank* (14 Wallace 383); *Security Bank vs. National Bank of Commonwealth* (4 Thomp. and Cook 518); *Green vs. Walkill National Bank* (7 Hun. 63). Also, that in an action on a claim against a National bank which has suspended, the receiver may be made a party. *Ordway vs. Central National Bank, Baltimore* (46 Maryland Rep.).

## VI. GRACE UPON PAPER IRREGULARLY ACCEPTED.

Is there not grace on an *order* written payable on demand and accepted by the drawee payable at his bank on some future date specified in the acceptance of said order?

REPLY.—We are inclined to think not, though we do not remember to have seen a decision upon the point. It is clear there is no grace, if the order is not negotiable, because it is not a commercial instrument which would carry grace under any circumstances. If it is negotiable, so as to be in effect a bill of exchange payable on demand, then the instrument would not carry grace as drawn; and it is difficult to say that the drawee, who ought, according to the tenor of the instrument, to pay on demand, and has postponed the day of payment for his own convenience to a day certain in the future, expects or intends to have days of grace added. It has been held that a bill at sixty days sight, but accepted payable upon a day certain (*Kenner vs. Creditors*, 19 Mart [La.] 540, 20 Id. 35), and a bank check payable on time, (*Westminster Bank vs. Wheaton*, 4 R. L. 30), do not carry grace, which are somewhat analogous cases.

## VII. THE HOLIDAY LAW OF NEW YORK.

In section 2d, chapter 416, *Laws State New York*, 1857, there appears the words: "Shall be deemed due and payable on the day mentioned for the payment of the same, without any days of grace being allowed." Now, if that "day" on the instruments mentioned falls due on a Sunday or a Holiday, when shall a demand for payment be made? On the first business day preceding or succeeding said Sunday or Holiday? Does the law of our State in relation to paper maturing on Sundays and Holidays, or the Holiday Law, then step in and take charge of the instrument?

REPLY.—The section quoted from the *Law of 1857* refers only to checks, drafts, etc., drawn upon a bank or banker. To such paper (upon which grace is not allowed) the common law rule would be that when it falls due on a Sunday or holiday, it is not payable until the first business day succeeding.

The Holiday Law changes the common law, by prescribing the following new rules:

1. That not only bills of exchange and promissory notes, on which grace may be claimed, but bank checks and other paper on which grace cannot be claimed, become payable on the first secular day preceding the day on which they would be payable as written, if such day is one of the described holidays.

2. That all the described holidays, if they happen to occur on Sunday, shall be postponed to the following Monday, and that all paper falling due on such a Monday shall be payable on the preceding Saturday.

No change is made in the common law, in the case of paper falling due on Sunday. If the day of maturity is both a Sunday and a holiday, the practice of the banks in this city is to regard all paper as payable on Saturday.

## VIII. STATE USURY LAWS.

Referring to reply in your April number as to the legality of interest contracts, would same rule apply *vice versa*—that is, in the case of a note made in New York and due in Louisiana? The *contract* in that case would be made in New York.

REPLY.—The same rule would prevail. The parties have the right of election as to the laws of the place by which their contract is to be governed.

## IX. NOTES PAYABLE IN TWO AND A HALF MONTHS.

1. In your reply to inquiries of correspondents in your April number you say that a note dated December 16, 1878, payable two and a half months after date, should be protested on March 5, the half month being one-half *the* month actually occurring from the end of the second month. Upon this plan when would you make a note due, dated January 16, 1879, payable two and a half months after date?

2. Your reply (in your April number) as to the maturity of a note payable two and a half months after December 16th, appears to be very clear, until you apply the rule to other similar notes, and then it fails to apply. Suppose the note were dated *February* 16th, payable one and a half months after date, when would it mature?

The law of usances disposes of this discrepancy by making half a month fifteen days, irrespective of the month's length.

I agree with your view of the particular case mentioned, but cannot see how to always apply the rule.

REPLY.—The answer to both these questions is the same, viz., April 3d. The month actually occurring at the end of the last whole month, from March 16th to April 16th, is thirty-one days. One half of thirty-one days must be taken to be fifteen days, because the law does not regard parts of days, and sixteen days would be more than half a month. From March 16th, fifteen days plus three days grace, gives April 3d. Undoubtedly it is more convenient to adopt a uniform rule, following the analogy of the law of usance, and call half a month fifteen days in all cases. As we understand a usance, it was originally the time which, by custom, a bill of exchange drawn in one country and payable in another, had to run before payment could be demanded, the bill itself not being by its terms payable at any particular date. Afterwards, the length of the usance (as for example between London and Paris, or London and Hamburg) being established by custom, it became common to draw bills on one or more usances or half usances, the rule being that when a usance was a month, a half usance was always fifteen days. Usances, however, were never established between this and other countries, and in examining the question we were unable to find that the analogy to be derived from the rule governing half usances had ever been judicially followed in this country in computing the length of half a month. Nor are we aware that a well-recognized practice has grown up of treating a half month as fifteen days, which would have the force of a judicial decision. In spite, therefore, of the obvious convenience of so doing, we thought it safer to follow the other well-settled rule on the subject, that months are always calendar months as they run from the date of the instrument. We are informed that the Chief Justice and other experienced lawyers in the State where one of the inquirers lives, think a half month is fifteen days in all cases, and no doubt it would be well if this were the established rule.

## X. THE RETURN OF UNPAID COLLECTIONS.

Bank in C sends bank in K an acceptance for collection and return with printed instructions in remittance letter as follows: "If not accepted or paid at maturity, please return at once." Is bank at K released by virtue of these instructions, if the collection is returned without protest?

REPLY.—We think not. The collecting bank has certain well-understood duties imposed upon it by the law: among which is the duty of protesting dishonored paper. The printed form of letter, referred to, is plainly not in-

tended to instruct the collecting bank in the performance of those duties, nor to point out which of them is to be performed to the *exclusion* of the others. It merely calls for a prompt return of the paper if dishonored.

#### XI. TRAVELING AGENT'S DRAFTS.

Will you please give me your opinion as to whether a firm is bound to honor the draft of one of its traveling agents. Should a draft be cashed by a bank who knows that the agent is traveling for the firm, and who sees him offering for sale and selling their goods, and who also has cashed previously same party's drafts on same firm and they were duly honored? Does it alter the situation any if such a draft be protested for "want of advice"?

REPLY.—The drawees are not bound to honor the draft, unless their conduct has amounted to a promise *to you* to do so. The facts stated clearly do not amount to such a promise, however well they may support an inference, that the firm had authorized their agent to draw upon them.

#### XII. REVENUE STAMPS ON OFFICIAL CHECKS.

Please inform us whether a check signed "Jno. Smith, Tp. Treas." (and charged to such an account) requires a two-cent revenue stamp.

REPLY.—Section 3,420 R. S. provides that "all bank checks," etc., "issued by the officers of the U. S. Government, or by officers of any State, county, town, or other municipal corporation, are exempt from taxation: *Provided*, that it is the intent to exempt from liability to taxation, such . . . corporations in the exercise only of functions strictly belonging to them in their ordinary governmental and municipal capacity."

It would appear therefore that the check mentioned does not require a stamp.

A BRITISH TRADE DOLLAR.—The London *Economist* has the following upon the Japanese silver coinage:

"A well-informed correspondent writes us from Yokohama advocating the substitution of a Japanese yen, or dollar, for the mixed and debased silver currency now in use in the East. 'With Mexico,' he says, 'giving us half a dozen different dollars and Chinese shroffs, dividing these into one, two, three, and four classes at their fancy, the whole China and Japan trade has to suffer a squeeze of about two per cent. on its medium of exchange. A properly guaranteed Japanese dollar would do away with all this, and it would be a splendid thing for Japan to be made the coiner for the China trade, while surely it would be cheaper for England to remit in California silver, the balance due to China, passing it on the way for coinage through our mint—rather than as at present to use Mexican dollars. There would be a saving in freight, insurance, and charges.' The writer very properly urges that in order to give confidence in the Japanese dollar it would be necessary to place the mint of Japan under foreign supervision, so as to insure permanency of standard and continuity of supply. Such a supervision, he thinks, might well be undertaken by this country, in consideration of the advantages which we would derive from an improvement of the currency. But indirect intervention of the kind suggested, might prove embarrassing, and, however beneficial it might be to Japan, it would certainly not be the best step for us to take in our own interest. The more direct, and by far the better mode of meeting the demand for an honest and stable silver currency in the East would be to issue, as has often been proposed, a British trade dollar. If the want for a good coinage is so pressing that a Japanese yen would quickly make its way, a coin bearing the direct guarantee of the British Government would surely find a wide outlet."





## INTERNAL REVENUE TAXATION OF BONDS.

FORTY-FIFTH CONGRESS—THIRD SESSION.

AN ACT to Amend the Laws Relating to Internal Revenue.

APPROVED MARCH 1, 1879.

SEC. 22. That whenever, and after, any bank has ceased to do business by reason of insolvency or bankruptcy, no tax shall be assessed or collected, or paid into the Treasury of the United States, on account of such bank, which shall diminish the assets thereof necessary for the full payment of all its depositors; and such tax shall be abated from such National banks as are found by the Comptroller of the Currency to be insolvent; and the Commissioner of Internal Revenue, when the facts shall so appear to him, is authorized to remit so much of said tax against insolvent State and Savings banks as shall be found to affect the claims of their depositors.

That in making further collections of internal revenue taxes on bank deposits, no Savings bank, recognized as such by the laws of its State, and having no capital stock, shall, on account of mercantile or business deposits heretofore received, upon which no interest has been allowed to the parties making such deposits, be denied the exemptions allowed to Savings banks having no capital stock, and doing no other business than receiving deposits to be loaned or invested for the sole benefit of the parties making such deposits, without profit or compensation to the banks, if such bank has paid the lawful tax upon the entire average amount of such business or mercantile deposits; but nothing in this section shall be construed to extend said exemptions to deposits hereafter made, or in any way to affect the liability of such deposits to taxation.

That section 3,408 of the *Revised Statutes* be amended by striking out all after the thirtieth line, and inserting the following:

Associations or companies known as Provident institutions, Savings banks, Savings funds, or Savings institutions doing no other business than receiving and loaning or investing savings deposits shall be exempt from tax on so much of such deposits as they have invested in securities of the United States, and on two thousand dollars of savings deposits and nothing in excess thereof, made in the name of and belonging to any one person.

That all laws and parts of laws inconsistent with the provisions of this section, be, and the same are hereby repealed.

## THE REFUNDING ACT.

The following is the text of the law under which the Secretary of the Treasury is now proceeding with the exchange of the ten-forty bonds, and which will enable him to refund the sixes of 1881 when they become redeemable:

AN ACT to facilitate the Refunding of the National Debt.

“The Secretary of the Treasury is hereby authorized, in the process of refunding the National debt under existing laws, to exchange directly, at par, the bonds of the United States bearing interest at four per centum per annum, authorized by law, for the bonds of the United States commonly known as five-twenties, outstanding and uncalled; and whenever all such five-twenty bonds shall have been redeemed, the provisions of this section and all existing provisions of law authorizing the refunding of the National debt shall apply to any bonds of the United States bearing interest at five per centum per annum or a higher rate, which may be redeemable. In any exchange made under the provisions of this section, interest may be allowed on the bonds redeemed for a period of three months. Approved, January 25th, 1879.”

## BANKING AND FINANCIAL ITEMS.

**DIVIDENDS.**—The Comptroller of the Currency has declared dividends during the month of April in favor of the creditors of the following insolvent or liquidating National banks :

	No. of dividends.	Rate per cent.	Total dividends.
First National Bank, Allentown, Pa.....	2d.	15	35
Commercial National Bank, Saratoga Springs, N. Y....	1st.	30	30
First National Bank, Warrensburg, Mo.....	1st.	10	10
German-American National Bank, Washington, D. C....	1st.	10	10

**A COUNTERFEIT LEGAL-TENDER NOTE.**—A remarkable counterfeit has been detected at the Sub-Treasury in New Orleans. It is a counterfeit \$ 20 United States legal-tender note, and is of a character to deceive even persons accustomed to handling notes. The fact that the work on the note was executed with a pen and ink, makes it still more remarkable. All the intricate figures and curves, all the heads, the seal, the fine engraving work, and even the fiber in the paper are almost perfectly counterfeited by pen and ink. The signature of John Allison, formerly Register of the Treasury, is almost exact, while that of John C. New, formerly Treasurer, is perfect. The whole bill, back and face, is a wonderful piece of pen work.

**FAILURES FOR FIRST QUARTER OF 1879.**—The statement of Messrs. Dun, Barlow & Co. furnishes the following exhibit of the number of failures in the United States and Canada for the three months ending March 31, 1879, together with the amount of liabilities; also a comparative statement of the same figures for the first quarters of 1878 and 1877 :

STATES AND TERRITORIES.	Quarter ending		
	March 31, 1879.	March 31, 1878.	March 31, 1877.
	Liabilities.	Liabilities.	Liabilities.
Eastern States.....	\$6,840,842 ..	\$11,016,974 ..	\$6,798,408
Middle States.....	14,314,647 ..	32,274,606 ..	13,308,354
Southern States.....	8,717,908 ..	11,699,029 ..	6,666,391
Western States.....	8,880,221 ..	25,014,081 ..	15,545,398
Pacific States and Territories.	4,859,047 ..	2,074,136 ..	2,219,519
Total.....	\$43,112,665 ..	\$82,078,826 ..	\$54,538,070
Dominion of Canada.....	11,648,697 ..	9,100,929 ..	7,576,511

STATES AND TERRITORIES.	Quarter ending		
	March 31, 1879.	March 31, 1878.	March 31, 1877.
	No. of Failures.	No. of Failures.	No. of Failures.
Eastern States.....	343 ..	539 ..	418
Middle States.....	831 ..	950 ..	918
Southern States.....	435 ..	483 ..	384
Western States.....	648 ..	1,218 ..	969
Pacific States and Territories.	207 ..	165 ..	180
Total.....	2,564 ..	3,355 ..	2,869
Dominion of Canada.....	934 ..	555 ..	572

The above figures indicate a decrease in failures of 841 in number during the quarter, being a falling off of twenty-five per cent. as compared with the corresponding quarter of last year. In the amount of liabilities, however, a much greater reduction is shown, the failures for the last three months being only slightly more than one-half in amount of those for the similar period of 1878, and considerably less than those for 1877.

**THE BUTCHERS AND DROVERS' BANK.**—Mr. Gurdon G. Brinckerhoff has been unanimously elected President of the National Butchers and Drovers' Bank, to succeed the late Mr. Denton Pearsall. Mr. Brinckerhoff has been in the bank for about twenty-six years, and its Cashier for the last twelve years. Mr. W. H. Chase, who has been in the service of the bank for twenty-two years, has been promoted to the Cashiership.

**CALLS OF BONDS.**—The final calls of five-twenty bonds by the Secretary of the Treasury, are as follows:

Ninety-third call, dated March 31, 1879. Matures June 30.

*Coupon Bonds.*—Dated July 1, 1867, \$50, Nos. 111,001 to 117,000; \$100, Nos. 208,001 to 220,000; \$500, Nos. 108,001 to 112,000; \$1,000, Nos. 194,001 to 203,000. Total coupon, \$7,000,000. *Registered Bonds.*—"Redeemable at the pleasure of the United States after the first day of July, 1872," as follows: \$1,000, Nos. 44,551 to 44,600; \$5,000, Nos. 15,801 to 16,450. Total registered, \$3,000,000. Aggregate, \$10,000,000.

Ninety-fourth call, dated April 3, 1879. Matures July 3.

*Coupon Bonds.*—\$50, Nos. 117,001 to 123,000; \$100, Nos. 220,001 to 234,000; \$500, Nos. 112,001 to 115,000; \$1,000, Nos. 203,001 to 213,000. Total coupon, \$7,000,000. *Registered Bonds.*—\$5,000, Nos. 16,451 to 17,050. Total registered, \$3,000,000. Aggregate, \$10,000,000.

Ninety-fifth call, dated April 4, 1879. Matures July 4.

*Coupon Bonds.*—\$50, Nos. 123,001 to 128,833; \$100, Nos. 234,001 to 245,000; \$500, Nos. 115,001 to 118,580; \$1,000, Nos. 213,001 to 227,429. *Registered Bonds.*—\$50, Nos. 3,251 to 3,279; \$100, Nos. 23,701 to 23,829; \$500, Nos. 11,561 to 11,588; \$1,000, Nos. 44,601 to 44,732; \$5,000, Nos. 17,051 to 19,266.

The bonds outstanding and represented by the above mentioned numbers, constitute the residue of those issued under the Act of March 3, 1865, Consols of 1867.

Ninety-sixth call, dated April 5, 1879. Matures July 5.

*Coupon Bonds.*—\$50, Nos. 1 to 15,902; \$100, Nos. 1 to 36,779; \$500, Nos. 1 to 13,111; \$1,000, Nos. 1 to 26,455. *Registered Bonds.*—\$500, Nos. 1 to 2,087; \$1,000, Nos. 1 to 7,088; \$5,000, Nos. 1 to 1,816; \$10,000, Nos. 1 to 2,613.

The bonds included in the above mentioned numbers constitute the entire amount outstanding of those issued under the Act of March 3, 1865, known as Consols of 1868, and are the last of the United States 5-20 bonds.

**CALLS OF TEN-FORTY BONDS.**—The Treasury Department issued in April its calls for the redemption of the ten-forty bonds as follows:

Ninety-seventh call, dated April 9, 1879. Matures July 9.

*Coupon Bonds.*—\$50, Nos. 1 to 3,000; \$100, Nos. 1 to 5,000; \$500, Nos. 1 to 3,000; \$1,000, Nos. 1 to 7,000. Total coupon, \$3,000,000. *Registered Bonds.*—\$50, Nos. 1 to 200; \$100, Nos. 1 to 1,000; \$500, Nos. 1 to 1,000; \$1,000, Nos. 1 to 3,000; \$5,000, Nos. 1 to 1,600; \$10,000, Nos. 1 to 1,500. Total registered, \$7,000,000. Aggregate, \$10,000,000.

Ninety-eighth call, dated April 18, 1879. Matures July 18.

*Coupon Bonds.*—\$50, Nos. 3,001 to 17,308; \$100, Nos. 5,001 to 56,169; \$500, Nos. 3,001 to 55,491; \$1,000, Nos. 7,001 to 128,435. Total coupon, \$46,775,000. *Registered Bonds.*—\$50, Nos. 201 to 1,450; \$100, Nos. 1,001 to 11,000; \$500, Nos. 1,001 to 7,100; \$1,000, Nos. 3,001 to 29,300; \$5,000, Nos. 1,601 to 10,300; \$10,000, Nos. 1,501 to 24,700. Total registered, \$113,225,000. Aggregate, \$160,000,000.

Ninety-ninth call, dated April 21, 1879. Matures July 21.

*Registered Bonds.*—\$50, Nos. 1,451 to 1,578; \$100, Nos. 11,101 to 11,732; \$500, Nos. 7,101 to 7,492; \$1,000, Nos. 29,301 to 30,618; \$5,000, Nos. 10,301 to 10,853; \$10,000, Nos. 24,701 to 27,570.

The bonds outstanding and represented by the above mentioned numbers constitute the residue of those issued under the Act of March 3, 1864, 10-40 bonds. One hundredth call, dated April 23, 1879. Matures July 23.

*Registered Bonds.*—\$5,000, Nos. 1 to 3,337, both inclusive. Total, \$260,000.

The bonds outstanding and represented by the above mentioned numbers constitute the residue of those issued under the Act of June 14, 1858.

MR. JAMES STUART, the senior member of the well-known banking house of J. & J. Stuart & Co., No. 33 Nassau Street, died on March 25th, at his residence in this city. He was born in 1802, near Market Hill, County Armagh, Ireland, and came to this country in 1832. After living in Philadelphia several years, he came to this city in 1835, and with his brother, William Stuart, went into the dry goods business, the firm taking the name of J. & J. Stuart & Co. For about twenty years this firm was one of the largest importing houses in the trade. In 1856, they sold out their dry goods business and started as bankers at No. 33 Nassau Street, where their business has since been carried on. Mr. Stuart was connected with a number of charitable and other institutions. He was also a director of the Fourth National Bank, and President and director of the Hanover National Bank.

A remarkable coincidence in connection with the decease of Mr. Stuart is, that James Drummond, who had been in his employ for about forty-five years, died on the same day and within a few hours of Mr. Stuart, aged eighty-one years.

ARIZONA.—Messrs. Safford, Hudson & Co. have opened a banking house in Tuscon, beginning with a paid capital of \$50,000. The members of the firm are well and favorably known. Their New York correspondents are Messrs. J. & W. Seligman & Co.

COLORADO.—Among the new banks in this State the Bank of Leadville, at Leadville, is to be mentioned. The officers are: H. A. W. Tabor, President, and George R. Fisher, Cashier. Messrs. Kountze Brothers are the New York correspondents.

IOWA.—Mr. B. B. Woodward, one of the oldest and most widely known bankers in the State, has retired, on account of ill-health, from the presidency of the Davenport National Bank. He was elected cashier of this bank upon its first organization, as a State bank, in 1858, and became its president in 1875, but now, after prolonged and serious illness, resigns his position. All who have been brought into relations with Mr. Woodward will wish for his speedy restoration to health. Mr. Woodward's successor in the presidency of the bank is Mr. E. S. Ballord, who was the unanimous choice of the directors.

BOSTON SEMI-ANNUAL DIVIDENDS.—The table of Mr. Joseph G. Martin, given on page 916, presents the capital of each bank, together with the last three semi-annual dividends, free of all taxes. Also the market value of each stock, *dividend on*, October 1, 1878, and April 1, 1879.

The National Bank of Commerce cut down its capital February 24, from \$2,000,000 to \$1,500,000, each stockholder surrendering to the bank one-fourth of his stock. The Merchandise National reduces its capital from \$750,000 to \$500,000, redeeming one share in three at \$100. The Globe passes at this time, but earned two and a quarter per cent. net and will probably resume dividends in October next. The Shoe & Leather passes for the first time in its history of forty-three years.

The Blue Hill reduced its capital March 15, from \$300,000 to \$200,000, by redeeming one share in three at \$100.

The changes in bank dividends are growing less numerous from the fact that previous reductions have been very large. A few which passed in October now make dividends, and others which then paid now pass. As compared with October, the Boston (old) decreases from three to two per cent.; Freeman, three to two; Hamilton, three to two; Hide & Leather, two and a half to two; National Market of Brighton, five to four and a half; New England, three and a half to three; Rockland, four to three. The Blackstone, Continental, Market and Third National increase from nothing to two per cent. The following pass: Central, Commonwealth, First Ward, Globe, Manufacturers, Merchandise, Mount Vernon, Revere, Shoe & Leather, and Traders.

Of the sixty-one banks within the limits of Boston one pays six per cent. (three per cent. quarterly), one, four and a half per cent.; six, four per cent.; one, three and a half per cent.; thirteen, three per cent.; four, two and a half per cent.; twenty-two, two per cent.; twelve pass, and the Pacific divides January and July.

Four years ago there were fifty-eight banks, of which two then paid seven per cent. (semi-annual); six, six per cent.; eleven, five; three, four and a half; twenty-two, four; four, three and a half; nine, three per cent., and one passed. All above four per cent., except a single four and a half, have disappeared, and only nine divide over three per cent.

**CORPORATIONS AS SAVINGS BANKS.**—For the past forty years the Nashua and Jackson Manufacturing Companies of Nashua, N. H., have been the depositories for the savings of their employees. They were not exactly savings banks, for they did not receive deposits from the general public, but from their employees only, and they made no loans, but used the deposits in their own business. Of late years, and since savings banks have become common institutions, it has been felt that the system should be abandoned, but to wind up these institutions was regarded as quite difficult, and so it has been postponed until now. The step has now been taken, and the depositors in both institutions have been paid in full. It is the close of forty years of most honorable service. No depositor has lost a dollar, while five per centum interest has uniformly been paid them. In some instances, depositors were paid who made their first deposit forty years ago. The Jackson Company paid out about twenty thousand dollars to one hundred depositors, and the Nashua Company some sixty thousand dollars to three hundred depositors.—*Nashua Telegraph*, April 1.

**NEW YORK.**—The Genesee County National bank at Batavia has been organized and began business in April. The officers are Solomon Masse, president; Dean Richmond, vice-president, and W. F. Merriman, cashier. The vault, counters and desks have been fitted up with solidity and elegance, and the burglar-proof safe secured by the modern improvements of time and combination locks. The largest shareholder of the new bank is Mrs. Dean Richmond, of Batavia. Their New York correspondent is the American Exchange National Bank.

**NORTH CAROLINA.**—The bill for funding the North Carolina debt has become a law. It provides for the conversion of the debt into four-per-cent. bonds at forty per cent. of the face of the debt created prior to the rebellion, twenty-five per cent. of the debt issued to railroads, and fifteen per cent. of the funding bonds issued in 1866 and 1868.

**RHODE ISLAND.**—A bill for the protection of bank depositors is now before the Rhode Island Legislature, which promises to keep the interests of depositors of the Savings banks in that State more jealously guarded than heretofore. The bill provides for the election, by the General Assembly, at the January session, of a Bank Examiner, to hold office for three years, who shall visit each bank and trust company at least once a year, and oftener if he deem it necessary, to ascertain its true condition and its ability to fulfill its engagements. He is to prepare a statement and submit the same to the Legislature at the January session. The new bill, however, as first presented, makes no provision by which the Examiner may specially report to the Legislature or to the Supreme Court, if he discovers any reason why the bank under examination is in an unsafe condition, whether from irregularity or otherwise, upon which action should be taken at once. If a bank is unable to pay its depositors in full on demand, the trustees of the institution may represent the same to the Examiner, and, with his consent, may scale the deposits and charge the loss *pro rata* among the depositors in case the bank's assets are worth seventy-five per cent. of the amount due. Should the bank recover upon its assets afterward, the gains accruing are to be divided among the depositors. If any bank should find it impossible to pay seventy-five per cent., the trustees shall have the power to wind it up and divide the assets among the depositors as soon as possible; unless, however, a majority in amount of the depositors request that the loss upon the assets be divided among the depositors and the bank be continued. No single depositor is to be allowed to have over \$5,000 to his credit, and the bank officials as well as those acting for them are strictly forbidden from receiving any commission, brokerage, fee or gift, for the negotiation of loans.

**ADVENTUROUS BANK THEFT.**—At Charleston, S. C., on March 31st. a man named Morgan, who claims to be from Utica, N. Y., was arrested while passing from the First National Bank with \$20,000 worth of United States bonds and other securities stolen from the President's private room. The property was recovered and the prisoner locked up. The robbery was evidently the work of skilled and experienced thieves, who had been preparing for it for some time past.

**VERMONT.**—The National Bank of Poultney, Vermont, has suspended, and will be wound up. Its capital is \$100,000, J. Joslin being President, and Merritt Clark Cashier. All liabilities, it is stated, will be paid in full.

**CANADA.**—The Bank of Montreal has declared a dividend of five per cent. on the business of the half year. The directorate deemed it advisable to draw on the rest for \$500,000, to provide for the depreciation of assets, and to wipe out all accounts of a doubtful nature. The business done, however, has been a satisfactory one, the profits not only providing for all losses but paying the dividend just declared.—*Monetary Times.*

**PHOTOGRAPHY IN BANKS.**—An ingenious method of treating doubtful customers is reported to have been adopted by the Bank of France. For some time past this institution has made use of photography, and among its regular force is a photographic detective. It has been his duty to examine suspicious documents through a camera, which exercises by its magnifying powers a sharper vision than the human eye, and can detect the most careful erasures and alterations. The bank is now said to have added to its precautions an invisible studio placed in a gallery behind the cashiers, and whenever the signal is given, a camera is turned upon any person indicated, and an accurate picture of him taken while he is engaged in conversation by the officer in charge.

**OUTSTANDING NATIONAL CURRENCY.**—The following is a statement of the outstanding circulation of legal-tender notes and fractional currency, March 31:

United States notes, new issue, \$17,453,443; series of 1869, \$126,759,220; series of 1874, \$32,484,001; series of 1875, \$131,915,580; series of 1878, \$38,068,772. Total United States notes, \$346,681,016; fractional currency, \$15,925,666.47. Grand total, \$362,606,682.47.

**TREASURY RECEIPTS.**—The receipts at the Treasury Department for the month of March were:

From customs, \$12,899,992.90; from internal revenue, \$7,305,150.13; from miscellaneous sources, \$913,996.03; from repayments, \$253,420.40. Total, \$21,372,550.46.

Repayments consist of unexpended balances returned by disbursing officers.

The revenue receipts for the nine months ending March 31, aggregated \$81,412,725.41; same period last year, \$80,745,162; increase, \$667,563.41.

**THE FOUR-PER-CENT. BONDS.**—The Secretary of the Treasury announced on April 16th the terms on which he would thereafter dispose of the four-per-cent. bonds. He intended to reserve about \$40,000,000 of them to cover the amount required for conversion of refunding certificates. The balance of \$150,000,000 was to be sold at 100½ and accrued interest to date of subscription, less one-eighth of one per cent. commission on sums of \$1,000 and over, and the usual allowance of time to be given to the depository banks within which settlements may be made. In order to prevent the taking out of refunding certificates and their conversion into four per cents. for the purpose of evading the terms of the circular, he should require a premium of one-half of one per cent. to be added to the amount of the certificate of a National bank depository. The 10-40s to be taken by the Treasury at 100½ and accrued interest to date of exchange, and one-eighth of one per cent. commission to be allowed. These terms were so favorably received that \$150,000,000 of the four per cents. was taken up at once, and the announcement as above was rescinded.

## NATIONAL-BANK 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 April 1, 1879.

## 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.....	1,967,268
Outstanding January 14, 1875.....	\$ 351,861,450
Redeemed and retired from Jan. 14, 1875, to date. \$	73,420,302
Surrendered between same dates.....	<u>10,637,652</u>
Total redeemed and surrendered	84,057,954
Issued between same dates.....	<u>57,856,780</u>
Decrease from January 14, 1875, to date.....	26,201,174
Outstanding at date.....	<u>\$ 325,660,276</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>85,174,557</u>
Total deposits.....	88,988,232
National-bank Circulation redeemed by Treasurer between same dates without re-issue.....	<u>76,187,534</u>
Greenbacks on deposit at date.....	<u>12,800,698</u>
Greenbacks retired under act of January 14, 1875.....	\$ 35,318,984
Greenbacks outstanding at date.....	<u>346,681,016</u>

JOHN JAY KNOX, *Comptroller of the Currency.*

The following is a statement of the operations of the National Bank Redemption Agency for the month and for the nine months ending March 31, as compared with the corresponding period of 1878:

<i>National Bank Notes disposed of.</i>	<i>Month.</i>	<i>Nine Months.</i>
Notes fit for circulation, assorted and returned to the banks of issue.....	\$ 10,172,000	.. \$ 88,770,400
Notes unfit for circulation, assorted and delivered to the Comptroller of the Currency for destruction and replacement with new notes.....	3,018,600	.. 28,193,000
Notes of failed, liquidating and reducing banks, deposited in the Treasury.....	<u>775,600</u>	.. <u>5,400,550</u>
Totals for 1879.....	\$ 13,966,200	.. \$ 122,363,950
Totals for 1878.....	<u>13,592,850</u>	.. <u>156,162,000</u>
Increase.....	\$ 373,350	.. —
Decrease.....	—	.. \$ 33,798,050

The Comptroller of the Currency reports the net increase of National bank notes during the month of March at \$1,051,026. The increase in February was \$1,648,401; in January, \$607,995; in December, \$490,618; in November, \$840,441; total increase for the last five months, \$4,668,481.

The increase in the amount of legal-tender notes deposited for the purpose of retiring National bank circulation during the same period was \$3,172,500.

Total decrease in National bank circulation for the four months previous to November 1, 1878, was \$2,090,369. Total amount of National bank notes

outstanding, exclusive of National gold banks, April 1, 1879, \$ 325,660,276. Amount of National gold-bank circulation, \$ 1,466,920.

There have been twenty National banks organized since November 1, 1878, which was the date of the tables contained in the Comptroller's report, with a capital of \$ 1,720,000; and since the same date, twenty-six banks have gone into liquidation, with a capital of \$ 2,980,000. The present paid-in capital of the National banks is \$ 465,483,362.

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THE CRIME OF DELEBECQUE.—Delebecque, the fraudulent master of the Mint at Bordeaux, has been tried for defrauding MM. de Rothschild of a sum of about £55,000 by substituting bars of copper for silver entrusted to him for coinage. The evidence adduced on the trial showed clearly the manner in which the fraud had been effected, which had not before been satisfactorily explained. When the bill to suspend the silver coinage of five-franc legal-tender pieces was passed in the summer of 1876, a sum of 1,375,146*fr.* had already been deposited for coinage by MM. de Rothschild. The Mint certificates, for which coin was to be subsequently given in exchange, were, in consequence, only issued at two years date, for December, 1878, as the masters of mints were permitted to work off gradually the silver already deposited, although they were forbidden to receive any fresh deposits for coinage. The ingots of silver at Bordeaux were lodged in a strong room, the key of which was kept by a comptroller appointed by the Treasury, and who only gave them out as they were required for coining. In January, 1878, Delebecque informed the comptroller that he wished to commence coining the silver to be delivered to MM. de Rothschild at the end of the year, and the ingots were delivered to him; but some weeks later he told the comptroller that he had not been able to do the work, as his machinery was out of order, and that he wished to return the silver to the safe, but that he had melted the ingots into bars. The bars were weighed, and as the weight corresponded with that of the ingots given out, and they presented the same external appearance, the comptroller received them and lodged them back in the safe. In November last Delebecque informed MM. de Rothschild's agent that he would be unable to deliver the coin as he had no silver, and wished to compromise the matter by some private arrangement. MM. de Rothschild, however, at once communicated with the Minister of Finance, and an inspector being sent to Bordeaux, Delebecque was forced to confess that the silver had been abstracted, and that the bars returned to the comptroller were only copper specially cast for the purpose. It was stated on the trial that the substitution could not have been detected without an assay of the bars. What accomplices Delebecque had in the mint did not transpire; evidently he could not have disposed of the metal and prepared the copper bars in the moulds used only for casting silver without some assistance. He appears, however, to have been authorized to deal in the precious metals. In his defense he pretended that he had bought the silver of the Rothschilds, and was to have paid for it in coin, and that if he was unable to do so he was simply in the position of a trader who could not fulfill his engagements. He also alleged that he had been indebted to other parties, and had paid anterior debts with MM. de Rothschild's silver. He had, however, made false returns to the Treasury, as he was bound to send in a monthly statement of the metal in the Mint, and in that of October last he had declared a stock of 6,166 kilos of silver when he had only the bars of copper. He has now been condemned to six years imprisonment and 115,000 francs fine. MM. de Rothschild will probably have to bear the loss, as the Treasury repudiates all liability, on the ground that Delebecque was a contractor for the coinage of metals on his own responsibility.



CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from April No., page 830.)

Bank and Place.		Elected.	In place of
N. Y. CITY.	Mech. & Traders' Nat'l B'k..	S. T. Brown, <i>Pr</i> .....	E. D. Brown.
"	" National Butchers and	Gurdon G. Brinckerhoff, <i>Pr</i> ..	D. Pearsall.*
"	" Drovers' Bank. }	W. H. Chase, <i>Cas</i> .....	G. G. Brinckerhoff.
"	" Grocers' Bank.....	Joseph Periam, <i>Cas</i> .....	B. E. Watson.
ALA....	First Nat'l Bank, Tuscaloosa..	Frank S. Moody, <i>Pr</i> .....	W. Moody.*
CAL....	Nat'l Gold B'k & Trust Co., San Francisco. }	H. H. Hewlett, <i>V. P</i> .....	.....
"	" Bank of Vallejo, Vallejo.....	W. C. Greeves, <i>Pr</i> .....	D. W. Harrier.
CONN...	Central Nat'l B'k, Middletown..	Henry B. Starr, <i>Cas</i> .....	G. W. Harris.
"	" First National Bank, Winsted..	F. D. Hallett, <i>Cas</i> .....	H. L. Roberts.
ILL....	Second National Bank, Aurora. }	D. Volintine, <i>V. P</i> .....	.....
"	" Second Nat'l Bank, Galesburg..	J. A. Egleston, <i>Cas</i> .....	D. Volintine.
"	" Farmers Nat'l Bank, Virginia..	W. W. Washburn, <i>Cas</i> ..	O. T. Johnson, <i>Act</i> .
"	" .. .. .	William Stevenson, <i>V. P</i> ..	.....
IOWA...	First National Bank, Iowa City..	C. S. Welch, <i>Ass't Cas</i> ..	W. M. Anderson, <i>C</i> .
KANSAS.	Abilene Bank, Abilene.....	E. A. Herbst, <i>Cas</i> .....	A. L. Ordean.
LA.....	Workingmen's B., New Orleans.	Edgar Hincks, <i>Cas</i> .....	(Not Edward.)
MAINE...	Belfast National Bank, Belfast.	John G. Brooks, <i>Pr</i> .....	J. P. White.*
MASS...	First Nat'l Bank, Ashburnham.	George F. Stevens, <i>Cas</i> ..	G. W. Eddy.
"	" Millbury Nat'l Bank, Millbury..	C. D. Morse, <i>Pr</i> .....	H. Crane.*
"	" Pacific Nat'l Bank, Nantucket..	William H. Chadwick, <i>Cas</i> ..	J. Mitchell.
"	" First National Bank, Worcester.	Gilbert K. Rand, <i>A. C</i> ..	A. H. Stone.
MICH...	Lowell National Bank, Lowell..	E. A. Sunderlin, <i>Cas</i> .....	H. M. Clark.
MINN...	Merchants' Nat'l Bank, Winona.	J. M. Bell, <i>Cas</i> .....	N. F. Hilbert.
MO.....	Central Nat'l Bank, Boonville..	W. Speed Stevens, <i>Cas</i> ..	R. Wadson.
"	" Sturgeon Bank, Sturgeon.....	O. P. Smith, <i>Pr</i> .....	B. P. Ritchie.
N. Y....	First National Bank, Baldwinsville. }	R. L. Smith, <i>Pr</i> .....	J. Frazee.
"	" White's Bank, Buffalo.....	W. McMullin, <i>Cas</i> .....	W. F. Morris.
"	" Havana Nat'l Bank, Havana..	James D. Sawyer, <i>Pr</i> ....	J. B. Griffin.
"	" First National Bank, Hobart...	James T. Bennett, <i>Cas</i> ..	W. H. Tracy.
"	" .. .. .	M. H. Kerr, <i>Cas</i> .....	R. McNaught.
OHIO...	La Fayette National & Bank of Commerce, Cincinnati }	William A. Goodman, <i>Pr</i> ..	.....
"	" First National Bank, Alliance. }	Henry Peachey, <i>V. P</i> .....	.....
"	" National Exchange Bank, Columbus. }	William J. Dunlap, <i>Cas</i> ..	.....
"	" First National Bank, Eaton... }	Charles J. Stedman, <i>A. C</i> ..	.....
"	" .. .. .	M. C. Pennock, <i>V. P</i> ....	P. H. Barr.
"	" .. .. .	P. C. Pettit, <i>A. C</i> .....	H. C. Ellison, <i>Cas</i> .
"	" .. .. .	C. J. Hardy, <i>Cas</i> .....	G. W. Sinks.
"	" .. .. .	William K. Deshler, <i>A. C</i> ..	.....
"	" .. .. .	Joseph A. DuSang, <i>Cas</i> ..	W. M. Brooke.
"	" .. .. .	A. E. Hubbard, <i>A. C</i> ....	J. A. DuSang.
PENN...	Keystone Nat'l B'k, Philadelphia.	William Armstrong, <i>Pr</i> ..	T. Allman.
"	" Foxburg Savings B'k, Foxburg.	Major R. Morgan, <i>Cas</i> ..	.....
"	" German Sav. & Deposit B'k, Pittsburgh }	Gregor Fox, <i>Pr</i> .....	B. Krugh.
"	" Farmers' Bank, Rimersburgh..	A. Fox, <i>Pr</i> .....	M. D. McCandless.
"	" York National Bank, York.....	G. Edward Hersch, <i>Pr</i> ..	H. Welsh.
R. I....	Bristol Inst. for Sav., Bristol..	William R. Taylor, <i>Pr</i> ..	S. W. Church.
"	" High Street Bank, Providence..	John Austin, <i>Pr</i> .....	A. B. Curry.
S. C....	Bank of Charleston N. B. A. }	W. C. Courtney, <i>Pr. pro tem</i> .	A. S. Johnston.
"	" .. .. .	T. A. Honour, <i>Cas</i> .....	W. B. Burden.
VA....	Bank of Clarksville, Clarksville.	Thomas Easley, <i>Pr</i> .....	S. H. Morton, Jr.
WIS...	First National Bank, Chippewa Falls. }	A. K. Fletcher, <i>Pr</i> .....	W. M. Newton.
"	" Reedsburg Bank, Reedsburg....	J. B. Kehl, <i>V. P</i> .....	A. K. Fletcher.
"	" .. .. .	George T. Morse, <i>Cas</i> ..	M. Young.
PR. ONT.	Merch. Bank of Canada, Ottawa.	David Kemp, <i>Mgr</i> .....	.....
"	" " " Walkerton.	John Gault, <i>Mgr</i> .....	A. Sprout.

\* Deceased.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from April No., page 832.)

State.	Place and Capital.	Bank or Banker.	N. Y. Correspondent and Cashier.
ARIZONA	Tuscon.....	Safford, Hudson & Co.....	J. & W. Seligman & Co.
COL.	Kokomo.....	Summit Co. B. (Eshelman, Ordean & Co.)	Kountze Brothers.
MICH.	Sand Beach.....	J. Jenks & Co.....	Ninth National Bank.
MO	Higginsville.....	A. E. Asbury.....	First National Bank, Chicago.
N. Y.	Batavia.....	Genesee Co. Nat'l Bank... \$ 50,000 Solomon Masse, Pr.	American Exch. Nat'l Bank. W. F. Merriman, Cas.
OHIO	Columbus.....	The Deshler Bank..... George W. Sinks, Pr.	American Exch. Nat'l Bank. John G. Deshler, Cas.
TENN	Trenton.....	Gibson County Bank (H.M. Elder, Cas.)	
VT.	Fair Haven.....	Allen National Bank..... \$ 50,000 Ira C. Allen, Pr.	Imp. & Tra. National Bank. Charles R. Allen, Cas.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from April No., page 832.)

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2421	Genesee Co. National Bank.... Batavia, N. Y.	Solomon Masse..... William F. Merriman.	\$ 50,000	\$ 26,800
2422	Allen National Bank..... Fair Haven, VT.	Ira C. Allen..... Charles R. Allen.	50,000	30,500

## DISSOLVED OR DISCONTINUED.

(Monthly List, continued from April No., page 833.)

NEW YORK CITY	.....	Davis & Johnson; dissolved.
ILL.	Sullivan.....	X. B. Trower (Moultrie County Bank); assigned.
MAINE.	Waterville.....	Waterville National Bank; in voluntary liquidation.
MICH.	Manistee.....	Charles F. Ruggles; business transferred to State Bank of Manistee.
N. J.	Hightstown....	Central National Bank; in voluntary liquidation.
OHIO	Cincinnati.....	Herman Levi & Co.; out of business.
PENN.	Kittaning.....	Allegheny Valley Bank; closing.
"	Pittsburgh.....	Smithfield National Bank; in voluntary liquidation.
"	Providence.....	Citizens & Miners' Savings Bank; suspended.
S. C.	Charleston.....	G. A. Trenholm & Sons; suspended.
VT.	Poultney.....	National Bank of Poultney; suspended.
PR. ONT	Brockville.....	T. G. B. Harding; failed.
"	Newmarket....	Agency Consolidated Bank of Canada; withdrawn. Succeeded by Agency Federal Bank of Canada. Jos. Cawthra, Mgr.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from April No., page 833.)*

NEW YORK CITY.....	H. L. Horton & Co.; dissolved. Now new. Same style.
" ..	Knauth, Nachod & Kuhne; removed to 17 William Street.
" ..	Stout & Co.; partnership renewed to Feb. 1, 1882.
ILL.....	Chicago..... Corn Exchange National Bank; now Corn Exchange Bank.
" ..	Effingham..... F. A. Von Gassy; now styled Effingham Bank.
" ..	Medora..... Bowman, Cockrell & Co.; now Bank of Medora.
" ..	Prairie City.... First National Bank; now Prairie City Bank.
IOWA...	Centreville..... Farmers' National Bank; now Citizens' Bank.
" ..	Clarinda..... First National Bank; suc. by Webster, Linderman & Co.
" ..	Clear Lake..... Clear Lake Bank; now W. A. Burnap, <i>Pr.</i> , J. S. Daniels, <i>Cas.</i>
" ..	De Witt..... Price & Sanford; now J. H. Price.
" ..	Logan..... Harvey & Milliman (Harrison Co. B.); now Harvey & Ford.
" ..	Magnolia..... A. W. Ford; now Clark & Ford.
" ..	Murray..... B. L. Harding (Murray Bank); now Harding & Lane.
" ..	Oskaloosa..... Mahaska Co. Savings Bank; now Oskaloosa Nat'l Bank.
KANSAS. Winfield.....	Citizens' B'k; merged in Winfield B'k. J. C. McMullen, <i>Pr.</i> J. C. Fuller, <i>Cas.</i>
MASS. . Boston.....	Blue Hill National Bank; capital reduced to \$200,000.
" ..	National Bank of Commerce; capital reduced to \$1,500,000.
MICH... Buchanan.....	First National Bank; now Farmers & Manufacturers' Bank.
" .. Reading.....	Exchange Bank (Chapman & Co.); succeeded by Bank of Reading (C. W. Waldron).
MO..... Louisiana.....	R. Holtzclaw & Co.; succeeded by Rhea & Block.
" .. Unionville.....	Putnam Co. B'k; now Marshall's B'k. H. D. Marshall, <i>Pr.</i> F. S. Marshall, <i>Cas.</i>
N. Y... Red Creek.....	W. O. Wood; deceased. Succeeded by Wood Brothers.
OHIO... Cincinnati.....	La Fayette Bank and National Bank of Commerce; consoli- dated as La Fayette National and Bank of Commerce.
TEXAS. Bryan.....	J. S. Fowlkes & Co.; succeeded by H. C. Edrington.
" .. Huntsville.....	Angier & Branch; now E. L. Angier.
Wis.... Sheboygan.....	First National Bank; now Bank of Sheboygan.

## THE FUNDING CERTIFICATES.

TREASURY DEPARTMENT, WASHINGTON, April 18, 1879.

Department Circular No. 60, of April 16, 1879, is hereby rescinded, all the four-per-centum bonds therein offered for sale having been sold.

The Ten-Dollar Refunding Certificates will be issued for lawful money in sums not to exceed \$100 at one time, by the Treasurer and Assistant Treasurers of the United States, and by all public officers bonded for that purpose. They will not be issued hereafter upon the certificate of any National bank depository.

Commissions on such issues heretofore or hereafter made, will be allowed at the rate of one-eighth of one per centum, on an aggregate of \$1,000, without regard to the period in which such exchanges are made.

This circular will remain in force for sixty days, or until the ten-forty bonds now outstanding are covered by sales, and no longer.

It is the desire of the Department to give to every citizen of the United States an opportunity to invest in limited sums his savings in these certificates at par and accrued interest.

At the end of sixty days—to wit, at the close of business on the 17th of June—the offer already made for four-per-centum bonds sufficient to cover the 10-40 bonds then outstanding, if any, will be accepted.

Department's circulars of March 12th and 26th are modified accordingly.

JOHN SHERMAN, *Secretary.*

DIVIDENDS OF THE BOSTON BANKS.

COMPARATIVE TABLES FOR THE LAST EIGHTEEN MONTHS.

[Compiled from the Reports of J. G. MARTIN, Stock Broker, Boston.]

Names of Banks.	Capital, April, 1879.	Dividend				Stock Quot.	
		April, 1878.	Oct., 1878.	April, 1879.	Oct. 1, 1878.	Mar. 28, 1879.	
Atlantic National .....	\$ 750,000	4	4	4	128	131	
Atlas National .....	1,500,000	2½	2	2	113	107	
Blackstone National .....	1,500,000	2½	0	2	99	87½	
Blue Hill National .....	200,000	3	2	0	90	92	
Boston National .....	1,000,000	3	2	2	100	93½	
Boston (old) National .....	900,000	3	3	2	61	58	
Boylston National .....	700,000	3	2	2	107	102	
Broadway National .....	200,000	3	2	2	87	87	
Bunker Hill National .....	500,000	5	4	4	155	150	
Central National .....	500,000	2	0	0	83	79	
Columbian National .....	1,000,000	4	4	4	135	135	
Continental National .....	1,000,000	2	0	2	85	85	
Eliot National .....	1,000,000	2	2	2	104	95	
Everett National .....	400,000	3	2	2	95	85	
Faneuil Hall National .....	1,000,000	4	3	3	127	125	
First National .....	1,000,000	6	4	4	175	175	
First Ward National .....	250,000	0	0	0	78	75	
Fourth National .....	200,000	2	2	2	85	83	
Freeman's National .....	800,000	3	3	2	90	90	
Globe National .....	1,000,000	2	0	0	90	81	
Hamilton National .....	750,000	3	3	2	105	108	
Howard National .....	1,000,000	3	2	2	104	101½	
Manufacturers' National .....	500,000	2	0	0	86	70	
Market National .....	800,000	2	0	2	92	85	
Massachusetts National, par \$ 250.	800,000	2	2	2	107	105	
Maverick National .....	400,000	4	4	4	144	147	
Mechanics' National .....	250,000	4	3	3	114	108	
Merchandise National .....	500,000	3	0	0	93	93	
Merchants' National .....	3,000,000	3½	3	3	131	130	
Metropolitan National .....	200,000	2	2½	2½	95	97	
Monument National .....	150,000	5	4	4	155	160	
Mount Vernon National .....	200,000	3	2	0	100	92	
National Bank of Brighton .....	300,000	3	3	3	100	90	
National Bank of Commerce .....	1,500,000	2	0	0	83	153	
National Bank of Commonwealth .....	500,000	2½	2	0	95	81	
National Bank of North America .....	1,000,000	2½	2	2	104	91	
National Bank of Redemption .....	1,000,000	3	3	3½	130	130	
National Bank of the Republic .....	1,500,000	3½	2½	3½	129	125	
National City .....	1,000,000	3	2½	2	109	107	
National Eagle .....	1,000,000	2½	2	2	105	101	
National Exchange .....	1,000,000	4½	3	3	135	130	
National Hide & Leather .....	1,500,000	2½	2½	3½	104	97	
National Market of Brighton .....	250,000	5	5	4	150	135	
National Revere .....	1,500,000	0	1½	0	103	93	
National Rockland .....	300,000	4	4	3	124	124	
National Security .....	200,000	3*	4*	3*	200	175½	
National Union .....	1,000,000	3	3	3	131	130	
National Webster .....	1,500,000	2	2	2	101	99	
New England National .....	1,000,000	3	3½	3	133	132	
North National .....	1,000,000	3	3	3	113	115	
Pacific National .....	500,000	—	3	3	91	94	
People's National .....	300,000	3½	3	3	140	137	
Second National .....	1,600,000	4	3	3	136	131½	
Shawmut National .....	1,000,000	3	2½	3½	108	102	
Shoe & Leather National .....	1,000,000	3	2	0	100	90	
State National .....	2,000,000	2½	2½	2½	114	110	
Suffolk National .....	1,500,000	3	2	2	113	110	
Third National .....	300,000	2	0	2	85	85	
Traders' National .....	600,000	2	2	2	95	80	
Tremont National .....	2,000,000	2½	2	2	104	106	
Washington National .....	750,000	3	3	3	126	125	
Total, April, 1879 .....	\$ 52,550,000	..	..	..	..	..	

\* Quarterly. † Paid three per cent. Jan. 1. ‡ New Stock, equal to 62½ for old. The stock quotations represent market value, dividend on.

## NOTES ON THE MONEY MARKET.

NEW YORK, APRIL 24, 1879.

*Exchange on London at sixty days' sight, 4.86 a 4.86½ in gold.*

The money market is easy, and the tendency of rates, here as in Europe, is less firm. The plethora of unemployed capital seems at present unfavorable to any notable advance in the quotations for either call loans or loans on time. One of the most prominent causes from which monetary trouble has been anticipated of late is the negotiation of the funding loans by Mr. Secretary Sherman. As we pointed out last month many precautions for avoiding embarrassments have been adopted by the Treasury, which by most of our bankers are deemed sufficient, though an undertone of distrust sometimes makes its presence known by signs more or less worthy of remark. On page 841 of this Magazine will be found a detailed account of the chief aspects of the great refunding operations of this year which have attracted attention in Europe and have tended to a gratifying extent to strengthen the credit of our government at home and abroad. The *London Times* suggests that as we have now provided for the refunding of the public debt as far as it can be converted for two years, we should try to reduce the principal of the debt. A bill for that purpose was introduced into the House of Representatives on the 21st inst., by Mr. Wood, appropriating 100 millions a year to the service of the debt. Unless some such provision is adopted there are certain members of Congress who will advocate the reduction of internal taxes and more especially of those affecting the Southern States, so that there will be no surplus available for the liquidation of the debt. Such at least is the report in Washington, and by advocates of the policy of liquidating the National debt by taxation to be annually kept up, Mr. Wood's bill is favorably regarded.

In connection with the funding of the debt an old discussion has again sprung up as to the future rates of interest on bank loans. It is contended that as

Mr. Sherman's recent operations prove that the borrowing power of our government is now fully and firmly established on a basis of four per cent., the rates for commercial and other loans will receive a permanent depression to lower rates than those heretofore current in this country. It is also suggested as probable that the U. S. four-per-cent. bonds now selling at par will gradually advance. In support of this opinion it is pointed out that in the last twenty years a large increase of investment capital has been made, of that class which seeks absolute security at reduced rates of interest, and that the prices of investment stocks and bonds have thus advanced, inasmuch as whatever effect the panic and its losses may have produced since 1873 upon business enterprises, the masses of the people are still earning and saving money. For this and other reasons many banks which hold five-twenties and ten-forties are said to intend re-investing at once in four per cents., while they can be obtained at par. How far this reasoning is sound is disputed. But during 1877 the U. S. five per cents. sold at 106 and when the ten-forties are redeemed there are no outstanding bonds for which the government can at once emit the new fours. Hence the supply of these bonds will be limited until 1881. It is not, however, known whether Congress will pass any legislation requiring further issues of the new fours, or whether any other circumstances can yet arise which may lead Mr. Sherman to issue such bonds in aid of resumption, and under the authority of existing laws. These and other points are sometimes mentioned in financial circles, but they do not receive general attention, and the prevailing currents of public opinion set towards increasing confidence in the stability of the government credit. In Wall Street the rates for call loans are quoted at three to five per cent. and loans on time are made at easy rates as the belief is that quotations will be lower. In commercial paper there is a fair business at four to six per cent. for sixty to ninety days and at four and a half to eight per cent. for four to six months. Subjoined are the New York bank averages :

1879.	Loans.	Specie.	Legal Tenders.	Circulation.	Deposits.	Excess of Reserve.
March 29.....	\$ 240,458,500	\$ 18,446,800	\$ 34,268,900	\$ 19,512,100	\$ 198,945,600	\$ 2,979,300
April 5.....	235,836,600	18,365,000	31,815,800	19,635,500	193,121,700	1,900,375
" 12.....	230,442,900	18,903,900	36,145,400	19,696,100	195,303,700	6,223,375
" 19.....	231,151,300	18,875,600	40,672,100	19,721,200	200,255,000	9,483,950

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

1879.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
March 29.....	\$ 140,033,100	\$ 3,644,000	\$ 4,594,000	\$ 82,891,400	\$ 25,438,200
April 5.....	139,001,100	3,646,200	4,294,700	83,572,200	25,827,800
" 12.....	138,300,400	3,684,300	3,805,800	82,486,700	26,014,200
" 19.....	137,469,400	3,655,800	3,483,700	82,967,300	26,215,000

The Philadelphia bank exhibit for the same period is as follows :

1879.	Loans.	Reserve.	Deposits.	Circulation.
March 29.....	\$ 59,006,342	\$ 14,890,998	\$ 45,256,362	\$ 11,422,038
April 5.....	59,994,959	13,701,732	45,111,747	11,520,122
" 12.....	60,554,971	14,022,748	46,552,535	11,509,940
" 19.....	60,548,617	14,516,885	47,238,852	11,516,236

In State stocks little is doing. Railroad bonds are firm but quiet. The activity of governments has lessened the demand for certain descriptions. Railroad shares are stronger, the coal stocks having been in demand. Subjoined are our usual quotations :

QUOTATIONS:	Mar. 28.	April 4.	April 11.	April 18.	April 22.
U. S. 5-20s, 1867 Coup.	102½ ..	102½ ..	102½ ..	102½ ..	102½ ..
U. S. 10-40s Coup....	102 ..	102 ..	101½ ..	101½ ..	101½ ..
West. Union Tel. Co. .	104¾ ..	106¾ ..	107¾ ..	106¾ ..	104¾ ..
N. Y. C. & Hudson R.	113¾ ..	114¾ ..	115½ ..	115½ ..	116¾ ..
Lake Shore.....	71½ ..	72½ ..	71½ ..	71½ ..	70½ ..
Chicago & Rock Island	132 ..	130¾ ..	130¾ ..	131 ..	131½ ..
New Jersey Central...	37¾ ..	42¾ ..	40¾ ..	42¾ ..	42 ..
Del. Lack. & West ...	46½ ..	50½ ..	49 ..	51½ ..	50¾ ..
Delaware & Hudson..	40 ..	42¾ ..	40¾ ..	41¾ ..	41 ..
North Western.....	59¾ ..	60¾ ..	63¾ ..	61½ ..	59¾ ..
Pacific Mail.....	13½ ..	12¾ ..	14 ..	14¾ ..	13¾ ..
Erie.....	24¾ ..	25½ ..	25½ ..	26½ ..	26¾ ..
Call Loans.....	3 @ 4 ..	4 @ 5 ..	5 @ 7 ..	4 @ 5 ..	3 @ 5 ..
Discounts .....	6 @ 7 ..	6½ @ 7½ ..	6 @ 7 ..	6 @ 7 ..	4 @ 6 ..
Bills on London.....	4.85½-4.88 ..	4.86¾-4.88 ..	4.86½-4.88½ ..	4.86½-4.88 ..	4.86-4.88 ..
Treasury balances, cur.	\$ 45,970,490 ..	\$ 43,638,517 ..	\$ 41,734,478 ..	\$ 39,517,184 ..	\$ 37,860,342 ..
Do. do. gold.	\$ 118,645,491 ..	\$ 119,674,161 ..	\$ 119,891,432 ..	\$ 120,453,865 ..	\$ 120,573,219 ..

The stock market is more active. Governments are in good demand and the volume of business is augmenting. Among the interesting features of the market is the European demand which is extending and is likely to do so still more, as is evident from many circumstances which are well worthy of more attention than they have generally received. It is said by foreign bankers that there has not been an outlook of so much promise for many years in the demand by European investors for American securities of undoubted safety such as the Government bonds. The reasons for this opinion we have often discussed, and some of them have undoubtedly much force. The circle of securities of the first-class is much smaller than it formerly was, and a multitude of descriptions formerly high in favor are now rejected by European investors. That the place of these rejected securities will gradually be filled up to some extent with our Government bonds is believed to be certain; how soon, and to what extent, the movement will operate, is, however, the question of the hour, and it is receiving more elucidation than perhaps ever before. In this connection it is pointed out that the three-per-cent. British consols are selling at 99½, which is almost equivalent to 120 for a four-per-cent. bond of like description. The closing prices in London compare as follows:

Quotations in London.	April 4.	April 10.	April 18.	April 22.	Quotations since Jan. 1, 1879.—	Lowest.	Highest.
U. S. 5s, 10-40s....	104¾ ..	103¾ ..	103½ ..	103¾ ..	103¾ Apr. 22 ..	111 Jan. 7 ..	
U. S. 5s of 1881....	107 ..	106¾ ..	105¾ ..	105¾ ..	105¾ Apr. 17 ..	109¾ Jan. 4 ..	
U. S. 4½s of 1891....	107½ ..	107¾ ..	108¾ ..	109¾ ..	106½ Mar. 24 ..	109¾ Jan. 29 ..	
U. S. 4s of 1907....	101½ ..	102¾ ..	102¾ ..	103¾ ..	101 Mar. 26 ..	103¾ Apr. 22 ..	

At the New York Stock Exchange, the range in the quotations since the beginning of the year, compares as follows:

	—Range during the Month— of Jan., 1879.				—Amount Apr. 1, 1879.—	
	Lowest.		Highest.	Registered.	Coupon.	
6s, 1881.....coup.	105¾ Mar. 22 ..		106¾ Jan. 17 ..	\$ 201,475,100 ..	\$ 81,261,250 ..	
6s, 5-20s, 1867.....coup.	— ..		— ..	114,744,250 ..	153,562,550 ..	
6s, 5-20s, 1868.....coup.	— ..		— ..	16,472,100 ..	20,964,500 ..	
5s, 10-40s.....coup.	101¾ Mar. 19 ..		108¾ Jan. 4 ..	144,322,450 ..	50,233,850 ..	
5s, funded, 1881.....coup.	103¾ Mar. 25 ..		107½ Jan. 15 ..	257,459,050 ..	250,981,300 ..	
4½s, 1891.....coup.	104 Mar. 21 ..		106¾ Feb. 28 ..	165,663,950 ..	84,336,050 ..	
4s, 1907.....coup.	x99 Apr. 1 ..		100¾ Apr. 18 ..	289,173,650 ..	160,226,350 ..	
6s, Currency, 1899....reg.	119½ Jan. 4 ..		122 Feb. 20 ..	64,623,512 ..	— ..	

Foreign exchange shows much inactivity, as there is a prevalent uncertainty and indisposition to do business until the changes are more fully developed, which have been expected to follow the heavy transactions and subscriptions in United States bonds. Besides the ordinary causes of dullness, a multitude of temporary circumstances are at work in the market, and have more or less of influence in retarding and discouraging transactions. There is evidence of an augmenting flow of foreign capital towards this country in quest of secure and profitable investment. To what extent this movement is due to the depression of business in Europe, and how long it may continue, are among the doubtful questions about which so many conflicting opinions perplex and embarrass Wall Street. In bills on London the business of to-day has been very limited in extent and is reported to have been done at 4.86 for sixty days bills and at 4.88½ for three days sight. But quotations continue to favor the purchaser.

The Bank of England reduced its rate of discount to two per cent. on April 10th.

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### *DEATHS.*

At MURFREESBORO, TENN., on Tuesday, January 21st, aged forty years, INGRAM B. COLLIER, late Cashier of the First National Bank.

At MILLBURY, MASS., on Saturday, April 5th., aged seventy-seven years, Hon. HOSEA CRANE, late President of the Millbury National Bank.

At NORWICH, CONN., on Sunday, February 2d, J. S. ELY, late President of the Uncas National Bank.

At NORWICH, CONN., on Wednesday, April 16th, aged seventy-three years, CHARLES JOHNSON, President of the Norwich National Bank.

At GREEN COVE SPRINGS, FLA., on Monday, April 7th, aged fifty-seven years, GILBERT S. LYON, President of the Central Bank of White Plains, N. Y.

At TUSCALOOSA, ALA., on Monday, March 31st, aged seventy-three years, Hon. WASHINGTON MOODY, President of the First National Bank.

At WEST CHESTER, N. Y., on Sunday, April 6th, aged sixty-seven years, DENTON PEARSALL, President of the National Butchers and Drovers' Bank of New York City.

At SAGINAW, MICH., on Friday, April 4th, aged sixty-seven years, JOSEPH E. SHAW, formerly President of the First National Bank.

At BELFAST, ME., on Tuesday, March 25th, aged seventy-eight years, Hon. JAMES P. WHITE, President of the Belfast National Bank.



THE  
BANKER'S MAGAZINE  
AND  
Statistical Register.

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THE SITUATION.

During the year ending March 31, 1879, the excess of exports over imports of gold and silver coin and bullion was \$497,117. During the year ending March 31, 1878, the excess was \$23,910,512. In both years, the excess aggregates \$24,407,629. During that period the production of our mines was, in round numbers, 160 millions, and if we assume (say) thirty-five millions for consumption in the arts, we have left a positive addition of 100 millions to the metallic money of the country. The larger portion of this addition has been absorbed in actual coin accumulation in the U. S. Treasury, for the purpose of commencing and maintaining the resumption of specie payments. As no more will be absorbed for that purpose, the present and future out-turn of our mines must either swell the amount of our own circulating medium, or be exported and thereby serve to improve the foreign markets in which our products are sold, or more probably be divided between these two uses. At any rate, we have got over the strain of the coin accumulation necessary to restore our currency to a sound condition, and hereafter the production of our mines will be left free to perform its proper office of helping to keep up the stock of metallic money at home and abroad to a proper correspondence with the growth of population and commerce.

Financial journals have been discussing the question whether the National banks could lawfully reckon greenbacks as a part of their reserves, if the Supreme Court of the United States should decide that they do not possess the

legal-tender power if re-issued after being redeemed; and the further question, whether the banks, even if it was lawful, would be likely to choose to keep them as a part of their reserves. What the true construction of existing laws may be, does not seem to be very important, as Congress would undoubtedly legislate anew on the subject, in the event of such a judicial decision. As to what the banks might choose to do, if left to act at their own discretion, it is probable that so long as confidence in the continued redemption of the greenbacks remained unbroken, they would retain some of them as a part of their reserves, but being exposed to losses and penalties if they fail to be always ready to redeem their own issues in legal-tender money, it is to be presumed that they would keep the bulk of their reserves in coin, if that should be decided to be the only legal tender. To make resumption permanent, ample stocks of coin are needed somewhere, and it will be no great misfortune to have them both in the banks and in the Treasury of the United States.

November 1, 1878, seems to have been the turning point in the amount of the circulation of National bank notes. During the four months preceding that date, there was a decrease of \$2,090,369, but in the seven months from October 19, 1878, to May 18, 1879, there was an increase of \$6,322,082. Before the November elections, and especially in the early part of September, when the results of the Maine election were announced, it looked as if the greenback craze would sweep everything before it, and that the right to issue notes would be taken from the National banks. The November elections put a different face on the matter, and demonstrated the popular determination to sustain institutions which have given the country the best currency it has ever had. This has induced the establishment of new ones, and the continued existence of many old ones, the winding up of which had been in contemplation. What is now needed is to reduce the exorbitant taxation imposed upon the banks in many localities, in order to get the benefit of the elastic power, which the system has, of increasing the issue of notes to meet the increasing demands of trade.

The increase of the public debt during March was \$894,724. At the end of the month there were outstanding called six-per-cent. bonds to the amount of \$208,447,700, for which four-per-cent. bonds had been issued. The amount of bonds on which the Government was thus paying double interest, did not average so much through the whole of March as \$208,447,700, but was probably large enough to account for nearly all the deficit for the month. The operation of converting sixes into fours is, of course, a very profitable one for the Treasury, but it costs something at the start in commissions and in the temporary payment of double interest. This cost cannot be considered a current and ordinary expenditure, and if we

eliminate it from the March accounts, no deficiency remains. The situation for April was still better, as there was no deficiency for that month, although the extraordinary expenditure in the way of double interest still continued on a large scale. On the whole of the first ten months of the current fiscal year the aggregate surplus of the public revenues was, in round numbers, eight million dollars. In the next fiscal year the costs of refunding the public debt will not appear as a charge, and the benefit of a reduced interest account will be fully enjoyed. As some improvement of revenue may be expected from revived business, there is reason to hope that no deficit will result next year, as was at one time apprehended, from the large payment to be made for the arrears of pensions. The recently announced decision of the Ways and Means Committee of the House to report no tax bill during the present session of Congress, shows the belief of that Committee that the existing revenues of the Government are sufficient to meet its expenses. On no other supposition would they be justified in coming to such a decision. The issue of bonds to meet current expenditures, in time of peace, is something which the country will not tolerate for a moment.

The exceedingly low rates of interest are attracting the attention of the London journals. In Paris, both in the journals and in the various economical associations, the larger question is being discussed, of how long these low rates are likely to continue. Nearly all the French financial authorities seem to agree in the opinion that they will continue at least during the remainder of the nineteenth century. Their view is, that the high rates for twenty-five years after 1850 were the result, mainly, of the abnormal activity which resulted from the Californian and Australian gold discoveries, and they point to the low rates which prevailed in Holland during the seventeenth century, as an indication of what the future is to be. It is natural that opinions of that class should prevail more in France, than they do in England and the United States. The habits of the English and the enormous extension, not only of their commerce but of their empire, familiarize them with the vastness of the fields in all quarters of the globe for the employment of capital. Americans, occupying an almost virgin continent, have the same fact constantly pressed upon their attention, and the fact loses none of its just proportions from the tempers in which they observe it. The commercial and speculative enterprise of the English has gained in vigor, rather than lost it, by being transplanted to this side of the Atlantic. The people of the United States will be slow to believe that profitable employment will not be found for capital for an indefinite period, when they see that the work of occupation remains substantially yet to be begun, not only in one-half of their

own country, but in the vast and rich regions stretching south of them to the Straits of Magellan.

The returns of British foreign trade for April show no improvement, and are commented on by British journals in terms of discouragement. The total imports are £ 33,736,564, and the exports of articles of British growth and production are £ 14,642,358. The adverse balance of trade is greater by £ 1,417,075 than it was in April, 1878. The London *Economist* says :

The heaviest falling off in our export trade is apparent in cotton and woollen manufactures, and, as far as value is concerned, in iron and steel, with which also may be classed machinery. The diminution in the cotton exports would be really ominous if we did not recollect that at this time last year, certain firms were shipping vast quantities of such fabrics to the East, in the endeavor to obtain extended advances wherewith to keep themselves afloat.

The British *Mercantile Gazette* says :

We have scanned the figures for April without being able to trace any definite grounds for believing that the long-hoped-for improvement has set in—even in the smallest way. There are yet no indications that we are drawing nearer to a revival of trade. Values still tend downwards, and we fear that there is good cause for believing that much of our trade continues to be done at a loss.

About the middle of May it was announced that failures had occurred of two large companies in Rotterdam, trading with Africa, and that some losses would result to merchants in London, although falling principally upon banks and merchants in Rotterdam. Later reports rather enlarge than diminish the consequences of the failure of these two companies. It is said that one trading concern in Rotterdam is involved in them to the extent of seven million florins, or about two and three-fourth million dollars, and that the Antwerp banks may lose by the concern thus involved. It is very apparent that the commercial crisis in Europe has by no means yet spent its force.

There is no longer any doubt of the fact of a serious falling off in the European crop of raw silk. The financial journals in London and Paris are commenting upon it, in the aspect of its increasing the prices and quantities of the Chinese and Japanese exports of that article, and thereby enabling them to pay for more silver. A revival of the Eastern demand for that metal to the proportions of 1877, when it was \$ 104,000,000, or even only to the proportions of 1876, when it was \$ 64,000,000, would have a very important influence on its value, and especially if it turns out to be true that German sales of it are to be, for the present, suspended. Operating in the same direction as increased prices and sales of Chinese and Japanese raw silk, will be the rise in the price of India cotton. But even greater counter forces may possibly be found in the increased production of silver. It is the belief of the miners of Colorado, that they will produce this year twenty million dollars more than they did last year. The Comstock lode has so far fallen off heavily as compared

with 1878, but the faith of San Francisco seems to be unshaken, that before this year is out the newly-discovered bonanzas will turn the tide and bring the product fully up to that of last year.

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### FUTURE RATES OF INTEREST.

Attention here and in Europe is being attracted to the current rates of interest, which have been steadily falling for several years, and which still seem to tend towards lower points. The income of fixed property in all forms necessarily follows the downward course of the rate of money, in some cases by being diminished from the same causes which affect interest, and in other cases, where the actual yield of property remains the same, by a rise in the selling price of it, so that a buyer receives a less annual percentage on the purchase money. In short, capital in all forms, whether invested in public, corporate and private loans, or in property, fructifies less abundantly and rapidly than it has heretofore, and especially during the period of twenty-five years terminating with 1873.

This fall in the profits of capital may be discussed in various aspects, either as a result and indication of the diminished profits of general business, or in respect to the probable effects of such a fall upon future accumulations of capital, upon the habits of a people, and upon the relations of classes. The field of speculative inquiry on all these points is wide and full of interest. It goes by saying that the rapidity with which capital accumulates is influenced directly by the magnitude of its annual yield. The motives which prompt men to industry, self-denial, or enterprise, in order to acquire capital, or increase it, are also affected by the same fact. The fructifying capacity of capital is one of the most attractive of the features which make it an object of desire. And, on the other hand, so far as men are supposed to be controlled by the purpose of acquiring a sufficiency of capital to live, according to their tastes and ideas, upon the income it will afford, it may be said that they will continue their exertions and economies longer, in proportion as larger capitals are required to produce the same income.

While it is clear that capitalists lose by a fall in the annual returns of capital, it is by no means so clear as it would seem to be at first sight, that those who use the capital of others in any of the varied forms of hiring either money, real estate, or anything else, gain what is so lost by capitalists. It may not be true, and probably is not true, that the rate of interest represents, in the long run, the average rate of profits of business. The better opinion seems

to be, that the rate of interest is permanently higher than the current rate of profits, and that borrowers, who are voluntarily such, have a chronic tendency, from their sanguine and adventurous temperament, to pay more for capital than they can make out of it. But if the rate of interest does not at any time exactly represent, it undoubtedly follows in no long time the fluctuations of the current rate of profit. When the cause of a check to the prosperity of trade and productive enterprises is the most common one, that is to say, a diminishing volume of money with a resulting fall in general prices, the first effect is what is called a stringency in the money market, from the struggle of debtors to avoid the necessity of selling what they possess, because they hope for a recovery in its exchangeable value. In that stage of things while the profits of business actually disappear, the rates of interest are unusually high. But that abnormal condition is necessarily of short continuance, and the rates of interest finally collapse, as well as the rates of current profit. Such a collapse damages capitalists, but the hirers of capital gain nothing thereby. They merely pay less for the use of capital, when its use is worth less. They can only gain by hiring it for less, while the value of its use remains the same. Their halcyon period, if they ever enjoy one, is when the profits of business begin to rise, and before there has been a corresponding rise in the rates of interest. In normal conditions, a low rate of interest is neither an effect nor a cause of an advancing prosperity. Nobody has anything to gain by a predicament of affairs, in which the ordinary rate of hired capital should be one per cent. per annum. The progress of wealth in such a case would be slow, or converted into a positive decline. The motive for the acquisition and preservation of capital would be lessened, and large portions of it would be withdrawn altogether from reproductive uses, and invested in objects merely gratifying to the tastes, or pride, of its owners.

In the practical business of life mankind are very little likely, however, to give much attention to philosophizing, and still less to moralizing, upon the effects of an increasing or declining rate of interest of money. Those who have capital to loan, or who are undertaking enterprises likely to require continuous borrowing, desire to forecast the interest rates of the future, from the point of view of their own concern in that matter, rather than with regard to their effects, some of them obscure and doubtful, upon the expansion of National wealth.

It is quite certain that interest rates cannot be artificially raised for a generation to come, as they have been during the past generation, by an expansion of National debts. Credit in that form has been pushed so far, that it will not bear much further strain. And it is not probable that it can be raised very soon hereafter, by any such stimulation of

productive enterprises as the increase of money and consequent rise of prices which followed the California and Australian gold discoveries.

On the other hand, so far as the current fall in the rates of interest is the consequence of that contraction of productive enterprises which necessarily and always accompanies a fall in the general range of prices, we may be sure that prices will not continue to drop forever, and it is in fact the common opinion that they have already ceased to drop. Be that as it may, they will steady at last, and business can go forward as well upon one scale as upon another. The effect of a change from one scale to another, after it is completed, is to change the relations of classes, by transferring property from one to another. It is only when the change is going on, that it has the effect of stimulating or repressing the movements of trade and industry.

As we have observed, heretofore, in commenting upon this subject, those portions of the world which are so far brought under the influence of civilization and enlightened government as to promise a fair security for investments, are now so extended, and are being so rapidly still further extended, that there can be no immediate danger of any such glut of capital, as took place when the profits of a substantial monopoly of the East Indian trade were poured into the little territory of Holland, and at a time when little employment was afforded for it anywhere else. A century ago, and even much later than that, writers upon the relations of land, capital and labor, took into very little account the mobility of the two latter, and the general result of their theories seemed to be that the rental of land must continue to rise, as wealth and population multiplied, until wages were brought down to the starvation point and rates of interest fell to zero. The facts of the modern situation are quite different. Laborers can be transported with very little cost, and capital without any cost, to the most distant regions, and inviting fields for the employment of both are opened on every hand. Gluts of either will be temporary, until some period so indefinitely distant that it need not be taken into the account.

Bolingbroke's famous saying that history is philosophy teaching by examples is rather brilliant than exactly true. Historical precedents are very deceiving, unless allowance is made for the newness of the circumstances to which they are applied. The world we now live in, with steam lines and railroads, with space and time in many senses annihilated, and with peaceful migrations to new regions progressing on all sides upon an enormous scale, is not the world of former generations.

## GOVERNMENT PAPER MONEY.

The younger portion of the community to whom the greenback has been as long familiar as any kind of money, will be surprised to find that in the debates in Congress, down to a comparatively recent period, the issue of Government paper, intended for circulation, was condemned by men of all parties and all shades of opinion. For fully seventy years after the National Government was organized in 1789 under the Constitution, the doctrine was accepted by everybody, that one of the chief purposes of the fathers was to ensure a solid currency and to guard against bills of credit from which the country had suffered so much and so long. Nothing short of the overwhelming necessities of such a war as that of the Rebellion, could ever have induced the Nation to enter upon the career of paper money. But it has turned out in that case, as it has in many similar cases, that what seemed once to be a "monster of hideous mien," has become, by use and custom, not only tolerable, but to many persons an object of admiration. Now that the necessities of the war no longer press, and when the restored means and credit of the country render it altogether easy to withdraw its paper issues, the continuance of them in circulation is insisted upon as a positive good in many quarters.

Mr. George Wilson, Jr., of Lexington, Mo., has prepared a very careful and accurate presentation of the debates in both branches of Congress in 1857, on a bill to authorize the issue of \$ 20,000,000 of interest-bearing Treasury notes, payable in short periods. He gives the material points of all the speakers, and in their exact words, so that the reader may, without wading through the interminable pages of the Congressional *Globe*, feel sure that he is able to understand accurately the drift of the debate.

The point upon which it turned, was, whether the proposed Treasury notes were or were not intended to be a circulating paper money, and would or would not be in fact used as such. All the disputants agreed that a Government paper money was contrary to the traditions of the country, and not to be thought of under any circumstances. The supporters of the bill insisted that the fact that the proposed notes were payable at a fixed period, and with interest, was a decisive proof that nothing like paper money was intended. On the other side it was argued that the fact that the proposed notes were not fundable into a stock at the pleasure of the holder, as most previous issues of Treasury notes had been, was a plain proof that their circulation as money was the thing really aimed at.



The bill was discussed in the Senate by nearly all the mer- then most distinguished in that body, Messrs. Hunter, of Virginia, Seward and King, of New York, Fessenden, of Maine, Simmons of Rhode Island, Crittenden, of Kentucky, Bell, of Tennessee, Benjamin, of Louisiana, Jefferson Davis, of Mississippi, Dixon, of Connecticut, Collamore, of Vermont, Trumbull, of Illinois, Pugh, of Ohio, and Hale of New Hampshire. In the House it was discussed by Messrs. Ritchie, Morris, Jones, and Covode, of Pennsylvania, Millson, Letcher, and Smith, of Virginia, Washburn and Abbott, of Maine, Washburn and Lovejoy, of Illinois, Banks, of Massachusetts, Bishop, of Connecticut, Davis, of Maryland, Adrian, of New Jersey, Stanton, of Ohio, Taylor, of Louisiana, Quitman, of Mississippi, Seward, of Georgia, and Warren, of Arkansas. In this whole array of speakers, representing all parties, interests, and geographical sections, no one was found who did not declare his uncompromising opposition to any form of Government paper intended to circulate as money, or which, from its character, would be likely to circulate as such.

Mr. Wilson's compilation of this debate ought to be printed in pamphlet form and widely circulated.

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### THE POSITION OF SILVER.

During March there were no British imports of silver from Germany. During March of last year they were \$5,255,450. During the three months ending March 31, they were \$1,304,695, as compared with \$13,197,850, in 1878. The sales of silver in London by the German Government during the first quarter of 1879, have been reported as considerably greater than \$1,304,695, and must have been made partly from stocks previously held there.

British exports of silver to Germany during March were \$1,883,450, as compared with \$2,355 in 1878, and during the three months ending March 31, they were \$3,968,900, as compared with \$25,355 last year. Germany is a seller, not a buyer of silver, and these British exports of silver to Germany are stated to be *in transitu* for Austria. The demand in London for silver for coinage at the Austrian mints still seems to continue, and it is stated that purchases are also being made in Germany, for the same destination.

During March, British exports of silver to India were \$640,090, as compared with \$2,281,000 last year, and to China (including Hong Kong) were \$572,700 as compared with \$578,675 last year. During the three months ending March 31, they were to India \$6,785,290, as compared with \$11,731,250 last year, and to China

(including Hong Kong) \$724,040 as compared with \$2,954,515 last year. British silver exports to India during the last nine months of 1878 were very small, as compared with the exports for the first three months of that year. The indications are that they will be as large for the whole year 1879, as they were for the whole year 1878. A single steamer in April took upwards of a million.

The London *Economist* of April 12, maintains that the depression of silver relatively to gold, is probably temporary and not permanent, and results merely from the menace to the markets of the unsold German silver, estimated at about \$75,000,000, coupled with the restrictions on silver coinage at the mints of the United States, France, and Austria. It, therefore, makes the following proposal:

To a temporary difficulty a temporary remedy may fairly be applied, which could not be thought of were the evil certain to last for any lengthened period. The following course appears to have a great deal to recommend it: That our Government should ascertain from the German Government the actual amount of silver they have for sale, and then authorize the Bank of England to buy one-third, or one-half of the amount, on the understanding that no further sale of silver should be made for a limited period of not less than five or seven years. The purchase might suitably be made at the average price of, say, the last three years. The bargain might fairly be expected to answer the purpose of both parties. Germany would gain at once a customer at a fair price for an article which she finds it difficult to dispose of. England would expect to reap a corresponding advantage in the rate of exchange with the East. The arrangement might further provide that the Bank of England should hold this sum of silver among its bullion, and issue notes against it, the Government guaranteeing the bank from loss on the transaction, and sharing the profit, if any, on terms to be stipulated.

No new authority from Parliament is required, if the silver proposed to be held in the bank does not exceed one-fourth of the gold which it holds, as the Bank Act of 1844 permits one-fifth of its metallic reserves to be in silver.

It remains to be seen whether the British Ministry will adopt this scheme or any portion of it.

The following figures of the total production of silver in the world, and of the export of that metal to the East, during the last three years, are as accurate and reliable as figures upon such subjects can be made:

		<i>Total production of silver.</i>		<i>Exports of silver to the East.</i>
1876	....	\$74,000,000	....	\$64,000,000
1877	....	86,000,000	....	104,000,000
1878	....	74,000,000	....	41,000,000
	....	<hr/> \$234,000,000	....	<hr/> \$209,000,000

The annual production of silver and the annual absorption of it by the East, are great factors in determining its exchangeable value, and it is plain that if this production and absorption maintain for the future the same proportions

as during 1876-7-8, the value of silver must rise. During those three years, the Eastern demand swallowed up all that was mined, except \$25,000,000.

Nobody can undertake to say exactly what the annual consumption of silver outside of Asia is, in the arts and in maintaining the subsidiary silver coinages of the Western World against loss by abrasion, and otherwise. In the report of the U. S. Monetary Commission, elaborate calculations are made, fixing it at \$50,000,000. That may be too much, or it may be too little, but on the basis of that calculation, the consumption during 1876-7-8 was \$150,000,000, of which only one-sixth part was supplied from the excess during that period of the total production beyond the requirements of Asia. The remainder must have come from old stocks, and from the discarded silver coinage of Germany. An equal draft, if continued long enough, must exhaust sooner or later, and probably soon, both the German silver and disposable stocks of silver in other forms. And it would do so, independently of the requirements for silver of such countries as the United States and Austria, which are entering more or less largely upon new coinages of full legal-tender silver. The only silver in the coined form now in Europe, which can possibly come upon the market, is what remains of the German silver coinage, and the Dutch silver coinage, and there is no present appearance that Holland meditates the demonetization of its silver. The great bulk of the European silver in the coined form is in the States of the Latin Union, and that is tied up until January 1, 1886, by treaties which give it such a high artificial value at home that it cannot go abroad.

But all these observations are made on the hypothesis that the proportion between the total production of silver and the Eastern absorption of it, will continue to average as it did during 1876-7-8. That is a mere hypothesis at best, and is probably too favorable to the future value of silver. The Eastern absorption of silver in 1877, was unprecedentedly great, and carried up the average for 1876-7-8, beyond what it is likely to be for three or five years to come, except from some such occurrence as the establishment of a mint in China for the coinage of silver. And while the Eastern absorption of silver may fall off, the production of that metal may increase. Six months ago appearances were that it would diminish, but the aspect is changed by the new discoveries in Colorado.

But unless the excess of the annual production over the annual Eastern absorption is greater than the amount, say \$50,000,000, which is annually consumed in the arts and in the maintenance of subsidiary silver coinages in the Western World, there will be a constant draft upon existing stocks, and a constant tendency of silver to rise in value. And it

would only be a question of time, as to when this draft would dispose of what is left of silver in Germany, and also of the silver in Holland, if it shall turn out finally to be the policy of the Dutch to adopt the single gold standard.

So far as the present coinage laws of the world are the forces acting in the one or the other direction upon the value of silver, the principal importance attaches to those of Germany, which tend to depress silver, and to those of Austria, the United States, and India, which tend to sustain it. The silver coinage of England and the Scandinavian States, is only subsidiary, and they have no full tender silver to dispose of. The States of the Latin Union are shut up against either the ingress or egress of silver until January 1, 1886, by the recent extension of the Treaty between them made in 1865. All the remainder of Europe is in a state of real or avowed suspension, and has very little to do with metallic money of any kind. The only seriously damaging blows which silver can possibly receive, are from the closure against it of the mints of the United States and India. The coinage or non-coinage of it by Austria, is comparatively unimportant, as the mint operations of that country are on a small scale.

If England is not ready to re-establish the double standard, which it abandoned in 1816, but is at the same time desirous of approximating the market values of the two metals, a more efficient step than the purchase of a few millions of silver by the Bank of England, to be held for a time and sold at last, would be a decisive and authoritative declaration that it will not tamper with the coinage laws of India, but will still leave the mints of that great dependency open to silver. If England will only keep its hands off from India, and permit the Eastern absorption of silver to have its natural play, the full value of that metal will certainly be maintained, and it is also very probable that it will regain its old relation to gold as rapidly as it is desirable that it should. Anything like an instantaneous restoration of that relation, by such an artificial measure as a silver lock-up by the Bank of England, would be attended with a risk as to its effect upon the prices of commodities which it would be dangerous to incur. Unless the effect of the measure should be to raise gold prices in England, it must reduce silver prices in India and other silver-using countries, to the full extent of what is called by some the depreciation of silver, and by others the appreciation of gold. The Indian exporter to England gets now an addition to his prices of something like twenty per cent. by a difference in exchange, which would disappear if the London price of an ounce of silver could be forced up suddenly and artificially to sixty pence. A sudden fall of prices equal to that might bring on a financial, and possibly a political revolution in India.

## ECONOMICAL ASPECTS OF THE NEGRO EXODUS.

The movement of the blacks of Louisiana, and some adjacent States, to the Western States (principally Kansas), which commenced this Spring, has attracted universal attention, both from the magnitude of the emigration and from its unaccustomed direction. The discussions upon it have naturally run more or less into the domain of party controversies, into which this magazine cannot go. On the one side, the new negro exodus is said by many to be the result mainly of the wrongs inflicted upon the race at the South, for the purpose of establishing a particular political domination in that region, and that the exodus would cease if the rights promised to the negro in the amendments of the U. S. Constitution were practically secured to him. And on the other side it is said that the negro has every reason to be content where he is, and would have remained content, if his passions had not been aroused by foreign emissaries, and hopes held out to him of illusive and impossible advantages to be gained by emigration. The only aspects in which it is proper for us to discuss the matter, are the economical causes of the exodus, the economical effects likely to flow from it, and the changes which must take place at the South before it will become a region to which laborers will go, instead of going from it.

The population of the South has been, in a peculiar degree, migratory, since the early part of this century. For fifty years after 1810, the numbers of people in Virginia and the Carolinas remained almost stationary. During that period the blacks of those older States were slaves, and their migration was coerced and necessarily confined to such of the other States as permitted them to be still held in slavery. Their emigrating whites were free to select their new domicils, and although a majority of them went to the slave States of the South-West, vast numbers of them went to what was then called the North-West, and they and their descendants are to-day a leading element in the population of the southern portions of Ohio, Indiana, and Illinois. It is of course, apparent, that one cause of these extraordinary emigrations, or exoduses, of the Southern people, during the half century preceding 1860, has not existed since the termination of the Civil War. It was always true, and is now conceded, that agriculture by slave labor flourished only by exhausting virgin soils, and under that system there was a necessary movement of such labor from worn-out fields to fresh ones, sometimes in the form of the sale of slaves to new owners, and

sometimes in the form of the migration of planters with their slaves, as the patriarchs of the old world were wont to move with their flocks and herds to wider and more inviting pastures. But that does not explain the old migrations of such of the Southern white people as were not connected with the institution of slavery, either to the new States then permitting slavery, or to the new free States. Nor does it explain the fact that free laborers were never attracted towards the South.

However the fact may have been, for the larger part of the time, complicated with the existence of slavery, it has been true all the time, certainly since the beginning of this century, as it is true to-day, that the labor of the South has been in excess of its capital, and that wages at the South have been low as compared with the contemporaneous scale of wages in other parts of the country. Capital being the fund out of which wages are paid, and the South being chronically deficient in capital, the employment it has offered to laborers has been limited, and the wages it has offered, or at any rate the wages it has ever been able actually to pay them, have been low and unattractive. Undoubtedly the vast natural resources of the South afford scope for the employment of an immeasurably greater number of laborers than it ever had, but only on condition that with the additional laborers there should be additional capital, either possessed by the laborers themselves, or in the hands of others who would pay them wages. On the basis of the existing wealth of the South, there are more laborers there now than can be induced to remain. That is one of the causes of the present exodus of the blacks of the South-West.

So far as the exodus arises from that cause, it is clearly no remedy for it to introduce new laborers, unless they are of a description ready to work at or below the rates which are proving unsatisfactory to the laborers who are now going away. Free laborers of that description cannot be found, and labor on such terms cannot be obtained unless slavery is restored, either pure and simple, or in the form of coolies, under a system of laws enforcing the specific performance of contracts to labor. Schemes of that kind are not proposed, and would be impracticable if they were proposed. The use of Chinese labor is suggested, but that class of laborers, in the condition on which only they can be lawfully brought into this country, cannot now be hired except at rates which, if paid to the negroes, would put an end to the present black exodus. It is true that if their immigration should be permitted, and actually take place in the vast numbers which China is able to furnish, their wages would fall even below the present rates paid to negroes. But such a state of things is, at any rate, in the far future, and is, moreover, never likely to be realized. It is much more likely

that Chinese immigration into this country will be prohibited altogether, than that it will ever reach such an extreme development. As things now are, there is no employment at the South for the Chinese on such terms as they would insist upon. That experiment was tried a few years ago, on both plantations and railroads at the South, and proved a failure. The Chinese laborers not only stipulate for pay, but they insist upon receiving it, and if they fail to receive it they refuse to work.

Bargains for money wages and the actual payment of such wages are the exception, not the rule, in the agricultural system of the South. The forms are various but they result pretty uniformly in the same fact, that the laborer gets nothing but the barest sufficiency of clothing and provisions, charged to him at such prices that the accounts with him at the year's end are either balanced, or are against him. Sometimes he cultivates the lands for a share of the crops, and sometimes rents them at so much per acre, but in either case is furnished with supplies at exorbitant rates while the process of cultivation is in progress. And even if money wages are nominally stipulated for, they are actually advanced in the form of supplies, so that the final outcome is not changed. It is impossible for laborers to do well with this credit system which they work under at the South, and which is at bottom only the same system of usury which keeps the ryots of India always on the verge of starvation. And the case is complicated by the fact, that those who apply this system to them are, for the most part, themselves the victims of an equal usury in the bargains they make with merchants for the supplies which they require for themselves and their laborers. The planters who pay really so little for labor do not get rich. They probably pay as much as they can, in the circumstances which they are forced to place themselves, or do actually place themselves, from the habits and customs of the country. Devoured themselves by the monstrous usury of a vicious credit system, they must either abandon the working of their lands, or work them by a labor actually receiving nothing beyond what is necessary to keep it alive.

This usury—which runs through the whole agricultural credit system of the South, between the merchant and the planter, and between the planter and those who rent from him, work his lands on shares, or work for wages which are stipulated nominally in money, but are, in fact, paid in supplies—while it is a cause of the continuing poverty of that section of the country, is itself an effect of that poverty. It is remediable only by accumulation of capital, which will be the sure, even if slow, result of that progress toward more thrifty habits which is already manifested in many portions of the South, and may be hastened by the transfer to it of capital from Europe and from the other States of the Union. If

the owners of lands at the South were also the owners of the capital needed to work them, or could obtain that capital at moderate rates, they could produce crops out of which such wages could be paid for labor, as would not only prevent the present exodus of laborers, but attract new laborers from regions less favored by nature.

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### LORD BEACONSFIELD ON THE COMMERCIAL CRISIS.

On the 28th of March there was an important debate in the British House of Lords, on a proposition of the Marquis of Huntly, that the distressed condition of agriculture and commerce should be inquired into by a Royal Commission. He dwelt mainly upon the unfortunate state of farmers and of landed proprietors. He admitted that it was partly explained by a succession of four bad harvests, but denied that that accounted for the diminution of agricultural stock. He said that the *Midland Counties Herald*, which he held in his hand, contained sixty-three advertisements of farms to let, and that although rents had been reduced, it was becoming difficult to find tenants, and that in some parishes all the farms were unoccupied. He declared, in fact, that unless relief was obtained, it would be necessary to pass for England an *Encumbered Estates Act*, such as was passed a few years ago for Ireland. He complained that the imperial taxes of various kinds consumed one-sixth of the income of landed proprietors, and that their local taxes had also been quadrupled within thirty years.

Lord Norton admitted that the actual distress was as great as the Marquis of Huntly described it to be, but he argued that it was common to many countries and not likely to be remedied by legislation in a particular country. He hoped that it would prove to be temporary, and deprecated any hasty intervention by Parliament.

Lord Beaconsfield said he denied neither the reality nor the intensity of the agricultural distress. In fact, he could recollect no period in his long life when it was so great. He ascribed it to two causes, one being a succession of bad harvests, and the other being an extraordinary and persistent fall in prices. The distress in the manufacturing industries was equally great, and appeared to him to be due to the one single cause of falling prices. Unlike the farmers who produced less because the seasons were unpropitious, the manufacturers produced as much as ever and were suffering solely from the fall in prices. He produced figures to show that British exports were as great in quantity as ever before,



and that the alarming fall in their aggregate value was due exclusively to a shrinkage of prices. He attributed this shrinkage to the reduction of metallic money, resulting from the movements in various gold countries towards a single gold standard. On that point he said :

After the repeal of the Corn Laws there was considerable suffering among all classes. Not merely in the agricultural classes, but in trade generally there was great discontent and dissatisfaction. I do not myself believe that it was the immediate effect of the repeal of the Corn Laws, but it was a reaction after the great stimulus, no doubt, which had been created in consequence of the extraordinary expenditure on the railroad system in England. Be that as it may, very great discontent existed, and suddenly after three or four years there was an extraordinary revival in trade and a great elevation in prices. How did that occur? One of the most wonderful events in the history of the world happened, and that was the discovery of gold in California. In 1852, thirty-six millions sterling of gold were poured into Europe, and when your Lordships recollect that the business of the world until that time was carried on by an amount of gold which, I believe, never reached six millions a year, you can at once apprehend the effect of this discovery. In one year there came thirty-six millions of gold, and in five years one hundred and fifty millions were poured into Europe. The consequence was that prices were raised immensely. But a most marvelous thing occurred also shortly after. There was a commission of all the great States of Europe, who took advantage of the holding of the Exhibition at Paris to meet there with the consent of their Governments to consider whether a uniform system of coinage could not be established in the world, and they came to a resolution that a uniform coinage could be established, and that advantage ought to be taken of the gold discoveries. Whatever may have been the exact circumstances of the case, which was in the result such as I have indicated, the Government of Germany, which had eighty millions of silver, availed themselves of the great change of which I am speaking, and substituted gold for their eighty millions of silver.

After stating to what extent this example of Germany was followed in Europe and elsewhere, Lord Beaconsfield went on to say :

All this time the produce of the gold mines of Australia and California has been regularly diminishing, and the consequence is that while these great alterations of currency in favor of a gold currency have been made, notwithstanding an increase of population, which alone requires always a considerable increase of gold currency to carry on its transactions, the amount every year has diminished until a state of affairs has been brought about by gold discoveries exactly the reverse of that which they produced at first. Gold is every day appreciating and as it appreciates in value the lower become the prices. This most earnestly requires the consideration of your Lordships, and may lead to consequences which may be of a very serious character. That the country is in a state of industrial depression seldom equaled is what Her Majesty's Government do not deny. Upon the question whether the great subject which I have intimated may require a more public and formal examination I am not at this moment desirous of speaking in a spirit of dogmatism. It is not impossible that as affairs develop the country

may require that some formal investigation should be made of the causes which are affecting the price of the precious metals and the effect which the change in the price of the precious metals has upon the industry of the country and upon the continual fall of prices.

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### GOLD LOAN CONTRACTS.

The opinion was entertained by many persons during several years prior to the recent resumption of specie payments, that the depreciation of the greenbacks was principally due to the refusal of the Government to receive them at the custom houses, which compelled merchants to be constant buyers of coin for the purpose of paying duties. The proposed remedy, of course, was to make the greenback custom-house money, on the same footing with coin. But, manifestly, this was no remedy at all, unless there was superadded to it a repudiation of the contract of the Government to pay coin interest on its bonded debt. It would merely have shifted the necessity of buying coin with greenbacks from the shoulders of the merchants to the shoulders of the Secretary of the Treasury, and it has never been pointed out why purchases by him of coin to the amount of \$100,000,000 annually, would not have tended as powerfully to create a premium on coin, or what is the same thing, to depreciate the greenback, as purchases to the same amount by merchants. All the probabilities are that the proposed change instead of making things better would have made them worse. Dealers in coin, knowing just when the Treasury must buy, and how much it must buy, would have had a much better opportunity to obtain high prices by a concert to corner the Secretary, than they had to obtain high prices from the large number of merchants in the importing cities making isolated and individual purchases of coin daily, and in small parcels. The real difficulty in the case was in the amazing and now universally condemned folly of issuing bonds in which the payment of coin interest was promised. The mischief was then irreparably and completely done. Requiring coin payments at the custom house did by no possibility aggravate it. On the contrary, that mode of procuring the necessary coin tended less to raise the premium on coin than any mode which could have been devised. The discrediting of the greenback was the result of the issue of coin bonds, for which no precedent can be found in the action of intelligent governments in like circumstances. Some European governments in a state of suspension of specie payments have promised coin interest on foreign loans. France, in the single instance of a loan of \$50,000,000 negotiated in London dur-

ing the siege of Paris, in 1871, made it payable in sterling money. But the internal loans of even Russia and Austria have always been currency loans. England, during the entire period from 1797 to 1821, when specie payment were suspended, never paid, or promised to pay anything, but the current pound sterling, consisting of Bank of England notes.

Now that the greenback has been restored to a parity with coin, and is, in fact, voluntarily accepted in lieu of coin by the holders of Government bonds, it is very properly accepted at the custom houses.

The financial management of the Civil War, more than even the war itself, impoverished the country by long years of unnecessarily depreciated paper, and of the most frightful usury in the public loans, under the thin mask of borrowing in paper and paying in coin. But the true ground of objection to that management is, not that it discredited and depreciated the greenback by refusing it at the custom houses, but that it involved the Government in promises to pay coin, impossible to be performed without constant purchases of coin, which could not be made in any way without aggravating the premium on coins, or what is the same thing, the discount on the greenback.

It is somewhat remarkable that so few of the persons who complained of the widening of the difference between greenbacks and coin, by the former refusal of the Government, (which was really unavoidable under the circumstances), to receive the greenbacks at the custom houses, should be so inattentive and indifferent to the multiplication of contracts in this country to pay debts in gold. Yet nothing is plainer than that the effect of such contracts is to create or widen market differences in the value of gold and silver coins, which is a result deprecated equally by the supporters and opponents of the old and now restored bi-metallic policy of the United States.

Contracts to pay coin leave the option as to the metal with the paying party, and therefore, the demand for coin wherewith to satisfy such contracts is exclusively thrown upon the metal which is cheapest at the time, and is entirely withdrawn from the metal which is dearest at the time. This shifting demand, always concentrated upon the cheaper metal, and from which the dearer metal is always relieved, is a force tending with a great and unintermitted power to equalize their values, or at any rate to keep the difference in their values within reasonable limits. It has often been found sufficient to fully equalize them against an extreme stress of adverse circumstances, such as arose thirty years ago from a sudden and enormous increase of the production of gold. And it can never fail to reduce, even if it does not altogether prevent a divergence between the legal and market relation of the two metals.

But the tolerance of contracts payable only in one metal, not only takes away from the double standard this equalizing tendency which properly belongs to it, but it substitutes a positive cause of divergence. From the nature of the case, the controlling party in contracts for loans, if insisting upon the promise of payment in a single metal, will choose always that metal which is the most valuable at the time, and the multiplication of such contracts, by ensuring a large future demand for that metal, tends directly to cause it to continue to be the most valuable. A city newspaper, the *Journal of Commerce*, of May 1, said :

The lender will always have the advantage of the borrower—as he ought to have—whatever statutes may be passed to reverse that law of nature.

The morality of the italicized words may be disputed and especially at the West, but there will nowhere be any controversy as to the matter of fact, that the lender always has the borrower in his power in the framing of loan contracts. What we now see, is the creation of contracts to pay gold in every variety of form. Not only are many municipal, railroad, and other corporate securities made in that way, but the same fashion is being introduced even into Western farm mortgages.

The N. Y. *Financial Chronicle* of December 21, 1878, published a communication said to be "from one of the largest firms engaged in the business of Western mortgage loans, located in Indianapolis," in which the following statements are made :

Confidence in the early accomplishment of resumption has been so strong that, during more than a year past no difficulty has been experienced in Indiana in making mortgage loans, principal and interest payable specifically in gold. My own firm has placed about seven hundred such loans during the past six years. . . . There was never a time in the West when farm loans could be made as safely as now, for land and produce are at foundation prices; \$5 to \$15 an acre would now be as full as \$15 to \$25 was formerly.

Reports, similar in tenor, are received from many other points at the West.

The *Chronicle*, which vehemently opposed the passage of the silver restoration law of February 28, 1878, and rarely allows a week to pass without demanding its repeal, is, of course, well pleased with this method of partially defeating its operation. Among other comments upon the letter of its Indianapolis correspondent, it has the following :

It is interesting to be informed of the growing habit of making gold loans in the West, not only as respects the interests of lenders and borrowers, but as concerning the effect which the habit of basing transactions upon gold may have in promoting sound financial education.

It is plain, that unless this course of proceeding is speedily arrested, we shall have the same special call and necessity

for gold, as distinguished from silver, of which we have had a fresh experience in the special call and demand for coin, as distinguished from greenbacks, to pay custom duties, and with the same result of an enhanced premium on the particular species of money for which a special call is created.

If public opinion is decided against gold bonds, mortgages, and other contracts, they can easily be prevented by public authority. Congress can prevent them by taxes, just as it now prevents the issue of circulating notes except those issued by the National Government and by the National banks. The States can prevent them, by enacting that all such contracts hereafter made shall be null and void. And without new legislation, the Courts may and ought to prevent them, when they are made in those States in which usury laws exist. Contracts to pay gold are lawful and enforceable, but not under all circumstances. They are lawful when taken as the consideration for merchandise, or other property. So they are lawful and for a similar reason when taken as the stipulated rent of real estate. But they are not lawful and enforceable when the consideration for them is a gaming debt. Nor are they lawful when they are a mere cover for usury in States in which usury is unlawful. The lending of one kind of money on a contract for repayment in another and more valuable kind of money, is too thin a disguise to hide from Courts the real nature of such transactions, and especially will this prove to be so when judicial optics are made clear and vigilant by an aroused and enlightened public opinion.

It was to have been expected that the Western States would have interfered already to arrest the mischief of gold loan contracts, and they certainly will not fail to do so when their attention is called to the subject. The usury laws which prevail in most of those States, are based upon the theory that it is not safe to leave loan bargains to be made without some legal restriction, when the parties occupy such unequal positions as borrower and lender, and where creditors are so apt to compel debtors to accede to any terms which the law permits to be made.

So far as the banking and creditor classes of this country are concerned, the overwhelming preponderance of their interests is against any avoidable relative depreciation of silver and relative appreciation of gold. Gold contracts constitute an insignificant proportion of the many contracts which they hold. Undoubtedly a considerable part of them opposed the restoration of the double standard in the United States, but the very same fear of a fall in the value of moneyed securities, which caused them to oppose its restoration, ought to induce them to resist any policy tending to aggravate the relative decline of silver, now that it has become the legal solvent of all debts not specially made payable in gold.

The legal toleration of gold loan contracts, which will depress silver, will depress their own interests, and very few of them will be compensated by any equal gain from the rise of gold.

After the suspension of specie payments at the commencement of the Civil War, and down to 1873, large issues were made, notably by railroad companies, of bonds payable in gold or in sterling money. These issues were made in that way to facilitate their negotiation in Europe, and all that was intended was an exclusion of payment in legal tenders. The exclusion of payment in silver coins, then rather more valuable than gold coins, was not thought of. Those securities were made in terms of gold, because gold was then the exclusive actual money in metallic payments. The debtors upon such contracts must, however, perform them as they are written. What they will suffer from an appreciation of the particular money in which they will be compelled to pay, will not be for the benefit, to any large extent, of American citizens. The classes of securities referred to, were specially intended for the European market, and were, in fact, principally placed there, and they are still largely retained there. The course of our foreign trade has caused the sending home from Europe of a good many securities for three years past. During that time the relative depreciation of silver has made coin payments distasteful to European bankers, and it is not doubtful that in selecting securities for sale here, they have preferred to sell coin securities, such as the bonds of the United States, and to hold on to gold securities.

The only interest here likely to resist the prohibition of gold loan contracts is that of bankers having foreign connections, and of the American agencies of foreign banking houses, which are already numerous, and are rapidly increasing in numbers and importance. It was announced, a short time since, that an old Dutch financial company with a very large capital has decided to establish a branch in New York, and more recently, that a leading Paris financial company is considering the expediency of doing the same thing. It is more for the interest of bankers, whose business connections and customers are American, that securities should be payable in American lawful money, or if metallic securities, that they should be payable in coin, conformably to the American law of the double standard. Those who are the agents of or otherwise connected with, European bankers, have good reasons for preferring that securities should be payable only in gold. It is not difficult to trace the working of this foreign influence in some recent conspicuous financial operations, such as the creation and sale of gold five-per-cent. securities of the City of New York, not redeemable until after thirty years, at a lower price than might have been obtained for such securities payable in lawful money, at the same rate of interest and running the same term of time.

GEO. M. WESTON.

## EGYPT, ENGLAND AND FRANCE.

It has long been known that the complexion of a story depends very much upon who tells it, and that old truth receives new illustration every day.

The regular London correspondent of the *Financial Chronicle*, of this city, writing April 26, says :

Having, in consequence of the interest which the Western Powers of Europe have taken in the present and future of Egypt, obtained a loan on easy terms through Messrs. Rothschild, the Khedive casts his friends adrift, with what result remains to be seen.

All that the world knew until lately about the "easy terms" of the recent Rothschild loan to Egypt was, that it was a five-per-cent. loan secured by a mortgage on lands, paying now enough to provide for interest and a sinking fund, and reputed to be capable of paying nearly twice as much; that this loan was sold in Paris and London at seventy-three per cent. of the face of the mortgage, and, of course, subjected besides to heavy commission charges by Messrs. Rothschild; and that not a penny of the proceeds went to Egypt in any form, the whole being swallowed up by overdue coupons and other evidences of claims against Egypt, which were found in the pockets of the contrivers and takers of the loans and their friends. On that showing it was apparent that the interest taken by England and France "in the present and future of Egypt," was the kind of interest which may be supposed to be felt in the present and future of an eel by those who are engaged in skinning him.

The version of the matter given by the correspondent of the *Chronicle*, is, no doubt, the current one given of it by London gossip, but at Cairo, a very different version is given, and by no less a personage than the Khedive himself, who must know all about it, and who is quite as disinterested as those who have been victimizing him.

The Khedive was interviewed, April 15, by a correspondent of the *London Times*, and is thus reported :

The first report of the Commission of Inquiry recommended the cession of my lands, to which I agreed solely to enable the European Ministry to start unincumbered. The floating debt was an evil to the country. It consisted to a great extent of arrears of pay. I ceded my lands that those arrears might be paid off. To this day, and it is eight months ago, this has not been done. Native clerks have been dismissed with their arrears unpaid, and Europeans of less capacity substituted at higher pay with the most shameless nepotism. Each man thus dismissed became a center of disaffection and, to increase the storm thus raised, the European Ministry deemed it wise to disband the greater portion the army, without provision for their arrears of pay. Again I warned them and again I was laughed at. These men were above warning. Can you blame the army who said, "As well die one way as another?" They rose. Nubar fell, and at this moment I

have to protect his life against their hatred. The people nothing, the notables nothing, the army nothing, the Viceroy nothing, there remained—who? On one side the Egyptians dismissed, disgraced, starving; on the other the European Ministry and its doubtful *entourage*, well-paid, overbearing, and luxurious. Say at once, *crush the Egyptians*.

How matters may come out between England and France on the one side, and Egypt and the Khedive on the other, remains to be seen. What is most obscure, is the probable action of England. It has a special interest of its own in Egypt, viz.: that of the exclusive control of the Suez Canal, now become its military route to India. In that aspect, an occupation of Egypt jointly with France, is not satisfactory to Englishmen. Furthermore, the action of political parties in England is a most disturbing element. The Whigs, who are out of power, are ready to attack anything Lord Beaconsfield undertakes to do. In Paris there is only one influence at work, and that is the influence of the holders of Egyptian bonds, writhing under the non-payment of their coupons. They demand the immediate occupation of the harbor of Alexandria by a combined squadron, and complain bitterly of the vacillation of the British Ministry. The temper in that quarter is illustrated in the Paris correspondence of a daily journal of this city, the *Times*, in which it is said that the Khedive ought now to be "in the treadmill." That is undoubtedly the genuine feeling of Paris.

Getting the Khedive into a "treadmill" is not very likely to be done, but deposing him could be accomplished. But would that bring up the price of Egyptian stocks, or ensure greater regularity in the payment of Egyptian coupons? At this distance it does not look so. It is not merely the Khedive, but the Egyptian people, who are recalcitrant under the transfer of the bulk of the public revenue to foreigners, and their resistance will not be overcome without more or less fighting. Making war upon Egypt may kill the goose which lays the golden egg. View it as we may, the English and French have a difficult task before them, to extort an annual tribute of thirty million dollars in gold from five million naked and starving people in Lower Egypt, and the disinterested world of lookers-on can hardly wish them success in it.

There are National complications about it also to be considered. Italy is disquieted at the idea of the further aggrandizement of the Mediterranean power of either England or France. This Italian sensitiveness was respected in the case of Tunis, when that little principality was put into the hands of receivers, by making an Italian one of the receivers. We may depend upon it that Italy will insist upon a share of Egypt before it is carved up with their acquiescence. They are not only politically, but commercially ambitious, and the greatness of the Italian cities, when they controlled the commerce of the East is ever



present to their recollection and their imagination. An exclusive British control of the Suez Canal can never be made acceptable to them. Furthermore, there is Russia to be dealt with. If France, or England, or both jointly, seize such an important part of the Turkish Empire as Egypt, Russia will demand another slice for itself, and no such slice can be given without bringing Russian power too dangerously near, either to Constantinople, or to points in Asia, about which England is hardly less sensitive than it is about the old bone of contention on the Bosphorus.

Just now a new complication in this Egyptian business is thus announced in the London journals :

The International Court of Appeal at Alexandria have decided that the sequestrations of the Domain lands by private creditors are valid, and that they thus have a prior claim upon the property which it was sought to mortgage for the Rothschild loan. The effect of this decision must be to complicate still further the entanglement of Egyptian finance. It will probably prevent the completion of the transaction with the Rothschilds.

We only know that this International Court was one of the contrivances of the English and French, and they can hardly escape the necessity of paying some respect to a tribunal of their own creation. If Messrs. Rothschild can be quieted about their commissions there is no difficulty in undoing all that was done in the mortgage transaction, as it was a mere shuffle of paper, no money passing between the parties. The quarrel as it now stands, affected by the decision of the International Court, is simply which class of the (so called) creditors of the Khedive shall hold his lands. He would doubtless end that quarrel by keeping them himself, if he could, but England and France with their frigates always ready to sail for the harbor of Alexandria will hardly permit that.

JEFFERSON.

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**SUBSIDIARY SILVER.**—Of the coins imported during March there was nearly half a million of dollars in American silver coins. Possibly some portion of that was in trade dollars, but the remainder must have been the old subsidiary coinage, which had become widely scattered in the West Indies, Mexico, and South America. Its value here is equal to that of gold, less a brokerage of one or two per cent., while in the countries from which it comes, its value cannot be greater than that of their own silver coinages, and must, therefore, closely approximate that of silver bullion. The profit in collecting and sending it here is considerable, and the amount sent already is very large. Persons who notice the dates of the small silver coins which they handle, cannot fail to have noticed how considerable the proportion of old dates is. In process of time, as our silver coinage becomes larger, the value of silver coins cannot exceed that of the bullion which they contain, with the cost of coining added, and when that stage is reached, the movement of subsidiary silver may again become outward, instead of inward.

## BANKING INSTITUTES.

THE GILBERT LECTURES ON BANKING (SESSION OF 1879)

*Delivered at King's College, London, by Professor LEONE LEVI, F. S. A.,  
Doctor of Political Economy.*

[The subject here treated by Professor Levi is one to which the attention of our younger bankers may well be directed. The Bank Clerks' Mutual Benefit Associations, which exist in several of our larger cities, look simply for provision against the contingencies of sickness or decease, and however useful and praiseworthy such an object, their influence should not be limited to this single direction. Whatever may encourage among the banking fraternity a higher ambition to excel in their vocation, and to achieve the fullest success in life, should be taken hold of with earnestness and persistence. The remarks of Prof. Levi with regard to the banker as a *gentleman*, although addressed to an English audience, are, of course, equally applicable to the American banker. There are few stepping-stones to success more certain than that unflinching courtesy of manner which is consistent with the utmost promptness in despatching business and with unyielding firmness for the right.—ED. B. M.]

The effort to establish a Banking Institute deserves to be crowned with abundant success. When we consider the number of persons engaged in banking, the magnitude of its interests, and the many difficult problems, political, economic, and monetary, involved in their operation, I am not surprised that the most active, the most energetic, the most intelligent, among those so engaged, are considering in earnest whether, by united action, they may not provide for themselves better means of acquiring practical and theoretical knowledge of banking than are otherwise within their reach. Herein, indeed, is the value of co-operation. It is the union of varied and special talents, and of comparatively small amounts contributed by every one with a view of obtaining a common benefit, which in this case is a storehouse of knowledge in costly standard works of reference, and the opportunity to all the members of coming into contact one with another, with a view of raising their status and influence. The utility of a Banking Institute cannot be doubted. If there be any misgiving as to the ultimate success of the effort, it is in the fact that a Banking Institute existed years ago, which I well remember, but is now no more, and in the fact that the City of London, the very heart of the banking world, is not the home of those engaged in banking, but simply their meeting place for a few business hours during the day. Let there be, however, a definite object in view, let its constitution be in accord with the condition of things under which it has to exist, and there is every reason to

expect that the Institute of Bankers will not only be successful in its inception, but have a long career of usefulness and activity. Yes, the Banking Institute will succeed, because the conditions of advancement in any profession now are other than they were thirty or fifty years ago. The day is gone when favor or position will enable us to obtain promotion. Lucrative offices and employments are no longer reserved for any privileged class. Talent, probity of character, energy; these are the best passports to promotion, and qualities such as these must be acquired by persevering labor, earnest efforts, and well-trained and governed minds and hearts.

The first great reform in the way of awarding promotion according to merit was in the Civil Service. By an Order in Council, dated 21st May, 1855, the Civil Service Commission was established to examine every person proposed to be appointed to any junior situation in any department of the Civil Service, and to ascertain whether the candidate is within the limited age prescribed in the department to which he desires to be admitted; whether he is free from any physical defect or disease which is likely to interfere with the proper discharge of his duties; that the character of the candidate is such as to qualify him for public employment, and that he possesses the requisite knowledge and ability for the proper discharge of his official duties. And by another Order in Council, dated 4th June, 1870, all appointments to be made to any situations in the Treasury, Privy Council, Board of Trade, the India Office, the Customs, and Inland Revenue, and to most of the other important offices, are to be made by means of competitive examinations open to all persons who may be desirous of attending the same. But similar restrictions now exist in almost every profession. In the law you cannot become a solicitor until you pass several examinations, and have served a clerkship with some practicing attorney for five years. Before you can bind yourself by articles of clerkship, you must pass an examination on general subjects. About the middle of your service there is an intermediate examination on legal subjects, and before you are admitted you must again go before the examiners. In the higher branch of the legal profession, the Bar, equal advance has also been made. You cannot now become a barrister by merely eating so many excellent dinners. To be admitted as a student at any of the Inns of Court you must pass a preliminary examination. And, afterwards, no student is eligible to be called to the Bar unless he shall have passed a satisfactory examination in Roman law, real and personal property, common law and equity. This is a great change upon past practice. If you turn your attention to medicine, you will find that no one is allowed to practice as physician unless he has passed an examination in the subjects of general education recognized by the college, and unless the can-

didate has actually engaged in professional studies, and attended the surgical practice of a recognized hospital. In the church, you cannot obtain a license without years of preparation. In sea-faring, you cannot be master or mate of a merchant ship unless you pass the examination instituted by the Board of Trade. In some professions the aid of the law has been sought to prevent persons not sufficiently competent to exercise what requires special skill. In other professions voluntary institutions have been established by the members themselves to promote their higher instruction, and by examinations to sift the skilled from the unskilled.

The Institute of Actuaries has been founded for the purpose of elevating the attainments and status and promoting the general efficiency of all who are engaged in occupations connected with the pursuits of an actuary, and for the extension and improvement of the data and methods of the science which has its origin in the application of the doctrines of probabilities to the affairs of life, and from which life assurance, annuities, reversionary interest, and other analogous institutions derive their principles of operations. The Institute consists of contributing members, viz., fellows and associates, and non-contributing members, viz., honorary, foreign, and corresponding members.

Akin to the Institute of Actuaries is the Institute of Accountants, whose objects are stated to be to elevate the attainments and status of professional accountants, to promote their efficiency and usefulness, and to give expression of their opinions upon all questions incident to their profession. The Institute is composed of fellows and associates, and no person is eligible for admission as a fellow, who is not at the date of his application in practice as a professional accountant, or an associate, in the same practice, or clerk in the employ of a member of the Institute.

For the profession of Civil Engineering, there is an Institute, the object of which, as its charter lays down, is for promoting the acquisition of that species of knowledge which constitutes the profession of a civil engineer, being the art of directing the great sources of power in nature for the use and convenience of man, as the means of production and of traffic in States, both for external and internal trade, as applied in the construction of roads, bridges, canals, river navigation and docks, for internal intercourse and exchange; in the construction of ports, harbors, and light-houses; in the construction and adaptation of machinery, and in the drainage of cities and towns. The Institute consists of members and associates.

In the cases I have noted, viz., the Institute of Actuaries, the Institute of Accountants, and Institute of Civil Engineers, their object is to promote certain specific professions, certain distinct branches of knowledge. Their members are special-

ists, professionals, each and all being known by their very names as adepts in their occupations. Can we so say of banking? Analyze the number of clerks employed in a banking house. Who are the bankers? They are the masters, the directors, the managers, not the great body of clerks, for among the officers are secretaries, inspectors, cashiers or tellers, assistants, auditors, book-keepers, and a host of others in more or less subordinate positions. There is, indeed, scarcely any analogy between the members of certain distinct professions, and the promiscuous body of clerks, employed in banking. To call an Institute for such, "The Institute of Bankers" is quite erroneous. It is a misnomer. Let the name truly express the object in view, and you will have much greater facility in accomplishing it. Nor is the kind or extent of education required by banking clerks in any way uniform. In the law, the church, the actuaries, the civil engineers, the accountants, where every member aims at the same thing, the education, whether progressive or otherwise, must be one and the same. Not so in the case of banking clerks. There is much in common among them. They all live under a banking atmosphere, are alike affected by its success and prosperity. But whilst one needs to be an able political economist, another must aim at becoming familiar with monetary science, and another must be master of book-keeping, whether by single or double entry, whilst many more, engaged in simple routine work, scarcely feel the need of any special studies for them, a general education and good manners are sufficient.

The institutions I have mentioned, moreover, though educational, in the highest sense, in that they promote the intellectual advancement of their members, do not profess to be teaching bodies. The Institute of Actuaries provides indeed two lecturers for certain elementary, yet technical, branches of mathematics, not obtainable in ordinary colleges. But, otherwise, they leave their members to obtain their education wherever they are able to do so. Their object is to enlist into their fellowship educated, well-instructed members, and they do not concern themselves with giving them the necessary instruction, for the simple reason that they would be at a disadvantage in attempting the same in competition with schools and colleges. One important means of instruction is provided by these institutions. The Institute of Actuaries meets monthly during the period from the 1st of November to the 1st of May, in every year, when reports, letters, and papers on subjects interesting to the Institute are read, and conversations on points of interest, theoretical and practical, may be introduced, all papers or communications proposed to be read being first submitted to the Council, who decide on their fitness to be read, and also on their fitness to be inserted in the journal of the Institute. In a similar manner

the Institute of Civil Engineers affords an opportunity to members to bring forward original communications to be read and discussed. Their journals, containing original productions of a scientific and practical character, as well as varied information useful to the profession, form the most important contribution to the enlightenment of their members. On the other hand the Institute of Accountants holds no meetings for the reading of papers. Each Institute adjusts its constitution and method of operation to the exigencies and conveniences of its members.

But I must call your special attention to the Institute of Bankers in Scotland, the object of which, like that of the one about to be formed in London, is to improve the qualifications of those engaged in banking, and to raise their status and influence. Its constitution provides that 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 calculated to attain the aforementioned object. The Institute consists of members and associates, members, who pass the higher examination appointed by the Council, or who on account of their official position in any of the banks, or their attainments otherwise, may be elected by the Council without examinations. And associates, who pass such examinations as may be appointed by the Council, or who have taken degrees at any university. At the first, the Institute provided for its members special lectures on political economy and law. But the attempt did not prove successful. The special lectures on political economy were discontinued, and only sixteen members took advantage of Professor Hodgson's lectures at the University of Edinburgh, kindly thrown free to members of the Banking Institute. The law lectures, also, had to be discontinued for want of attendance, and in their stead the Institute provided last year in Edinburgh, a course of lecture on English Literature, and in Glasgow, jointly with the Society of Accountants, lectures on Natural History, Physiology, and the Bankruptcy Law. The most successful portion of the Institute is the library, the circulation of books among its members being a decided boon. The experience therefore of the Institute of Bankers in Scotland does not seem favorable to the establishment of special courses of lectures for members. The educational institutions of the country can do that much more efficiently.

In the rules and regulations of the Institute of Accountants

one of its objects is stated to be "to give expression to their opinion upon all questions incident to their profession." And so hopes have been expressed that the Institute of Bankers will be most beneficial in that it will bring together men connected with the various classes of banks, for the discussion and ventilation of questions which from time to time arise, and which are at present in a more or less unsettled state; and also that bankers themselves, and heads of departments, may thereby have a common place of meeting, and a common means of communication. The difficulty, I apprehend, in the carrying out of this portion of the work of the Institute arises from the fact that after business hours the greater portion of the banking world leave the City for their distant places of residence, and that it is vain to ask them to return for the sole purpose of attending any meetings of the Institute. Moreover, some of the heads of our banking firms have the opportunity of discussing banking questions at the Statistical Society, the Institute of Actuaries, and the like. Would not meetings held in the City, and attended by the comparatively few who may live in the same, eventually fail to prove sufficiently attractive?

If these considerations have any weight, the most modest course to adopt, and the most likely to prove in the end successful and permanent, would appear to be to provide for the members of the Institute a well-selected circulating library of standard works; to establish a professional though voluntary examination at stated intervals, of an elementary character, and pass examination for first appointments, and of a more advanced and technical character for the higher positions in the different classes of occupation in banking houses; to offer prizes and scholarships as rewards connected with such examinations, and if possible to obtain from some of the leading banks a certain number of nominations to appointments to be awarded to such as may possess the character to qualify them for the same after having been tested to possess the requisite knowledge and ability for the proper discharge of their duties. The Institute might also offer substantial prizes for papers of real merit, written by any of its members, upon subjects indicated from year to year by the Council, and submitted to the same for appreciation, and, if they deem fit, for publication. Essays thus published upon subjects connected with the theory and practice of banking, finance, or monetary science, would not only afford considerable stimulus to thought and research among the members, but result in decided advantage to the whole profession and the public at large.

In this age of activity and intercourse there is a constant flow of subjects under discussion calculated to stir our very souls, and to make us think almost in spite of ourselves. Dismiss the idea, I pray you, that you can form any solid

judgment upon any question, especially those connected with your profession of banking, without inquiry and study. Do not think that your common sense will aid you in unraveling the mysteries of commerce, finance, banking, and the foreign exchanges. Common sense is an invaluable requisite, and no learning can be put in its stead. But the exercise of the judgment, unaided by any art or system of rules, is only a second best guide. First possess yourselves, by arduous study, by a wide survey of facts, and a clear arrangement of ideas, of the rules which should guide you in your judgment, and then employ your common sense in the using of such facts, and drawing the proper conclusions from them. If you are determined to fathom any question of difficulty, read the most important works on the subject you have access to, compare the opinion of the several authorities, notice the advance the science has made, and, above all, consider to what extent public opinion has sanctioned its teaching.

At this moment what a field lies before you. A banker is deeply interested in the stability of States and the vicissitudes of politics. Take up the *Almanach de Gotha* or the *Statesman's Year Book*, and one by one consider the condition of France and Germany, Italy and Austria, Turkey and Prussia, Spain and Portugal, Holland and Belgium, the United States and the different republics of South America, China and Japan. Take notice of their internal and external relations, of their resources and finances, of their debts and revenues. What is the Eastern Question? What complications may yet arise thence? What interests are at stake on their solution? Questions of tariffs are paramount everywhere. Some of us thought that England had made up her mind to adopt a liberal policy for herself, and that she would allow other nations to pursue whichever course they prefer. Are we to go back to the rags of protection or reciprocity? Study, I pray you, the experience of the United States, and of all countries as regards their economic policy, and endeavor to arrive at some solid conclusions on the subject. At home the pretensions of trade unions and the frequency of strikes are very perplexing. No one will contest the rights of our workmen to pursue whatever policy they deem best for their own interest, but when they say, We do not believe in your political economy, it is well that we should be able to answer them by possessing clear views ourselves regarding the circumstances which regulate the wages of labor, and the best means of promoting the real welfare of the working population. Our laws on partnership and joint-stock companies may yet require reform. What is our experience respecting the constitution of joint-stock companies with limited liability? Are partnerships *en commandite* preferable? The bankruptcy law is confessedly unsatisfactory. The petition of bankers and merchants recently presented to the Earl of



Beaconsfield on the subject said, that the law affords new and vicious facilities to insolvent persons to escape from the reasonable control and supervision of their creditors, by private arrangements, and that the law is rendered practically nugatory by leaving to those who have already incurred losses the investigation of the bankrupt's affairs. What is the proper basis for the equitable arrangement of rights between debtors and creditors? Our financial system needs improvement. Is the income tax to be a permanent source of revenue? Is the present system of its assessment just? Is the provision for the sinking fund all that could be desired? Our traders are clamoring against the harshness of the law in not permitting the use of different kinds of weights and measures, a perfect barbarism of customs varying all over the country. Would it not be wise and economical to adopt the metric system of weights and measures, a system at once scientific, easy and logical, and with it a decimal system of coinage. Upon banking itself numerous questions present themselves for consideration. Are the principles of Sir Robert Peel's Bank Charter Acts sound? What reforms in the law relating to the liability of trustees may be required? Or is there any need of further legislation on Scotch banking? Then there is the question of the long usance of bills on India, and the fluctuations of the price of silver, and the suggestion that India should adopt a gold standard like England. There are besides numerous other questions, connected with life assurance and friendly societies, Savings banks and Government annuities, and many more subjects to which the attention of persons connected with banking may be usefully directed. The Council of the Banking Institute need be at no loss in putting forth lists of subjects for the consideration of their members from time to time. If the best method of educating be to encourage the evolving of thoughts from within ourselves, the drawing out of the flowers of genius and wisdom that are within us, then surely the Banking Institute will be able to exercise a powerful educational influence among the many bright and talented youths still comparatively unknown in the profession, but ready to appear with minds equipped and hands prepared for any competition where real merit may have a chance.

One of the first benefits I would anticipate from the Banking Institute is the opportunity it will afford of greater intercourse, which is certain to increase that urbanity of manner, that relish of what is decent, just, and amiable, which perfect the character of the gentleman. Washington Irving said that the English gentleman is distinguished for the union of elegance and strength, of robustness of frame and freshness of complexion. The English banker ought to be, in manner and mind alike, the perfect gentleman.

'Tis not the gently graceful gait,  
Well-made clothes, well put on,  
The softly measured tone  
Still talking of the rich and great,  
That makes the gentleman.

But 'tis the heart in danger true,  
The honor free from stain,  
The soul which scorns the vain,  
Holding the world but at its due,  
That makes the gentleman.

The Banking Institute may also have the effect of making the customs of bankers more certain and more uniform. Personal intercourse between members of the same profession will aid in guiding the perplexed in the performance of what is safe as well as what is right in the many difficulties which often beset the banking clerk. The Institute will encourage the study of the sciences which may be helpful to the banking profession—the science of politics, treating of the structure of Government and the distribution of power; of political economy, treating of the production and distribution of wealth, of capital and labor, of money and currencies, of value and prices, of trade and exchanges, of mathematics and statistics—those wonderful sciences of numbers which impart so much definitiveness to our ideas, and reduce the most general notions to the certainty of numerical facts—to say nothing of geology and physical geography, finance, and mercantile as well as general jurisprudence. Gentlemen, the Banking Institute may be a powerful instrument in your hands for your elevation and improvement. Make it so. Trust not in the patronage of the great. Trust the rather in your own energies. Let those who have at heart the success of the Institute say with Addison—

'Tis not in mortals to command success;  
But we'll do more, Sempronius, we'll deserve it.

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INDIA LOANS.—The English, masters of India, of course preferred that the loans of that dependency should be made payable in sterling money and be negotiated in London, until the aggregate became so great that doubts have arisen as to the capacity of India to sustain any increased debts payable abroad. They are now obliged, for their own sakes, to see to it that India finance is managed in the interest of India, rather than in that of London bankers, and many of them advise that future Indian loans be made, not in sterling money, but in rupees, that is to say, in silver. Thus, the London *Economist* of March 22, says:

It obviously may be found more profitable in the end to pay the higher rate of interest upon the loan and remain clear of the fluctuations of the silver market, than to pay the lower London rate and accept all the risks of fluctuations in the exchange. It is eminently desirable that the debt of India should, as far as possible, be held by the native population, and for that reason it might not be unwise to pay a little more for a loan in India than would be necessary if the money were raised here.

## ADMINISTRATION OF THE CONTINENTAL BOARD OF TREASURY, 1778.

As the year 1777 was drawing to a close, articles of confederation were formed and passed by Congress for ratification by the States, from which the central Government was to derive larger as well as more certain powers. Notwithstanding the necessity of this measure, like many of the needs of the time, the work of ratification was sadly delayed.

Congress saw clearly enough how the issue of so much paper money without providing for its redemption would depreciate its value; indeed, this unwelcome truth could not be put out of sight. It was a matter of public concern and alarm. Congress, therefore, appealed once more to the States for assistance. They were earnestly recommended to raise, during the year, \$5,000,000 by taxes levied on the inhabitants of the various States in the following proportions:

New Hampshire.....	\$ 200,000
Rhode Island and Providence Plantations.....	100,000
New York.....	200,000
Pennsylvania.....	620,000
Maryland.....	520,000
North Carolina.....	250,000
South Carolina.....	500,000
Virginia.....	800,000
Delaware.....	60,000
New Jersey.....	270,000
Connecticut.....	600,000
Massachusetts Bay.....	820,000
Georgia.....	60,000

These sums were not regarded by Congress as the true proportions which the colonies should advance, but only approximate estimates; nor was it necessary to be very exact in distributing the amount, since the funds coming from this source were to be regarded as a loan, bearing six per cent. interest. At the same time, the States were recommended to refrain from issuing any more bills of credit, and, where the Continental circulation was sufficient for the wants of business, and, doubtless, it was everywhere, to withdraw their own local issues, "and, for the future, to provide for the exigencies of war and the support of Government by taxes levied within the year, or such other expedient as may produce a competent supply."

No one will question the wisdom of this recommendation, but it was nothing more, and proved ineffectual. Had Congress been clothed with power to enforce the measure, how suddenly the financial prospect would have changed! About this time the loan-office system was extended. The States were recommended to open offices in every town and district

under the inspection of proper persons, and certificates were to be issued for loans as small as two hundred dollars.

Soon another recommendation appeared concerning the property of those who had abandoned their allegiance to the States and passed over to the enemy. The property of all such persons, it was recommended, should be confiscated and the proceeds invested in loan-office certificates, which were to be appropriated as the States should direct. The recommendation was heeded, and all the States, during some period of the war, passed acts to confiscate and sell the property of loyalists, applying the avails in redeeming certificates and bills of credit, or paying other expenses incurred through the conflict with Great Britain. The debtors, also, of British creditors were enabled to discharge their debts by paying into the State treasuries or loan offices paper money in fulfillment of their obligations. "Under some of these laws," says Schuckers, "many individuals were attainted by name; others were banished forever from the country, and if found within the State were declared felons without benefit of clergy. In some States the estates and rights of married women, of widows and minors, and of persons who had died within the territories possessed by the British, were forfeited. In New York the Courts were enjoined to prefer bills of indictment against persons, alive or dead, who had adhered to the King, or joined his fleets or armies, and who were the owners or claimants of property. In some States confiscated property was applied to other than war purposes; in others, as rewards to persons for military service. In one instance, the property which had been mortgaged to a British creditor was released, by special act of the Legislature, from the encumbrances and given to the representatives of the mortgagee, who had fallen in battle."

The right to confiscate the property of loyalists was not questioned at the time the States seized it, but when the war closed, and the terms of peace were under discussion, the Commissioners on the part of Great Britain proposed a restitution of all the property confiscated. The answer made by the American Commissioners was: they had no power from the various States to restore it, and, if they had, it would be just for them to insist upon compensation for the desolation wrought by the British forces on the towns, private houses and property of American citizens, contrary to the rules of war, an account of which had been taken by order of Congress. This rejoinder was so complete that it was agreed no actual stipulation should be made for the restitution of the confiscated property; the States, if they pleased, were to restore or keep the property thus taken as a satisfaction for the loss incurred by the ravages of the British armies, though the American Commissioners promised that Congress should recommend States to restore it.

The States, however, did not consider favorably the recommendation of Congress. New York resolved that there could be no reason for restoring property which had been confiscated or forfeited, as no compensation had been offered on the part of Great Britain for the damages sustained by the States and their citizens from British military ravages. The other States regarded the matter in the same light. An English writer, in 1783, the year peace was made, in commenting upon this part of the settlement, remarks: "The amount of the sum claimed by the United States for the damages done by the British forces far surpassed that now claimed by the loyalists. And, as Great Britain must have paid for those damages, or have continued the war, had she not given up the property confiscated, it is evident that she has disposed of it for more than an adequate consideration, and is a considerable gainer by the bargain." This was a not altogether cheerless view to those whom the writer was addressing, and, doubtless, he made his countrymen believe that in the peace which Great Britain had just made she had not lost everything. The States having failed to recompense the loyalists for the losses they had sustained, the British Government finally paid them \$17,000,000.

Early in the year Congress resolved to borrow \$10,000,000 on the credit of the United States, the loan bearing interest at six per cent., and loan-office certificates were to be struck for that amount. Four months later this action was rescinded. Not long afterward came the news of the French alliance. The amount of paper money then in circulation was \$55,500,000.

While the British occupied Philadelphia there was published in the *Pennsylvania Gazette* a statement of the debt of the Government, in which appeared the following items:

1777, December 31.—To amount of several emissions of Continental paper dollars, as appears by the resolves of Congress, and certificates from the committees appointed for superintending the press, etc., amounting in the whole to 115,000,000 dollars.

To amount of twenty millions of paper dollars, borrowed on the credit of Congress in the several United States, as appears by certificates from the loan offices erected for that purpose, 20,000,000 dollars.

The interest on this loan being fixed at six per cent. per annum, till repaid by Congress, these two sums consolidated makes a clear apparent Continental debt of one hundred and thirty-five millions of dollars, which at 7s. 6d. per dollar, amounts to 50,625,000 pounds. 135,000,000 dollars.

This statement was a fearful exaggeration of the truth, and, of course, was prepared and made public for the purpose of depressing the spirits of the people by showing the impossibility of ever liquidating such a vast load of indebtedness. The errors in the statement were too patent to delude any one. The Continental paper in circulation was

not so large by fifty millions as the amount therein given, while the indebtedness of the States was heavier than represented. Even the English periodicals saw fallacies in the statement too large and numerous to be passed without comment.

When the French alliance was formed, Congress was not slow in applying to France for aid, yet there were a few members opposed to this step, among whom was Henry Laurens, of South Carolina. To him the foundation for drawing bills did not seem substantial; the practice was dangerous; and the measure, except for things absolutely needed in carrying on the war, was not necessary. The drawing of bills of exchange he declared to be essentially emissions of paper money upon the very worst terms, aggravated by six per cent. interest per annum. It was putting the debt already existing out of sight for a little time, but he affirmed that it would infallibly return with accumulated force. To borrow money from a foreign power was to mortgage our soil, while the boasted generosity of the King of France in feeding us lightly and demanding no security was liable to the suspicion of being insidious. "When the loan-office certificates," he continues, "are put on a beneficial plan, if money shall not be furnished in sums equal to the public exigency, it will be a proof that past emissions are not excessive. The demand for money, at this time, is not confined to the capital towns and cities within a small circle of trading merchants, but spread over a surface of 1,600 miles in length and 300 broad; nor is it now the practice to give credit for one and more years for seven-eighths of the whole traffic. Every man is now a money-holder, and every article is paid for in cash; it is hence obvious that an immense sum is necessary for a complete circulation. No man would be so void of understanding as to keep Continental bills idle and at a risk, in his desk, when he might, upon the same security, improve them at six per cent. per annum."

Laurens then, having shown the causes of the sudden rise of prices, closes by affirming that borrowing from a foreign power would not increase the value of paper money; it might, and probably would, be the source of extending the depreciation to several years beyond the term when, if in debt only at home, it might be redeemed. "Such, and many other arguments," he affirms he used upon the occasion, but, when the vote was taken, only four persons were found to agree with him, so, on the 19th of May, bills of exchange were ordered to be drawn upon the Commissioners of the United States at Paris, to pay interest due on the loan certificates.

Laurens declares that Congress was at first opposed to borrowing ten million dollars, and subsequently defeated a proposition to borrow half that amount, and not until the 9th

of September was the motion carried to draw bills on the Commissioners, who were then in Paris, at the rate of five livres of France for a Spanish dollar, for the payment of interest upon all money loaned to the Government through the Loan Office before the first of March. It was expected, with this certainty of paying interest promptly, that twenty million dollars would be raised by the first of March, and that no more emissions of paper money would be necessary.

The precise terms of the agreement by which France agreed to pay interest upon loans made in the United States have never been ascertained. Laurens says "the Commissioners gave Congress assurances of money received and promised sufficient, by subsidies, to pay the interest of twenty millions, if we should be obliged to borrow that sum." He afterwards had reason for apprehending that the Commissioners were sure of receiving only enough to pay interest upon five millions. That France guaranteed the payment of interest upon all the money that could be borrowed in America, believing the sum would not be large, or for a stipulated amount, is pretty certain, for, in a letter written by Morris to Franklin, in November, 1781, he says that "it was a point understood in Congress very early, that His most Christian Majesty would pay the interest of certain monies to be borrowed by Congress in America. Your Excellency knows better than any other man what passed on that subject. Those circumstances which rendered an express stipulation improper then have introduced much delicacy into it now, and, therefore, I do not expect that the Court will recur to a formal acknowledgement of what was then, perhaps, rather a personal than national obligation."

As the army was suffering at this time for want of supplies, the Executive Council of Pennsylvania laid an embargo for thirty days on the importation of provisions, Congress having previously recommended such action. If the Confederate Government was slow and timid in assuming authority, it did not hesitate to recommend the severest measures to the States for their adoption.

The financial condition of the country continued to grow worse. Congress did not fully comprehend the gravity of the situation, and relying too confidently upon France, now that an alliance was formed, fell into a deplorable lethargy. Says William Hosmer in a letter to Governor Trumbull, of Connecticut: "I wish I could with truth assure Your Excellency that, in my view, our affairs are in a happy train, and that Congress has adopted wise and effectual measures to restore our wounded public credit, and to establish the United States, their liberty, union and happiness upon a solid and permanent foundation. I dare not do it while my heart is overwhelmed with the most melancholy presages. The idleness and captiousness of some gentlemen, mauler

the wishes and endeavors of an honest and industrious majority, in my apprehension, threaten the worst consequences." Perhaps Congress thought, as Phillips suggests, that by appointing, as they did, two days in the week for the consideration of financial questions, nothing more could be done to relieve the country. A permanent committee, consisting of Robert Morris, Gerry, R. H. Lee, Witherspoon, and G. Morris, were finally appointed "to consider the state of the money and the finances of the United States," and report thereon from time to time.

Within a month this committee made a report, the contents of which can only be conjectured from the disposition made of it. Such parts as related to a confederate fund and the mode of issuing and accounting for loan-office certificates were referred to a committee consisting of Duer, Gerry and Adams. Four days later another financial report was made, but whether it emanated from this newly-created committee or the earlier one, the records of Congress do not show. Evidently the report contained some startling facts and opinions, for only sixty copies were printed, and the printer was required, under special oath, to keep its contents secret and print no extras.

Doubtless many plans were suggested for supplying the national exchequer with money, but among the most interesting observations preserved are those of Silas Deane, who, for a considerable period, served as Commissioner to France. His memorial to Congress on the subject is lost, but a letter, addressed to the same body from Paris, two weeks later, is supposed to contain essentially the same ideas. In this communication he declares that "to emit more bills will be rather dangerous, for money, or whatever passes for such, whenever it exceeds the commerce of a State, must lose its value, and the present circumscribed state of American commerce is, perhaps, within the amount of your emissions already made. Your bills, therefore, must be borrowed of individuals by the public, at interest, or those already emitted paid off by taxes and new emissions made. Some colonies, I am sensible, may now be content with a tax, but it is, most probably, quite out of the power of some, and, in a measure, rather impolitic in a majority of the colonies or States *durante bello*. The relying on future taxes is holding up to the people a succession of distresses and burthens which are not to cease with the war itself. Whereas, could they have a prospect of paying the expenses of the war at the close of it, and enjoying the remainder of their fortunes clear of encumbrances, it must greatly encourage and animate both the public and private in pushing it on with vigor."

The difficulty of raising funds for prosecuting the war is strikingly illustrated by the adoption of a measure, near the



close of 1778, for furnishing the troops with provisions. This was nothing milder than a recommendation to the States to authorize commissioners to seize all goods required for the use of the armies, giving therefor certificates expressing the quantity and quality of the commodities seized, with the prices affixed, which were similar to those established by the several States a few months previously. A circular letter, setting forth the necessity of adopting so stringent a measure, was prepared by Congress and transmitted to the States. To what extent this edict was executed we are unable to ascertain. There is good reason, however, for concluding that a great variety of things was taken for the use of the army.

Though paper money was taken, with more or less reluctance, in return for most things, some services were rendered only upon promise of receiving specie. It was needed chiefly by the generals in procuring intelligence concerning the movements of the enemy, as no amount of paper money constituted a sufficient inducement to men to perform this dangerous service. Specie was also proposed as a bounty to men if they would enlist in the armies; yet this measure did not meet with general approval, as many thought the effect of it would be to hasten the depreciation of paper money, which was "already of little value." Specie also had been employed in the expedition against Canada. Six thousand three hundred and sixty-four pounds Pennsylvania currency, in gold and silver, was obtained for the use of this expedition, which was transported as far as Ticonderoga and remained there for many months, while debts were pouring into Congress from every quarter, to be discharged. During the entire year of 1778, while a vast amount of paper money was expended, the specie paid out was exceedingly small. In the appendix to the Journal of Congress for that year the following figures are found:

Currency.....	\$62,154,842 63
Specie.....	78,666 60
Livres.....	28,525

This handful of solid coin, which, in gold, would weigh only seven hundred pounds, and might be put into a wheelbarrow, was the foundation, says Breck, of the campaigns of that year.

The war, therefore, had been prosecuted thus far almost wholly with paper money. When it was proposed to capture Canada, Congress recognized the necessity of providing specie for the use of the expedition, and it was forthcoming; yet failed to see that specie was just as necessary in the campaigns at home. Though patriotism was a living force which gave a wonderful impetus to the Revolution—indeed, was at the bottom of it—nevertheless, many were quite as desirous of receiving a real money equivalent for what they

sold as others were to whom the principle of patriotism was a stranger. Those living south of the St. Lawrence were of the same flesh and blood as those beyond the stream, and were actuated by the same principles in making exchanges, and Congress ought more firmly to have grasped this fact. Difficult as it was to procure specie, it was equally difficult to extract value from a paper currency based upon nothing. The mistake of Congress was in not applying the same principles in dealing with Americans which it proposed to apply in treating with the inhabitants of Canada.

During the year 1778 fourteen issues of paper money were authorized, aggregating \$63,500,000. Two issues in December were for \$10,000,000 each; another issue of the same amount was ordered in September, and \$20,000,000 during the months of May, June and July. The effect of these measures was well understood, but Congress felt compelled to resort to them to raise money. Not that other measures were disregarded, as we have already seen.

ALBERT S. BOLLES.

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## FINANCIAL NOTES AND COMMENTS.

### RAILROAD FREIGHTS.

The reports just published of two great railroads, the Lake Shore and Michigan Central, illustrate the great reduction made within a few years, both in the rates charged for carrying freight, and in the money cost of carrying it. On the Lake Shore road the average freight rate per ton per mile, dropped between 1870 and 1878 from .932 of a cent to .474, and the cost from .572 of a cent to .260. On the Michigan Central the average freight rate per ton per mile dropped between 1865 and 1878 from 3.06 cents to .85 of a cent.

### CHICAGO FINANCES.

The Chicago *Tribune* publishes an interesting and very flattering account of the recuperation within three years past of the municipal finances of Chicago. Dividing the indebtedness of the city into its funded debt, outstanding scrip, and sums drawn from and due to certain special funds, the *Tribune* makes the following comparisons:

	July, 1876.		May, 1879.
Funded debt.....	\$ 13,437,000	..	\$ 13,043,000
Scrip.....	3,011,330	..	249,000
Due special funds.....	1,800,000	..	900,000
	<u>\$ 18,248,330</u>	..	<u>\$ 14,192,000</u>

This is a reduction of debt already achieved of \$4,056,330, and the *Tribune* also claims that the cash on hand and assets in the course of realization will, during the year to come, redeem all the scrip outstanding, and replace the \$900,000 remaining due to special funds, thus leaving nothing but the funded debt.

These results are due partly to economies, and partly to the recovery of taxes imposed during prior years, but the collection of which had been delayed, and perhaps jeopardized, by irregularities.

They were also probably due in part to an actual excess of the current revenues over the current expenditures, but exactly how that is, is not shown specifically in the statement of the *Tribune*.

The cost of certain Departments in 1876 and 1878, compares as follows:

	1876.	1878.
Fire.....	\$ 430,201	\$ 376,566
Police.....	635,333	431,394
Health.....	94,767	46,030
Water.....	614,757	584,459
Lighting.....	464,617	249,771

The tax-levies for several years have been as follows:

1874.....	\$ 5,466,692	1877.....	\$ 4,013,410
1875.....	5,108,981	1878.....	3,778,856
1876.....	4,046,805	1879.....	3,776,450

These reductions of tax-levies since 1877 were probably unwise. What the cities and towns in this country generally need is not a reduction of taxes, but a reduction of debts. That is certainly true of cities like Chicago, which have bonds outstanding bearing the heavy interest of seven per cent. per annum. The better policy is to keep up taxes until such debts can be so reduced that they can be refunded at more favorable rates. The permanent relief of taxpayers is only possible through a reduction of exorbitant interest accounts.

#### EXPORT DUTIES.

For the four years ending March 31, 1876, the export duty on rice shipped from India averaged annually £ 525,446, or two-and-one-half million dollars. As India tariffs are under British control, it cannot be said of this rice export duty, as is sometimes said of the coffee export duty of Brazil and of the sugar export duty of Cuba, that it is to be ascribed to a lack of enlightened experience in matters of revenue. Nothing would seem to be plainer than that countries having special natural advantages in the production of particular articles, may tax their export without placing the home producer at a disadvantage as compared with the foreign producer, and it is by no means clear that the burden of such duties, if not too high, is not thrown largely upon the foreign purchaser. Jealousies between the planting and commercial States, existing at the date of the formation of the American Federal Constitution, caused the insertion into that instrument of a prohibition of export duties. The same, or similar jealousies may very possibly prevent a change of the Constitution in that respect. Mr. Blaine advocated such a change a few years ago with great ability, but seems to have given it up in despair. We believe, nevertheless, that it ought to be made, and that a revenue from exports could wisely be obtained so as to relieve the country of other more burdensome forms of taxation.

#### RICE.

It is said that there are 500,000 acres in Louisiana subject to tidal overflow and now useless, which can be reclaimed for the cultivation of rice, by being so arranged as to be flooded at pleasure. The State has granted 200,000 acres of such lands in the parishes of St. Mary and Terrebonne to a company, whose title is to be perfected as soon as 10,000 acres are reclaimed, and the work is in progress. At present prices, the rice crops on such lands would be worth \$92 per acre, and, it is said, will not cost more than \$25 per acre. Louisiana far exceeds Lower Egypt in cultivable area, while it is fully as rich, acre for acre. A correct statement of its agricultural capacity would read like a fable.

## SILVER.

The receipts of silver bullion at San Francisco for the first quarter of 1879, compared with the same quarter of the four previous years, were as follows:

1875.....	\$4,959,598	..	1878.....	\$13,591,066
1876.....	9,982,733	..	1879.....	4,956,193
1877.....	9,149,883	..		

The falling off from last year is very great, but during the latter part of the year the comparison will doubtless be much more favorable. The out-turn of the Comstock lode during the first three months of 1878 was unusually heavy, but during the last six months of that year, almost ceased. Unless everybody in San Francisco is deceived, the silver yield from the Comstock during the last half of this year will be large again. The bonanza in the Sierra Nevada and the Union Consolidated mines, is expected to begin to produce by the first of July.

The treasure exports to China, principally silver, during the first quarter of 1879, compare as follows with the same quarter of the two previous years:

1877.....	\$3,337,754	..	1879.....	\$1,728,989
1878.....	2,991,254	..		

During April, the silver export to China was \$1,538,823, or nearly double what it was in April 1878.

## INFLOW OF SILVER COINS.

It had been supposed that the West India Islands and Spanish South-American countries were about exhausted of their stocks of small United States silver, but they continue to send it. The profit upon doing so approximates fifteen per cent. During the week ending May 17, the imports into New York of that kind were \$74,680. It is in these imports that the explanation is found of the large amount in circulation of subsidiary silver coins of old dates.

## AUSTRALIA AND GOLD.

The *Mining Record* says that the information from Australia is uniformly and decidedly unfavorable as to the results of recent great efforts to discover and exploit gold reefs and lodes. Unless some change shall occur, the Australian gold supply must, therefore, be expected to continue steadily to diminish, as it has been diminishing for several years past. The new supplies needed for the increasing wants of mankind must be looked for elsewhere.

In this country, Idaho and Montana are very promising, as respects gold production, and will soon be more accessible than they now are. The extension of the Northern Pacific Railroad two hundred miles westward from Bismarck, for which the funds are already provided, will greatly benefit Montana. The Utah and Northern Railroad, which connects Idaho with the Union Pacific Railroad, has just reached Eagle Rock, in Idaho, 230 miles north of Salt Lake, and far enough north to assist very much in the development of the gold placers on Snake and Salmon rivers.

If the Zulu war is brought to a termination, and if British authority over the Boers of the Transvaal can be firmly established, both of which events are rendered probable by the news from South Africa, the world will soon know how well founded the belief of miners is, that the next great gold development will be in the Transvaal and adjacent regions. Such a development somewhere cannot come too soon, or be upon too extensive a scale.

## BRITISH TRADE PROSPECTS.

The European *Mail* (London) of April 1, says:

Some men of acknowledged reputation for judgment and experience are unable to anticipate the remainder of the present year without apprehension, and even venture to predict the occurrence of more mercantile failures than have been recorded in any corresponding period since the present lingering crisis began. Nor can this view—depressing though it be—be regarded as altogether without foundation. There is a class of traders who, in the face of persistent commercial losses, have hitherto weathered the storm, living on their reduced means, in the hope of business being resuscitated before they were completely exhausted. Indications are not wanting that for this section of the mercantile community, which includes not a few connected with the Eastern trade, there may be trouble in store.

The London *Economist* is apprehensive of trouble hereafter in the British retail trade. It says that until recently, while that trade has suffered from curtailment and bad debts, it has gained from the same fact, which has been observed and complained of in this country, that the fall in retail prices of commodities has been much less than the fall in wholesale prices, thus leaving larger profits for the retailers. It states that the fall in both classes of prices is now more equalized in Great Britain.

## A NEW BRITISH BANKING LAW.

On the 21st of April, the British Cabinet submitted to the House of Commons the draft of a new law to enable such of the Joint-Stock Banks, as now have the feature of unlimited liability on the part of their shareholders, to change that into a liability less onerous. The measure proposed, it is hoped by its authors, will not impair the credit of the banks. The shareholders are still to be liable for debts other than circulating notes to an amount either equal to, or some multiple of the amount paid in on shares, and without limit to the holders of circulating notes. The banks under the proposed new law are to be called "Reserve Liability" banks. It is of very little consequence what they are called, if the public understand the real nature of the security offered. Some British writers advise that the shareholders instead of being contingently liable for a certain sum, should actually deposit such sums in fixed securities, like consols, to be held to respond in the contingencies provided for. Such a rule might not embarrass persons possessing unlimited quantities of the kind of securities demanded, but that happy condition must be rare even in England. In this country it would confine the holding of bank shares to a very small class.

There is this to be said in respect to the condition of the British laws regulating Joint-Stock Banks, that they are so intolerably bad that no change in them can be for the worse. They permit the utmost recklessness in banking, and afford only one remedy, that of the unlimited liability of shareholders, which is as bad as the disease, and which itself causes disease. It was the unlimited liability of the shareholders of the Glasgow Bank which enabled it to get credit for six times its capital, while the enforcement of that preposterous degree of liability is ruining thousands of innocent people.

The proposed law leaves it to the banks themselves to determine whether the liability of shareholders shall be equal to the amount paid in on shares, or some multiple thereof, and if so, what multiple. This is a very extraordinary and most unwise provision. The liability of shareholders should be fixed by law, and upon general considerations of public policy, and not be left to the whims and caprices of individual bankers.

## LONDON CLEARINGS.

For the year ending April 30, 1879, the aggregate clearings of the London Bankers' Clearing House were 4,885 millions sterling, being a decrease of twenty per cent. as compared with the average clearings for the three years 1873-4-5.

Compared with the preceding year, the clearings on stock exchange account and on settling days for consols, show an increase of fifty-three millions, while other classes of clearings, which indicate mercantile movements, show a decrease of 236 millions. In England, as in this country, a decrease in mercantile clearings results, not from a decrease in the movements of commerce, but from a fall in the prices of commodities.

## CITY OF GLASGOW BANK.

The London *Economist*, of May 3, says that the efforts of the liquidators of the failed bank to induce the London creditors to accept a composition of eighteen shillings in the pound have been fruitless. More than half of the debts of the bank are due in London. In the cases of those shareholders of the banks whose estates are sequestrated to respond to calls, the liquidators, who have heretofore claimed that these estates should be held to respond to possible calls of £5,500 per share, do not now ask that they should be held for more than £3,950 per share, and it may not be necessary to call for so much. The calls already made amount to £2,750 per share. The shares were £100.

## BRITISH LOCAL DEBTS.

This class of debts has increased in Great Britain as follows:

Years.	Amount of debt.
1870-71 .....	£ 63,000,000
1874-75 .....	92,821,100
1876-77 .....	106,302,385

Between 1875 and 1877, British local taxation increased from £26,466,231 to £28,333,167. All these figures are official.

## ONTARIO.

In the Province of Ontario, formerly known as Canada West, the forty loan companies which make reports to the government, show mortgages due them of \$29,438,277. The mortgages due other trust and loan companies not making such reports, will, it is said, carry up the aggregate to \$44,000,000, of which, according to the *Toronto Monetary Times*, from two-thirds to three-fourths are on farms. The *Times* says:

This is a serious debt to rest upon the lands of this Province. It represents a burden of three dollars and a quarter on every acre of cultivated farm land in Ontario, and is equal to a mortgage of \$200 due by each of the 144,000 owners of farms.

It is the pressure of these debts, and of the other debts, public and private in Canada, which is doubtless the real moving cause of the agitation for a greenback currency, which has commenced there. It is said not to be formidable, but nobody can foresee what opinion may prevail in a community which is in a condition of severe financial distress. However it may turn as to the greenback question, there is reason to believe that Canada will be compelled to adopt the bi-metallic standard, if the United States adheres to that policy.

## MANCHESTER ON THE GOLD STANDARD.

The following resolutions were recently adopted by the Directorate of the Manchester (Eng.) Chamber of Commerce :

The Board of the Manchester Chamber of Commerce having had under its consideration a proposal for the adoption by this country of a bi-metallic or double standard of gold and silver, with unlimited coinage and legal tender of both metals, and having carefully discussed the subject with the assistance on two occasions of a deputation from the Liverpool Chamber, which has declared its approval of the proposal in question, has embodied its conclusions thereon in the following three resolutions :

1. Considering that the unity of a standard or measure of value secures in the highest attainable degree the practical convenience of simplicity and safety in contracts, considering further, that of the two precious metals, gold, from its relatively high value, is best fitted to be the standard in countries where commerce and wealth are most largely developed, the Board of the Chamber is of opinion that the existing system of English currency, with gold as standard and unlimited legal tender, and with a subordinate and limited coinage of silver and copper as token money, is best adapted to the necessities and convenience of the country, and should, therefore, be continued.

2. That no act of Parliament or convention of nations can prevent changes in value resulting from variations in the conditions of production or of the action of demand and supply; and although such Act or convention may give forced currency to silver at a fixed ratio to gold where both metals are employed as standards and unlimited legal tender, their inevitable changes in relative value must still be felt in an equivalent disturbance of general prices and contracts, and in the exportation of the more valuable metal; while an additional uncertainty must result from the known precariousness of international arrangements for common action.

3. That the temporary inconvenience to buyers of exchange in silver-using countries, being an exaggerated form of an ordinary incident of trade, should be met by the usual remedies through terms of contract; and that in any case the removal of such temporary inconvenience would be too dearly purchased by any measure which would destroy the simplicity and stability of our National currency.

The Manchester *Cotton* of May 3, which is a supporter of bi-metallism, endeavors to impair the effect of the adoption of these resolutions by saying :

It was never expected in the outside world that the Manchester Chamber of Commerce would come to a decision in favor of anything new. It has always been taken for granted that the members would give a safe and respectable vote in favor of the *status quo*.

But is not this safe and respectable attachment to the *status quo* quite as strong in England generally as it is in Manchester? For ourselves, we have no idea that England will restore bi-metallism within any period near enough to be taken into practical account. We agree rather with a city newspaper (the *Times*, of May 16), in regarding such an expectation as "purely Utopian."

## CHINA.

The *Tokio* (Japan) *Times* of March 15, states that arrangements are made for a cotton factory at Shanghai, to be run by Chinese capital. Five Englishmen have been engaged to superintend it, under a penalty in case they shall fail to make skillful workmen of the Chinese within three years. Statistics show that nearly the entire increase in the production of cotton cloths in Great Britain since 1865, has been absorbed by the increasing demand for India and China. The establishment of cotton factories in those countries is, therefore, a most portentous menace to British industries.

## SILVER IN AUSTRIA.

The Vienna correspondent of the London *Economist*, of May 3 says:

"The petition of the Liverpool Chamber of Commerce on the silver question has been noted in Germany and Austria. The party favorable to a silver standard in Austria would like to obtain some advantage for themselves, but their number is decreasing daily. The Germans, who do not even think of ever changing their Currency Act again, are in hopes of the English Government refusing even to listen to such a proposal.

The editors of the *Economist* are extreme partisans of a gold standard, and their correspondents naturally write in that vein. Nevertheless, in the case of this correspondent, we believe he is quite right in saying that Germany, so far as controlling influences are concerned, is determined against silver. That is equally true of England. All the organs of banking opinion in London concur in insisting that England must and will adhere to the gold standard for itself, and it seems to be agreed that this view of the metropolis will, until changed, overbear the counter opinion of Liverpool and some other places. When M. Cernuschi was here, rather more than two years ago, he was altogether sanguine that Germany and England would adopt silver if the United States would do so. He was entirely mistaken about that, as the International Monetary Conference of last August abundantly demonstrated.

But while believing that the Vienna correspondent of the *Economist* is right in what he says about German opinion, we do not believe that he approximates a correct version of Austrian opinion. The Austrian representation in the Conference of August was decided against gold, and all the subsequent conduct of the Austrian Government is in the same direction. Silver is and has been, since 1857, the exclusive legal metallic standard of that country. It would seem, in fact, that there is now no party there of any consequence which proposes going to a gold standard in any such sense as that in which it is advocated elsewhere. What they propose is to make gold florins of such a weight as to correspond in value with the paper and silver florins now in use, or, to use expressions familiar in this country, to make a clipped gold dollar, worth about seventy-five cents. *L'Economiste Francais*, of May 3, publishes a letter from Austria in which reference is made to the revolution which broke out a year or two years ago in the Duchy of Liechtenstein, when it was attempted to go to a gold standard, then more valuable than the existing silver standard, and therefore more onerous to debtors and tax-payers. The writer declares that a similar result would follow a similar attempt in Austria. No people of any intelligence would submit to such a robbery. When Germany passed from a silver to a gold standard, the transition was made on the proportionate valuation at the time of the two metals. It has turned out, to be sure, that the proportionate valuation has since changed, but that has happened by gradations and was probably to a considerable extent unanticipated. If Austria makes the transition now, it can only be on the same basis of the present market ratio of gold and silver. There is, however, no practical interest to be benefited by such a transition as that, and it is not apparent from what quarter support for it is to come. It is easy to see from what quarters opposition would come. Holders of silver debts, for example, would protest against being paid off in gold at the existing ratio of eighteen or nineteen of silver to one of gold, because it is generally believed that such a ratio is abnormal and temporary and tends to return to the old European ratio of 15 to 1.



## AUSTRIA.

A letter dated at Vienna, April 14, and published in *L'Economiste Français*, confirms previous accounts that the Austrian Government is paying salaries, etc., in silver, and is withdrawing its one-florin notes, so as to substitute silver for them. It has issued an order directing the withdrawal of such notes, as they are received into the public treasury from taxes.

M. Hertzka, an Austrian writer who has distinguished himself by his efforts to persuade the Austrians to bring their silver currency up to the gold standard, has abandoned that effort in despair, and now proposes to create a gold standard on the present silver level. Stating the existing fact to be that 116 Austrian silver florins are the market equivalent of ten English gold sovereigns, he proposes to mint gold florins of such a size that 116 of them would contain as much gold as ten sovereigns. That would be the same as if when six of our greenback dollars were the equivalent of the pound sterling, it had been proposed to go to gold payments in a gold dollar, six of which would contain as much gold as a sovereign.

## BERLIN BANKS.

The aggregate capital of the banks and banking associations of Berlin is \$83,512,500, of which \$30,000,000 belongs to the German Imperial Bank. The aggregate dividends declared during 1878 were, \$4,907,000, or nearly six per cent. London journals speak of these dividends as "low," and they are so as compared with those which the London banks have been in the habit of declaring on their paid-up capital. Bankers in New York would describe those Berlin dividends as high enough, and quite as large as would result from any prudent and sound system of banking. The London system has been of the kind which insurance companies would speak of as *extra-hazardous*, and has consisted principally of borrowing money and lending it at higher rates of interest.

## GERMAN SILVER.

The total of all the old silver ever struck at the German mints was \$431,650,000, of which there had been withdrawn to the end of March, 1879, \$268,814,350. The redemption of the florin coinage was completed nearly three years ago, and it turned out that one-fourth of it was not presented, having been lost, melted down, exported, etc. If an equal proportion of the thaler currency has disappeared, the whole amount of silver to be withdrawn was \$323,737,500, which made the amount still to be withdrawn at the end of last March, \$54,922,150. But of the amount withdrawn to the end of the last March, some quantity, probably not very large, remained then on the hands of the German Government unsold.

These figures correspond very well with the estimate made at the International Monetary Conference of last August, that Germany then had \$75,000,000 of silver to sell. Its sales during last fall were considerable, and have been continuous since.

The London *Economist* of May 10, says:

It has been mentioned in certain quarters that the stock of silver which Germany has yet to dispose of will prove to be less than has recently been supposed, but reliable data are still wanting.

At the International Monetary Conference of last summer, Mr. Goschen, who had investigated the subject, as Chairman of the British Silver Commission, declared his own personal belief to be,

that Germany did not then (August, 1878) have so much silver to sell as \$75,000,000.

The subject of an addition to the German subsidiary silver coinage is again revived, as it periodically has been for three years. Söetbeer has recently urged an addition of eighty-five million marks, or \$21,250,000, and his paper on the subject is said to be a "feeler" of the executive authorities, who have been from the first in favor of an addition very much larger. It is not possible at this distance to determine what will probably be done. But if an additional amount of silver is used up in subsidiary coinage, there will be so much the less to sell.

The value of silver will be kept down for the present, if Germany continues to manage the operation of selling as it has done within the last six months. She has been under the influence of a panic apprehension that the mint of the United States was to be closed to silver, and that the metal was not a safe thing to hold. At every slight rise in the market, therefore, she has sold. It is among possibilities that her policy may now be changed, inasmuch as it has become certain that the present Congress of the United States will not do anything in the direction of restricting the coinage of silver any more than it is already restricted.

At a Parliamentary *soiree* at Berlin, May 17, Prince Bismarck, as reported in the London *Times*, "referred incidentally to the silver sales of the Prussian bank, which he said he would like to see stopped." As Bismarck is apt to have things in Germany very much as he chooses, these remarks caused a firmness in the London market on the 19th, and a rise of one-half of one per cent. on the 20th, although the London *Times* threw cold water on the expectation of an advance, by saying that it rested on a very "doubtful basis," so far as the utterances of Bismarck are concerned.

#### JAPAN.

The currency of Japan which consists now of suspended bank notes, continues to depreciate. At the last reported quotation, Mexican dollars were at a premium of twenty-five per cent. Until quite recently, Japan possessed a great amount of gold money, and in 1871 established an exclusively gold standard, except for transactions at the commercial ports with foreigners, which were to be carried on in silver. Since that date the Japanese gold has largely disappeared. During the four years ending with 1878, the Japanese export of gold to Great Britain, was \$30,000,000, and still continues. During the first three months of this year, Great Britain received gold from that quarter to the amount of \$1,375,240.

A China correspondent of the London *Standard* says that the Japanese intend to follow the example of India and China and establish cotton mills. The industry and ingenuity of Japan promise success for such an experiment, and they have also climates and soils adapted to the production of the raw material.

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FRIENDLY SOCIETIES IN ENGLAND.—The *British Mercantile Gazette* of May 9, says that "Bad times are telling on Friendly Societies. The Manchester Unity of Odd Fellows has entered only one-half as many new members in 1879 as to this date in 1878, and one-fourth only as compared with 1877, and one-sixteenth as compared with 1876."

## MR. McCULLOCH'S LECTURES ON FINANCE AND POLITICAL ECONOMY.

A course of lectures was delivered by the Hon. Hugh McCulloch before Harvard University, at Cambridge, Mass., in May. The lectures were seven in number, the subjects comprising *Money; Bi-Metallic Money; The Representatives of Value; National Debts and Foreign Exchanges; Taxation, and Capital and Labor.*

The lecture which we now have the pleasure to lay before our readers, is that which considers the National banking system, the objections commonly urged against it, and the question of a Government issue of legal-tender notes. Our next number will contain another of this very interesting course: the one upon the subject of "Foreign Exchanges."

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### THE NATIONAL BANKING SYSTEM.

My lecture this evening is a continuation of that which I delivered last Friday evening, on *Representatives of Money*. There are many of these representatives, such as promissory notes, notes of hand, as they are called, checks, etc. The duties and offices of these are well understood, and there is no difference of opinion about their utility; no political contest in regard to them. I shall therefore confine my remarks to Government notes and bank notes. I shall of course have a good deal to say about bills of exchange—a very important representative of money—next Thursday evening when I shall speak on Foreign Exchanges.

The leading measures of Mr. Chase's administration of the Treasury were the legal-tender acts, the issue of bonds payable at a certain day but redeemable at an earlier one at the pleasure of the Government, and the National banking system. Of the legal-tender acts I have already spoken, and shall speak more freely further on. The wisdom of the provision that the six-per-cent. bonds might be redeemed before their maturity, is proved by the ease with which they have been converted into four per cents., and the burden of the public debt thereby largely reduced. He was strongly advised to make them thirty years bonds. Fortunately he was wiser than his advisers. The establishment of the National banking system was, however, the measure which he had most at heart, and upon the success of which, he believed the best financial interests of the Government depended. He regarded the legal-tender acts as a war measure. He thought that without a large issue of notes possessing the legal qualities of money, sales of bonds, sufficient to meet the wants of the war and navy departments, would be impossible. And he was guilty of no inconsistency when he expressed the opinion, as a Justice of the Supreme Court, that these notes were not a legal tender in satisfaction of contracts entered into before the legal-tender acts were passed. In one of the last conversations I ever had with him, before he resigned his office as Secretary of the Treasury, he said, "Many things can be properly done under the war power of the Government which would not be tolerated in times of peace." "I thought and still think," said he, "that the

legal-tender acts were a necessity; I have never been committed to their constitutionality."

When the suspension occurred in 1861, there were some fifteen hundred banks of issue incorporated under State laws; some solvent, and some of doubtful solvency; some with a secured circulation, some without any other security than that afforded by capital which had, in some instances, but a nominal existence. As all had suspended, there were no means by which discrimination could be made between the notes of sound banks and unsound ones. It was obvious that a very large amount of money would be required for the payment of soldiers and seamen, and the purchase of army and navy supplies, and the question which confronted Mr. Chase, one of the most difficult which a financial minister was ever called upon to decide, was, by what means shall this currency be obtained? He knew that if he borrowed from the banks he would receive in payment irredeemable notes, a large part of which might prove to be worthless. If he relied upon Government notes he would be doing what other nations had done, what indeed had been done in Continental times in his own country, without any certainty of different results; depreciation, bankruptcy, repudiation. After long and anxious consideration, he adopted the principle of the free banking system of New York, but with such security as would make the notes of the banks current throughout the Union, and as safe as the bonds of the Government and the limited liability of the stockholders could make them. In my judgment the National bank system is one of the chief compensations of the war. It has given to the country what it never had before, a bank-note circulation of uniform value, and unquestionable solvency. Those who are much older than most of those whom I address, can alone appreciate its value. Nothing could be less fitted for the currency of a great country like ours, than the notes of the State banks under the old systems. Only a small portion of them were secured, and these perhaps not absolutely by deposits of bonds in the State Treasury—none of them had a reliable credit outside of the States in which the banks which put them in circulation were established. The losses that the people sustained by broken banks before the adoption of the present system, could be counted by millions. The losses to which they were subjected in traveling from State to State and in making exchanges were greater still. The State bank system was a system under which bank-note brokers were enriched, and the people defrauded.

It is to such a system that the country will return if the present system should be destroyed, for I am quite sure that the people will have a paper currency of some kind, and I am equally sure that this currency will not for any considerable period be furnished by the Government. The contest now, however, is between the Government notes and the notes of the banks. Let us glance at the principles involved in this contest and the interests at stake. Let us consider the popular objections to the National banking system, and the real and substantial objections to the substituting of Government notes for bank notes.

*Firstly*—It is contended that the notes of the National banks are costly to the people.

*Secondly*—That the National banks are a monopoly.

*Thirdly*—That they are a great money power, dangerous to the rights of the people.

*Fourthly*—That they cannot furnish currency enough for the requirements of trade.

In what sense then are the National banks costly? The banks cannot obtain the notes which they put in circulation without placing bonds in the treasury, with ten per cent. margin. In other words, they cannot obtain ninety dollars of circulating notes without depositing a hundred dollars of United States' bonds in the Treasury at Washington. This is costly to the banks, but not to the public. It is not a voluntary act of the banks; it is what the Government requires and the interests of the people require of them for the security of their notes. There is not a banker in the United States, who, looking at his interests alone, would not be right glad to be freed from this requirement. The bonds which he deposits with the Treasurer are not the property of the public; the interest they bear is to be paid out of the public revenues whether they are made the basis of circulating notes or not. Who ever heard of complaints against the free banking system of New York or of the West, that it was a costly system to the people? The only objection raised against it, was that the notes were not perfectly secured by it, nor was the National bank system in any manner the creation of the State banks; without an exception the State banks were opposed to it, when I undertook the organization of the National Currency Bureau. They were *forced* into it by a ten per cent. tax upon their notes which compelled their withdrawal, and it is one of the interesting facts in our financial history, that the withdrawal of these notes and the substitution of the notes of the National banks was accomplished without the slightest financial disturbance. In less than two years from the passage of the Bank Act, the notes of the State banks were retired and the people furnished with a paper currency, current throughout the Union, and as solvent as the Government. The National Currency Act was the first practical assertion of the authority of the Government to regulate and control the paper currency of the country—the first performance of a duty which it owed to the people—in compelling the banks to secure beyond question their circulating notes. As the National banking system is in no sense a costly one to the people, the people pay nothing for its support. On the contrary, it contributes largely to the public revenues by the taxes imposed upon the banks, taxes which are as unwise as they are unjust—which if continued will force many of them into liquidation. The taxes which the National banks pay to the government, and the interest on the coin reserve which the Government would be under the necessity of maintaining, if it should undertake to support a convertible circulation of United States notes, would far exceed the interest which the banks receive upon the bonds deposited by them in the Treasury. The National banking system, while it furnishes the safest paper currency in the world, is not a profitable system to bankers. It is true that during the period of inflation, the banks did, like all other financial institutions, make a good deal of money upon paper, but their profits were to a considerable extent illusory. I fear that the small dividends, that some of them are now declaring are making inroads, if not upon their capital at least upon their surplus, which prudence requires them not only to maintain but to increase. The only way in which, according to the opinion of those who are opposed to the banks, money can be saved in supplying the country with a paper currency, is by a repeal of the National Currency Act and the redemption of the bonds in the safe keeping of the Treasury with United States' notes; an experiment which, if ever tried, will prove to be more costly and disastrous than any experiment ever

tried in this country or any other. The objection, therefore, to the National banking system, that it is costly to the people, is utterly without foundation.

Equally unfounded is the objection that it is a monopoly. So far from it, it is eminently free and democratic in character. There is not a feature of monopoly about it. It permits any five people (outside of large cities, where successful banking with small capital is impossible) who can command fifty thousand dollars, to become bankers. It requires only that those who undertake to lend money under the sanction of the Government shall have the money to lend—that those who exercise the right of issuing obligations as money shall secure them. So far and no farther does the National banking system go towards establishing a monopoly. It is in fact a great free banking system eminently popular in its character, open to all citizens of the United States, with all of the objections to a government bank carefully eliminated. It is the extension of the free bank system, first established in New York, which was a triumph of popular over what might be called, if I may be permitted to coin a word, monopolistic banking.

Nor is there any better foundation for the charge that the National banks are a great money power dangerous to the rights of the people. What power has money in banks which it does not otherwise possess? What right of the people do the banks invade? What interests do they endanger? Money is power always and everywhere; it always has been and will always continue to be; no legislation can prevent it. But its political power, far from being increased, is in fact lessened when it is invested in bank stocks. The National banks have a large capital, amounting in the aggregate to some four hundred and seventy millions of dollars, and they have the temporary use of some six hundred millions of deposits. Their capital is made up of the earnings or the inheritances of a large number of people who prefer investments in bank stocks to other investments. Their deposits are moneys for which their owners have no immediate use, and who place them in the banks for safety or convenience, or for the interest which is paid on them. They do control a large amount of money, but for business purposes only. Bankers are not politicians. If any one is known to be dabbling in politics, as it is called, the bank which he manages is regarded with suspicion and suffers in credit. The managers of banks are generally men of ability, but there are no men in the country who have less political influence. It would not be difficult to find twenty men in Boston who never owned a share of bank stock, who wield more power in elections than all the officers, directors, and employees of its fifty-two National banks. Unfortunately, bank managers, like other business men, are too apt to neglect political affairs. Some are so absorbed by official duties or private enterprises, some so afraid of what they call political dirt, that it is only by strong pressure in an exciting election that they can be induced even to vote. This is a free country, and men can go to the polls or they can stay away according to their own good pleasure, but if they suppose they are to be freed from politics and politicians by neglecting their own political duties they will be grievously mistaken. They have their existence in a political atmosphere from which there is no escape. Ours is a government of the people, which is in constant peril when those who have the greatest interest in its maintenance manifest no personal concern in the administration of its affairs. "Eternal vigilance is the price of liberty." When this vigilance ceases

to be exercised by those who have the most at stake, despotism will become a necessity. So far are bankers from combining for the purpose of controlling elections, that they generally shrink from the performance of their duty as citizens in the selection of candidates and at the polls. There has never been a combination of the National banks for any political purpose whatever. They have not even attempted a combination of their influence to effect a reduction of the grievous taxes which are imposed upon them. The banks are by no means under the control of men of the same party, nor are they in the enjoyment of privileges which they are especially anxious to retain. The State banks were forced into the National banking system, and if a vote were taken to-day, a majority, regarding their own interests alone, would, as I have said, be in favor of being placed again under the control of the States. The National system of banking was established not for the benefit of bankers, but for the benefit of the people, and the people will be blind to their own interests if they permit it to be destroyed. That it is not especially attractive is proved by the fact, that although open to all, there are in the United States nearly four thousand State banks and private bankers with a capital of over two hundred millions of dollars, and deposits exceeding four hundred millions, who decline to connect themselves with it. The objection that the system is dangerous to the rights of the people as a great money power, is as groundless as the other objections which I have considered.

Nor is there any ground for apprehension that the National banks will be either unable or unwilling to furnish all the paper money that will be needed for legitimate trade. The cause for apprehension is in the other direction. There is a constant tendency to over-issues by the banks when currency is on demand. The business depression which has existed within the last five years in the United States was caused, in no small measure, by the large issues of notes by the Government and the banks. There is not a single branch of industry in this country which is suffering for want of a circulating medium, not one that would be benefited by an increase of it. I will go further, and on this point I can speak advisedly, for I have been for forty years a careful observer of the condition of trade in the United States, of the causes which have produced hard and prosperous times. I will go further and assert, that there has been no time when industry has languished, and the productions of factories and fields have failed to fetch remunerative prices, by reason of a scarcity of money to pay for them. What is now needed for a general revival of business is not more money, but what has always been needed in times of depression—more work for laborers; more and better markets for our productions. As I remarked in a previous lecture, prices of most of the productions of the country are low—of many articles lower than they were before the war; the prices of some are even below the cost of production, and yet currency was never before so cheap or so abundant. An increase of the volume of the circulating medium would aggravate instead of lessening existing trouble, by breaking confidence, which is the main-spring of enterprise. No reasonable objection, therefore, lies against the National banking system on account of its present or prospective inability to supply the country with all the currency required for all legitimate and useful purposes.

That well-managed banking institutions are conducive to National prosperity is proven by the experience of all great commercial na-

tions. There is not one which has not found them, as banks of issue, as well as of deposit and discount, not only a popular convenience, but a great commercial advantage. Whatever losses have been sustained by them were the result either of defects in the laws under which they were organized, or of mismanagement. As far as depositors can be protected they are protected under the present system by the requirements, that the capital of the banks shall be fully paid up, by the liability of stockholders for an amount equal to their stock in addition to it, by the supervision to which they are subjected by competent examiners, by limitations upon their loans, and by the penalties imposed upon officers and directors for fraudulent mismanagement, of which insolvency is *prima facie* evidence. No such failure as that of the Bank of Glasgow, or approximating it, could have occurred under our National banking system. So far as the note holders are concerned, and their interests are a matter of primary importance, the protection is absolute. No other banking system in the world affords superior protection to depositors; none is equal to it in the security it gives to circulating notes. It is this system which gives to the country what has been so long desired—a bank-note circulation of uniform value and unquestionable solvency—that is now endangered by a proposition to substitute for the notes of the banks the notes of the Government. Now let us see what this proposition involves.

It involves among other things, the winding up of a large part of the National banks, and the conversion of the rest into State or private banks. If this conversion should be back to State banks there would be a repetition of the evils from which the country suffered disastrously for so many years—a bank-note circulation of local credit and uncertain value; if into private banks, there would simply be, instead of banks of issue, an increase of offices of discount and deposit, issuing no notes, subject to no supervision, conducted merely for private gain. To such an entertainment is the country invited by the opponents of the existing system. It is contended, I know, that the deprivation of the privilege of issuing notes would neither necessitate the winding up of National banks, nor their conversion into local or private institutions. Why it would not we are not informed. To many of the banks the right to issue notes is of some value, not much it is true, but still sufficient to induce them to remain in the National system. The profits of the banks whose notes will soon be based upon four-per-cent bonds on their circulation, after deducting their taxes thereon, will not as has been shown by the recent exhaustive report of the Comptroller of the Currency, exceed one and a-half per cent.; but these profits, small as they are, are the only compensation which they have for the annoyances to which they are subject as National banks. Deprived of these profits, the majority of them would call in their loans and go into liquidation to the great disturbance of business and the severe prejudice, if not ruin, of their debtors. Those that did not do this would go back to the old system or into private banking. Whenever the National banks are deprived of the power to issue notes, the power of the Government over them will cease. The National banking system was established to give to the people a paper circulation upon which they could safely rely and which they could use at par in every part of the Union. Whenever the privilege of issuing notes is withdrawn from the banks, the very object for which they were chartered will be terminated. A National banking system without a National bank-note circulation would be an absurdity.



The substitution of United States legal-tender notes for the notes of the National banks, means also the perpetuation of a local measure of value fluctuating in amount, and consequently in purchasing power, instead of the long-established constitutional measure. One of the first questions which came up for consideration after the adoption of the Constitution, was the authority of Congress to incorporate a bank to be the fiscal agent of the Government with the right to issue notes; not as lawful money, but as a circulating medium to facilitate exchanges and to give life to languishing industry and trade. On this question, there was great difference of opinion, not only in Congress but in the Cabinet. Jefferson and Randolph were opposed to it, Hamilton and Knox in favor of it. Washington agreed with the latter and gave to the act incorporating the first United States National Bank, his approval. As far as we can judge from the discussions at the time, a provision in the Bank act to make the notes of the bank lawful money, would not have had a single supporter in Congress. It remained for statesmen of the present day to discover the authority of Congress to give to anything but gold and silver the quality of money. Indeed not only the authority of Congress to incorporate a United States Bank but the authority of the States to create State banks of issue, was for a long time a mooted question. Up to the time of the passage of the legal-tender acts in 1862, there was probably no lawyer in the United States, whose opinion was entitled to the slightest respect, who did not agree with Mr. Webster, that as Congress had no power granted to it in that respect, except to coin money and regulate the value of foreign coins, it clearly had no power to substitute anything else for coin as a tender in the payment of debts and in the discharge of contracts. Nor did any advocate of these acts justify his advocacy by the sanction of the Constitution. They were advocated and passed as war measures, outside, if I may so speak, of the Constitution, and as war measures only. The substitution of United States notes, with the quality of money, for bank notes, is objectionable therefore on constitutional grounds. The change which has recently taken place in the opinions of distinguished men upon this vital question is remarkable. Many of those who were formerly the strictest of strict constructionists, who denied the right of Congress to issue notes as lawful money, even under the war power of the Government, when such issues were thought to be necessary for the preservation of the Union, are now in the time of peace in favor of increased, if not of unlimited, issues.

Let us look at this question a little more closely. The Constitution is the supreme authority from which Congress derives its law-making power. No law is constitutional which is not in harmony with it, and while a liberal construction may be necessary to carry out its provisions, a construction which gives to Congress authority not warranted by its letter or spirit subverts the basis of constitutional government. The constitution gives to Congress the power to *coin money* and fix a value upon the *coins* of other nations—to establish mints to convert gold and silver bullion and foreign coins into coins of the United States. Authority to issue notes as lawful money is not given to it by the Constitution, nor is such authority needed for the execution of any of its powers. If by the authority given to Congress to coin money and regulate the value of foreign coins, the right to issue legal-tender notes as a currency can be fairly inferred, I can conceive of no act of des-

potism which it might not perform, under the fundamental law which was framed with a view to define and limit federal authority. I am not unmindful of the fact that the Supreme Court has decided that the United States notes issued during the war were lawful money and a legal tender in the discharge of all contracts public or private, no matter when created. This decision was made by a divided court, and it partially overruled a decision of the same court that these notes were not a legal tender in the discharge of contracts made *before* the passage of the legal-tender acts. But I do not understand that by it the right of Congress to authorize the issue of such notes, except under the war power of the Government, has been determined. I understand the decision to mean that there are circumstances which make necessity superior to the Constitution—that Congress under the pressure of a great emergency, may make Government obligations lawful money and that it alone is competent to decide when such emergencies exist, but there is no intimation in that decision that this power can be lawfully exercised in ordinary times.

There are other strong objections to the United States notes as lawful money. They have no intrinsic value. They are not money in any proper meaning of the word; they are made money by Acts of Congress, but they are not regarded or treated as such outside of the United States.

Their value depends upon their being convertible into coin, and their being made receivable for public and private dues. Their legal-tender quality is a violation not only of the Constitution, but of the common law of commercial nations.

There are also overwhelming objections in another respect to Government notes. There can be no limitation, if the authority to issue them is admitted, upon the amount that may be put in circulation. By one Congress the limitation may be three hundred millions, by another the limitation may be extended to five hundred millions, by another to a thousand millions, and so on. How could business be conducted with safety if the power to increase the lawful measure of value were intrusted to Congress, no matter what party might be in the control of the Government. Would the Democratic party be willing to intrust such power to Republicans? Would the Republican party intrust it to Democrats? Would business men—would the laboring classes be willing to intrust it to either? No government in the world is wise enough or honest enough to be intrusted with the authority to make money by what is now called its *fiat*, or by merely promising to pay it. To my mind the objections to continued issues by the Government of legal-tender notes, are insuperable. Other nations have resorted to such issues, but only under the pressure of great and immediate necessities. By no solvent government have such notes been issued for a permanent currency; and never has the great fundamental international law which makes gold and silver alone money, been violated by any nation, no matter under what circumstances, without discredit to itself and prejudice to its people.

The main objection to Government notes would be lessened if they were deprived of their legal-tender quality, but other serious objections would still remain. A paper circulation can only be useful when it is connected with business operations. It should never be anything more than a supplement to the precious metals. Always redeemable, its volume should be regulated, not by arbitrary authority, but by the requirements of trade. Such a regulation can never

exist when the circulation is furnished by the Government. No legislative body, even if no political or other improper influences were brought to bear upon it, could determine the amount of paper currency which the country required. If the present Congress, having no fear of a veto by the President, should undertake to determine how much currency is now needed to supply current wants, is it at all probable that the amount would be reasonably restricted? Current wants by some members would be regarded as including only what is needed to facilitate existing trade; but a majority would, I fear, include in current wants, the amount needed, in their opinion, to revive our languishing industries and develop the National resources. A gentleman of large wealth and much general intelligence, perfectly sound upon other subjects, but at sea upon the subject of currency, said to me in November last, that "the financial troubles which had come over the country was the result of contraction," [although the volume of paper money then outstanding was three times larger than at any time before the war] and that "two thousand millions were required for a restoration of the former prosperity." Into what overwhelming disaster would not the country be plunged if such a man, and he is a representative of his party, had the control of the National finances? The only way in which currency can be furnished by the Government is by the use of it in redeeming outstanding bonds, or in reducing taxes, or increasing public expenditures. What would the bonds be worth if they were redeemable in a currency the volume of which might be unlimited? What economy would there be in the public expenditures if the printing press could be made to do the work of the tax collector? Who would be audacious enough to talk about taxes and the necessity of maintaining the public credit by a judicious revenue system, if money could be made without any other expense than such as would be required in printing notes? I venture the prediction, if this power is ever fully exercised, that the halls of Congress will be converted into a gambling house, whose operations will cast into the shade those of the stock exchanges of our commercial cities.

But suppose that more prudent counsel should prevail and the volume of currency should be limited to the amount now existing and continue to be convertible into coin, could the Government properly do the work of banking institutions? Would the Treasurer at Washington and the Assistant Treasurers in our commercial cities be the proper agents for redeeming notes? It is true that the United States notes are convertible into coin, and that the holders can have them redeemed by presenting them at the offices of the Assistant Treasurers, but this is because the amount is limited and because there is no demand for coin for exportation. Let the United States notes be substituted for the outstanding notes of the National banks, and increased to seven hundred millions (if not to a much larger amount) instead of three hundred millions, and then we shall see how this system will work when the exchanges even for a short period are unfavorable. If we are to have a convertible paper currency it will be as it has been in all others, through the instrumentality of banks with limited power of issue, and whose existence is made dependent upon their ability to redeem the notes which they put in circulation. It must have been noticed, however, by all who have paid attention to the discussions of this subject in Congress or before the people, that a circulation, the value of which will depend upon its convertibility, is not what is required by the advocates of direct issues by the Government. What they contend for is

Government notes which will not need convertibility to give them value—notes which shall be themselves money no matter what may be their value in comparison with coin. Their real objection to the notes of the banks is that they stand in the way of unlimited issues of United States legal-tender notes.

It is understood that our able Finance Minister thinks it would be judicious to keep three hundred millions of the United States notes in permanent circulation. It is reported that he has gone very much further than this, that he has said, "If there should be a contest as to which should furnish the country with circulating notes, the Government or the banks, he should be on the side of the Government," which means that instead of bank notes perfectly secured by the bonds of the Government and the liability of stockholders, limited in amount by deposits with the Treasurer, and which are not a legal tender, he would prefer the notes of the Government made lawful money by statute, the amount of which to be put into circulation would be restricted only by the discretion of Congress. In taking this position he would disregard the experiences of other nations as well as our own, and he would find few supporters among the best thinkers and most intelligent business men of the country. That bank notes in the United States are now answering a legitimate and useful purpose is, I think, undeniable by those even who prefer to them the notes of the Government. They do not usurp the place of coin, their value depends upon their convertibility and the security lodged with the Treasurer, they find their way into circulation through business channels, they represent business. The banks that issue notes have something to show for them—the obligations of borrowers. Not so with the notes of the Government—they claim to be what they are not; they are made money by statute, but they are merely obligations for the payment of money. By being made a legal tender they became a false and deceptive measure of value. A legal substitute for coin, they drove coin out of circulation for years, and they will always work in this direction. The specie standard will not be permanently restored, the financial question will not be removed from the political arena, nor will the business of the country rest upon a solid basis until they are deprived of their legal-tender quality by an act of Congress or the decision of the Supreme Court, and gradually retired from circulation.

Great consideration should be given to the opinions of the Secretary of the Treasury upon financial questions; especially should this be the case when he has been identified for years with our financial legislation. In differing with Mr. Sherman, for whose ability I have great respect, and to whom the country is greatly indebted for his successful administration of the Treasury, I might doubt the correctness of my own conclusions were I not sustained by speeches and reports made by him when he was in the Senate.

On the thirteenth of February, 1862, in an able article in favor of the first legal-tender act, authorizing the issue of one hundred and fifty millions of United States notes he used the following language:

The only objection to this issue of paper money is, that too much may be issued; there is the only danger in it. I do not believe the issue of one hundred and fifty millions will do any harm, but if you continue to issue other sums you will at once depreciate the credit of these demand notes [meaning the outstanding January notes which were not a tender], and destroy their value.

If you confine it to the amount limited by this bill, I believe the effect will be healthy in all of the business relations of the country.

This is a mere temporary expedient. It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. If we do, we enter upon the same course that was followed in the French Revolution, and also by our American ancestors.

On the 17th of December, 1867, in a report upon the public debt, he expressed his own opinion and that of the Finance Committee of the Senate, of which he was Chairman, as follows:

Your committee are of the opinion that the time is not distant when it will become the duty of Congress to repeal so much of the existing laws as makes the United States notes a legal tender in the payment of debts, either public or private. This provision was adopted with extreme reluctance, and under the pressure of overwhelming necessity. The debates in Congress at the time this measure was adopted show conclusively that it was universally regarded as a temporary expedient. It is inconsistent with sound financial principles, and was never resorted to since the commencement of the present Government until February 25th, 1862. The evils produced by Continental money were so fresh in the minds of the founders of the Government that during the financial difficulties which followed the adoption of the constitution no one proposed such an expedient. During the war of 1812, when financial embarrassments had impaired the revenue and destroyed the public credit, a limited-tender treasury note was proposed and was promptly rejected. Mr. Dallas, in a communication to the Committee on Ways and Means, declared: "That the extremity of that day cannot be anticipated when any honest or enlightened statesman will again venture upon the desperate expedient of a tender law." We were driven to that extremity, but should hasten to abandon so desperate a remedy at the earliest day practicable. The moment at which we can restore the notes to a specie standard should be signalized by a return to correct principles, and our United States notes should stand like all other paper money, receivable only at the pleasure of the creditor.

In a speech in the Senate upon the currency, January 24, 1870, Mr. Sherman said:

I believe the judgment of the country is gradually settling down to the conviction that a note issued by a Government cannot be a proper agency of circulation. Other nations as well as our own have often tried the experiment of maintaining a circulating note issued by the Government, and they have universally found it to fail. It is impossible to give to currency issued by a Government the flexibility necessary to meet the demand of the exchanges, and therefore experience has shown that a note issued by a Government and maintained upon the guarantee of the Government alone, does not form a good circulating medium, except during a suspension of specie payments. It must have a flexibility which will enable it to be increased in certain periods of the year and to flow back again into the vaults of the banks at others. I am convinced, although it is unnecessary to discuss that point here, that in time it will be wise to retire our United States notes and all forms of Government circulation, and depend upon notes issued by private corporations amply secured beyond peradventure, so that in no case can the note-holders lose; and to subject the banks to regulations applicable to all parts of the country, making them free, so that the business of banking will be, like the business of manufacturing, blacksmithing, or any other ordinary occupation or business of life, governed only by general law.

These were no hasty utterances. They were carefully considered opinions expressed at intervals of years. They cover the whole ground of the present controversy. If the Minister differs from the Senator, I must stand with the Senator, and so, I hope and believe, will the country.

## RELATION OF CHINA TO THE SILVER QUESTION.

Mr. Gifford F. Parker, formerly Cashier of the Merchants' National Bank of Newark, N. J., was recently invited by prominent citizens of that place to deliver a lecture upon the Chinese question. Mr. Parker was engaged in business for many years in China. In this lecture he reviewed the commercial aspect of the subject, showed how the commerce of the world had hinged for centuries upon that Eastern trade; how England's greatness had been built up therein, and how all the nations of Europe were competing eagerly for the valuable prize while we were inert, after the usual manner of thoughtless youth who possess great natural advantages.

The lecturer referred to the steady absorption of silver by those Eastern countries, from the use of which it was impossible to divorce them. Among his remarks were also the following:

The silver dollar of 100 cents was as familiar to all classes and at all points from Yokohama to Bombay as the symbolic Eagle to an American. Its use was so general that the British Government established mints to coin it. If our Government would become fully alive to the importance of this question we could be known throughout the whole East by our dollars. Hitherto, through her manipulation of the exchanges, England has controlled and reaped the benefit of handling the immense volume of silver money flowing into those countries.

Providence has placed our silver supply on our Western coast convenient to Asia where it has been used since the world began. Yet some thoughtlessly propose that one function of silver shall be cut off. Would a wheat farmer devote his energy to influencing mankind to discard it as food? Yet such is the position of many on the silver question. Instead of curtailing, we should, as we do in manufacturing or other interests, strive to extend its use. England advocated gold as a single standard because the bulk of that product was from her dominions (Australia). She has, through her diplomatic system, statesmen constantly planning for the extension of her future trade, while our representatives seem to think of little else but how to carry the next election.

Mr. Parker stated that "In China money panics are unknown, which suggests the grave query whether their financial system may not be better than ours. They have not learned to use the modern convenience of bonded indebtedness. They seem to be utterly incapable of adopting the modern idea that a promise to pay is simply a form and means indefinite extension. They cannot realize that a National debt, or a debt of any kind, is a blessing. What a barbarous people!"

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**PNEUMATIC TUBES.**—The use of telegraphic wires for sending messages between different parts of Paris, ceased on the first of May, the network of pneumatic tubes for transmitting such messages having been completed. By the new method, they may contain any number of words. Blank forms are sold to the public, to be sent at a charge of half a franc if open, and three-fourths of a franc if closed.

## BOOK NOTICES.

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*A Popular Treatise on the Currency Question.* By ROBERT W. HUGHES. New York: G. P. Putnam's Sons. 1879. Pp. 213.

Mr. Hughes, who is the United States Judge for the Eastern District of Virginia, and treats the currency, as he states, from a Southern point of view, favors a currency of the metals, and of paper convertible into the metals, and by preference, such paper issued by the National banks rather than by the Government. He specially denounces the idea of restoring to State banks the power to issue circulating notes. In respect to the metals, he holds that silver and gold are equally constitutional; that Congress has no right to demonetize either; and that to establish the single gold standard would ruin all indebted governments and individuals.

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*The Banking Almanac, Directory, Year Book and Diary for 1879.* Edited by R. H. INGLIS PALGRAVE, F.S.S. London: Waterlow & Sons, Limited, 1879, pp. 560.

The present is the thirty-fifth annual issue of the "Banking Almanac," which is a parliamentary as well as a banking directory of the United Kingdom. It contains a list of London banks and bankers, joint-stock banks in the United Kingdom, with names of their managers and London agents, and of banks in foreign and colonial towns. There is in addition a large amount of interesting and valuable statistical matter respecting the transactions of the Bank of England, the note issues of the British banks, Clearing-House returns, tables of stamp duties, taxation, etc. An ample diary for each day in the year, containing various references, is a regular feature of the Almanac. Mr. Palgrave's name is a guarantee of the carefulness with which the statistical matter of this useful work has been compiled.

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*The New York Evening Express Almanac.* Edited and compiled by HENRY A. JACKSON and JOHN B. PECK. New York: The Evening Express Office, 1879. Paper, pp. 400 8vo.

This is an invaluable book of reference for business men, bankers, politicians, and even statesmen, in addition to its utility as an almanac. It contains very full statements of United States and State officers, of the revenues, expenditures, coinages, &c., of the United States since 1789, of recent elections, and all the party political platforms in the various States, and in short, of almost everything to which there is frequent occasion to refer. It has under special heads all the essential points, civil and financial, of the condition of New York State and City. Seventy-one pages of the work are devoted to comprehensive accounts of all the countries in the world, classified in geographical groups. It is really a monument of care and industry in its preparation, and of good judgment in selecting the subjects to be treated of.

*A Manual of International Law.* By EDWARD M. GALLAUDET, LL. D., pp. 321. A. S. Barnes & Co., New York, Chicago and New Orleans. 1879.

This book, by Mr. Gallaudet, who is Professor of Moral and Political Sciences at the Washington (D. C.) College for Deaf Mutes, is what its title imports, a manual of the established principles of international law. The presentation of them, although condensed, is perspicuous, and well supported by the citation of authorities. It is preceded by an introduction of some fifty pages, in which a history is given of the growth of international law from the most ancient times to the present day. The book seems well adapted for use in educational institutions, and convenient for reference in private libraries.

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*Economic Monographs.* New York: G. P. Putnam's Sons. 1879.

It is by this general title that the Messrs. Putnam describe a series of Essays which they are publishing, on matters of Trade, Finance and Political Economy. Among them are the following:—

*Why we Trade and How we Trade*, by D. A. WELLS. *The Silver Question*, by the same writer. *The Tariff Question*, by HORACE WHITE. *Friendly Sermons to Protectionist Manufacturers*, by J. S. MOORE. *Our Revenue System and the Civil Service*, by A. S. EARLE. *Free Ships*, by JOHN CODMAN. *Suffrage in Cities*, by SIMON STERNE. *Protection and Revenue in 1877*, by Prof. SUMNER. *France and the United States and their Commercial Relations*, by PARK GODWIN and others. *Free Trade*, by RICHARD HAWLEY. *Honest Money*, by CARL SCHURZ. *National Banking*, by M. L. SCUDDER. *International Copy-right*, by GEORGE HAVEN PUTNAM.

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*Twenty-first Annual Report of the Corporation of the Chamber of Commerce of the State of New York, for the year 1878-79.* Compiled by GEORGE WILSON, Secretary. New York: Press of the Chamber of Commerce, 1879.

This report of the oldest commercial institution in the United States is an admirable one. It is in two parts—the first containing a record of the proceedings of the Chamber, at its sessions from May, 1878, to May, 1879, the official year; selected decisions in litigated cases tried in the Court of Arbitration during the same period; roll of members and charter of corporation, its by-laws, etc. The second part consists of special reports on various branches of trade, showing the amount of transactions in the chief staples, domestic and foreign; also, official tables of imports and exports, and other tabulated statements from National, State and City documents, which are of value for reference by all merchants and bankers who are interested in American commerce. The report furnishes a summary of the entire commerce of the United States, and comparisons showing the increase and decrease of imports and exports at the different ports for the past and previous years. Mr. Wilson deserves high commendation for the ability and fidelity with which this report has been prepared.

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AGRICULTURAL CREDITS.—The April (1879) report of the Georgia State Department of Agriculture says that three-fifths of the supplies for farming in Georgia are purchased on credit, which means, as is well known, at ruinous prices. The report, however, expresses the belief that the evil is somewhat diminishing.



## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. IMPOSSIBLE DATES.

We have for collection a note dated February 31st, 1879, payable two months after date. If not paid, when should this note be protested?

REPLY.—The law in regard to a note dated on an *impossible* date, is that the nearest day (on the doctrine of *cy pres*) is to be adopted. Thus the note dated February 31, 1879, should be treated as if dated February 28—that day being the last of the month. It should accordingly be protested on May 1.

## II. DUPLICATE CHECKS.

Referring to the inquiry in your last number, I would inquire as to the case of sole checks, upon which the word "Original" or "First," does not appear. If such a check is lost, is not this the proper proceeding?

Order payment stopped; then refund the money received—taking an indemnity bond.

Again, will a New York bank accept instructions to "stop payment?"

We are always put in a bad position on receiving positive orders from a depositor to "stop payment" of a lost check, and we would like to know the custom of Eastern banks.

Now, for another point. Suppose we stop issuing sole *checks* and issue drafts in sets of two, usually withholding the duplicate. Suppose an "original" is lost and we send out the duplicate which is paid, soon afterwards the original is presented and paid, both drafts being properly endorsed, and of course showing that somebody got double payment.

Who is to proceed against said double dealer, and how? In fact on whom does the loss fall?

REPLY.—We have substantially answered the above in the May number.

1st. We think it is, principally, the duty of the loser to notify the drawee of his loss, because the draft is at his risk, and, for all the drawer can tell, the draft may be in the hands of some one who can recover on it against him, and so may rightfully receive payment from the drawee. The custom of Eastern banks is not uniform, but many, as a measure of precaution, stop payment, for this will prevent the danger of a payment in ordinary course of business to a bearer (the finder, thief, or confederate) who, although the drawee would be protected in the payment, could not recover against the drawer. Nevertheless, such instructions from the drawer always cause more or less inconvenience to the drawee.

2d. The drawee should not pay an "original" after it has paid the "duplicate," having had notice of the loss of the former when the "duplicate" was drawn; and it must bear the loss unless it can recover from the person receiving the payment. The drawee can charge the payment to your account, only, when the person to whom it has paid could recover on the draft against you, and in this case you must have recourse to your bond of indemnity.

## III. PROTESTING FOR NON-ACCEPTANCE.

In your April number, page 818, Article VIII, *Irregular or Qualified Acceptance of Drafts*—Reply 1st, you say in effect that protest for non-acceptance would be improper if drawee was absent from home at time of presentment, because the bill had not been dishonored. With us the practice is always to protest unless acceptance be obtained within the time allowed by law, holding that drawee should leave some one in charge of his business: that the drawee may be absent by design—a fact which the holder may not suspect or not be able to ascertain at the time. I recall several such cases, but not suspected at the time, which occurred some years since I fancy that any delay on part of the holder would have discharged antecedent parties.

If our course be not based on English law, is it not on good American law? Is not Story on *Bills of Exchange* good authority?

REPLY—In our answers to inquiries, limited space generally requires us to confine ourselves to the precise question presented; and we understood from the statement of the case, to which you refer, that the draft which was payable sixty days after date, was first presented for acceptance before its maturity. Now it is perfectly well settled that the holder of a draft like this is not obliged to present it for acceptance before maturity at all; and if he does present it, he need not protest it as dishonored unless the drawee refuse to accept. There is also an obvious difference in the case of drafts payable at and after sight, &c. (and *a fortiori* in this case), between the duty of a drawee who has not accepted the draft, in respect of having some one at his usual place of residence or business to answer for the draft when it is presented for acceptance, and that of an acceptor, when it is presented for payment. In the former case mere temporary absence from residence or place of business is not a refusal to accept, for the drawee may not know that the draft has been drawn, and it is the duty of the holder to make reasonable and diligent effort to find the drawee and procure his acceptance, before he is authorized to treat the draft as dishonored. And not until it is found that the drawee has absconded, or removed to another State, or will not return within a reasonable time, should the draft be protested. On the other hand, an acceptor must have funds to meet the draft ready at the place of payment on the day of maturity, or the draft is dishonored. You say your practice is to protest unless acceptance is obtained *within the time required by law*. Undoubtedly this is the correct custom. But it must be noted that, in this particular case—the law allows until the maturity of the draft. In the case of a draft payable at or after sight, we think the law would allow the holder a reasonable time to find the drawee (and would require him to wait a reasonable time in case of a mere temporary absence of the drawee) before the draft is to be treated as dishonored. And what is a reasonable time must depend upon the special circumstances of each case as it arises. The foregoing, we think, is the rule to be derived from the American decisions, especially the cases of *Washington Bank vs. Triplett*, 1 Peters 25; *Mitchell vs. De Grand*, 1 Mason 176; *Porter vs. Judson*, 1 Gray 175; *Decatur Branch Bank vs. Hodges*, 17 Ala. 42; *Case vs. Burt*, 15 Mich. 82, to which we refer you; Story on *Bills of Exchange* is very high authority, but it will be noticed that it is founded largely upon Chitty and other English writers.

BANKING AND FINANCIAL ITEMS.

**The Banker's Almanac and Register.**—The second edition of this work for 1879 will be issued in July. Recent changes among banks and bankers not yet reported to this office should be advised without delay.

The publisher calls attention to the fact that information gathered by this office, through its long established channels and at much labor and expense is constantly appropriated by unscrupulous parties who issue so-called bank lists. The monthly changes announced in THE BANKER'S MAGAZINE furnish some of the details thus stolen. Bankers who may be persuaded to take any work purporting to be a substitute for THE BANKER'S ALMANAC AND REGISTER, should examine the facts before encouraging any such pretences.

**OUR FOREIGN TRADE.**—The Chief of the Bureau of Statistics in his tenth monthly statement for the current fiscal year of the imports and exports of the United States, reports the excess of exports over imports of merchandise to have been as follows:

	1879.		1878.
Month ended for April 30.....	\$ 12,171,999	..	\$ 23,927,386
Twelve months ended April 30.....	272,215,770	..	221,680,013
Ten months ended April 30.....	241,443,623	..	227,042,087

A comparison of the exports and imports of gold and silver coin and bullion exhibits the following:

	1879.		1878.
Month ended April 30, excess of exports.....	\$ 2,450,631	..	—
Month ended April 30, 1878, excess of imports.....	—	..	\$ 2,255,025
Ten months ended April 30, excess of exports.....	2,354,536	..	1,00,724
Twelve months ended April 30, excess of exports..	5,268,623	..	19,331,536

**THE TREASURY COIN RESERVE.**—On May 16th the Senate passed a resolution directing the Secretary of the Treasury to report what amount of United States legal-tender notes has been redeemed in coin since the first day of January last, and “also what amount of coin he considers himself authorized to retain in the Treasury for the purpose of maintaining resumption of specie payments, under the provisions of the act of January 4, 1875.”

On the 19th, Secretary Sherman, after acknowledging the receipt of the resolution and quoting its language, answered as follows:

“In reply I have to state that there has been redeemed in coin since January 1, 1879, of legal-tender notes an amount of \$4,133,513. As to the amount of coin authorized to be retained in the Treasury for the purpose of maintaining resumption of specie payments, I have to state that under the provisions of the resumption act authorizing the Secretary of the Treasury, in order to prepare and provide for the redemption of United States notes, to use any surplus revenue in the Treasury not otherwise appropriated, and to issue certain bonds of the United States, the coin reserve of the Treasury has been increased to \$138,000,000, that being about 40 per cent. of the notes outstanding to be redeemed, and believed to be the smallest reserve upon which resumption could be prudently commenced and successfully maintained, as fully set forth in my last annual report. This reserve arose from the sale of \$95,500,000 bonds and from surplus revenues, as authorized by law, and it must, under existing law, be maintained unimpaired for the purpose for which it was created.—Very respectfully,

JOHN SHERMAN, *Secretary.*

**THE REFUNDING CERTIFICATES.**—The following notice was issued by the Treasury Department on May 23d:

"The Secretary of the Treasury has thus far designated all public officials invited in the circular of March 12, 1879, who have applied to become United States depositaries for the sale of the ten-dollar United States refunding certificates, but as it has become apparent that the remainder of the certificates unsold will not last more than six days, applications or designation hereafter received will be declined by the department."

The following was issued by the Treasury Department on May 27:

"After to-day no more certificates will be sold by the Treasurer of the United States over his counter, nor will any be furnished by him to public officers for sale in this city or Boston, New York, Philadelphia or Baltimore. The Secretary desires that the remainder of the certificates unsold be distributed as far as practicable among the postmasters bonded for their sale at places other than those above mentioned."

**TRADE DOLLARS.**—The price in Wall street being from 98 to 99 cents, there has been for a long time a profit of 13 or 14 per cent. in importing the trade dollars from China. None have come, which proves either that there are none there, or that the slight addition to this profit from the redemption of the trade dollars at 100, would not be likely to bring them here. All the evidence tends to show that those sent to China have been broken up and no longer exist in the coined form.

The *N. Y. Financial Chronicle*, of May 24th, says:

"China merchants tell us that there are very few trade dollars at the present time; that as soon as any silver currency is introduced into the country each piece is stamped with the initials of the persons issuing it; and this process is repeated, so that soon the coins get broken up, and are melted down and become what is called Sycee silver, little bars, or pigs, stamped as before, and then circulated again. Our informants tell us that one sees large baskets full of these broken coins constantly being brought in to be made up into pigs. If these facts are correct, it is clear that the government has nothing to fear from the exported dollars, and would only have to provide for the six millions now in the country. We think we have the best of reasons for believing this would be the limit of the redemption, even if all now in circulation were brought in."

**DIVIDENDS.**—A dividend of 5 per cent., making 100 in all, has been declared, on the claims of depositors of the New York Ocean National Bank. The Comptroller of the Currency will also pay a dividend of 30 per cent. of the interest on such claims, to such depositors as will accept that amount in full. Additional dividends have also been declared, in favor of the creditors of Third National Bank of Chicago, making a total of 85 per cent.; Merchant's National Bank of Fort Scott, Kansas, first dividend, 15 per cent.; First National Bank of Utah, final, 9 per cent.

**OBITUARY.**—Mr. Emanuel Boas, of the banking house of C. B. Richard & Boas, died on Tuesday, May 20th, at his residence in New York city. Mr. Boas was born in 1823, in Prussia, whence he emigrated to this country at the completion of his twenty-first year. Upon the first news of the gold discovery in California Mr. Boas started for San Francisco across the plains. His energy, integrity and frugality soon achieved success in San Francisco, and he had accumulated a fortune when, in 1856, he returned to this city to enter into partnership with Mr. C. B. Richard. Since that time Mr. Boas has been actively engaged in the banking and steamship business. His strict attention to business and his high character had secured him a most honorable position among the business men of this city.

**REMOVAL.**—Among the May changes of location in this city is that of Messrs. Knauth, Nachod & Kuhne, who have removed to No. 17 William Street. This firm is among the oldest of the large foreign exchange houses of New York, their business connection embracing all the principal cities of Europe.

**ILLINOIS.**—The First National Bank of Atlanta, Ill., has been succeeded by the Atlanta Bank. The same parties retain their interest in the new bank, and the same officers and directors will manage the business. Since July 5th, 1875, the First National Bank made loans aggregating over \$750,000, with loss of less than \$50, and the doubtful paper on hand is less than \$500, with no real estate except the banking house. The bank has paid to its shareholders 5 per cent. dividends every six months, and has a handsome surplus to divide.

**DECISION OF A HEAVY CLAIM.**—The Supreme Court has rendered a decision in the case of the *City of New Orleans vs. the Southern Bank*, reversing the judgment of the Fifth District Court, and being in favor of the bank. The city claimed \$805,000 for bonds wrongfully issued by the bank when it was fiscal agent of the city. This decision fully sustains the action of the bank officials in issuing the bonds.

**MASSACHUSETTS.**—After investigating the Lowell Five-Cent Savings Bank, at the request of the trustees, Bank Commissioner Gatchell has placed upon it a temporary injunction. This result is due to no mismanagement, but to shrinkage on mortgaged property and bank stock, to withdrawal of deposits amounting to \$350,000 in the past year, and to arrearage on interest due the bank on loans. This last item is about \$100,000. There are about 10,000 depositors, whose deposits amount to over \$1,500,000. The trustees do not believe the injunction will be necessary for more than a year, but that by passing one or two dividends the bank will regain a sound footing. The other savings banks in the city are not concerned in this difficulty, but are prepared to stand a run, which is to be anticipated from the panic among small depositors. All the savings banks of the city, except the Lowell Institution and the City Institution, have voted to require sixty days' notice before permitting the withdrawal of sums over \$50.

The Massachusetts Savings Bank Commissioners have issued an order restricting payments by the Weymouth Savings Bank to its depositors to ten per cent. for each six months. A large proportion of the bank's deposits has been invested in property now unproductive.

On May 26, the Supreme Court issued an injunction against the Scituate Savings Bank. The bank holds a large amount of real estate by foreclosure, and the Commissioners do not think it to be in a condition to continue business at present. Its liabilities are \$128,822; its assets nominally the same.

**MICHIGAN.**—After June 1st, the regular business hours of the Detroit banks will be from 9 A. M. to 3 P. M. Heretofore, the hours have been 9 to 12 and 2 to 4.

**MISSOURI.**—There is a movement on foot among the bankers of this State, to meet some time during this summer at Sweet Springs, near Brownsville, Saline County, for the purpose of forming a bankers' association. The general object is to increase the usefulness of the banking facilities of the State, and to co-operate with other organizations and those engaged in other callings, towards more fully developing the material interests of the State.

*St. Louis.*—It was hoped that the last failure of Savings banks at St. Louis had been reached, but one more must be added to the list. On May 22d the Broadway Savings Bank closed its doors and made an assignment to John Dierborger. The liabilities are put at about \$700,000. At the instance of the directors a warrant was issued on the 24th for the arrest of J. P. Krieger, Jr., cashier of the bank, on a charge of embezzlement. Several suits were filed by depositors against the directors and officers, asking judgment in an amount equal to their deposits in the bank, on the ground that the officers received deposits after they knew the bank was insolvent, thereby making themselves individually liable under the State law.

After the failure the assignee discovered in a private drawer, papers, in the form of checks, drafts, &c., which show that the cashier, J. P. Krieger, Jr., and Meyer A. Goldsall have been privately connected in the use of the funds of the bank, and that Goldsall is indebted to the bank about \$300,000, the recovery of which is very doubtful. These transactions have extended over the period of nearly three years, and the most of them have been studiously kept from the knowledge of the directors.

NEW YORK.—The following act to regulate deposits of stock in the Bank Department by banks, banking associations and individual bankers, was passed by the Legislature on May 5 and has been approved by the Governor :

Section 1. Whenever, under existing laws, any bank, banking association or individual banker, is required to make a deposit of stock with the Superintendent of the Bank Department, in trust for such corporation or individual banker, it shall be lawful for any such bank, banking association or individual banker to deposit any interest-bearing stock of the State of New York, or of the United States, with such Bank Superintendent. It shall also be lawful for any bank, banking association or individual banker now having a deposit of stocks of the State of New York, or of the United States, in said Bank Department, to withdraw the same from the said Bank Department, after first delivering to the Superintendent of the Bank Department an equal amount, at par, of any other stock of the State of New York, or of the United States, which bears interest, which such bank, banking association or individual banker may prefer to deposit in said department.

Sec. 2. This act shall take effect immediately.

THE NEW YORK INTEREST LAW.—The following is the text of the 6 per cent. interest bill passed by the Legislature and now before the Governor ;

SECTION 1. Section one of title three, chapter four, part second of the Revised Statutes, entitled, *Of the Interest of Money*, is hereby amended so as to read as follows : Section 1—The rate of interest upon loans or forbearances of any money, goods or things in action shall be six dollars upon one hundred dollars for one year, and after that rate for a greater or less sum or for longer or shorter time ; but nothing herein contained shall be so construed as in any way to affect any contract or obligation made before the passage of this act.

SEC. 2. All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.

SEC. 3 This act shall take effect on the 1st day of January, 1880.

SALARIES IN SAVINGS BANKS—The report made by the Bank Superintendent, in reply to Senator McCarthy's resolution asking for the salaries paid by savings banks in the state, presents some suggestive figures, which call forth the following comparisons from the *Albany Journal*: "Our Albany savings banks seem to be conducted with conspicuous economy as compared with many others in the state. The salaries of the Albany Savings Bank in 1878 were \$9,957.06; for the Institution for the savings of Merchants' Clerks in New York, with smaller deposits, the salaries were \$17,700; the Onondaga County Savings Bank, with smaller deposits, \$16,411.77; in the Auburn Savings Bank, with one-third as much deposits, \$9,254.90. The salaries of the National Savings Bank of Albany for 1878 were \$5,000; for the Broadway, New York, same deposits, \$13,229.17; for the Oswego City, with one-fifth as much deposits, \$13,980. The Rochester Savings Bank, with \$7,416,000 on deposit, paid \$18,452.53 salaries in 1878; the Erie County, with \$8,618,000 on deposit, paid \$26,549.04; the Dime, of Brooklyn, with \$7,763,000 on deposit, paid \$30,890 in salaries.

"Another view of the matter will also present some singular results. The [combined] annual salaries of the Comptroller of the Currency and of the Deputy Comptroller are \$7,800. The salaries of presidents of the Bowery Savings Bank and of the Seamen's Savings Bank are \$8,000 each; of the Actuary in the Broadway, New York, \$8,000; of the Cashier of the Brooklyn Savings Bank, \$9,000; of the Cashier of the Williamsburgh Savings Bank, \$8,000; of the secretaries of the Citizens' Savings Bank of New York and of the Erie County Savings Bank of Buffalo, \$7,500 each. The Assistant Secretary of the Treasury of the United States has a salary of \$4,500; the Solicitor is paid the same salary; the Commissioner of Pensions, \$3,600. The three district judges in the United States Court in this state, Wallace, Choate and Benedict, are paid \$4,000 salary each, which is about half as much as minor officers in many savings banks receive. The aggregate salaries of the Attorney-General and his first deputy equal the single salary of one savings bank officer. In at least ten savings banks in the state the total salaries of the three largest salaried officers exceed those of the three highest salaries of any department of the state government, excepting the executive."

**RECENT VERDICTS.**—The referee in suits of the Savings Bank of Fishkill and other parties against the receiver of the National Bank of Fishkill, N. Y., for the recovery of the value of bonds stolen by cashier Bartow, has awarded \$34,919 in favor of the Savings Bank, and \$15,281 in favor of other parties whose bonds were stolen. A suit has been commenced against Bartow's bondsmen.

At Nyack, N. Y., a suit brought by Receiver Green against Samuel W. Canfield and others, trustees of the Rockland Savings Bank, for moneys misappropriated or wasted by them, resulted, on May 9th, in a verdict of \$36,530, with costs and interest against Samuel W. Canfield, President, and Richard P. Eells, Secretary of the bank, the jury finding in favor of the other defendants.

**A PLUCKY CASHIER.**—On April 30th a bold attempt was made to rob the Workingmen's Savings Bank of Allegheny City, Pa. The bookkeeper had gone to dinner, leaving the cashier, George L. Walter, alone. Two men entered the bank, and one, advancing to the counter, asked for change for a bill. When the cashier tendered the change he was confronted with a cocked revolver and told to make no noise or he would be shot. Dropping the silver, Walter seized the revolver and succeeded in wrenching it from his assailant, who then clambered up, got inside of the railing and began reaching for money on the counter. Walter then fired two shots at him and also two at the other robber, who, in the meantime, had climbed over the front counter and was also advancing. The thieves, dismayed by this reception, then turned toward the door and fled. They succeeded in carrying away \$2,300, but in their flight dropped a package containing \$700, which was picked up on the street and returned to the bank. The thieves made their way to the river and succeeded in reaching Pittsburgh, where the clue was lost.

**PHILADELPHIA.**—We print below the dividends announced of such of the Philadelphia banks as have their semi-annual dividend periods in November and May of each year, in comparison with the last previous dividend of each.

Banks.	Capital.	Dividends.		Banks.	Capital.	Dividends.	
		Nov.	May.			Nov.	May.
Philadelphia.....	\$1,500,000	. 6	. 5	Commonwealth...	\$208,000	. 2	. 2
Farmers and Mech.	2,000,000	. 4	. 3½	Corn Exchange...	500,000	. 3	. 3
Commercial.....	810,000	. 4	. 4	Union National...	500,000	. 4	. 3½
Mechanics'.....	800,000	. 3	. 3	Bank of Republic.	500,000	. 2½	. 2½
Central National..	750,000	. 6	. 6	Tradesmen's.....	200,000	. 8	. 8
Northern Liberties	500,000	. 8	. 8	Second National..	300,000	. 3	. 3
Southwark Nat'l..	250,000	. 8	. 8	Third National...	300,000	. 2	. 2
Kensington Nat'l..	250,000	. 3	. 3	Sixth National....	150,000	. 3½	. 3½
Penn National...	500,000	. 3	. 3	Germantown Nat'l	200,000	. 6	. 6
Western National.	400,000	. 5	. 5	West Philadelphia	100,000	-	. 3
Manufacturers'...	950,000	. 3	. 3	People's.....	150,000	. 4	. 4
Bank of Commerce	250,000	. 4	. 3	Spring Garden....	150,000	. 3	. 3
Girard National..	1,000,000	. 6	. 5				
Consolidation....	300,000	. 6	. 6				
City National.....	400,000	. 6	. 6				
					\$13,918,000		

The amount of banking capital on which dividends were declared in November last, was \$13,968,000. Since that time the Manufacturers' Bank has reduced its capital from \$1,000,000 to \$950,000, making the banking capital on which dividends are now declared \$13,918,000. The amount of dividends in May, 1878, was \$618,060; in Nov. 1878, was \$623,810, and is now \$587,810. The Farmers and Mechanics' and Union Bank each reduced their dividends ½ per cent., and the Philadelphia and Girard each one per cent. The West Philadelphia Bank, which passed its dividend in November, now declares 3 per cent. The other banks make the same dividend for May as for November. Considering the general shrinkage in business and banking profits the number of banks reducing their dividends is less than might have been expected.—*Phila. Ledger.*

**THE MERCHANTS' BANK OF CANADA.**—The New York office of this institution has been removed to 48 Exchange place, and is under the charge of Messrs Henry Hague and J. B. Harris, Jr., agents. Bankers who have transactions in sterling exchange will do well to observe the card of this bank on the cover of the *BANKER'S MAGAZINE.*

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from May No., page 914.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
GA.....	Atlanta.....	Gate City National Bank.. \$ 100,000    Lodowick M. Hill, <i>Pr.</i>	National Park Bank. Edward S. McCandless, <i>Cas.</i>
ILL.....	Atlanta.....	Atlanta Bank..... John A. Hoblit, <i>Pr.</i>	Imp. & Tra. National Bank. Frank Hoblit, <i>Cas.</i>
KANSAS.	Beloit.....	Atwood & Martin.....	Chase National Bank.
"	Fort Scott.....	Bourbon County Bank (C. C. Nelson.)	Kountze Brothers.
"	McPherson.....	Central Bank (Clark & Mc Whirk.)	.....
MASS..	Boston .....	J. F. Amsden & Son.....	Knauth, Nachod & Kühne.
MICH..	Bangor.....	Monroe's Bank.....	First N. B., <i>South Haven, Mich.</i> C. J. Monroe, <i>Pr.</i> O. R. Foote, <i>Cas.</i>
OHIO...	Columbus.....	Fourth National Bank..... \$ 100,000    William S. Ide, <i>Pr.</i>	Chase National Bank. Wesley H. Richards, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from May No., page 913.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	Imp. & Traders' Nat'l B'k.	Peter J. Graham, <i>A. Cas.</i>	G. Van Derwerker.
"	Marine National Bank..	John D. Fish, <i>Cas.</i> .....	J. N. Quirk.
"	"	Nathan D. Daboll, <i>A. C.</i>	J. D. Fish.
CONN...	Norwich Nat'l B'k, Norwich...	Frank Johnson, <i>Pr.</i> .....	C. Johnson.*
Ga.....	Gate City Nat'l B'k, Atlanta...	Edw'd S. McCandless, <i>Cas.</i>	L. J. Hill.
ILL.....	Commercial Nat'l B'k, Chicago.	John B. Meyer, <i>Ass't Cas.</i>	F. S. Eames.
"	National City Bank, Ottawa...	Fred S. Eames, <i>Cas.</i> .....	R. C. Jordan.
"	First National Bank, Springfield.	Frank W. Tracy, <i>Pr.</i> .....	C. W. Matheny.
"	"	Howard K. Weber, <i>Cas.</i>	F. W. Tracy.
"	"	William Jane, <i>ad V. P.</i>	.....
IOWA...	B'k of Tama, Tama City.....	E. L. Carmichael, <i>Cas.</i> ...	G. E. Maxwell.
KY.....	German Bank, Louisville.....	Pierre Viglini, <i>Pr.</i> .....	H. Deppen.*
"	"	H. C. Walbeck, <i>Cas.</i> .....	P. Viglini.
MAINE..	Cobossee Nat'l B'k, Gardiner..	Treby Johnson, <i>Cas.</i> .....	J. Adams.*
MD ...	Howard Bank, Baltimore.....	Thos. S. Ridgaway, <i>Cas.</i>	J. G. Lester.
MICH..	Lowell National Bank, Lowell.	M. N. Hine, <i>Ass't Cas.</i>	E. A. Sunderlin.
MO.....	Union Savings Association, St. Louis.	Peter Nicholson, <i>Pr.</i> .....	W. A. McMurray.
"	"	Wm. A. McMurray, <i>V. P.</i>	E. Karst.
"	"	Emile Karst, <i>Sec.</i> .....	A. Herthel.
NEV....	Virginia Sav. B'k, Virginia City.	Z. S. Eldredge, <i>Sec. &amp; M'r.</i>	A. W. White.
N. H. . .	Nat'l Granite State B'k, Exeter.	Benjamin L. Merrill, <i>Pr.</i>	J. L. Merrill.*
N. Y. . .	Susquehanna Valley Bank, Binghamton.	Egbert A. Clark, <i>Pr.</i> .....	.....
"	Nat'l Hudson Riv. B'k, Hudson.	Robert S. Phelps, <i>V. P.</i>	H. Mather.
"	Nat'l Union B'k, Kinderhook...	E. Waterbury, <i>Pr.</i> .....	H. A. DuBois.
"	First Nat'l Bank, Rhinebeck....	S. H. Wendover, <i>Pr.</i> .....	.....
"	"	Edwin Hill, <i>Pr.</i> .....	W. B. Platt.*
OHIO...	First Nat'l Bank, Jefferson.....	N. E. French, <i>Pr.</i> .....	R. M. Norton.
"	First Nat'l Bank, Salem.....	Furman Lee, <i>Pr.</i> .....	A. Pow.
PENN. .	Br. First N. B., Camden, Phila.	Thos. S. Nekervis, <i>Agt.</i>	J. J. Pierson, Jr.
"	Gettysburgh N. B., Gettysburgh.	John A. Swope, <i>Pr.</i> .....	G. Swope.*
TEXAS..	First Nat'l Bank, Denison.....	Edward Perry, <i>Act'g Cas.</i>	W. H. Sanford.
WIS. . .	Citizens' Nat'l Bank, Beloit.....	E. S. Greene, <i>Cas.</i> .....	W. H. Baumer.

\* Deceased.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

*(Continued from May No., page 914.)*

No.	Name and Place.	President and Cashier.	Capital.	
			Authorized.	Paid.
2423	Fourth National Bank..... Columbus, OHIO.	William S. Ide..... Wesley Richards.	\$ 100,000	\$ 50,000
2424	Gate City National Bank..... Atlanta, GA.	L. M. Hill..... Lodowick J. Hill.	100,000	100,000

## DISSOLVED OR DISCONTINUED.

*(Monthly List, continued from May No., page 914.)*

NEW YORK CITY.....	Brown, Gold & Brown; dissolved by limitation.
" " .....	John A. Buckingham & Co.; dissolved.
ILL.... Quincy .....	E. J. Parker & Co.; merged in L. & C. H. Bull.
MICH... Alpena.....	George L. Maltz & Co. (Exchange Bank); dissolved.
" .. Ionia.....	Page & Wilson; attached. (Wilson deceased.)
MISS... Brandon.....	Rankin Co. Savings Institution; assignee closing up business.
MO.... St. Louis.....	Broadway Savings Bank; closed and assigned.
TEXAS.. Wills Point....	Holt, Williams & Co.; now W. A. Williams.

## RECENT CHANGES OF TITLE, ETC.

*(Monthly List, continued from May No., page 915.)*

NEW YORK CITY.....	Barbour, Swords & Co.; now Gold, Barbour & Swords.
" " .....	Ewen & Tuttle; now Ewen & Osborne.
" " .....	Jesup, Paton & Co.; admit J. H. Dumont. D. A. Findley retires.
" " .....	Latham, Alexander & Co.; removed to 37 Wall St.
" " .....	J. & J. Stuart & Co.; dissolved by death of James Stuart. Remaining partners continue. Same style.
ARK... Hot Springs....	Valley Exchange Bank; now Arkansas State Bank.
GA.... Atlanta .....	Atlanta Savings Bank; now Gate City National Bank.
ILL.... Atlanta .....	First National Bank; now Atlanta Bank. Same officers.
" .. Woodhull.....	H. Fred. Wiley & Co. (Farmer's Bank); now Higgins & Dyson.
IOWA... Nora Springs....	Farwell & Co.; business transferred to Horace Gage.
MICH... Adrian .....	Whitney & Remington; now Whitney & Wilcox.
N. Y... Rochester.....	Erickson, Jennings & Mumford; now Erickson, Jennings & Co.
" .. Waterford.....	Saratoga County Bank; capital reduced to \$100,000.
OHIO... Columbus.....	Central Bank; now Fourth National Bank. Same cashier.

THE COIN PRICES OF GOVERNMENT SECURITIES, 1862 TO 1879.

COIN PRICE OF \$ 100, EXCLUDING ACCRUED INTEREST—MEAN OF HIGHEST AND LOWEST IN EACH MONTH SPECIFIED.  
(Issued by the Treasury Department.)

Title.	1862		1863.		1864.		1865.		1866.		1867.		1868.		1869.		1870.	
	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.
Loan of 1858.....	77.71	62.81	64.44	74.45	62.81	37.57	46.22	76.32	74.07	71.28	78.62	78.62	79.17	79.86	82.12	88.10	96.25	97.19
Sixes of 1861.....	85.68	67.99	65.13	80.65	67.99	41.11	51.00	68.19	68.19	66.07	75.16	75.16	76.30	76.31	—	—	—	—
Seven-thirties of 1881 (cur.).....	85.00	65.28	66.76	77.92	65.28	37.39	—	—	—	—	—	—	—	—	—	—	—	—
Seven-thirties of '64-'65 (cur.).....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
One-year certificates*.....	84.16	61.22	63.41	73.42	61.22	35.59	43.68	67.16	68.30	66.07	75.16	75.16	76.30	76.31	—	—	—	—
Five-twenties of 1862.....	—	—	—	—	—	—	49.25	72.91	72.49	69.00	78.57	78.57	79.99	78.07	81.62	89.26	93.56	93.30
Five-twenties of 1864.....	—	—	—	—	—	—	45.04	—	64.68	61.80	72.27	72.27	73.67	73.67	77.17	79.72	80.99	90.26
Ten-forties of 1864.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Five-twenties of 1865.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consols of 1865.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consols of 1867.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consols of 1868.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Currency sixes (P. R. R.).....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Legal-tender notes †.....	86.6	64.3	68.9	76.6	64.3	38.7	46.3	70.4	71.4	66.0	74.3	71.7	72.2	70.1	73.7	73.5	82.4	85.6

Title.	1871.		1872.		1873.		1874.		1875.		1876.		1877.		1878.		1879.	
	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.	Jan.	July.
Loan of 1858.....	100.70	102.96	102.99	102.92	103.30	102.92	102.33	105.36	105.36	105.58	107.74	107.74	107.05	106.07	104.36	106.53	106.30	106.30
Sixes of 1861.....	97.72	99.86	99.86	99.86	99.79	99.86	101.14	101.02	100.86	99.74	Called.	Called.	—	—	—	—	—	—
Five-twenties of 1862.....	97.10	100.28	99.86	99.86	99.86	99.86	101.09	101.05	100.86	101.05	101.05	101.05	101.05	101.05	101.05	101.05	101.05	101.05
Five-twenties of 1864.....	97.85	97.87	99.00	96.71	98.05	97.30	99.66	100.96	100.84	100.91	103.51	104.22	104.77	105.33	103.65	106.58	104.81	104.81
Five-twenties of 1865.....	96.87	99.93	100.07	100.68	100.68	100.68	102.05	104.19	103.11	102.53	102.73	101.17	101.17	101.17	101.17	101.17	101.17	101.17
Consols of 1865.....	97.13	99.88	102.05	99.86	100.78	100.91	103.98	103.05	104.46	103.13	104.74	105.06	103.33	103.33	103.08	100.38	101.06	101.06
Consols of 1867.....	97.36	100.10	102.11	100.79	101.94	104.43	102.10	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70	104.70
Consols of 1868.....	97.81	100.38	100.38	101.03	101.36	104.15	103.30	100.39	100.39	100.70	103.28	104.10	104.10	104.10	104.10	104.10	104.10	104.10
unded loan of 1861.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
unded loan of 1861.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
unded loan of 1861 (P. R. R.).....	99.37	100.81	104.86	100.37	100.37	100.37	101.89	105.34	104.67	106.05	108.99	111.86	114.53	117.29	99.55	99.04	99.54	99.54
unded loan of 1861 (P. R. R.).....	90.3	89.0	91.7	88.7	88.7	86.4	86.7	91.0	88.9	87.2	88.6	89.4	94.6	94.6	97.9	99.5	116.50	116.50
Legal-tender notes †.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

\* The prices above given of the one-year certificates in the years 1862 and 1863, are for certificates payable in coin; in the subsequent years, for those payable in currency.  
† By the act of January 14, 1875, these notes were made redeemable January 1, 1879.

## PUBLIC DEBT OF THE UNITED STATES.

*Recapitulation of the Official Statements—cents omitted.*

## INTEREST BEARING DEBT.

	<i>April 1, 1879.</i>	<i>May 1, 1879.</i>
Bonds at six per cent.....	\$ 589,424,750 ..	\$ 446,962,700
Bonds at five per cent.....	703,266,650 ..	701,532,150
Bonds at four-and-a-half per cent.....	250,000,000 ..	250,000,000
Bonds at four per cent.....	449,400,000 ..	553,363,700
Refunding certificates.....	..	3,104,250
Navy pension fund.....	14,000,000 ..	14,000,000
<b>Total principal.....</b>	<b>\$ 2,006,091,400 ..</b>	<b>\$ 1,968,962,800</b>
" interest.....	24,756,837 ..	25,942,915
<b>DEBT ON WHICH INTEREST HAS CEASED.....</b>	<b>7,072,160 ..</b>	<b>67,429,110</b>
Interest.....	325,776 ..	1,203,641

## DEBT BEARING NO INTEREST.

Old demand and legal-tender notes.....	346,742,941 ..	346,742,631
Certificates of deposit.....	27,680,000 ..	31,635,000
Fractional currency.....	15,925,662 ..	15,913,009
Gold and silver certificates.....	18,631,230 ..	17,749,620
Refunding certificates.....	53,070 ..	..
<b>Total principal.....</b>	<b>\$ 409,032,903 ..</b>	<b>\$ 412,040,260</b>
Unclaimed Pacific Railroad interest.....	8,647 ..	8,647
<b>Total debt.....</b>	<b>\$ 2,422,796,463 ..</b>	<b>\$ 2,448,432,170</b>
Interest.....	25,091,260 ..	27,155,204
<b>TOTAL DEBT, principal and interest.....</b>	<b>\$ 2,447,887,724 ..</b>	<b>\$ 2,475,587,374</b>
<b>Total Cash in the Treasury.....</b>	<b>420,787,458 ..</b>	<b>448,467,156</b>
<b>Debt, less Cash in the Treasury at date.....</b>	<b>\$ 2,027,100,265 ..</b>	<b>\$ 2,027,120,217</b>
Increase of debt during the month.....	892,724 ..	19,952
Decrease of debt since June 30, 1878.....	8,686,575 ..	8,666,613

## CURRENT LIABILITIES.

Interest due and unpaid.....	\$ 5,328,020 ..	\$ 5,166,998
Debt on which interest has ceased.....	7,072,160 ..	67,429,110
Interest thereon.....	325,776 ..	1,203,641
Gold and silver certificates.....	18,631,230 ..	17,749,620
U. S. notes held to redeem certificates of deposit.....	27,680,000 ..	31,635,000
" " " fractional currency.....	8,458,991 ..	8,446,338
Called bonds not matured, for which 4% bonds have been issued.....	208,447,700 ..	171,319,100
Cash balance available at date.....	144,243,580 ..	145,517,348
<b>Total.....</b>	<b>\$ 420,787,458 ..</b>	<b>\$ 448,467,156</b>

## AVAILABLE ASSETS.

Cash in the Treasury.....	\$ 420,787,458 ..	\$ 448,467,156
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## BONDS ISSUED TO THE PACIFIC RAILWAY COMPANIES.

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.....	41,773,745 ..	41,773,745
Interest repaid by transportation of mails, etc.....	10,705,052 ..	10,707,524
Balance of interest paid by the United States....	31,068,692 ..	31,066,220

## NOTES ON THE MONEY MARKET.

NEW YORK, MAY 24, 1879.

*Exchange on London at sixty days' sight, 4.87½ a 4.88 in gold.*

The chief topics of interest are now connected with the depletion of the bank reserves. The apprehensions that monetary trouble might be brought on from the rapidity of Mr. Sherman's refunding operations were founded in part upon the probable perturbation incident to the loss of the greenback reserves of the banks by payment into the Treasury on account of purchases of bonds. The bank statement shows to-day how well-founded were the anxieties which have found such frequent expression during the last few months. The greenback reserves of our city banks have fallen off during the week \$ 5,866,000, and the excess of reserve now stands at \$ 5,250,000 against \$ 10,308,625 a week ago, and \$ 14,104,675 at this time last year. It thus appears that the New York city banks, since the beginning of last February, have been drained of nearly \$ 11,000,000 of their greenbacks and \$ 2,000,000 of their specie. The announcement has produced an impression upon the stock market and it is likely to extend still further, although the drain is well known to have been produced by withdrawal of money from the banks into the Treasury, which movement is not expected to continue much longer. As stated elsewhere the total subscriptions to the \$ 10 refunding certificates will close next week, and the total sum reported as subscribed this evening, is \$ 24,150,000. The announcement is that the Secretary of the Treasury will not require a settlement with the depository banks or payment of their balances until July 17, and the clearing-house statement after next Saturday will be made up, it is supposed, upon rising averages. Hence the decline in the bank reserve is by few persons regarded as of a permanent importance, but if the rapid depletion movements had taken place at a time when the general business of the country was more brisk, and when the pressure was greater upon the banking machinery at this centre, the agitation resulting might have become serious and threatening. It is evident that in the existing quietude and monetary plethora, there is much less of danger in the financial situation. Still in Boston and other large cities more perhaps than in New York, there are not a few merchants, bankers and capitalists

who are acting with extreme caution, not unmingled with fear of some untoward event which may disturb the successful progress of Mr. Sherman's movements which has been hitherto so gratifying and satisfactory. Subjoined are the usual clearing-house statements for New York showing the comparative changes for several weeks past :

1879.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Circulation.</i>	<i>Deposits.</i>	<i>Excess of Reserve.</i>
April 26.....	\$ 231,096,900	.. \$ 18,228,100	.. \$ 45,224,500	.. \$ 19,707,600	.. \$ 204,514,200	.. \$ 12,324,050
May 3.....	239,357,800	.. 18,516,200	.. 49,440,500	.. 19,683,100	.. 214,331,700	.. 14,373,775
" 10.....	242,941,600	.. 18,745,600	.. 53,576,700	.. 19,688,000	.. 224,937,200	.. 16,088,000
" 17.....	253,838,500	.. 18,763,900	.. 49,150,900	.. 19,685,400	.. 230,424,700	.. 10,308,625
" 24.....	257,636,500	.. 18,802,400	.. 43,284,900	.. 19,856,600	.. 227,345,600	.. 5,250,900

The Boston bank statement for the same period is as follows :

1879.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
April 26.....	\$ 134,192,600	.... \$ 3,627,700	.... \$ 3,827,800	.... \$ 79,920,100	.... \$ 26,230,200
May 3.....	133,226,500	.... 3,800,100	.... 3,863,000	.... 80,041,600	.... 26,299,600
" 10.....	132,953,200	.... 3,583,200	.... 4,194,300	.... 76,350,000	.... 26,228,800
" 17.....	130,296,000	.... 3,556,100	.... 3,589,200	.... 75,331,800	.... 26,218,400
" 24.....	130,331,800	.... 3,577,700	.... 3,165,800	.... 74,412,000	.... 26,369,200

The Clearing-House exhibit of the Philadelphia banks is as annexed :

1879.	<i>Loans.</i>	<i>Reserve.</i>	<i>Deposits.</i>	<i>Circulation.</i>
April 26.....	\$ 60,122,582	.... \$ 14,369,637	.... \$ 47,044,599	.... \$ 11,508,643
May 3.....	60,174,972	.... 14,948,989	.... 47,626,868	.... 11,498,821
" 10.....	59,914,320	.... 15,353,558	.... 47,786,056	.... 11,492,197
" 17.....	60,160,886	.... 16,138,678	.... 49,143,434	.... 11,476,011
" 24.....	60,915,891	.... 15,919,569	.... 49,633,284	.... 11,465,857

The rates for loans yesterday were marked up to six per cent ; but to-day it appears that the attempt to improve the rate cannot be sustained, and 3 to 4 per cent is again establishing itself as the usual rate for call loans on miscellaneous collaterals. In commercial paper there is a fair volume of business at 4 to 6 per cent for the best names. As to the probable movements of the money market in the early future, the best authorities are not agreed. The revival of business has been so often predicted, and the expectations of improvement have been so often disappointed, that there is some natural hesitation and diversity of opinion as to how much confidence can be placed in the symptoms of industrial recuperation which are appearing in various quarters. Our money markets are full of capital seeking investment, and the demand for government securities from persons of small means shows that among the masses of people there are accumulations of capital and indicate the presence both of economy and of a certain measure of general prosperity. Abroad as well as in this country this is the inference. Lord Beaconsfield lately referred to some of these facts in replying to a deputation, and stated that he regarded the United States and France as the two countries which just now are enjoying above most other nations a high degree of industrial prosperity and growth. The money market seems to be receiving an impulse from the reviving of industry, and these influences with others should be understood, if the course of the monetary movements is to be clearly and intelligently appreciated with a view to forecast the future. Here, as in all young countries, there is and has been in our money markets a demand from borrowers which usually tends to exceed the supply of capital seeking investment. Hence the frequent movements of rates towards high figures has often been one of the notable features of the financial history of this country before

and since the war. On the other hand there has never been a period during the last quarter of a century when low rates of interest ruled so universally as now in the commercial world. Throughout that period great general causes have been at work with unprecedented rapidity to perfect the facilities for moving capital from one country to another, and for the purpose of monetary exchanges the great centres of industry and finance in Europe and in this country are virtually united and form one great organized system. Just as water tends to find its level so capital flows spontaneously towards those centres where it is most wanted, most safe and most productive, and our money market is now supplied from sources in Europe and elsewhere with abundance of floating capital.

Many other circumstances combine to approximate the rates of interest prevailing here to the rates established in Europe. On a review of the recent movements and others of a similar character, it is argued that we have seen the last of high rates of interest in the United States, and that although the demand for loanable capital here is much beyond the supply from domestic sources, the facilities for the influx from abroad have been so much enlarged that the rates of interest will combine to favor the borrower to an extent never heretofore known in this country. A notable illustration of the extent to which this view has prevailed may be seen in the agitation for the fixing of a lower rate of interest by the legislatures of several of the States during this year. At Albany, for example, a law has just been passed reducing the rate of interest to six per cent., but leaving unrepealed the severe and barbarous penalties against usury. Although, however, so many persons believe that the forces which have tended to cheapen money in this country will continue to exist, the problem is too complicated to admit of so easy a solution as is commonly offered by vote-seeking politicians. In Europe as well as here the rates of interest are lower than usual. Indeed at no period recorded in modern history, perhaps, has there ever been so general a depression of the price paid by borrowers for the use of money. Business is depressed. There are everywhere abundant supplies of idle capital, and a part is continually finding its way into our already plethoric money market, so as to give to the rates of interest the constant tendency, which is so conspicuous, to favor the borrower. How long and how far these forces will continue to cheapen money in this country is a problem which, however near its solution may seem to be, will doubtless revive in some new form. Hereafter as now it will continue to agitate the public mind and to receive contradictory solutions in proportion as changing events develop, at one time an active demand from borrowers, and at another time a too brisk competition among lenders. Leaving this subject, however, we may say that the general belief appears to be that investors in Europe, as well as here, are more and more inclined to prefer safety to high rates of interest. There is a growing and important class of investment capital which seeks undoubted security and is content with a low rate of interest. Of course there are other classes of investment capital which are not so absolute and exacting in point of security, but are more or less disposed to take risks in consideration of a more lucrative annual rate of interest. Such distinctions have always prevailed in the investment market, but at present the lines of demarcation are more conspicuous and more sharply drawn, and it is one of the compensative advantages of the discussion to which we have referred that the change has attracted more notice of late in this country among capitalists and investors.

The stock market is irregular. Governments are firm in consequence of the foreign and home demand being well sustained, with prospects of future improvement. The Syndicate expect to dispose of their \$121,000,000 bonds in a very short time, though here and in Boston, as well as elsewhere, some of the National banks are delaying their purchases, in the expectation of a decline in the price of the four-per-cents. The transactions at the Stock Exchange are large, as are also the dealings at the offices of bankers and dealers in Government bonds. Subjoined is the range of prices since the beginning of the year, with the amount of bonds reported outstanding in the Treasury statement of January 1, 1879:

	—Prices since Jan. 1, 1879.—		—Outstanding May. 1, 1879.—	
	Lowest.	Highest.	Registered.	Coupon.
6s, 1880-1.....coup.	105½ Mar. 22	107½ May 21	\$201,637,450	\$81,098,900
6s, 5-20s, 1867.....coup.	—	—	53,723,200	74,033,750
6s, 5-20s, 1868.....coup.	—	—	14,911,600	20,612,800
5s, 10-40s.....coup.	—	—	143,054,700	49,777,100
3, funded, 1881.....coup.	x103¼ May 1	107½ Jan. 15	258,307,950	250,132,400
5¼s, 1891.....coup.	104 Mar. 21	108 May 21	165,760,950	84,239,050
4s, 1907.....coup.	x99 Apr. 1	103½ May 21	334,259,200	219,104,500
6s, currency.....reg.	119¼ Jan. 4	125½ May 22	64,623,512	—

In London the current quotations compare as follows:

Quotations in London.	May				—Range since Jan. 1, 1879.—	
	9.	16.	23.	24.*	Lowest.	Highest.
U. S. 5s, 10-40s....	103¼	103¾	103¾	—	103¼ Apr. 19	111 Jan. 7
U. S. 5s of 1881....	105½	105¾	105¾	—	105¼ Apr. 25	109½ Jan. 4
U. S. 4½s of 1891....	109¾	108¾	108¾	—	106½ Mar. 24	110 May 22
U. S. 4s of 1907....	104¾	101¾	105¼	—	101 Mar. 26	105½ May 7

\* Bank holiday; no quotations.

State stocks are more in favor and a demand for both the sound and the speculative descriptions is reported. Louisiana consols sold at 49. The following are the quotations:

States.	May		—Range since Jan. 1, 1879.—	
	16.	23.	Lowest.	Highest.
Louisiana consols.....	49	49	47 Mar. 18	69 Jan.
Missouri 6s, '89 or '90.....	107	107	103¾ Mar. 5	107½ May 13
North Carolina 6s, old.....	23¾	23¾	18 Feb. 8	23¾ May 13
Tennessee 6s, old.....	34¾	35¾	34 Apr. 26	42 Feb. 13
Virginia 6s, consol.....	77¾	80	—	—
do. do. 2d series.....	39¾	41¾	41¾ Apr. 29	44 Mar. 28
District of Columbia, 3-6s.....	87¾	88¾	79¾ Jan. 3	88¾ May 23

To aid the speculative movement in some of the State securities the subjoined table has been put in circulation, and is of some interest. It shows the bonded indebtedness, the assessed value of property, and the rate of taxation of the several States of the South:

	Bonded debt.	Total assessment of property.	Tax rate per \$1,000.
Virginia.....	\$51,934,204	\$316,686,872	15.00
North Carolina.....	28,419,045	148,564,557	3.80
South Carolina.....	11,982,909	123,132,638	7.00
Georgia.....	10,444,500	226,221,718	5.00
Alabama.....	11,207,270	117,480,580	7.00
Florida.....	5,273,100	30,898,247	9.00
Texas.....	5,126,974	316,000,000	5.00
Tennessee.....	24,828,000	223,303,000	1.00
Arkansas.....	14,511,148	94,095,000	10.00
Louisiana.....	12,136,166	177,000,000	11.00

For railroad bonds there is a continued inquiry, and prices are strong for nearly all descriptions. In railroad shares there is considerable activity. Subjoined are our usual quotations:

QUOTATIONS:	April. 24.	May 1.	May 8.	May 15.	May 23.
U. S. 5-20s, 1867 Coup.	102½ ..	102½ ..	102½ ..	102½ ..	102½
U. S. 10-40s Coup.....	101½ ..	101½ ..	101½ ..	101½ ..	101½
West. Union Tel. Co..	105½ ..	103 ..	104½ ..	109½ ..	113
N. Y. C. & Hudson R.	116½ ..	117½ ..	118½ ..	118½ ..	119½
Lake Shore.....	71½ ..	72½ ..	75 ..	74½ ..	74
Chicago & Rock Island	131½ ..	130 ..	133½ ..	134 ..	139½
New Jersey Central...	43½ ..	44½ ..	45½ ..	46½ ..	48½
Del. Lack. & West ...	52½ ..	52½ ..	54½ ..	55½ ..	56½
Delaware & Hudson..	44½ ..	46½ ..	47½ ..	47 ..	47
North Western.....	59½ ..	59½ ..	62½ ..	62½ ..	62½
Pacific Mail.....	13½ ..	13½ ..	14½ ..	15 ..	14½
Erie.....	26½ ..	27 ..	28½ ..	27½ ..	28
Call Loans.....	3 @ 5 ..	2 @ 3½ ..	2 @ 3½ ..	3 @ 4 ..	3 @ 4
Discounts.....	5 @ 6 ..	5 @ 6 ..	5 @ 6 ..	5 @ 6 ..	5 @ 6
Bills on London.....	4.86½-4.88 ..	4.86½-4.88 ..	4.86½-4.88½..	4.87½-4.89..	4.87½-4.89½
Treasury balances, cur.	\$ 39,111,251 ..	\$ 36,149,160 ..	\$ 38,441,936 ..	\$ 49,580,357 ..	\$ 47,966,907
Do. do. gold.	\$ 120,736,927 ..	\$ 121,370,344 ..	\$ 122,276,678 ..	\$ 121,993,609 ..	\$ 123,618,631

The abundance of money in this market received another illustration on the 15th of May, in the sale of \$5,000,000 of gold seven per cent. bonds of the Denver and Rio Grande Railroad Company. They were offered at 90, and for each \$1,000 bond subscribed for, a bonus of \$500 in the shape of five shares was given. The terms were deemed to be so tempting, that double the amount was subscribed for in two hours after the books were opened at the office of Messrs. Woerishoffer & Co., 54 Exchange Place. They are a first mortgage on 565 miles of new road to be built, the company reserving the right to increase the mortgage to \$15,000 per mile. They are also a second mortgage on that part of the road of the company already built. The new road is in three lines, described as follows:

	Miles.
From Canon City to Leadville and 'Ten Mile' (through the Grand Canon of the Arkansas).....	150
From Alamosa, westward, to the San Juan mines.....	210
From Alamosa, eastward, to Albuquerque, New Mexico.....	205
Total.....	565

## DEATHS.

At GARDINER, MAINE, on Thursday, April 24th, aged seventy-five years, JOSEPH ADAMS, Cashier of the Cobbossee National Bank.

At LOUISVILLE, KY., on Friday, April 23d, aged sixty-three years, HENRY DEPPEN, late President of the German Bank.

At SPRINGFIELD, ILL., on Wednesday, April 16th, aged fifty-eight years, CHARLES W. MATHENY, late President of the First National Bank.

At RHINEBECK, N. Y., on Monday, March 31st, aged eighty years, WILLIAM B. PLATT, late President of the First National Bank.

At GETTYSBURG, PA., on Tuesday, April 8th, aged seventy-eight years, GEORGE SWOPE, late President of the Gettysburg National Bank.

