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## ***A History of Banking in all the Leading Nations, vol. 4 (Germany, Austria-Hungary, Netherlands, Scandinavian Nations, Japan, China) [1896]***

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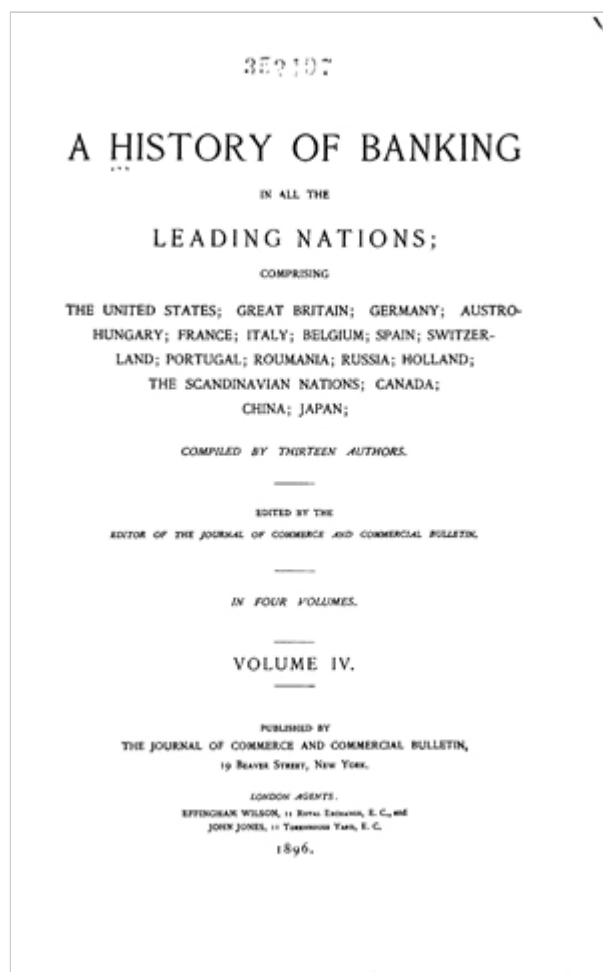
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## Edition Used:

*A History of Banking in all the Leading Nations; comprising the United States; Great Britain; Germany; Austro-Hungary; France; Italy; Belgium; Spain; Switzerland; Portugal; Roumania; Russia; Holland; The Scandinavian Nations; Canada; China; Japan;* compiled by thirteen authors. Edited by the Editor of the Journal of Commerce and Commercial Bulletin. In Four Volumes. (New York: The Journal of Commerce and Commercial Bulletin, 1896). Vol. 4 A History of Banking in all the Leading Nations, (Germany, Austria-Hungary, Netherlands, Scandinavian Nations, Japan, China).

## About This Title:

A four volume set edited by the by the “Editor of the Journal of Commerce and Commercial Bulletin” in New York city. It consists of: Vol. 1: “The United States,” by W.G. Sumner. Vol. 2: “Great Britain,” by H.D. Macleod; “The Russian Empire,” by A.E. Horn; “Savings Banks in the United States,” by J.P. Townsend. Vol. 3: “The Latin Nations,” by P. Des Essars; “The Banks of Alsace-Lorraine after the Annexation,” by A. Raffalovich; “Canada,” by B.E. Walker. Vol. 4: “Germany and Austria-Hungary,” by M. Wirth; “The Netherlands,” by R. van der Borgh; “The

Scandinavian Nations,” by A. Jensen; “Japan,” by J. Soyeda; “China,” by T.R. Jernigan.

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CONTENTS.	
BANKING IN GERMANY.	
CHAPTER I.	
NON-ISSUING CREDIT INSTITUTIONS.	
Origins of Banking—The First Bank of Issue—Land Credit Associations—Joint-Stock Mortgage Banks—Credit Mobilier Institutions—Prussian Maritime Association.....	1-12
CHAPTER II.	
GERMAN BANKS OF ISSUE.	
SECTION I.	
THE BANK OF PRUSSIA.	
The Act of October, 1846—Regulation of the Bank's Note Issues—The Bank's Profits, Management, and Progress.....	13-22
SECTION II.	
Banking Under the Several States.....	23-27
SECTION III.	
CURRENCY REFORMS.	
Imperial Bank Notes.....	28-31
SECTION IV.	
THE GERMAN IMPERIAL BANK.	
(Die Deutsche Reichsbank.)	
Working Regulations of the Imperial Bank—Discount Business—Collections—Loans—Available Paper Securities—Cheques—Negotiation of Commercial Paper—Custody of Valuable Securities—Scaled Deposits—Amount of the Bank's Transactions—Coin Reserve—The Reichsbank Clearing-House—Periodical Statements of the Reichsbank—Coin Reserve—Fate of Private Banks of Issue under Act of 1875.....	32-57

## Table Of Contents

- [Banking In Germany.](#)
- [Chapter I.: Non-issuing Credit Institutions.](#)
- [Chapter II.: German Banks of Issue.](#)
- [History of Banking In Austria-hungary.](#)
- [Chapter I.: The Austrian National Bank.](#)
- [Chapter II.: Austrian Joint-stock Banks and Banking Associations.](#)
- [Chapter III.: Hungarian Joint-stock Banks and Private Credit Institutions.](#)
- [Appendix to Banking In Germany and Austria-hungary.](#)
- [II.: Statistics of Banking In Austria-hungary.](#)
- [Banking In the Netherlands.](#)
- [Introduction.](#)
- [Chapter I.: Era of Exchange Banks.](#)
- [Chapter II.: Period From 1814. Modern Dutch Banking.](#)
- [Chapter III.: Period 1814-1863. the Netherlands Bank.](#)
- [Chapter IV.: The Netherlands Bank, 1864 to 1895.](#)
- [Chapter V.: Banks of Issue In the Dutch Colonies.](#)
- [Chapter VI.: “cashiers,” Joint-stock Banks, and Private Bankers.](#)
- [Banking In the Scandinavian Nations.](#)
- [Part I.: Banking In Denmark.](#)
- [Chapter I.: History Previous to the National Bank.](#)
- [Chapter II.: The National Bank During the First Half of the Nineteenth Century.](#)
- [Chapter III.: Private Banks.](#)
- [Part II.: Banking In Sweden.](#)
- [Part III.: Banking In Norway.](#)
- [Banking and Money In Japan.](#)
- [Part I.: The Banking System.](#)
- [Chapter I.: Common Banks.](#)
- [Chapter II.: The National Banks.](#)
- [Chapter III.: The Yokohama Specie Bank. \( Shiokinginko. \)](#)
- [Chapter IV.: The Bank of Japan. \( Nippon Ginko \)](#)
- [Chapter V.: Land Mortgage Banks.](#)
- [Part II.: The Currency of Japan.](#)
- [Chapter I.: The Old Coinage System.](#)
- [Chapter II.: The New Coinage Period.](#)
- [Chapter III.: The Paper Currency.](#)
- [Chapter IV.: Readjustment of the Public Debt.](#)
- [Chapter V.: The Future Money Standard.](#)
- [Appendices.](#)
- [Appendix D.: National Debt In Japan. \(from the “british Economic Association Journal” of June, 1895.\)](#)
- [Banking, Currency and Land Tenure In the Chinese Empire.](#)
- [I.: China’s Currencies.](#)
- [II.: Chinese Banking: Ancient and Modern.](#)

III.: Land Tenure and Taxation In China.

TREATISES IN VOL. IV.

on

THE HISTORY OF BANKING IN GERMANY AND AUSTRIA-HUNGARY,

by

MAX WIRTH;

IN THE NETHERLANDS,

by

Professor Dr. RICHARD VAN DER BORGHT;

IN THE SCANDINAVIAN NATIONS,

by

ADOLPH JENSEN;

IN JAPAN,

by

JUICHI SOYEDA;

IN CHINA,

by

Hon. THOMAS R. JERNIGAN.

new york.

1896.

A History of Banking

IN

GERMANY AND AUSTRIA-HUNGARY,

WITH

STATISTICAL APPENDIX,

BY

MAX WIRTH,

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TRANSLATED BY

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NEW YORK.

1896.

[\[Back to Table of Contents\]](#)

## BANKING IN GERMANY.

### CHAPTER I.

#### NON-ISSUING CREDIT INSTITUTIONS.

#### ORIGINS OF BANKING.

GERMAN banking traces its origin to the Hamburg Giro Bank, which was founded in 1619 on the model of the Bank of Amsterdam, and slightly survived the creation of the German Imperial Bank in 1874. The Hamburg Bank was a kind of State institution, on which the entire commercial community of the great maritime city was dependent. The citizens made their payments exclusively through drafts drawn on the Bank, the drafts being secured by deposits of silver bullion, whose value was not intrinsically expressed in stamped mint certifications, but as so many “marks banco.” The mark banco represented a value of about forty cents in present American money. Every local firm had its folio in the books of the Bank; and each day the payments on account of exchanges made on the Bourse or on other business transactions were charged to the buyers and credited to the sellers. Metallic money existed only in the form of small coin for the purposes of retail dealings, and much Prussian silver was also current. It is quite remarkable that this very simple mechanism endured for two hundred and fifty-five years; in the course of which Hamburg was visited with seven great commercial crises. In the crisis of 1857, there occurred an incident unique in financial history. The Austrian National Bank, an institution whose currency was obligatory legal tender, managed to rescue the merchants of Hamburg from impending calamity—and that without risk of sacrifice on their part—by withdrawing ten million florins from its silver reserve and advancing the amount to the Giro Bank. Immediately upon the acquisition of so much silver—which was all in bullion—confidence returned as if by magic. The crisis was dispelled, and within six months the Hamburg Bank was enabled to repay the loan.

#### THE FIRST BANK OF ISSUE.

The first bank of issue in Germany was the Prussian Bank, founded in 1765 and patterned after the Bank of England, which dates back to 1694. It is noteworthy that the reign of Frederick the Great not only brought into being the bank note system, but also laid the foundation of the whole modern fabric of banking as it exists on the European continent. Soon after the inauguration of the Prussian Bank, a so-called “Hofbank,” or Court bank, was started in the Margraviate of Bayreuth-Anspach, which operated as a dependency of the Prussian Bank during the brief period of Prussian sovereignty after the line of margraves had become extinct. The new headquarters were at Fürth, with branch houses at Bayreuth and Anspach. In 1806, this bank of issue was removed to Nuremberg. In 1834, the Bavarian Exchange and Mortgage Bank was instituted at Munich, for the Kingdom of Bavaria; it emitted



notes, and in conjunction with the German Imperial Bank it still transacts the chief exchange business of the Bavarian Kingdom.

The mortgage department of the Bavarian Bank was an adaptation from the Austrian National Bank, founded in 1816. In fact, the entire mortgage banking system originated in the time of Frederick the Great, and was gradually imitated in the other States of Europe in the next century. During the terrible distress of the Seven Years' War, when all the genius of Frederick was taxed to provide means of defence against the armies of the Continent and the landed proprietors found their credit equally strained, an intelligent merchant conceived the idea of strengthening land credit through the instrumentality of provincial associations. In consequence of the necessities of the war, and of the low price of grain, the rate of interest for mortgages on landed estates had risen to ten per cent., and commission fees for the procuring of capital to two and three per cent. Frederick II. was compelled to grant the land-owners of the eastern provinces a respite of three years for the payment of their obligations.

## LAND CREDIT ASSOCIATIONS.

In this condition of things, a Berlin merchant named Buring proposed to improve land credits by organizing joint responsibility associations of landed proprietors, on the theory that individual responsibility could be better secured through the collective pledges of a society of owners bound together by a mortgage contract. In 1767, Buring laid his plan before the Ministry, which rejected it. Thereupon, he addressed a memorial to the King direct, and the scheme now found favor. It was Buring's expectation thus to strengthen credit through the agency of jointly responsible mortgage debtors, so that proprietors, instead of receiving at most one-half the value of their property, might obtain two-thirds of it in the form of mortgage bonds negotiable among capitalists. He designed also to extend his system to dwellings, in order that the advantages of similarly improved credit—enhanced by greater security, better guaranty of interest payments, and the feature of marketable bonds—might be enjoyed by tradesmen. Joined to this highly original proposition was a suggestion of the mercantile spirit; the author of the plan expressing the singular hope that “there should be no exportation of the bonds outside the country, so that interest need not be lost, nor the country become dependent on foreigners.”

The first land mortgage association was organized in 1780, in the Mark of Brandenburg; and the second, during the same year, in Pomerania. Others were established in West Prussia, 1787; East Prussia, 1788; and Posen, 1821. The new institutions were promptly imitated in the neighboring German States; and similar associations were formed at Hamburg in 1782; in the principality of Lüneburg, 1791; Esthonia and Livonia, 1803; Schleswig-Holstein, 1811; Mecklenburg, 1818, etc.

As complaints about the deterioration of land credits are of constant recurrence, it is interesting to learn from an eye-witness, Chancellor of the Exchequer Von Struensee, the depth of misery which prevailed in the eastern provinces of Prussia before the institution of the mortgage associations: “After the Peace of 1763,” says Von Struensee, in treating upon important questions of political economy, “conditions of credit for the eastern landlords—notably in Silesia—were sore perplexed. In regions

where the armies had long been quartered, estates were laid waste, farm buildings burned, cattle driven away or starved, fields left untilled for years, and agricultural implements were in wretched ruin. The price of real estate fell to two-thirds or even one-third of its normal value; and many whose lands bore debts to the same amount had become insolvent. During the war, to be sure, and a short time after it, these conditions were veiled over, so to speak; nor did they declare themselves openly till some years from the Peace of 1763. While the war was raging, the land-owners had received high prices for their produce; they had paid taxes and interest with depreciated money, and, misled by this unstable, abnormal course of affairs, they had lived somewhat lavishly. Frederick regulated the currency immediately following the war, and creditors at once demanded their interest in sound money (in which taxes must also be paid), though the prices for crops were falling. Nobody cared to hoard ready money while the currency was depreciated by the war, and land-owners could easily effect small loans; but as soon as peace was assured, the smaller trades-people were eager to advance their business, and they generally called in the loans. Proprietors quite commonly borrowed capital during the war by giving legal promissory notes—indeed, they were glad to borrow in this way, so as to avoid furnishing mortgaged security, whenever possible. Upon every fresh acceptance they could congratulate themselves on holding estates unencumbered by mortgages. But now the creditors everywhere demanded either payment or mortgaged security; and the fact was patent that estates would be heavily indebted in comparison with their depreciated value—perhaps even hopelessly so. Without credit, the larger proprietors could not maintain themselves. He who owns an estate of fifty thousand dollars is badly off if it be cumbered with a debt of forty thousand; whereas the value of land quickly declines under poor harvests and sorry prices. Heavy damage may be also caused by cattle disease and hailstorms. In these circumstances, nobody was willing to make further loans to the Silesian land-owners. Surrender of effects became a common practice and threatened to be the general fate. Just then the mortgage associations were created, and the larger proprietors were again enabled to procure credit, through letters of mortgage.”

When these credit companies were first started, the matter of membership was optional in most provinces, though obligatory whenever a loan was concluded. In East Prussia, however, membership was required of every land-owner—entitling him, of course, to borrow capital if he so desired. The society bound itself by this twofold pledge in every district: on the one hand, to furnish every proprietor with an amount of capital equal to half the value of his estate; and on the other hand, to pay every creditor who held a bond ratified by the society not only the promised interest cash down and in punctual semi-annual installments, but also the principal itself on demand within six months’ notice. The process of raising a loan was as follows: The applicant addressed to the directors of the company a statement of the mortgage capital represented by his real property; then a valuation of his land was taken, and to make this as impartial as possible, certain fundamental rules were drawn up for every district, as terms of procedure, which might vary according to local conditions. From this valuation small cattle and agricultural implements were excluded. There were fewer loans on buildings than on land. When the estimated value of the property was fixed, the company’s agent delivered to the borrower an amount which, in most societies, represented one-half, in others three-fourths, of the assessed value, in the

form of letters of mortgage, signed by him in the company's name. These were not usually transferable, and were not exempted from accelerated final process. In these times, the nominal value of such letters of mortgage varies from 6,000 to 60,000 marks. Many bear the cautionary indorsement, "Not in circulation," or "Inalienable"—as a protection against perverted use. These documents suffer less from political events than other commercial paper, and although handled at the stock exchange, they allow no play for jobbing. The manner of realization varies in the different provinces. In some places, the society delivers the desired letter to the borrower, and he may negotiate it as best he can; in others, a more expeditious method has been devised, costing him less time and expense—to wit, the society undertakes the sale of the letter of mortgage at the exchange, thus at once becoming the immediate creditor of the applicant and the debtor of the capitalist. It pays the interest when due, and is reimbursed by the borrower. Nearly all the modern mortgage credit institutions have adopted the latter plan. Some companies allow the debtor to clear himself by gradual redemption. Payments are made in annual installments, including interest, clearance fees, and administration charges; and these installments are proportioned to the full time of redemption, varying in the article of clearance rates from one and one-half to two per cent. For instance, this amounts to one per cent. in case of a respite term of forty years. More considerable partial payments are also accepted, and should one-fourth of the debt be covered, a corresponding reduction of the mortgage may be demanded.

Letters of mortgage are not to be recalled by the creditors; but they are marketed at the exchange, and in ordinary times are quoted from two to seven per cent. above par. Originally, the point that the bonds should not be recalled was not made statutory with respect to the bondholders; it became so, however, as the danger was gradually recognized, which might arise from a sudden accumulation of such advertisements. Creditors in want of money are referred to the exchange sales, which do them better service. Here, as a rule, they command more certain prices and receive prompter payment than the holders of private mortgage bonds. On the part of the credit companies, the letters of mortgage are generally redeemed in proportion to the partial payments made to them by their debtors. The bonds are secured by the mortgaged real estate, by the joint responsibility of the associated members, and in many places by the further guaranty of the State or province. The latter security is never employed, inasmuch as the sentiment of honor inspired by belonging to such trust companies proves effectual without it. Still, it serves to facilitate the sale of the bonds. The holder of a mortgage bond need not apply to the debtor for payment of interest, since that is paid by the society. As long as a mortgage debtor punctually pays his interest, the company has no right to give warning; but in case he delays, the managers are at liberty to resort to the following measures: "Whenever the appointed term has expired, and repeated warning has not been heeded, the mortgaged property or possessions may be attached, and held subject to the company's control until principal, interest, and all the costs are covered."

Other statutory provisions exist: for instance, an order may be issued for the sale of the mortgage, or the land-owner may be authorized to help himself by means of a lease. Again, the company has the right of raising a loan on the mortgaged land in the debtor's name, until dispossession ensue or the debt be paid. The directors,

nevertheless, hold the power to grant letters of respite in times of unforeseen distress, and thereby prevent the deterioration of the mortgage bond. In order to guard against vicissitudes, every mortgage association has a reserve fund, which is applied whenever there is occasion to purchase salable effects. All these institutions enjoy legal rights of exemption, prompt execution, freedom from stamp taxes and circumscription fees, as well as the privilege of obtaining capital from mortmain, communities, corporations, savings-banks, and minors' trusts. Many of them, too, are endowed by the State. Frederick the Great thus furnished the province of Silesia 300,000 thalers at two per cent., which principal yielded interest at five per cent. to the province. The governing board of the mortgage associations is appointed by the members, though there is an associate State commissioner. The administrative expenses never amount to more than  $\frac{1}{4}$  per cent. Interest on the bonds is by this amount lower than the interest paid by the mortgage debtors. Dietrich, sometime director of the Prussian Bureau of Statistics, mentions in praise of the system, that the value of mortgaged properties was most accurately and justly assessed, and the granting of loans was supervised with the utmost prudence.

The letters of mortgage even safely withstood the terrible times of the French invasion at the beginning of the nineteenth century. Letters of respite were indeed necessary in case of the interest payments, and there was a decline in prices, but after peace was restored they soon rose again to par value. Notwithstanding the competition of the mortgage banks, which were later organized side by side with the land credit associations, the total amount of mortgage bonds issued in the East Prussian provinces increased in round numbers from 160,000,000 thalers in 1805 to 250,000,000 thalers in 1848.

## JOINT-STOCK MORTGAGE BANKS.

Joint-stock mortgage banks were the second form of landed credit institutions. They have attained a large growth in the course of this century. First founded in Germany, they were next adopted in Switzerland; and now in the latter half-century they have become common in France—*le crédit foncier*—and other European countries. They differ from the mortgage associations in the matter of joint responsibility, which is replaced by the feature of joint stock. And yet they draw the greater part of their trading capital from letters of mortgage, which they are enabled to put into wider circulation by virtue of their handsome capital and constant lending at the stock exchange and in the money market. These banks usually grant loans only on security supposed to represent a value double the amount of the loan, and only as first mortgage. The value of real estate to be mortgaged is ascertained by the bank attorneys themselves, the costs of valuation being borne by the borrower. The condition is often imposed, that any property destructible by fire must be insured. Some banks—for instance, the Bavarian Exchange and Mortgage Bank (*Wechsel und Hypothekenbank*)—pay out the loans in cash; others, like the German Mortgage Bank of Meiningen, agree to deliver the loan in letters of mortgage; being prepared, however, to effect the sale of the same on commission. Latterly, the plan of paying in ready money has prevailed, for the reason that most borrowers lose too much time and incur too much expense by individual sales.

No speculation by the joint-stock mortgage banks is allowed, though their unemployed funds may be put out at interest. They do a large business in the way of discounting bills and handling safe commercial paper, and especially in mortgage deeds. In almost all the German mortgage banks, the mortgage loans are irredeemable; they must be paid back by process of amortization, the same as in the case of the land credit societies. The partial payments are semi-annual; at the same time, the debtor has the right to pay more than the stipulated *pro rata* amount. To this irredeemable nature of the mortgage loans there are the following exceptions in favor of the banks: (1) In case the stipulated partial payments are not made. Ordinarily, several respites are appointed before the recall is enforced, and contingent, stricter measures are not applied until the lapse of the last period of grace. Then all the mortgage banks enjoy rights of prompt and simple execution. (2) Where the mortgage falls subject to sequestration or public sale; or any such procedure be instituted. (3) When the debtor becomes insolvent or even extrajudicially suspends payments. (4) When, by any accident or heavy indebtedness, the value of the mortgaged real estate so declines as to imperil the loan. (5) When the undivided mortgage comes into the hands of other owners, who do not immediately furnish proof that they have entered upon all the rights and obligations of their predecessors. (6) When a mortgage is partly transferred, and on account of the regulation of the mortgage claims no settlement has been reached. Such recalls are generally qualified by a respite of three months.

The nominal value of the letters of mortgage varies from 300 to 3000 marks. They are made out either to the bearer or to specified persons. On the conclusion of a loan, all the mortgage banks charge a commission fee, which never exceeds two per cent. The minimum amount of a mortgage loan at the Bavarian Wechsel und Hypothekenbank is 500 marks. The average interest on letters of mortgage is four per cent., and that on the loans four and one-half to five per cent. To the interest is added, in case of nearly all the mortgage banks, a partial amortization payment, which has already been mentioned, and which usually amounts to one per cent., sometimes even less. In practice, such properties are excluded from mortgage loans as, by reason of their dangerous uses, are not accepted for fire insurance; also those whose returns are uncertain or hazardous. Examples are: Powder mills, theatres, mines, quarries, and in some regions also vineyards.

The following statistical statements will illustrate the progress of the classes of institutions to which reference has been made in the foregoing pages:

*Letters of Mortgage made out in the Years 1805 to 1848, by the Land Credit Institutions of the subjoined Provinces.*

PROVINCES.	1805.	1815.	1825.	1835.	1845.	1848.
	THALERS.	THALERS.	THALERS.	THALERS.	THALERS.	THALERS.
Silesia	24,162,238	30,662,673	37,974,640	40,526,365	36,985,440	35,675,855
Kur & Neumark.	3,689,050	4,221,800	8,162,650	11,461,300	12,740,200	12,805,500
Pomerania	6,830,200	7,778,550	12,872,225	14,841,075	14,951,725	15,040,925
West Prussia	9,897,600	10,040,875	10,839,425	10,216,883	10,351,678	10,727,878
East Prussia	9,231,950	9,974,000	11,035,525	11,249,475	10,959,475	11,041,550
Total	53,811,038	62,677,898	80,884,465	88,295,098	85,988,518	85,291,708

From 1805 to 1815, 1825, 1835, 1845, and 1848, respectively, the debts charged in the land credit institutions of the above specified provinces rose in amount as per the following percentages:

PROVINCES.	1815. Per Cent.	1825. Per Cent.	1835. Per Cent.	1845. Per Cent.	1848. Per Cent.
Silesia	26.90	57.17	67.73	53.07	47.65
Kur and Neumark	14.44	121.27	210.68	245.35	247.12
Pomerania	13.83	88.46	117.29	118.91	120.21
West Prussia	1.45	9.52	3.23	4.59	8.39
East Prussia	8.04	19.54	21.85	18.71	19.00
For the five institutions.	16.48	50.31	64.08	59.80	58.50

*Mortgage Letters of the German Mortgage Banks and Companies.*

COUNTRIES.	Population.	Year.	Issue of Mortgage Letters.
PRUSSIA.			FRANCS.
Province of Silesia (Provincial Company)	3,005,809	1839	133,232,218
Province of Silesia (Royal Bank)}		1838	3,337,500
Province of Silesia Brandenburg (Provincial Company)	2,066,993	1837	44,557,338
Province of Silesia Pomerania (Provincial Company)	1,165,073	1837	55,602,844
Province of Silesia West Prussia (Provincial Company)	1,019,105	1837	38,836,530
Province of Silesia East Prussia (Provincial Company)	1,480,318	1837	42,164,250
Province of Silesia Posen (Provincial Company)	1,364,399	1844	50,802,500
OTHER STATES.			
Hanover (all companies)	1,758,847	1844	
Lüneburg (1844), all companies	5,625,000		Francs.
Calenberg (1844), all companies	5,625,000		Francs.
Bremen and Verden	3,750,000		Francs.
Mortgage Bank	15,000,000		Francs.
			34,000,000
Mecklenburg (all companies)	624,477	1846	15,034,680
Saxony (all companies)	1,836,433	1846	3,750,188
Bavaria (Mortgage Bank)	4,504,874	1849	30,000,000
Württemberg (all institutions)	1,725,167	1846	11,930,930
Electorate of Hesse (all companies)	754,590	1841	37,988,254
Baden (all companies)	1,335,200	1840	1,342,910
Nassau, Landesbank (national bank)	424,817	1840	6,420,000
Galicia, Austria, Landesbank	4,702,388	1843	11,414,016
Total	27,827,990		540,423,158

*Balance of the Bavarian Wechsel und Hypothekenbank for 1868.*

ASSETS.

FLORINS.

Mortgage capital. Total mortgage debt of 20,930 debtors amounts to the nominal sum of 68,724,640 florins, of which the following items remain outstanding:

	FLORINS.	
I. Annuity loans in cash at 4 per cent	12,742,101.01	
II. Cash loans on demand at 5 per cent	8,081,427.55	
III. Annuity loans in bonds at 4½ and 5 per cent	42,036,690.16	
		62,860,219.00
	{ I. 173,075.53	
Mortgage proceeds: Discounted interests	{ II. 180,054.00	
	{ III. 926,006.58	
		1,279,136.00
Discount capital account: Sum of discounted bills		2,123,694.53
Loans on securities		4,430,149.30
Income from loans: Discounted interests, including amount brought over to first half of 1869		19,260.01
Sum of reserve securities and value of the Bank property		2,257,402.36
Income of the reserve fund: Discounted interests		47,554.58
Foreign bills and securities: In Bank at Munich and at the branch office, Kempten.		4,439,219.15
Bills account at Munich: Local bills not yet due		903,139.52
Augsburg remittance account: Sum of bills at the Augsburg branch		904,496.05
Current account of sundry debtors		217,878.58
Cash account, including currency on hand at the branch banks		7,296,833.50
BRANCHES: AUGSBURG, LINDAU, KEMPTEN.		
Amount of discounted bills		1,445,777.06
Loans on securities		1,168,155.00
Sundry accounts current		84,795.29
	Total	89,477,713.00

LIABILITIES.

Joint-stock capital established by paid subscriptions	20,000,000.00
Bank notes in circulation	12,000,000.00
Statutory reserve	1,500,000.00
Circulation of mortgage bonds	42,077,650.00
Special bond reserve account	338,156.14
Discount proceeds: Brought over to the first half of 1869	14,047.55

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Deposits payable on demand, including uncalled-for allotted bonds	622,221.00
Deposits payable within three to six months' notice	494,304.37
Bank obligations unredeemable within five years	4,518,300.00



	5,634,825.37
Interest due on acceptances	23,317.09
Sundry accounts current and balances in favor of sundry creditors	1,664,949.39
Current account deposits	444,943.08
Life insurance account	1,022,941.11
Annuity or life rent insurance account	282,721.00
Annuity bank account	1,307,463.24
Savings-bank tontine account	155,953.34
Movables fire insurance account (or account of fire insurance for movables)	893,014.57
This year's retentions, including interest	218,837.08
Interest on bank obligations	93,372.00
Interest on mortgage bonds	893,190.00
BRANCHES: AUGSBURG, LINDAU, KEMPTEN.	
Discount proceeds brought over to first half of 1869	3,114.00
Loan proceeds brought over to first half of 1869	3,572.50
Dividends account	893,079.00
Profit and loss account, balance	12,564.50
Total	89,477,713.36

## CRÉDIT MOBILIER INSTITUTIONS—PRUSSIAN MARITIME ASSOCIATION.

When the plan of organizing the *Crédit Mobilier* was adopted at Paris in 1852, and so many like concerns were introduced in almost all the States of Europe, the stock-jobbers, who were at that time quite immoderately captivated by the French organization, had never a thought that an essentially similar establishment had been in existence for eighty years; namely, the Prussian Maritime Association, founded under Frederick II. in 1772. The Maritime Association, which must be regarded as the mother society of the *crédit mobilier* institutions in Europe to-day, was founded with a capital of 3,600,000 marks; and in 1810 it passed under State control. The association mainly busied itself with sundry State transactions; such as the acceptance and investment of State loans, the management of other Government business at home and abroad, purchase of transmarine salt, and even with such enterprises as contracting for public buildings. It furthermore engaged in the shipping trade; acquired real estate, mills, factories, etc., and managed all the business of discount and loan banking. Until 1836, the Maritime Association issued Treasury bills of 300 to 3000 marks, payable in cash to the bearer. Its exchange transactions in 1850, the period of the great increase of German banks of issue, still amounted to 25,000,000 marks. Down to our time, the Maritime Association has been charged by the State to negotiate loans; and it also serves to market Government effects in the shape of State bills, railway shares, and priority bonds—in a word, it does all the general mercantile and financial business of the Prussian Government. So this institution has continued its operations down to this day. During the long period of its activity, the old Prussian conservatism has proved highly advantageous.

Some fifty years after its inauguration, a Bavarian statesman, who subsequently became famous, addressed a memorial to the Prussian Government, wherein he proposed to found a credit institution little else than a duplicate of the Maritime Association. The valiant and worthy jurist had not so much as learned of the Prussian Maritime Association's existence, half a century after it was founded. Thirty years later, when the brothers Péreire obtained a license from the French Government to organize the *Crédit Mobilier* and *Crédit Foncier*, and thereby made a great stir throughout Europe, nobody thought of the fact—perhaps not even the institutors themselves—that the new enterprise, in its statutory provisions, exactly resembled the Maritime Association. Times and circumstances, as well as the high-pitched speculations at the Bourse and the general stock-jobbing, which in turn influenced the press, brought about conditions the very opposite of those which attended the inauguration of the Maritime Association; for, in the course of a few years, *crédit mobilier* houses were started in all the Continental countries.

Our own survey, however, is limited to the German and Austro-Hungarian institutions. The most influential credit establishments of the German Empire at present are the Berlin Discount Company (*Discontogesellschaft*), the Bank of Trade and Industry at Darmstadt, the German Credit Company (*Creditanstalt*) in Leipzig, and the Middle German Creditanstalt of Meiningen. These companies are prohibited from issuing notes; on the other hand, they may discount bills of exchange, and carry on the business of encashment, custody of moneys, effects, and deposits, together with giving out exchequer bills in accounts current, payable on maturity, with days of grace or on call; they also buy and sell papers of value, as well as articles for which funds are deposited or security furnished. These banks make advances upon pledges of good paper, or of articles not classed as perishable. They are authorized to issue joint-stock bonds and priority bonds of anonymous companies, to purchase and sell the same again, and also to effect the reorganization of industrial enterprises into joint-stock companies. A considerable business has been done and is still being done by the foregoing credit concerns in the way of taking up and investing State and railway loans. With their comprehensive business facilities, the largest credit concerns of Germany and Austro-Hungary have contrived to play a leading rôle at the Bourse. At the head of the list in Germany stands the Berlin Discount Company (Limited) (*Discontocommandite*). This was founded by the former Prussian Minister Hausemann; not, indeed, as a joint-stock company, but as a limited partnership, the latter form being locally preferred. The legal status of the present joint-stock and limited liability companies in the German Empire was readjusted by a law passed on July 18, 1884. The advantage of the limited partnerships consists in the fact that the shareholding capitalists are not so much at the mercy of arbitrary directors. In the Discount Company, the shareholders group themselves as passive participants about one responsible director, who, by virtue of his large personal investments, his practical experience, acute insight, gift of organization, and respected character no less than his wealth, inspires unsolicited, effectual confidence. The credit institutions of this kind, in addition to their mercantile purpose, had the general and particular economic advantage of opposing potent competition against the power of the great banking houses, and thus breaking the monopoly which the latter—most notably the world-renowned Rothschilds—had gradually conquered and exercised in the money markets of Europe, especially in the matter of State loans, from the times of the

Napoleonic wars. This competition of the credit companies suffered an abatement upon the funding of the heavy State loans and in consequence of similar financial operations; which were of large general advantage, and compelled the great European houses to serve public interests on cheaper terms. Thus a gradual neutralization of the competitive forces came about; and their effect to-day is chiefly seen in the creation of great trusts and syndicates, which have helped to accomplish the large conversions of debt and reductions of interest, and to lower the price of capital to a constant minimum level.

[\[Back to Table of Contents\]](#)

## CHAPTER II.

### GERMAN BANKS OF ISSUE.

#### SECTION I.

##### THE BANK OF PRUSSIA.

THE great public need of a bank of issue was first satisfied in Germany by the Kingdom of Prussia. Through distress of war and the incredible fluctuations of German standards of money, this State was, more than others, obliged to adopt financial reforms. Though planned in imitation of the Bank of England, the Prussian Bank originated in the same creative age which called forth the new mortgage banks and *crédit mobilier* organizations. It was founded in 1765 by Frederick II., first as a State institution. In 1846, the Bank was closed by liquidation, and then reorganized with the admission of private shareholders. The new Bank Act went into force on January 1, 1847, after ten million thalers—a sum equal to thirty million marks—had been subscribed in shares of a thousand thalers. To this amount was added 1,260,000 thalers of State capital, which had increased to 1,559,000 thalers in 1852; and from that year to January 1, 1856, the amount rose to 1,809,000 thalers.

At the settlement of the Bank's books those investments were thrown out as an offset against securities about which any doubt existed. The resulting surplus constituted the State's contribution to the capital, to which also belonged the assets which were carried over in the books of the Prussian Bank on January 1, 1847: to wit, (1) bills and loan claims; (2) the State and municipal paper on hand, and letters of mortgage according to the new standard of money; (3) mortgage, ledger, and other claims, including advances for the manufacture of bank notes; (4) grounds and fixtures; (5) sums of ready money, stamped currency, exchequer bills, drafts, and bank notes. The liabilities comprised: (1) Deposits and the interest accruing thereon; (2) six million thalers of exchequer bills received upon deposit of State bonds; (3) bank notes issued to date, and costs of making the same, as yet unsettled; (4) advances and moneys received from the Exchequer, and subject to prior settlement, and (5) balances in favor of private persons, including indorsements.

##### THE ACT OF OCTOBER, 1846.

The new Bank Act, as published on October 5, 1846, decreed as follows: "The Bank is designed to promote the money circulation of the whole community; to utilize capital, encourage trade and industry, and obviate an excessive rise in the rates of interest. Toward the achievement of these ends, the Bank is empowered to discount bills and money orders, as well as Home Government paper, and provincial, municipal, or other public notes made payable to the bearer; to buy and sell the same in its own behalf, or in behalf of public firms and institutions; to supply credit and

loans upon sufficient security; to issue bills and cheques, or to receive the same and collect on others' account; to take in cash capital both upon documented pledges and in current accounts, either with or without interest; to buy and sell all metallic bullion and coins; whereas other mercantile business, and expressly transactions in goods, is hereby forbidden. The Bank is further authorized to accept the custody of gold and silver, coined or uncoined, of precious stones or jewelry, State papers and documents of every sort, as well as sealed packages, without requiring identification of the bearer, upon giving receipt for such deposits, with the right of charging a commission fee."

In the traffic of bills, the Bank discounted only such paper as was payable at sight and within a maximum term of three months; and, usually, three recognized indorsements were expected. The Bank might also buy and sell good foreign bills or currency, especially to facilitate exchanges of the precious metals. The Bank granted interest-bearing loans within a customary limit of three months, and in sums not lower than 500 thalers. Even articles of commerce might serve as movable dead pledges for such loans, provided they were of domestic ownership and represented a value equal to one-half or, in exceptional cases, two-thirds of the loan, according to the nature of the articles or their marketable qualities. In the way of paper pledges, none but native public certificates were valid. For the like loans, the Bank was entitled to take a maximum of six per cent. interest. Where the precious metals were pledged, a lower rate of interest might be charged. The Bank must publish its interest rates at stated and regular times. In addition to the business of encashment, the Bank was expected to encourage circulation. Besides the stock capital and the advance furnished by the State, the Bank had a working resource derived from legally conveyed deposits protected by the State; namely, those of guardianship and court trusts, church schools, charitable foundations, and other public institutions. Deposits of this kind bore interest at the rate of two to two and one-half per cent. Such dispositions, however, involved an injustice to widows and orphans, in that the Bank dividends amounted to twice or thrice the said rates, and, finally, even to twenty per cent. The Government reserved the prerogative of doubling the capital stock, in conjunction with the shareholders. Bank shares might, at one time, be accepted as collateral in case of loans on the same. Dividends on the State stock were added to the capital account. The reserve fund, constituted by one-fourth of the clear profits, was not to accumulate above fifty per cent. of the capital stock. Upon the contingency of a disorganization of the Bank, the State fund should serve toward covering the debts. After all obligations are discharged through the resources of the Bank itself, the reserve fund is to be divided between the State and the shareholders.

## REGULATION OF THE BANK'S NOTE ISSUES.

The Bank was empowered to issue notes, the form of which and the exchange of damaged notes for new ones were under State supervision. The lowest denomination of the notes equaled twenty-five thalers in Prussian silver currency. At the same time, the existing standard value of silver was actually transformed into a kind of double value, by the regulation that the Public Exchequer must accept all the coins of Frederick at a certain fixed price. The total issue of notes should not exceed 15,000,000 thalers. Against the whole amount of notes in circulation, one-third of the

sum must be kept on hand in coin or silver bullion, one-half in discounted bills, and the remaining 16.66 per cent. in collaterals against loans, valued according to the rules of the Bank. The Bank was obliged to accept its notes in payments, at all its counters; and in the main Bank at Berlin, whenever the payee demanded. But in the provincial banks, it was customary to retire the notes exclusively in coin, providing the hard cash resources of the paying bank made such payment convenient. The entire resources of the Bank stood pledged for the payment of the notes. The circulation of the notes met with general acceptance throughout the State; and they were made a legal tender, in lieu of coin, at all the public offices, as in place of State paper. The notes, however, were not a legal tender in private transactions. Supplementary to the bank notes, there circulated other paper money of State sanction, to provide an element of elasticity for the convenience of trade, and as a resource for meeting extraordinary needs. But there was no provision for the retirement of these supplemental notes. They were issued sparingly, at a value nominally the same as that of the regular bank notes. In consequence of their limited issue, the solid security of the Prussian Bank, and the circumstance that they were legal tender to the same effect as coin at all the marts of trade, it happened on occasion of the derangement of money values in the other German States (some of which from time to time deliberately depreciated their currency), that the Prussian notes and exchequer bills not only circulated in every part of Germany, at their full nominal value, but were also freely accepted in the neighboring countries—particularly in Switzerland—and often at par. Such was the universal confidence in this State paper money, that it withstood the most violent shocks; and, even in the panic attending the revolution of March, 1848, public confidence was lost for a few days only. In international trade, the Prussian bank notes represented all Germany, and when the money values of Prussia chanced to be disturbed, these notes were no less respected than those of England and France.

## THE BANK'S PROFITS, MANAGEMENT, AND PROGRESS.

Concerning the profits of the Bank, the following regulations were observed: (1) First of all, the shareholders were to receive three and one-half per cent. interest on their stock; (2) a similar yearly interest should accrue to the State; (3) one-fourth of the remainder must go toward the accumulation of the reserve fund, and the residue be divided equally between the shareholders and the State as dividends. In case the clear profits were under three and one-half per cent., the deficit should be supplied by the reserve fund.

The Bank was placed under the general control of the State, which especially reserved to itself the right of decision in questions of the erection of branch houses.

The governor of the Bank was appointed by the Government, and he then appointed the usual officers, who should serve during his incumbency. There was this exception, that the Government also appointed the Superior Board of Directors, comprising five members and a president. Two members had the special charge of signing the Bank's obligations. The general annual meeting of shareholders occurred in January or February, when they would elect a Central Committee of fifteen members, who co-

operated with the directors to determine rates of interest, expiration of bills, acceptance of the collaterals offered in sundry sorts of effects, personal credit, and so forth. Where differences of opinion arose between the Central Committee and the Superior Board of Directors, the Bank governor decided. The aggrandizement of Prussia in consequence of the German War of 1866 occasioned an increase in the capital stock of five million thalers (September 24, 1866), and an extension of the branch establishments to the number of one hundred and thirty. The institution was constantly acquiring a larger development. The State, whose contributed fund had now grown to be more than two million thalers, received not only the three and one-half per cent. interest, amounting to 66,423 thalers, but also a dividend of 968,166 thalers. The shares now yielded eleven per cent. The branch houses gained in importance year by year. By their instrumentality every Prussian town of any business activity enjoyed banking facilities; and now that the Prussian Bank has been incorporated into the Imperial Bank, the same is true of every considerable business town in the German Empire. Bills may be negotiated even upon the smaller towns at the prevailing discount rates; or if overdue they may be redeemed on payment of a moderate fee. As much as a decade before the amalgamation of the Prussian with the Imperial Bank, the former had bought such remittances to the amount of over three million thalers, or nine million marks, in Prussian localities, and reaped a profit of four to five per cent.—equivalent, for those times, to the discount rates of modern bourses. But for the interposition of the Bank, trades-people must have paid much dearer for their needs of credit. Not even in England are there such favorable facilities for disposing of bills on the smaller towns. Upon the increase of the capital stock in 1866, the *amount of the coin reserve against notes was raised to one-third of the outstanding circulation*. The Bank was further restricted in the issue of notes, by requiring that two-thirds of the note circulation must be constantly covered by unimpeachable bills of exchange. With the growth of the Bank, through its branches in other German emporiums and principal towns, and especially through its relations with Hamburg, Frankfort, and Leipzig, there arose a new problem, how to provide for the actual clearing-house business, which had been previously neglected both in Germany and Austro-Hungary. This new phase of activity on the part of the greatly enlarged Bank grew so rapidly that, in ten years after the clearing-houses were inaugurated, the total transactions had reached the high figure of 18,500,000,000 marks.

The following tables furnish data which will substantiate our preceding survey. The balance-sheets go to prove that the law of 1850 marked the beginning of a new era in the banking system.

From 1847 to 1855 the business development of the Bank of Prussia ran the following course:

YEARS.	Local Bills Discounted. THALERS.	Provincial Bills Discounted. THALERS.	Foreign Bills Bought THALERS.	Lombard Loans. THALERS.
1847	70,904,845	28,627,577	3,157,555	48,083,525
1848	55,913,285	21,046,928	3,496,859	32,469,770
1849	38,455,440	22,612,004	3,555,912	28,614,985
1850	38,747,105	39,923,399	3,047,351	38,646,296
1851	33,338,055	40,687,085	3,903,717	35,675,787
1852	42,007,159	53,927,137	6,710,699	44,594,960
1853	61,898,772	85,671,495	5,240,740	68,164,424
1854	65,444,537	101,899,439	5,182,326	41,937,682
1855	91,931,618	140,023,867	4,706,721	57,907,242



*Balance-sheet of the Prussian Bank, December 31, 1856.*

ASSETS.

	Thalers.	Gro. Pf.
State paper to the nominal value of (Including 9,750,000 thalers offsetting the like sum of exchequer bills not retired.)	15,193,300	00 0
Real estate	739,348	22 6
Bills accounts:		
(a) Spot bills at the main Bank	6,157,928	29 6
Spot bills at the branch bureaus	19,981,503	06 0
	26,139,432	05 6
(b) Remittance bills, domestic, at the main Bank	7,743,932	00 0
Remittance bills at the branch bureaus	10,032,203	24 6
	17,776,135	24 6
(c) Foreign bills	276,251	21 0
	44,191,819	21 0
Deducting bills of doubtful realization	77,300	00 0
	44,114,519	21 0
Claims against loans on securities	13,348,154	18 0
Deducting loans legally defective	1,400	00 0
	13,346,754	18 0
Private claims	1,779,285	10 0
Deducting incidental Bank charges not yet settled	23,000	00 0
	1,756,825	10 0
Back interests and proceeds	85,561	18 0
First effects used in trade and discounted in allotments	41,584	27 6
Cash accounts, Treasury	20,719,000	00 0
Cash accounts of the main Bank	7,287,805	10 6
Cash status of the branch bureaus	20,920,759	02 6
	48,927,564	13 0
Including Treasury bills	1,462,800	00 0
Drafts and bank notes	28,629,100	00 0
Sum of gold and silver, both bullion and specie	5,787,925	05 0
	54,715,489	18 0
Total assets	129,992,844	15 0
LIABILITIES.		
Bank notes	71,388,000	00 0
Deposits—principals bearing interest	20,757,950	00 0
Deposits—non-interest-bearing	2,304	11 0
	20,760,254	11 0

Due deposit interests	268,682	12	6
Bank shares account	10,000,000	00	0
State shares or fund	1,823,000	00	0
Reserve account	131,333	09	6
State's profit account	400,501	10	6
Treasury bills still to be retired	9,750,000	00	0
Balance in favor of royal institutions; received surpluses, and receipts for placing the same	1,317,812	22	0
Bank account with patrons:			
(a) Acceptances	10,512,800	00	0
(b) Amount reserved for acceptances overdue	55,300	00	0
Balance in favor of patrons	368,263	02	6
	10,936,363	02	6
Unpaid money orders	556,610	15	6
Old Bank account	59	18	0
Private claims	815,936	14	6
Dividends account:			
For 2d half-year, 1853	40	00	0
For 1st half-year, 1854	20	00	0
For 2d half-year, 1854	541	20	0
For 1st half-year, 1855	340	00	0
For 2d half-year, 1855	1,125	00	0
For 1st half-year, 1856	3,580	00	0
For 2d half-year, 1856	250,000	00	0
	255,646	20	0
Unapportioned extra dividend for 1856	400,501	11	0
Added the balance from 1855	4,142	18	0
	404,643	29	0
Total liabilities	129,992,844	15	0

*Note Circulation of the Bank of Prussia, 1856 to 1864.*

YEARS.	Maximum	Date.	Minimum	Date.	Average of	DEPOSIT RESOURCES.	
	Note		Note		Note	Beginning	Average of
	Circulation.		Circulation.		Circulation.	of Year.	Year.
	THALERS.		THALERS.		THALERS.	THALERS.	THALERS.
1856	47,134,900	Dec. 31	19,343,700	Feb. 23	31,863,800	24,027,146	22,915,840
1857	73,704,000	Oct. 7	43,523,000	Feb. 23	60,091,600	20,760,254	20,177,500
1858	76,762,000	Oct. 7	58,546,000	Mar. 15	67,729,400	18,947,722	20,464,210
1859	89,412,000	July 7	66,081,000	Mar. 7	75,268,000	19,947,722	18,978,600
1860	93,029,000	June 30	69,768,000	Mar. 15	81,394,000	19,689,571	20,651,800
1861	103,846,000	June 30	85,242,000	Mar. 15	95,069,000	19,112,913	24,003,320
1862	119,026,000	Oct. 7	96,902,000	Mar. 7	166,514,000	21,858,378	24,929,880
1863	126,493,000	June 30	103,469,000	Mar. 23	112,825,000	25,561,045	26,286,770
1864	131,036,000	June 30	106,067,000	Dec. 7	116,121,000	25,876,385	24,206,350

*Transactions in Bills of Exchange by Bank of Prussia, 1856 to 1864.*

YEARS.	Spot Bills	Average Outlay	BOUGHT BILLS.		AVERAGE OUTLAY	
	Discounted				FOR REMITTANCE	
	in Year.				BILLS.	
	THALERS.	THALERS.	Domestic.	Foreign.	Domestic.	Foreign.
1856	134,997,859	22,285,700	190,196,211	3,517,262	16,961,000	398,000
1857	177,339,754	30,672,000	245,702,026	4,328,965	24,340,000	473,000
1858	172,948,316	32,798,845	202,118,841	4,059,278	20,069,300	532,000
1859	171,079,906	33,880,000	198,613,819	5,748,500	19,647,600	692,000
1860	144,001,073	27,394,600	205,806,947	4,451,393	17,072,000	648,000
1861	145,097,106	25,901,600	216,805,824	6,863,142	16,787,900	1,077,000
1862	165,265,500	28,650,900	255,306,018	4,843,681	21,314,100	688,000
1863	212,519,809	36,133,500	301,858,231	5,526,381	27,836,700	802,000
1864	218,951,629	38,555,100	305,624,764	13,356,150	28,317,600	1,966,900

*Balance-sheet of the Prussian Bank, December 31, 1865.*

ASSETS.

		Thalers.	Gro. Pf.
Amount in effects at the purchase value		12,270,463	00 6
Real estate		1,045,500	00 0
Bills:			
At the main Bank (inc. Brandenburg)	5,140,966 21 6		
At the branch bureaus	42,621,135 02 0		
		47,762,101	23 6
Remittance bills, domestic, main Bank	9,124,023 03 0		
At the branch bureaus	23,866,328 06 0		
		32,990,351	09 0
Bills, foreign		2,041,250	15 0
		82,793,703	17 6
Deducting bills of doubtful realization		131,000	00 0
			82,662,603 17 6
Loan claims		18,199,803	06 0
Deducting loans not pledged in strict accordance with the Bank regulations		630	00 0
			18,109,173 06 0
Sundry claims, including balances in favor of correspondents.	740,156	26 6	
Bank notes unfit for circulation	1,867,740	00 0	
			2,607,896 26 6
Sundry effects		35,978	15 0
Cash:			
At the main Bank, including Brandenburg	65,618,294	00 0	
At the branches	44,846,665	05 0	
		110,464,959	05 0
Gold and silver bullion and specie	20,986,480	17 0	
			131,451,439 22 0
Under this head are included	59,817,000	thalers in gold.	
	67,820,000	thalers in bank notes.	
	1,967,000	thalers in Treasury bills and private bank notes.	
	1,143,800	thalers in acceptances of patrons.	

	703,600	thalers in advances to be reckoned.			
	131,451,400	thalers.			
Total Assets			248,273,054	27	6
LIABILITIES.					
Bank notes in circulation	125,252,542	15	0		
In the Bank vaults	67,820,000	00	0		
Unfit for circulation	11,867,740	00	0		
			194,890,282	15	0
Deposits—on interest	20,045,750	00	0		
Deposits—not on interest	58,042	16	6		
			20,103,792	16	6
Interest due on deposits			260,798	04	0
Bank shares account			15,000,000	00	0
State subscription			1,897,800	00	0
Reserve account			4,232,310	28	6
State profits			964,936	01	0
Balance in favor of royal institutions from their actual proceeds			4,098,416	02	0
Bank accounts:					
Acceptances in circulation	3,042,000	00	0		
In the Bank vaults	1,143,800	00	0		
			4,185,800	00	0
Reserved amount for accepted indorsements overdue	10,400	00	0		
Balance in favor of patrons	148,514	08	6		
			4,344,717	08	6
Unpaid money orders			541,020	08	6
Sundry claims			562,209	28	0
Uncollected interest and proceeds			268,475	19	6
Dividend account (dividends due and not yet collected)			142,101	20	0
Unapportioned extra dividend for 1865	994,936	01	6		
Added the balance from 1864	1,260	24	6		
			966,196	26	0
Total liabilities			248,273,054	27	6

*Balance-sheet of the Prussian Bank, December 31, 1872.*

ASSETS.

	Thalers.	Gro. Pf.
Real estate	1,057,820	00 0
Purchase of real estate for the building of a new head bank	638,105	20 0
Spot bills at the main Bank, including Brandenburg	11,218,801	270
Spot bills at the bureaus	69,004,505	07 6
	80,223,307	04 6
Domestic remittance bills, main Bank	23,958,092	190
Domestic remittance bills, bureaus	76,412,628	08 6
	100,370,720	27 6
Foreign bills	3,120,179	14 0
	183,714,257	16 0
Deducting those of doubtful realization	200,180	00 0
	183,514,027	16 0
Loan claims	31,669,770	00 0
Sundry claims	2,109,594	240
Deducting for the building and furnishing of the new Bank building	100,000	000
	2,009,594	24 0
Bank notes unfit for circulation	1,086,392	15 0
	3,095,987	09 0
Sundry effects: discounted allotted effects	331,588	04 0
Effects on 'change December 31, 1872	11,574	07 0
	343,162	11 0
Cash—balance of the main bank, including Brandenburg	67,104,777	26 6
Cash bureaus	210,126,641	26 6
	277,231,419	23 0
Silver bullion and specie	8,128,653	00 0
Gold bullion and specie	38,204,875	09 0
	323,564,948	00 0
Total assets	543,883,820	28 0
Under this head are included	184,341,000 thalers in gold and silver.	

135,351,000 thalers in bank notes.  
 3,529,000 thalers in Treasury bills and private bank notes.  
 344,000 thalers in advances to be reckoned in.  
 323,565,000 thalers.

#### LIABILITIES.

	Thalers.	Gro.	Pf.
Bank notes in circulation	311,531,020 00 0		
Bank notes on hand	135,351,000 00 0		
Bank notes unfit for circulation	1,086,392 00 0		
	447,968,412 15 0		
Deposits—on interest	27,703,560 00 0		
Deposits—not on interest	3,490 12 6		
	27,707,050 12 6		
Interest due on deposits	312,342 23 0		
Bank shares account	20,000,000 00 0		
State subscription	1,906,800 00 0		
Reserve account	6,000,000 00 0		
State profits account	1,772,697 11 6		
Balance in favor of royal treasuries from actual surpluses	724,193 00 0		
Balance in favor of the Imperial Treasury	1,753,966 20 0		
Bank accounts—balance in favor of patrons	31,504,284 09 0		
Bank accounts—unpaid money orders	841,764 07 6		
Bank accounts—sundry claims	593,546 16 6		
Dividend account (dividends to be paid)	231,990 25 0		
Unapportioned extra dividend for 1872	1,772,697 11 0		
Added balance from 1871	1,755 09 0		
	1,774,452 20 0		
Uncollected interests and proceeds	792,319 18 0		
Total liabilities	543,883,820 28 0		

However, we are anticipating our delineation; and before we pass on to the period of the great monetary and banking systems of our own times, we must consider the other German banks.

## SECTION II.

### BANKING UNDER THE SEVERAL STATES.

WITH the exception of the Prussian Bank, the Maritime Association, the Nuremberg Bank, and the East Prussian mortgage companies, all the German issuing, discount, and mortgage banks, as well as the loan and deposit institutions, have originated in this century. Discount and loan banks were first organized in Bremen and Lubeck, in 1817 and 1819. Then came the Bavarian Wechsel und Hypothekenbank, in 1834, which was started as a bank of issue on the model of the Austrian Nationalbank. This was followed by the Leipzig Bank, with a branch in Dresden. The national life was roused to a new activity by the momentous events of 1848; and in the course of the subsequent Crimean War, an extraordinary season of speculation set in, which was fostered by stock-jobbing, and which brought into existence a large number of circulating banks in all parts of Germany, together with some *crédit mobilier* establishments in the principal towns. This movement was not a little accelerated by the extremely conservative, and in itself most praiseworthy attitude of the solid Prussian Bank, and the moderation of the Prussian Government in regard to the issue of bank notes. In that stormy period of speculation, exaggerated still further by the notorious Tartar embassy concerning the premature fall of Sebastopol, there were universal complaints that the bank note circulation in Prussia was insufficient for the requirements of existing trade. Speculators and stock-jobbers, instigated by the example of Paris, had prompt remedies to propose toward relieving this want. Upon the institution of the Crédit Mobilier and the Crédit Foncier in that city, the speculators succeeded within the short space of two years in obtaining concessions for the creation of banks of issue in all those German States where such banks had not yet been established; more especially in the States adjacent to Prussia, or in those which used standard thalers. First there came a bank of issue that was a veritable necessity to the importance of the place; namely, the Bank of Frankfort. The observer of the money transactions in that city prior to 1854 (as even in those days Frankfort had a wealthy and powerful exchange and a heavy domestic trade) must have been astonished that the citizens had managed to do without a bank for so many years, under the prevailing silver tender. In all hours of the forenoon, the time when cash payments were made, innumerable carts and carriers might be seen thronging the streets with bags and barrels of silver, at a great waste of time and expense. Nowadays, of course, payments are made in drafts, cheques, and bank notes, the latter generally serving merely to balance unequal accounts. Banks also effect the cashing of most kinds of commercial paper; and a single carrier, with a big portfolio under his arm, now does the work of a multitude of porters and carters.

This prosperous inauguration of a bank in one of the most substantial and wealthy cities of Germany was soon followed by the creation of nine private banks in Prussia, and fifteen banks of issue in various German States. Those in Prussia were at Berlin, Breslau, Dantzig, Cologne, Königsberg, Magdeburg, Posen, Stettin, and Görlitz, with a nominal capital of a million thalers each, save that the Stettin bank had a capital of 1,899,000 thalers. The fifteen banks in other States were at Bautzen, Brunswick, Bremen, Bückeburg, Darmstadt, Dessau, Gera, Gotha, Hanover, Hamburg, Lubeck,



Meiningen, Sondershausen, Weimar, and Wiesbaden, with a collective capital (including that of the Frankfort Bank) of 81,000,000 thalers, in round numbers. The capital stock of the Frankfort Bank was ten million florins, and that of the Nassau provincial bank at Wiesbaden three and a half million florins; half of which sums were furnished by private subscription, and half by the State. Leaving out these two instances of the use of florins instead of thalers, we find that the total thaler capital of the German private banks outside of Prussia was not far from seventy million thalers. In 1866, the clear proceeds in interest and dividends reached a total of nearly four million thalers upon a capital stock of 16,897,000 thalers, and a reserve fund of 4,723,000 thalers. The aggregate dividends of the nine Prussian banks of issue amounted to six and a half million thalers; and the net proceeds of nineteen other German banks of issue gave an average of four and three-tenths per cent. We shall subjoin a few balance-sheets of these banks for the year 1862. It may be observed that the ordinances governing most of these banks followed the statutes of the Prussian Bank, with this distinction, that certain of the smaller, country banks would sometimes widely deviate from the Prussian standard, with the result of a far-reaching decline in their solidity. We must also bear in mind that the institution of banks of issue in the smaller German States, numbering at that time above thirty, was authorized only by State concession; and no more than one bank of issue could be allowed in each province. The banks were mostly founded by stock-jobbers and speculators, who gave themselves little trouble in the responsible task of manning, at short notice, so great a number of new enterprises with experienced, intelligent, and honest directors. The truth is, that the results outside the great trade marts and principal towns were far short of the successful achievements of the Prussian Bank, whose administration had prided itself for more than a century in the appointment of sterling officers and the maintenance of approved traditions. The smaller German banks of issue cannot therefore count on an extensive future; and although they were spared, on occasion of the monetary and banking reforms which put an end to the confusion of German financial operations, the subsequent development of the Imperial Bank is sufficient evidence that their days are numbered.

We subjoin some statistics of the condition of prominent German banks of issue for the year 1862.

*Balance-sheet of German Banks of Issue for the Year 1862, expressed in Millions of Francs.*

DESIGNATION OF THE BANKS.		ASSETS.					LIABILITIES.				
		Year.	CASH.		Portfolio of Remaining Effective Assets.	Total.	Capital		CIRCULATING NOTES.		Total.
			Specie.	Own B'k Notes.			Paid in.	Deposits.	In Circulation.	In the Safes.	
1	Prussian Bank	1862	277.43	194.16	339.08	810.67	63.37	95.85	457.29	194.16	810.67
2	Union of Berlin	1862	1.47	1.26	4.77	7.50	3.75		2.49	1.26	7.50
3	Bank of Stettin	1862	1.40		16.57	17.97	7.12	7.10	3.75		17.97
4	Bank of Breslau	1862	1.36		6.31	7.67	3.75	17	3.75		7.76
5	Bank of Posen	1862	1.26		7.16	8.42	3.75	92	3.75		8.43
6	Bank of Magdeburg	1862	1.07		7.41	8.48	3.75	98	3.75		8.48
7	Bank of Dantzig	1862	1.44		9.32	10.76	3.75	3.26	3.75		10.76
8	Bank of Cologne	1862	1.28		9.75	11.03	3.75	3.53	3.75		11.03
9	Bank of Königsberg	1862	1.18		7.27	8.45	3.75	1.01	3.69		8.45
	Total of the Prussian Banks	1862	287.90	195.42	407.64	890.95	96.74	112.82	485.97	195.42	891.05
10	Bank of Leipzig	1862	14.71	21.69	19.85	56.25	11.25		23.31	21.69	56.25
11	Bank of Bautzen	1862	2.39		14.07	16.46	2.06	10.65	3.75		16.46
12	Bank of Dessau	1862	12		11.48	11.60	11.25	16	19		11.60
13	Bank of Lubeck	1862	49		3.49	3.98	1.50	8	2.40		3.98
14	Bank of Rostock	1862	1.52		11.09	12.61	4.74	4.12	3.75		12.61
15	Bank of Bremen	1862	3.29		33.02	36.31	16.50	12.39	7.42		36.31
16	Bank of Thuringia at Sondershausen	1862	41		8.67	9.08	7.50	31	1.27		9.08
17	Bank of Gera	1862	2.32		13.62	15.94	9.37	6	6.51		15.94
18	Bank of Weimar	1862	5.55		29.33	34.88	18.75	3.49	11.64		34.88
19	Bank of Gotha	1862	2.71		10.70	13.41	5.25	1.26	6.90		13.41

20	Bank of Meiningen	1862	3.05		18.06	21.11	15.00		6.11		21.11
21	Bank of Luxemburg	1862	15	4.83	9.95	14.63	10.00		10	4.53	14.63
22	Bank of Brunswick	1862	1.97	4.38	16.15	22.50	13.12		5.00	4.38	22.50
23	Bank of Hanover	1862	2.45		23.76	26.21	20.32	45	5.44		26.21
24	Bank of Munich	1862	9.63		63.81	73.44	42.86	13.44	17.14		73.44
25	Bank of Frankfort	1862	29.21	2.89	46.98	79.08	21.43	1	54.75	2.89	79.08
26	Bank of Darmstadt	1862	1.39		7.07	8.46	4.57		3.89		8.46
27	Bank of Hamburg	1862	8		2.49	2.57	2.14	28	15		2.57
28	Bank of Nassau	1862	1.87		38.75	40.62	30.46	4.80	5.36		40.62
29	Bank of Bückeburg	1862	8	44	2.24	2.76	1.88		14	44	2.76
	Total of the Zollverein Banks	1862	83.39	34.23	384.58	501.90	249.95	51.50	165.32	33.93	501.90
	Total German banks, excluding the Austrian Nat'l	1862	371.29	229.65	792.22	1,392.85	346.69	164.32	651.29	229.35	1,392.95
	Bank of Austria	1862	262.68				263.46		1,067.19		1,340.65

*Balance of the Bank of Frankfort, December 31, 1867.*

ASSETS.

	FLORINS.
1. Cash account: { Ready hard money, florins 16,977,594.39 }	21,153,764.39
{ Bank notes, florins 4,176,170.00 }	
2. Discount bills account: Discounted bills on Frankfort-on-the-Main	5,030,750.31
3. Account current for bills: Bills of Frankfort-on-the-Main, from transactions with correspondents abroad	4,966,621.13
4. Loan account: Advanced on pledges	3,155,530.53
5. Loaned to the city of Frankfort-on-the-Main: Extraordinary loan to the Government of the city of Frankfort and its dependencies	5,747,008.45
6. Loan interest account: Interest due on pledged advances to December 31st	69,720.27
7. Foreign exchange account: Foreign exchanges	4,777,703.35
8. Accounts current: Balance against foreign bankers	357,129.57
9. Sometime Free City of Frankfort-on-the-Main: Interest-bearing loan (Statute Art. 79)	1,000,000.00
10. Effects account: Our own ready effects, including current interest to Dec. 31st.	744,893.46
11. Effects account of the reserve fund: Ready effects, including current interest to December 31st	1,343,972.37
12. Effects account of the Pension fund: Ready effects, including current interest to December 31st	21,541.12
13. Bank real-estate account: Cost price of the Bank building	64,000.00
Total	48,432,637.35

LIABILITIES.

	FLORINS.
1. Capital stock account: 20,000 paid shares at 500 florins	10,000,000.00
2. Bank notes account: To the Treasury for issue of proffered bank notes	30,000,000.00
3. Indorsement account: Balance in favor of indorsement creditors	6,397,430.00
4. Discount account: Carried over in back interests to 1868	13,332.42
5. Interest account of accounts current exchanges: Back interests carried over to 1868	16,643.42
6. General expenses account: Sum of sundry expenses from 1867, to be paid in 1868	18,901.21
7. Dividends account for the years 1862-66—uncollected dividends:	

	For 1862 on	4	shares at 27½	florins	110.00 }	
	For 1863 on	2	shares at 30	florins	60.00 }	
	For 1864 on	9	shares at 37½	florins	337.30 }	7,300.30
	For 1865 on	3	shares at 35	florins	105.00 }	
	For 1866 on	176	shares at 38	florins	6,688.00 }	
8.	Dividends account for 1867: Dividends to be apportioned for 1867 at 28 florins per share, on 20,000 shares					560,000.00
9.	Reserve fund account: Balance of the same December 31st					1,377,924.09
10.	Pension fund account: Balance of the same December 31st					21,567.49
11.	Profit and loss account: Unapportioned dividends carried over to 1868					19,497.22
	Total					48,432,637.35

### SECTION III.

#### CURRENCY REFORMS.

WE have been describing a state of affairs prior to the reorganization of the German Empire, shortly after the momentous military events of 1870. The Government authorities now promptly saw the necessity of readjusting the currency, as well as of instituting political changes. The antiquated silver coinages had become inextricably confused, and caused serious inconvenience in the transaction of business. It was therefore purposed to centralize the banking system, following the plans of the Banks of England and France. Nor did the proposed currency reforms encounter any serious objection—so palpable were the inconveniences of the unsettled money standards to every household and purse. The Austro-German money league was dissolved, and a universal *gold standard* was proclaimed. The third part of the old silver thaler was made the unit of value, under the denomination of *Reichsmark*, or Imperial mark; and these marks were coined for general circulation. Gold and silver coins of the old values were called in, and Imperial gold pieces were coined, with values of ten and twenty marks. The new monetary ordinance was first expressed by the law of December 4, 1871, concerning Imperial gold pieces; and its completed enactment followed in the currency law of 1873. The rate of alloy for gold coins was fixed at nine hundred thousand parts of gold to one hundred thousand parts of copper; whereas the proportion for British and Russian gold coins is eleven to one. Although the silver thalers had not yet been withdrawn, the Imperial Diet, without waiting for advice from the Government, decreed an act for the stamping of five-mark “thalers,” which step proved rather too hasty, since the old three-mark thalers are circulating to-day, and in greater numbers than is desirable. The other old coins are to be cleared off irrevocably, at the expiration of a provisional period of transition.

Part and parcel of the new currency regulations was the recall of the former State and provincial bank notes. The Imperial Government, however, had committed the mistake of setting the new gold pieces in circulation before withdrawing an equivalent

amount of the previous coins—the fate of the latter being finally decreed by the currency law of 1873. In view of this obvious imprudence, we are not surprised at the admission of the Imperial Minister Delbrück, that by the late autumn of 1874 the hard money circulation of the German Empire had increased by 762,000,000 marks. This circumstance had contributed not a little to exaggerate the over-speculations of 1872, through repeated offers of the French gold—a result already produced in case of the Maritime Association, to which the Government had from time to time intrusted the French “billions” for productive investment. Certainly one sequel to such speculations was the great commercial crisis which broke out in the spring of 1873. In the money exchanges and bourses the mistake passed unobserved as long as the payments of the French war debt of five billion francs kept coming in. But when France had completed these payments—much sooner than was anticipated—and the course of exchange veered about and favored the French, gold immediately began to flow out again, because the German currency supply was in excess of the home demand. When, in the second half of the year 1874, this outflow of gold into France, by way of the Brussels mint, had reached an amount between 300,000,000 and 500,000,000 marks, the German governments adopted prompt measures to stem the tide. First of all, the State paper currency of the various German provinces was redeemed and withdrawn from circulation, and was partly supplanted by the newly created Imperial *bank notes*.

## IMPERIAL BANK NOTES.

The Imperial bank notes were to be issued to the amount of 120,000,000 marks, with the design of giving representative circulation to the war treasure of the same magnitude, which was received from Prussia and preserved in the Julian Tower at Spandau, for secret preparations of war, in times of peril. There was a further, provisional augmentation of these notes by a sum of about forty million marks, in order to ease the German governments in the matter of withdrawing their old paper currency. To-day, this whole item is duly and constitutionally settled. The next step was to retire and melt over the small silver denominations and also the silver thalers. This operation continued in orderly process until the Imperial Chancellor, Prince Bismarck, influenced by silver partisans, obtained ratification for the silver purchases of 1878. Later, there was a considerable export of coined silver to fill a contract with the Egyptian Government, though a large amount is still on hand in the cellars of the Imperial Bank. All this experience had a powerful effect in the discussion of bank reforms which occupied the Imperial Diet in the second half of 1874; and the subsequent Bank Act shows an unmistakable tendency to restrict the circulation of notes. Expert financiers had long been shy of a redundant issue of paper currency, and esteemed it their first duty to surround the privilege of emitting bank notes with the utmost possible safeguards. The abuses of paper money had been too glaring; not only in the eighteenth century, but also in the first half of the present century, both in England, the United States, various parts of Germany, and in France and Austria. Still more recent instances occur in the case of Russia and certain transatlantic republics. Hence it was that an extreme reactionary movement set in, which involved even the Bank of England in serious trouble, through the restrictive Bank Act of 1844. At the very time when the Bank should have been a propelling instrument, its machinery stood stock-still, and had to suspend payments no less than three times. The limitation

clauses, with respect to the issue of notes, had worked in a manner quite contrary to the anticipations of the framer of the law. So, too, if the German Government and the Imperial Diet in 1874 could have foreseen the present situation in England, where for some years past the Bank has had more gold in its vaults than notes in circulation—which surplus has risen from ten to twenty millions sterling within a single year—or could they likewise have anticipated the present condition of the German Imperial Bank, which frequently has a greater supply of hard money than of notes—they would not have bound the issue of Imperial bank notes nor of the old provincial notes that were still of legal validity by such narrow limitations. Neither would they have put an Imperial tax on notes which may be issued beyond the prescribed contingent—a device also followed by the reorganized Bank of Austro-Hungary. These were steps in a retrograde direction, and not in the spirit of the old Prussian Bank, whose constitution imposed no other restriction than that which was prudently exercised by merchants of stability; nor did any bank ever maintain a more solid conservatism in practice. By good fortune, however, and in spite of the great commercial crises of 1873 and 1890, the international money market took such a trend as not to occasion disaster by reason of the possibly excessive narrowing of the contingent notes. The whole course of affairs was eminently favorable toward a centralizing of the entire system of the banks of issue.

The various boards of directors had not failed to advocate their respective doctrines while the Bank Act was under discussion. Some were still in favor of many banks of issue; and this opinion implied a disposition to support the old system. Owing to the many German sovereign princes who enjoyed the rights of State concessions, there were perhaps more banks of issue than there would have been in case of unrestricted freedom to all. Be this as it may, the German Bank Act of 1872 confirmed thirty-two banks of issue in their full rights, which enabled them to operate side by side with the Imperial Bank, as reconstituted on the actual foundations of the Prussian Bank. We shall recur later to the matter of their contingent issue. Suffice it to say here that the wonderfully rapid and flourishing growth of the Imperial Bank quite eclipsed the advocates of multiplied banks of issue, and would even appear to justify the radical adherents of the opposite contention that there be but one State bank. Of the total number of thirty-three German banks of issue—including the Imperial Bank—which were opened for business, according to the new Imperial monetary standards, in 1875, only seven, besides the Imperial Bank, are in operation to-day; and even these might be easily and advantageously replaced by branch institutions attached directly to the Imperial Bank.

## SECTION IV.

### THE GERMAN IMPERIAL BANK.

#### (DIE DEUTSCHE REICHSBANK)

UNDER this title, the German Bank Act of 1875 creates a bank subject to Imperial supervision and direction; or, more strictly, the Prussian Bank is reconstituted on changed conditions, and is vested with juridical personality. Its function is to regulate

the money circulation within the jurisdiction of the German Empire, to facilitate settlements, and utilize available capital. The main clauses of the Bank Act of 1875 are as follows:

(1) Authorization for the issue of bank notes may be obtained only under Imperial law; and there shall be no emitting of bank notes above the amount allowed by the present decree.

(2) There shall be no obligation to accept bank notes in case of those payments which are to be legally discharged in coin; and neither shall such obligation be created by provincial laws, in behalf of provincial exchequers.

[This restriction has nowise hindered the circulation of the Imperial bank notes to a degree surpassing that of compulsory legal tender in the form of State notes; and the Imperial notes are also more freely accepted abroad.]

(3) Bank notes may be issued only in the denominations of one hundred, two hundred, five hundred, and one thousand marks; and the maximum value of a bank note shall be one thousand marks.

[It may be stated here that no smaller denomination has yet been issued than one hundred marks. Denominations less than this are available in Imperial Treasury bills.]

(4) Every bank is obliged to redeem its notes immediately upon presentation of the same, and at their full value as determined by the new law; as well as to accept them in payment at all times, according to their full value as before mentioned, and not only at the main bank but at all branches thereof. Damaged notes must be made good by the bank, in so far as the bearer shall either present a part of a note greater than one-half, or else furnish proof that the remainder of a note of which he presents but one-half or less than a half, has been destroyed. The bank is not obliged to indemnify for notes which are totally destroyed or lost.

(5) Bank notes which return to the coffers in a damaged or soiled condition may not be reissued.

(6) The calling in or withdrawal of the notes of a bank, or of any description of bank notes, is allowable only by the direction or approval of the Federal Council. Such dispositions are made in case the greater part of the notes of a bank are damaged or soiled; or where the right of issuing bank notes has been suspended. The latter measure is applied when proof is produced that the notes to be withdrawn have been counterfeited by other notes in circulation.

(7) Banks which issue notes are not allowed (*a*) to accept bills, nor (*b*) to buy or sell merchandise or current commercial paper on credit, whether on their own account or on account of outside parties, nor to take security for the discharge of such business.

(8) Banks issuing notes are required (*a*) to publish reports of their assets and liabilities on the 7th, 15th, 23d, and on the last day of each month, and the utmost limit of delayed reports must not exceed five days from the appointed term; (*b*) within three



months at the latest, from the close of each business year, to publish an exact balance of their assets and liabilities, together with yearly statements of their profits and losses—the said reports to be published in the “Reichsanzeiger,”<sup>\*</sup> at the bank’s expense.

The weekly reports must specify (a) on the side of liabilities: The stock of the reserve fund, the amount of notes in circulation, obligations both daily and of longer maturity, deposits, and all other liabilities; (b) on the side of assets, coin and bullion, the sum of German currency on hand, gold in bullion or in foreign coin to be reckoned at 1392 marks per pound refined, the amount of Imperial Treasury bills, notes of other banks, bills of exchange, loan claims (dead pledge loans), effects, and all other assets.

The Federal Council determines which classes of assets and liabilities are to be separately indicated in the yearly balances. Moreover, in both the yearly and the weekly reports there must be evidence of such contingent obligations as may have arisen from the negotiation of countless additional domestic bills of exchange.

(9) On and after January 1, 1876, banks whose note circulation shall have exceeded their coin reserve and the amount of notes prescribed in proportion to their capital must pay into the Imperial Exchequer a tax on the surplus issue, at the rate of five per cent. per annum. This tax is payable either in such German currency as the bank may have on hand—Imperial Treasury bills, notes of other banks, etc.—or in gold bullion and foreign gold coin, valued at 1392 marks per pound fine. Where the right of issuing notes expires, the resultant gain of effective uncovered notes, exclusively of those appropriated for taxes, accrues to the Imperial Bank.

(10) For the purpose of setting the tax, the bank administration shall determine the amount of ready currency on hand, on the 7th, 15th, 23d, and last day of each month, and turn it over to the supervising authorities. At the close of each year, and on the basis of these indications, the tax payable by the bank is fixed in such way that five-fourths of eight per cent. of every taxable surplus of notes issued, as evidenced by these indications, is calculated to be tax toll. The sum of the taxable amounts derived from the several assessments constitutes the tax payable by the bank to the Imperial Exchequer, in no case later than January 31st of the following year.

(11) Foreign bank notes or other non-interest-bearing obligations made payable to bearer and proceeding from foreign corporations, companies, or private individuals, may not be used for payments within the Imperial jurisdiction, whether offered alone or together with other mediums of settlement, in Imperial or national tenders of value.

(12) The headquarters of the Imperial Bank are in Berlin; but it may have branches in every part of the Empire, and the Federal Council is empowered to institute such branches in specified places.

(13) The Imperial Bank is authorized to pursue the following kinds of business: (a) To buy and sell gold and silver in bullion or coined. (b) To discount, buy, and sell bills of exchange whose maturity shall be three months at the longest, and for which usually three—and in no case less than two—accredited vouchers shall stand good.

Furthermore, to discount, buy, and sell bonds of the Empire or of any German State, or domestic municipal corporations, provided such bonds mature within three months at the longest, and conform to the new standards of value. (c) To grant interest-bearing loans for terms no longer than three months, upon movable security (lombard, or deposit loan business), such as: Gold and silver, coined or uncoined; interest-bearing or non-transferable bonds maturing within a maximum term of three months, whether of the Empire, a German State, or of domestic municipal corporations; also, interest-bearing non-transferable bonds on which the interest is guaranteed by the Empire or by any one of the German States; upon capital stock and stock priority shares, fully paid up, of German railway companies in actual operation; and on mortgage bonds of provincial, municipal, or other land credit institutions of Germany that are subject to State control—including shares of German mortgage banks—to an amount never exceeding three-fourths of their market value. Upon interest-bearing non-transferable bonds of foreign States, and foreign railway priority bonds covered by State security; in amounts not exceeding fifty per cent. of their market value. Upon bills of exchange produced by recognized, substantial vouchers, after deducting at least five per cent. of their market value. On pledges of native merchandise, in amounts within two-thirds of their value. (d) With reference to buying and selling bonds under the provisions of the preceding article, the existing status of the Bank's resources, as reported by the Board of Directors, will determine how far the means of the Bank may be applied to such purchases [*vide* 26].\* (e) To negotiate collections (encashments) for the account of individuals, institutions, and governing boards; and upon security, as before mentioned, to furnish payments, and make orders or conveyances on the branch banks or on correspondents. (f) Upon prior security, to buy in behalf of outside parties effects of all kinds, including the precious metals; and after delivery, to sell the same. (g) To receive moneys in circulation or on deposit, with or without interest. But the sum of interest-yielding deposits must not exceed that of the capital stock and reserve fund. (h) To accept the custody or other management of objects of value.

(14) The Imperial Bank is obliged to exchange its notes for gold bullion at the fixed rate of 1392 marks per pound fine. The Bank is authorized to appoint experts to test and cut such gold, at the expense of the seller.

(15) The Imperial Bank must publish its existing rates of discount, and of interest on loans. The statements contained in its weekly reports are based upon the books of the Imperial Board of Bank Directors, and on those of the branch institutions, which are immediate dependencies of the head institution.

(16) The Imperial Bank is empowered to issue bank notes in proportion to its business needs. The manufacture and the cancellation of the same are subject to the control of the Imperial Debt Commissioners, or Court of Accounts; and a special associate commissioner is appointed by the Emperor for this particular business.

(17) The Imperial Bank is required at all times to maintain a money and bullion reserve, amounting to at least one-third of its notes in circulation. This first reserve may include German currency, Imperial Treasury bills, and gold in bullion or foreign coin, reckoned at 1392 marks per pound fine. The remainder may be covered by

discounted bills maturing no later than three months from date, and protected usually by three—never less than two—solid and accredited vouchers.

[With respect to prudent and efficient management of its exchange portfolio, the old Prussian Bank had long enjoyed extraordinary confidence; and even during the great Napoleonic wars, at the beginning of this century, the matured bills of the Bank were more promptly paid than the interest due from mortgage debtors came in; and although the Bank statutes then allowed a freer course of action than those governing the Imperial Bank, the former institution never succumbed to calamity, nor even felt embarrassment.]

(18) The Imperial Bank is obliged to redeem its notes to the bearer in current German money; either (*a*) immediately upon presentation at its headquarters in Berlin, or (*b*) at the branch banks, in so far as their cash resources and their financial needs may warrant.

(19) The Imperial Bank in Berlin, its branches in towns of more than eighty thousand inhabitants, as also any branch bank issuing notes of which this article shall treat, are obliged to accept notes in payment at their full newly prescribed value, whenever such notes shall have been issued by the banks designated by the Imperial Chancellor, according to Section 45 of the Bank Act, and as long as the given bank or banks of issue punctually perform their obligations of redemption. The bank notes received in this way may be either presented exclusively for payment, or else applied to payments at the bank which shall have issued them, or to payments at the place where the issuing bank has its headquarters. The Imperial Bank is authorized to cancel agreements with other German banks of issue, whensoever they shall have renounced the right of issuing notes.

(20) The Imperial Bank is authorized to sell the pledges of loan debtors, in case the value thereof should so decline as to be less than the amount loaned.

(21) The Imperial Bank and its branches are *free*, throughout the Imperial dominions, from State revenue and trade taxes.

(22) The Imperial Bank is obliged to receive payments for the account of the Empire, without compensation, and also to make such payments, to the extent of the Imperial credit. The Bank is under the like obligations toward all the Federal States.

(23) The capital stock of the Imperial Bank is constituted by 40,000 personal shares of 3000 marks each, amounting to a total of 120,000,000 marks. The shareholders are not personally responsible for the obligations of the Imperial Bank.

(24) The clear profits of the Imperial Bank, as determined by the annual settlement of accounts, are disposed of as follows: (1) First of all, a regular dividend of four and one-half per cent. is calculated upon the basis of the capital stock, and apportioned to the shareholders; (2) then a quota of twenty per cent. of the surplus, if any, is applied to the reserve fund, as long as the latter falls short of one-fourth the capital stock; (3) the remaining surplus is equally divided between the shareholders and the Imperial

Exchequer, in so far as the total dividend of the shareholders shall not exceed eight per cent. Any ultimate residue is divided in the proportion of one-fourth to the shareholders and three-fourths to the Imperial Exchequer. Should the clear profits come short of full four and one-half per cent. of the capital stock, the deficit shall be supplied from the reserve fund. Any premium procurable by the negotiation of shares shall flow into the reserve fund. Arrears of dividends become superannuated (*i. e.*, are canceled) at the expiration of four years from the date when they were due; the proceeds then accruing to the Bank.

(25) The Imperial supervision of the Reichsbank is exercised by a Board of Inspectors, comprising the Chancellor of the Empire as president, and four other members. One of the latter is appointed by the Emperor; the other three by the Federal Council. This Board of Inspectors holds its meetings quarterly, and takes cognizance of all the operations and business arrangements of the Bank.

(26) The Imperial direction of the Bank is exercised by the Chancellor of the Empire, and subject to him, the Imperial Board of Directors. The Chancellor, or his representative as appointed by the Emperor, directs the entire administration of the Bank, both issuing orders for its business operations to the Imperial Board of Directors and the branch institutions, and also fixing the rules and working instructions which govern the Bank officials. The Board of Directors, thus subject to the Imperial Chancellor, is the administrative and executive corps of the Bank, as viewed from outside, or as representing the Bank in public.

(27) The board consists of a president and the requisite number of members, and passes its resolutions by majority of votes; but its whole proceedings are subject to the prescription and instructions of the Imperial Chancellor. The president and members of the board are appointed by the Kaiser for life, upon recommendation of the Federal Council.

(28) The officers of the Imperial Bank have the same rights, and are bound by the same obligations, as other Imperial officials. Their salaries, pensions, and other official dues, as likewise those of their survivors, are paid by the Imperial Bank. No officer of the Imperial Bank may hold shares of the same.

(29) The accounts of the Imperial Bank are subject to revision by the Imperial Court of Accounts.

(30) The shareholders exercise their part in the affairs of the Imperial Bank through their General Assembly and a Central Committee elected from the same and consisting of fifteen members or their substitutes. Only such members are chosen from the General Assembly of shareholders as hold at least three shares. All the members and their substitutes must have their residence within the Imperial dominions; and at least nine members and nine deputy members must reside in Berlin.

(31) A third of the members go out of office annually; but members whose term has expired are eligible for a new term. The Central Committee assembles at least once a

month, with the president of the Imperial Board of Directors as chairman. The presence of at least seven members constitutes a quorum.

(32) The Central Committee makes monthly examination of the weekly reports concerning discounts and loans, note circulation, coin reserve, deposits, the buying and selling of gold, bills of exchange, and commercial effects, and the distribution of funds in the branch banks. The results are then promptly communicated to the auditors of accounts, along with the opinions and propositions of the Imperial Board of Directors in respect to the course of business, and any requisite measures thereto pertaining. In particular, the views of the Central Committee are to be heard in case of balance reports, profits account, changes in the budget of salaries and pensions, vacancies in the Imperial Board of Directors, needing to be referred to the advice of the Federal Council, and also matters respecting the maximum amount to which the Bank funds may be put out in pledged loans. The purchase of effects is subject to the consent of the Central Committee. The Central Committee is further heard concerning the maximum rate of discount and interest on loans, as also in the matter of changes in fundamental rules, terms of delay in the Bank statements, and agreements or contracts with other German banks

(33) Members of the Central Committee receive no salary. The General Assembly is authorized to vote the exclusion of a member who shall have violated the secrecy of the Bank, misused his office in connection with secrets thus betrayed, or otherwise lost the public confidence. In fine, any member may be excluded through whom the weal of the Bank shall appear to have been imperiled. A member who becomes insolvent, or who has been absent from the meetings for half a year, or is ineligible for reasons already stated, shall be regarded as a non-member.

(34) The continuous and special oversight of the administration of the Imperial Bank is vested in three members of the Central Committee, chosen as deputies for one year, or their substitutes eligible at the same time. These deputies are authorized to attend all the sessions of the Imperial Board of Directors, with advisory votes. They are authorized and obliged, in the usual business hours and in presence of a Bank director, to take knowledge of the course of business, to inspect the bank books and portfolios, and attend the sittings for auditing of the cash accounts. They report upon their proceedings to the Central Committee.

(35) Business with the financial departments of the Empire or of the Federal States is under the control of these deputies, and their veto suspends or cancels it—unless the Central Committee rule otherwise.

(36) In addition to the main headquarters of the Bank, certain local headquarters of the Imperial Bank may be created in places of importance designated by the Federal Council; and these shall be under the direction of a board of at least two members, and under the supervision of a bank commissioner appointed by the Emperor. At all headquarters of the Imperial Bank, where a sufficient number of qualified shareholders may be found, a district committee shall be organized, with its members elected by the Imperial Chancellor from prior lists furnished by the Bank Commissioner and the Central Committee. This district committee has the same

functions in its locality as the Central Committee at the main headquarters. A continuous and special control of the course of business at the several district headquarters is exercised by two or three delegates from the district committee; and where no district committee exists, these delegates are appointed by the Imperial Chancellor.

(37) The institution of other branches may be authorized by the Imperial Chancellor, provided they are immediately subordinated to the Imperial Board of Directors; or such institution may be authorized by the latter board itself, in so far as the proposed branch or branches shall be directly attached to another branch bank.

(38) The Imperial Bank is bound by the signature of the Imperial Board of Directors; namely, by that of two members of the same. The business regulations determine how far the Imperial Bank is bound by signatures of the district headquarters. Complaints addressed either to the chief directory or the district boards, with reference to business operations, may be lodged in the local courts, where the bank in question is located.

(39) All persons belonging to the administration of the Bank must solemnly promise the strictest secrecy in every matter of bank business.

The Imperial Bank statute decreed by the Emperor in conjunction with the Federal State contains dispositions in regard to the form of shares, coupons, and *talons*; forms to be observed in case of the transfer or pawning of untransferable shares; the annulment of lost shares; rules for the arrangement of the annual balance; the shape in which business communications shall be presented; specification of the public journals in which they shall appear; and lastly, the manner of liquidation to be pursued in the event of the dissolution of the Imperial Bank. The latter right was first reserved by the Empire in 1891, and may be renewed every ten years.

The closing articles of the Bank Act pertain to the settlement of affairs at the Prussian Bank, on its incorporation into the Imperial Bank. Prussia withdrew her stock subscription, which had amounted to 1,906,800 thalers, and her half of the reserve fund; and then represented the Bank in all its rights and obligations, now transferred by the Empire to the Imperial Bank, with the following provisions: Prussia receives for her cession of the Bank an indemnity of fifteen million marks, to be furnished from the resources of the Imperial Bank. The former shareholders of the Prussian Bank, upon renouncing all their vested rights in favor of the Imperial Bank, are authorized to request an exchange of their titled holdings for an equal amount in the Imperial Bank shares. If shareholders decline this exchange, the Bank must refund their full portions of the capital stock and reserve fund. The Imperial Bank is required to assume the obligations of the Prussian Bank, as accepted in 1856 with respect to State loans of 16,589,000 thalers, and pay the same from 1876 to 1925, inclusive, in semi-annual installments of 621,910 thalers. Should the concessions extended to the Imperial Bank be abridged, the Empire will see to it that, so long as no other bank is charged with this obligation, the said installments shall be paid into the Prussian Treasury to the full limit of the specified term of years. The adjustment of a certain difference between Prussia and the Empire on account of the real estate of the Prussian Bank was postponed. The Imperial Chancellor is empowered to dispose of

all those shares of the Imperial Bank which are not exchanged for shares of the Prussian Bank; and also to issue Treasury bills due, with interest, on March 1, 1876, for the amount of shares left unsubscribed. The manufacture of these bills shall be referred to the Prussian Court of Accounts.

## WORKING REGULATIONS OF THE IMPERIAL BANK.

In more or less direct connection with the Imperial Bank, there are at present two hundred and sixty-three branch banks in the German Empire, which are embraced under four classes:

1. Branches in localities where bills of exchange are bought and sold, and where circulation is active.
2. Branches dealing only in loan business and negotiating bills on banking centres.
3. Branches with an exclusive business of loaning on collateral security.
4. Branches which receive in payment the notes of provincial and issuing banks of contingent circulation, still extant.

Every business man in good standing may enter into business relations with the Imperial Bank, under the following conditions: He must first give the requisite information as to his commercial status to the bank in whose district he resides, and if his firm is reported in the mercantile directory, he shall produce an authenticated extract from the same.

Where the business is to be managed by confidential clerks, or agents, powers are to be issued for dealings with the Imperial Bank, after a strictly prescribed form; and such warrant shall be deposited at the Bank. In case the said persons are to receive payments, they must be introduced, or personally identified by the signer of the commission.

## DISCOUNT BUSINESS.

*A. Domestic Bills.* Bills of exchange must conform to the statutory requirements; and when issued abroad, to the laws there prevailing. They must be of at least three months' maturity, and bear the signatures of usually three, or at least two, substantial and accredited individuals or firms. They must be indorsed at the bank of the locality where they are payable. Local and addressed bills must bear mark of acceptance before purchase of the same. Bills which are qualified by the terms, "or equivalent," "or value," or which are accepted for a different date from the express date of their maturity, or those which contain erasures or corrections, may not be bought by the Imperial Bank. In case of bills of blank indorsement, the proper indorsement must be furnished to the seller, and supplied by him to the Bank. Bills must bear date of maturity, be presented along with an account, and settled upon these terms.

Special statements must accompany (1) local bills (payable at the purchasing bank or one of its branches) to the amount of one hundred marks or less, which are subject to an interest of thirty pfennigs; (2) all other local bills; (3) bills of remittance (payable in other German banking localities) to the amount of one hundred marks or less, with an interest charge of thirty pfennigs; (4) all other bills of remittance.

Calculations are made according to the rules of the respective banks. There must be particular statement of the amount due, the date of maturity, place where the bill was issued and where payable, and the exact interest to be discounted. Addressed bills must bear the name and residence of the acceptor. In reckoning interest, thirty days are counted to every month, save that for notes maturing on the last of February, only twenty-eight or twenty-nine days, as the case may be, are counted for that month. Bills bought on February 15th and maturing on March 5th bear interest for twenty days; thirteen days from February 15th to February 28th; fourteen days to February 29th; seven days, if bought on February 28th, and maturing on March 5th.

The minimum term of interest is (a) four days for bills payable at the place where purchased; (b) five days for those payable elsewhere, to be delivered in parcels of ten thousand marks or over, or installments (*posten*) of at least twenty thousand marks, in parcels not under five thousand marks; (c) ten days for all other bills; and for every bill amounting to one hundred marks or less there is an interest charge of thirty pfennigs. For every bill above one hundred marks, the interest is at least fifty pfennigs.

B. *Foreign bills.* The Imperial Bank, through the instrumentality of cheques, buys bills of exchange on foreign countries; especially France, Holland, Italy, Denmark, England, Sweden and Norway, and Switzerland. Such transactions are always based on the latest official reports of foreign exchanges, as furnished by the Berlin or the Frankfort bourse. The Bank deducts a commission of one-tenth of one per cent. from the amounts purchased. For a term of fourteen days or less, "short" rates are allowed; for longer terms, rates are according to the long dates. Interest running over time is calculated by rules that govern the locality in question. Where payment of interest devolves upon the Imperial Bank, the rate is three and a half to four per cent. In respect of England, not only bills of exchange are bought, but also sole bills, post-office notes, and cheques of or on the Bank of England, its branches, and English banking houses generally: (1) Bills on London in amounts of one hundred to three thousand pounds sterling are subject to an exchange abatement of two pfennigs, at the latest rates on London per hundred pounds sterling. Addressed bills on London are at a discount of one pfennig, provided the drawee lives abroad. (2) Bills on Birmingham, Glasgow, and other provincial places are discounted at an exchange rate of five pfennigs. (3) Cheques on London in amounts of one hundred to three thousand pounds sterling bear an additional charge of six days' interest, at a rate one per cent. lower than the discount rate of the Bank of England; but amounts less than one hundred pounds bear no such additional charge.



## COLLECTIONS.

Money orders, cheques on domestic banking houses not connected with a clearing-house, and any paper payable in marks and at a banking locality, are collected by the Imperial Bank for a commission of one-tenth of one per cent., and a minimum commission of fifty pfennigs per single collection, with postage charged to the payee. The commission is slightly augmented in case of collections outside the district in which the bank is located; and the minimum charge per single collection is fifty pfennigs. Coupons of every sort are collected at a charge of one-fourth of one per cent., or a minimum of fifty pfennigs per single transaction. In case of paper which returns uncollected by default of payment, the Bank makes charges for protest and postage, besides an invariable charge of fifty pfennigs per single paper, without regard to the amount at stake. These collections must not exceed a term of two weeks. The indorsed papers are forwarded to the bank nearest the place of payment, and if they have a shorter term than five days to run, they bear the qualification, "Not responsible for presentation at the stated time, in the event of protest."

## LOANS.

The Imperial Bank and its branches grant short-dated loans at a published rate of interest, upon security in the form of the precious metals, native merchandise, and certain specified commercial paper. The main Bank requires the actual deposit of the latter, under the category of papers of value. Loans are not usually furnished in amounts for less than five hundred marks. A loan may be repaid from day to day, and also be recalled at any time, without notice or term of grace. If the debtor falls into arrear, or the interest be delayed, the Imperial Bank is authorized to sell his pledge. Interest is payable quarterly. Partial payments are allowed by installments of at least ten per cent. of the sum due, though never in amounts under five hundred marks. Should the security fail to satisfy the Bank, it reserves the right of personal claims against the pledgor. Where pledged commercial paper is subject to notice of warning, disposal by lot, collection, or other vicissitudes, the pledgor must effect or institute the necessary measures for securing the Bank, and shifting the prejudicial contingencies upon himself alone. When rates decline, he must supply the resulting deficiency. Pledged securities must be covered by fire insurance. The Imperial Bank is not responsible for damages unless they be caused by gross carelessness on the part of the Bank.

## AVAILABLE PAPER SECURITIES.

The Imperial Bank accepts two classes of commercial paper as security; the first is taken for three-fourths of its quoted value; the second for only fifty per cent. of the same. The former class includes loans and money orders issued by the Empire or the several German States; letters of mortgage from the mortgage credit companies or the joint-stock mortgage banks; obligations of the principal credit and savings banks, and priority railway bonds. The second class includes bonds of the United States, Italian rentes, Austro-Hungarian four per cent. gold rentes, bonds of the Swiss Republic,

Norwegian and Swedish Government bonds, and three per cent. guaranteed priority bonds of Italian railway companies.

## CHEQUES.

In order to open a bank account and facilitate the negotiation of cheques, applicants must address themselves to the bank in proximity to which they live. Should their overtures be favored, they receive certain formulated instructions, together with an account-book, in which all debit and credit transactions, whether cash or on account, are duly entered. Further dispositions in this matter are not provided by the Imperial Bank. Cash deposits, cheques, and bills of exchange payable at the Imperial Bank, likewise bills purchased and loans furnished, are at once entered in the Bank account. Cheques, bills, money orders, accounts, and other paper must be receipted and regulated in a prescribed form, for which the Bank supplies full directions. Collections are also promptly entered in the Bank account. Full receipt is withheld until payments are quite complete. Unpaid paper is charged to the account-holder, for him to settle no later than the forenoon of the day following the date when the obligation matured. The Bank has nothing to do with protesting unpaid bills. Commercial paper must be delivered to the Bank under a special mark and seal. Cash is paid out for white cheques drawn on a specified person or firm, and having the alternative designation "or bearer." Bank accounts are managed free of charges by the Bank, but the moneys thus handled yield no interest. Account-books must be returned as often as possible, and at least once a month, for the itemized entries. The Bank prohibits the use of these accounts by third persons.

## NEGOTIATION OF COMMERCIAL PAPER.

The main Bank and its branches buy and sell commercial paper for a commission of one-eighth of one per cent.

## CUSTODY OF VALUABLE SECURITIES.

The main Bank in Berlin accepts the custody of valuable securities and documents of every description. The transfer may take place either through an authorized agent or by post. The Bank officials are bound to observe the utmost possible secrecy with reference to such trusts. Moreover, as many as three persons in any single instance may deposit ordinary papers on making the following declaration: "We are all and severally qualified to dispose of the papers and moneys herewith conveyed, or to take receipts therefor in full." The Imperial Bank accepts the safe and inviolate custody of such trusts both under the letter of the law and with these added obligations: (1) To draw in the appertaining coupons on days when they are due, and sell the same at the Bourse; and (2) to keep a constant watch of the lists of allotment, etc. For this manifold responsibility and the attendant risks, there is an annual fee of one-twentieth of one per cent., or three-fortieths of one per cent. in case of foreign securities.

## SEALED DEPOSITS.

The Imperial Bank also undertakes the custody of sealed deposits in so far as the storage facilities of the Bank admit; and no questions are asked concerning the contents of such parcels. These deposits must be accompanied with the Christian name and surname of the depositor, or the name of a firm, as the case may be; and they must be so sealed that none of the contents can escape without fracture of the seal. The maximum value thus insured is five thousand marks; though special contracts are also accepted for higher values, on consideration of a proportionately higher fee. The Bank is not responsible for losses inflicted by “act of God,” nor for internal decay of the parcels themselves. The latter provision is particularly important; as, for instance, where a great fire breaks out, and certain papers become so damaged by water as to be no longer decipherable, in such cases the depositor must bear the loss. In fact, there is no absolutely safe place in the German Empire for the custody of valuable papers, though such safety is offered in case of the Julian Tower at Spandau, where the war treasure of 120,000,000 marks in gold is preserved; and also by the “stronghold” of the Vienna Giro und Cassenverein. The storage fee for parcels thirty centimetres or less in width and height by forty centimetres in length and ten kilogrammes in weight, is ten marks per annum; and for double these dimensions twenty marks. Packages of still greater bulk are not received. The insurance fee for every thousand marks, or additional part of a thousand, is twenty-five pfennigs per annum.

## AMOUNT OF THE BANK’S TRANSACTIONS.

To illustrate the important reforms in the German banks of issue, we subjoin the balance-sheets of the Prussian Bank upon its transition into the Imperial Bank for December 31, 1875, and those of the Imperial Bank for 1876 and 1894, together with a comparative review of the business results achieved by the Imperial Bank from its first creation to the end of 1894. Lastly, we shall give some recent monthly reports in evidence of the significant increase in gold coin and bullion:

*Balance-sheet of the Prussian Bank, December 31, 1875.*

ASSETS.

		Marks.	Pf.
Real estate		12,751,012	85
Bills Account:			
(a) Local bills, main Bank, including			
Brandenburg	26,353,407	50	
Branch banks	162,958,407	78	
		189,311,815	28
(b) Domestic bills o remittance—			
Main Bank	40,850,957	07	
Branch banks	231,682,739	13	
		272,533,696	20
(c) Foreign bills		5,640,925	19
		467,486,436	67
Deducting those of doubtful realization		636,385	66
			466,850,051 01
Loans on securities	68,397,850	00	
Deducting for securities not meeting Bank requirements	76,600	00	
		68,321,250	00
Sundry claims, including silver in bullion and specie	23,161,892	67	
Bank notes unfit for circulation	6,323,127	50	
		29,485,020	17
Discounted allotted effects		172,472	15
Cash Account:			
Main Bank, including			
Brandenburg	794,067,458	71	
Branch banks	963,726,556	28	
	1,757,794,014	99	
Gold, in bullion and specie	106,486,028	09	
		1,864,280,043	08
Total assets		2,441,859,849	26

LIABILITIES.

Bank notes in circulation	735,721,000	00	
Bank notes on hand	1,410,842,330	00	
Bank notes unfit for circulation	6,323,127	50	
		2,152,886,457	50
Deposits:			
On interest	101,095,430	00	
Not on interest	208,399	00	

		101,303,829	62
Interest due on deposits		1,240,116	66
Bank shares account		60,000,000	00
State bonds		5,720,400	00
Reserve account		18,000,000	00
Profit account for the State		6,654,413	24
Profit for account of the Imperial Bank		62,632,841	75
Balance in favor of royal treasuries from advances made		1,744,560	00
Balance in favor of banks in account with the Bank		18,990,252	73
Unpaid money orders	148,673	24	
Certificates of deposit	1,891,462	15	
		2,040,135	39
Sundry claims		1,586,497	74
Dividend Account:			
Dividends still due		466,127	00
Unapportioned extra dividend	6,654,413	25	
Brought over from 1874	7,386	75	
		6,661,800	00
Uncollected interest and proceeds		1,932,417	63
Total liabilities		2,441,859,849	26

*Balance-sheet of the Imperial Bank on December 31, 1876.*

ASSETS.

		Marks.	Pf.
1.	Gold in bullion or foreign coin, reckoned at 1392 marks per pound fine.	42,883,404	21
2.	Cash account:		
	(a) Current German stamped money	457,716,306	78
	(b) Imperial Treasury bills	44,702,455	00
	(c-d) Our own bank notes,		
	500 thalers	216,249,000	
	100 thalers	664,257,000	
	50 thalers	17,250	
	25 thalers	43,950	
	10 thalers	29,820	
	1000 marks	171,808,000	
	500 marks	168,970,000	
	100 marks	109,566,500	
		1,330,941,520	00
	(e) Notes of other banks	16,478,300	00
		1,849,838,581	78
3.	Silver in bullion and coin		
4.	Bills account, excluding class 8:		
	(a) Local bills due within the next fifteen days	66,418,510	00
	At longer sight	131,310,630	06
		197,729,140	06
	(b) Bills of remittance for Germany	129,200,270	00
	At longer sight	117,924,163	23
		247,124,433	23
	(c) Foreign bills on Amsterdam	64,335	49
	Foreign bills on Belgium	147,503	73
	Foreign bills on London	1,955,302	90
	Foreign bills on Paris	72,286	38
		1,479,428	5
		446,333,001	79
5.	Amount of loans on securities, excluding class 8:		

	(a) On gold or silver	39,300	00	
	(b) On effects (including bills) as per Sec. 13, Art. 3, clauses <i>b, c, d</i> , of the Bank Act }	51,374,060	00	
	(c) On other effects }			
	(d) On merchandise	9,035,750	00	
			60,449,110	00
	{ (a)			
	Discounted			
	paper }			
	{ (b) Our			
6.	Effects		725,000	70
	own effects }			
	{ (c) Effects			
	of the			
	reserve fund }			
7.	Balance of accounts current:			
	(a) Foreign correspondents	806,615	49	
	(b) Domestic correspondents	288,704	06	
			1,095,319	55
8.	Amount of due but unpaid bills and loan claims		2,143,350	61
9.	Value of the Bank's real estate		13,278,012	85
10.	Sundry assets:			
	(a) Advances for the discount of accepted bills	1,007,000	00	
	(b) Advanced salaries	215,607	68	
	(c) Building advances	3,799,773	04	
	(d) Bank notes unfit for further circulation	188,245,402	50	
	(e) Bills and other claims unpaid on December 31st, but realized a few days later	928,792	71	
			194,196,575	93
	Total		2,610,942,357	42
LIABILITIES.				
1.	Capital stock		120,000,000	00
2.	Reserve fund:			
	Transferred from the Prussian Bank	18,000,000	00	
	Plus thirty per cent. premium on 60,000,000 Imperial Bank shares	18,000,000	00	
		36,000,000	00	
Of this was paid:				
	1. In agreement with Sec. 1 of the contract between Prussia and the German Empire, dated May 17 and 18, 1875: Prussia's portion of	15,000,000	marks.	

the reserve fund of the Prussian Bank. . . . 9,000,000 marks. 2. In agreement with Sec. 3 of the same contract: indemnity to Prussia for cession of the Prussian Bank				
			24,000,000	00
		Remainder:	12,000,000	00
Added to the reserve fund in 1876 the profits from sale of eighty-one unexchanged shares of 94,491 the Prussian Bank				00
Added to this, according to Sec. 24, Art. 2, of the Imperial Bank Act, twenty per cent. of certain profits of 1876, amounting to 4,885,234 03 marks, <i>i. e.</i> , the profits were 4,885,234 03 marks, twenty per cent.: 977,046 80			977,046	80
				13,071,537 80
3.	Reserve fund for doubtful claims			710,932 87
4.	Total amount of bank notes issued (and put in circulation)			
	500	thalers	397,776,000	00
	100	thalers	667,095,150	00
	50	thalers	960,525	00
	25	thalers	913,312	50
	10	thalers	349,185	00
	1000	marks	401,200,000	00
	500	marks	350,000,000	00
	100	marks	467,000,000	00
				2,285,294,172 50
5.	Balance in favor of patrons and creditors in account current			140,544,464 47
6.	Amount of deposits:			
	(a) On interest at 3 per cent., maturing in eight days			16,915,490 00
	On interest at 3 per cent., maturing in three mos.			1,170,450 00
	On interest at 2½ per cent., maturing in eight days			9,339,920 00
	On interest at 2 per cent., maturing in eight days			5,715,780 00
	On interest at 2 1-10 per cent., maturing in eight days			3,770,000 00



On interest at 2 per cent., maturing in three mos.	3,994,470	00		
	40,906,110	00		
(b) Without interest	1,164,171	77		
			42,070,281	77
7. Interest due on deposits }			606,429	14
8. Tax on notes, according to Secs. 9 and 10 of the Bank Act, payable into the Imperial Treasury }				
8a. Sundry liabilities:				
(a) Uncollected money orders	1,394,127	86		
(b) Unpaid remittances	112,127	04		
(c) Interest, exchange proceeds, loan and real-estate claims running over to 1877	1,448,779	46		
(d) Uncollected dividends for last year	1,116,436	55		
(e) Sundry recorded debts	664,880	73		
			4,736,351	64
9. Net profits for 1876:				
(a) For the Empire	1,954,093	61		
(b) For shareholders	1,954,093	62		
			3,908,187	23
			2,610,942,357	42

*Balance-sheet of the Imperial Bank, December 31, 1894.*

ASSETS.

		Marks.	Pf.
1. Gold in bullion or foreign coin, at 1392 marks per pound fine		422,454,793	49
2. Cash account:			
(a) German stamped currency	591,786.692	10	
(b) Imperial Treasury bills	18,690,160	00	
(c-d) Our own bank notes:			
500 thalers			
100 thalers	300	00	
50 thalers			
25 thalers	600	00	
10 thalers	120	00	
1000 marks	376,400,000	00	
500 marks	877,000	00	
100 marks	206,517,500	00	
		583,795,520	00
(e) Notes of other banks		8,442,200	00
			1,202,714,572 10
3. Silver in bullion and specie			
4. Bills account, excluding class 8:			
(a) Local bills due in the next 15 days	88,510,500	00	
At longer sight	234,040,006	14	
		322,550,506	14
(b) Bills domestic due in the next 15 days	103,864,600	00	
At longer sight	173,925,640	30	
		277,790,240	30
(c) Bills on Belgium	141,716	25	
Bills on England	1,736,110	90	
Bills on France	338,003	30	
Bills on Holland	168,551	90	
Bills on Italy	6,522	75	
Bills on Copenhagen	32,762	95	
Bills on Switzerland	36,007	00	
Bills on Scandinavia	49,090	15	
		2,508,765	20 602,849,511 64
5. Loan security claims:			
(a) On gold and silver	8,600	00	
(b) On effects (including bills), according to Sec. 13, Art. 3, clauses b, c, d, of the Bank Act	95,721,400	00	
(c) Other effects			

(d) Merchandise	4,651,350	00		
			100,381,350	00
6. Effects account:				
(a) Purchased Treasury bills and other papers of value	4,453,096	90		
(b) Our own effects				
(c) Effects of the reserve fund			4,453,096	90
7. Bank balance against correspondents			5,315,436	93
8. Amount of due but still unpaid claims on bills			232,963	90
9. Value of real estate owned by the Bank			24,293,500	00
10. Sundry assets:				
(a) Advances on bills accepted for discount				
(b) Advanced salaries	386,812	75		
(c) Building advances	7,168,253	06		
(d) Bank notes unfit for circulation	40,518,540	00		
(e) Sundry claims	23,176,076	39		
			71,249,682	20
			2,433,944,907	16
LIABILITIES.				
1. Capital stock			120,000,000	00
2. Reserve fund			30,000,000	00
3. Reserve fund for doubtful claims amounted, on December 30, 1893, to	635,800	00		
Canceled in 1894	89,874	75		
	545,925	25		
No longer needed for said claims	384,725	25		
Residue reserved			161,200	00
4. Total amount of bank notes put in circulation	500 thalers	106,500	00	
	100 thalers	559,500	00	
	50 thalers	237,825	00	
	25 thalers	594,150	00	
	10 thalers	252,645	00	
	1000 marks,	801,751,000	00	
	500 marks,	2,644,500	00	
	100 marks,	1,029,399,700	00	
			1,835,545,820	00

5.	Balance in favor of patrons and creditors in account current	434,742,297	44
6.	Deposits not on interest	556,669	70
7.	Tax on notes, due to the Imperial Treasury by Secs. 9 and 10 of the Bank Act.		
8.	Sundry liabilities—(a) Money orders yet unpaid	754,732	56
	(b) Exchange consignments not yet delivered	151,174	74
	(c) Interest and exchange proceeds, loan security claims, and real-estate accounts running over to 1895	1,308,177	12
	(d) Uncollected dividends	878,876	40
	(e) Sundry items, including 250,000 marks reserve for annex and equipment of Bank building in Berlin	2,630,101	15
		5,723,061	97
9.	Net profits for 1894—(a) For the Empire	3,903,320	19
	(b) For the shareholders	3,301,106	73
	Including, from 1893, a residue of	11,431	13
		3,312,537	86
		7,215,858	05
		2,433,944,907	16

PURCHASE OF BILLS OF EXCHANGE.

YEARS.	Total Transactions.	Local Bills	Consignment, or Commission Bills.	Foreign Bills.	Loans on Securities.	Purchase of Gold.
	MARKS.	MARKS.	PF. MARKS.	PF. MARKS.	PF. MARKS.	MARKS.
1876	36,684,830,600	1,107,181,862	14 3,015,650,331	49 17,633,076	56 467,207,210	46,389,264
1877	47,541,619,800	1,128,359,148	74 2,695,224,998	08 18,724,954	87 492,828,770	177,164,232
1878	44,254,713,700	1,066,456,703	88 2,289,350,274	99 40,334,279	03 525,750,700	97,708,405
1879	47,458,751,900	1,054,653,122	01 2,314,773,341	57 39,276,153	18 628,402,980	83,967,741
1880	52,193,508,000	1,034,102,745	18 2,450,086,927	67 57,351,629	76 839,701,650	46,210,357
1881	56,336,057,800	1,082,125,229	50 2,579,704,151	05 56,630,100	35 1,046,570,550	47,115,564
1882	56,005,689,200	1,164,780,203	90 2,835,866,720	93 42,809,593	55 900,870,500	110,885,993
1883	62,619,705,900	1,101,906,106	54 2,698,269,124	04 45,845,096	79 704,201,800	55,910,235
1884	71,590,793,700	1,194,926,501	82 2,584,969,613	25 43,630,899	02 765,203,490	13,484,891
1885	73,199,039,000	1,146,604,291	61 2,412,657,425	27 77,281,820	04 739,999,860	129,745,818
1886	76,565,423,200	1,176,982,883	01 2,382,156,699	95 105,220,082	04 775,842,450	130,262,536
1887	79,839,097,500	1,252,170,238	82 2,701,171,710	12 66,616,380	22 690,341,710	172,291,926
1888	84,337,564,300	1,268,910,590	30 2,649,165,859	69 54,834,730	30 709,576,800	235,944,921
1889	99,708,891,300	1,605,003,917	59 3,031,296,339	21 61,564,604	88 1,045,460,800	12,088,452
1890	108,595,412,900	1,847,461,770	71 3,578,027,033	69 63,970,955	40 1,315,176,150	87,968,973
1891	109,933,249,000	1,837,049,975	57 3,576,842,444	52 78,303,434	06 1,208,140,100	176,472,162
1892	104,489,335,000	1,768,012,053	70 3,057,501,733	67 68,524,858	67 907,015,550	61,539,914
1893	110,942,348,400	1,992,702,754	75 3,367,065,052	30 67,244,868	26 1,054,387,590	137,008,628
1894	110,783,951,000	1,790,637,169	83 2,439,612,075	00 52,702,039	81 825,030,050	241,130,576

\*Only for December, 1883

In 1894, the total transactions of the Imperial Bank and its two hundred and sixty-three branches amounted to 110,783,951,000 marks (33,647,542,000 for the main Bank, 77,136,409,000 for the branches), against a total of 110,942,348,400 marks for 1893, showing a decrease of 158,397,400 marks for 1894.

The rates of discount for bills varied between five and three per cent.; and rates of interest on loans were one per cent. higher. The circulation of bank notes reached its lowest figure on February 23d (892,870,000 marks), its highest on December 31st (1,211,232,000 marks). The average was 1,000,384,000 marks. This makes an average circulation of 15,557,000 marks in excess of that for 1893; which was 984,827,000 marks. The limit of uncovered circulation provided by Section 9 of the Bank Act was not overstepped in 1894. Bank accounts with patrons amounted, for 1894, to 13,796,000,000 marks. The number of patrons was 10,794; and of these, 9725 were in account with the branch banks. Imperial and State Treasury accounts reached a total of 4,260,000,000, in round numbers. This would raise the total Bank account business to some 88,643,000,000 marks for 1894, as against 86,784,000,000

marks for 1893; both reports including receipts and outlays for the Empire and the Federal States.

Deposits not on interest were received to the sum of about 14,000,000 marks; and the same were paid out to the extent of 13,500,000 marks. *Money orders* were delivered by the main Bank and its branches to the amount of about 96,000,000 marks, free of commission; and the number of separate orders was 4146. Orders with commission fees numbered 7923, to the amount of about 34,000,000 marks. Total money orders, 130,104,777 marks. The incidental fees amounted to 7525 marks.

The cash account, in German currency and gold in bullion or foreign coin, at 1392 marks per pound fine, stood lowest on January 7th—808,807,000 marks—and highest on November 23d—1,075,587,000 marks. Average, 934,327,000 marks, as against 841,723,000 marks for the preceding year, or an increase of 92,604,000 marks. The total cash balance for December 31, 1894, was distributed as follows:

	MARKS.
Gold bullion and foreign coin	422,437,000
German gold coin	291,999,000
Silver thalers	214,294,000
Small coin	85,490,000
Total	1,014,220,000

## COIN RESERVE.

On an average during the year, ninety-three and four-tenths per cent. of the note circulation for 1894 was covered by coin, as against eighty-five and forty-seven hundredths per cent. for 1893. Bank notes and all other daily obligations for 1894 were covered in the proportion of sixty-two and fifty-nine hundredths per cent., as against fifty-eight and fifty-six hundredths per cent. for 1893. The amount of gold on hand, both bullion and foreign coin, was M.338,233,035.42 pf. on January 1, 1894; and gold was bought to the amount of M.241,130,576.51 pf. Total gold, M.579,363,611.93 pf. Of this total, M.156,926,579.37 pf. were either coined or sold again, leaving a gold reserve of M.422,437,032.56 pf. There was also an attendant profit amounting to M.17,760,93 pf., the actual value of the gold reserve being M.422,454,793.49 pf. These revelations are of much interest, as they furnish our first authentic information in regard to the status of the Imperial Exchequer in silver thalers, which are stored in the Bank cellars to the amount of only some 214,000,000 marks—not at all so much as was generally believed, and less than one-fourth of the total coin reserve. The truth is, the question of a redundancy of old silver thalers would never have been agitated but for the proposal of the Imperial Diet to coin new silver thalers with a value of five marks. From January 1, 1896, forward, the Imperial Bank could quite safely include the item of silver thalers in the weekly reports; that is, without the slightest danger of injuring the Bank's credit.

## THE REICHSBANK CLEARING-HOUSE.

One of the most indispensable departments of the Imperial Bank is the clearing-house business, first organized twelve years ago, in the great commercial centres of the German Empire. The results have been so prompt, and even magnificent, that we may fairly reckon the clearing-house as a new national institution, for the want of which Germany had long been behind Great Britain and the United States.

The first German clearing-house was opened in Berlin on April 2, 1883, and there followed nine others, in the subjoined chronological order: Frankfort, April 23, 1883; Stuttgart, May 15, 1883; Cologne, May 22, 1883; Leipzig, June 25, 1883; Dresden, July 10, 1883; Hamburg, July 24, 1883; Breslau, March 1, 1884; Bremen, April 7, 1884; Elberfeld, March, 1893. These establishments incalculably augment the practical value and utility of the Imperial Bank, and their development has been so comprehensive that they turned over the round sum of nineteen billion marks in the single year of 1895. We owe the following data to the courtesy of Dr. Koch, president of the Board of Imperial Bank Directors:

### *Transactions of Clearing-Houses Connected with the Imperial Bank.*

YEARS.	RECEIPTS.		Average Value per Piece.	CREDITED IN BANK ACCOUNTS.	Percentage of Values Received.
	Number of Pieces.	Amount in Marks.		Amount in Marks.	
1884	1,979,012	12,130,196,100	6,129	3,121,842,800	25.7
1885	2,085,449	12,554,444,300	6,020	3,269,911,700	26.1
1886	2,205,563	13,356,482,500	6,056	3,516,517,700	26.3
1887	2,334,307	14,207,193,600	6,086	3,430,353,500	24.1
1888	2,500,183	15,514,563,100	6,205	3,676,869,300	23.8
1889	2,709,770	18,048,962,400	6,661	4,351,340,300	24.1
1890	2,825,314	17,991,301,100	6,368	4,162,441,600	23.1
1891	2,895,245	17,663,274,500	6,101	4,323,731,500	24.5
1892	2,989,835	16,762,790,900	5,607	4,148,967,800	24.8
1893	3,205,546	18,272,935,600	5,700	4,386,865,500	24.0
1894	3,379,730	18,398,039,600	5,444	4,403,472,700	24.0

## PERIODICAL STATEMENTS OF THE REICHSBANK.—COIN RESERVE.

Until a few decades ago, political economists were accustomed to urge strenuous measures toward the statutory limitation of bank notes; and banks of issue were narrowly watched for fear they might overleap their available resources. The English Bank Act of 1844 was framed on those suspicions, and Germany and Austria were influenced by like apprehensions. Since the middle of this century, however, events have occurred which are likely to relegate such anxious oversight into the limbo of borrowed troubles. A new era has arrived in the history of the precious metals;

comparable only to the discovery of America. In 1850, there began an annually increasing production of gold, which had risen in 1894 to the vast amount of 850,000,000 marks; and from 1870 forward, the yield of silver also assumed huge proportions, amounting in these times to an annual sum of 165,000,000 ounces fine. Indeed it is not impossible that this immense yield of silver may have prevented a decline in the price of gold. The latter is maintained firm, not only by this particular circumstance, but also by the statutes of the Bank of England and of the German Imperial Bank. These institutions, in other words, are authorized to buy gold bullion at a fixed price with their bank notes; and we consequently face the remarkable and novel spectacle in commercial history of a gold reserve sometimes in actual excess of the note circulation. The Bank of England, for several years past, has had more gold in its vaults than notes in circulation; so that occasionally the gold surplus over the notes has been more than fifteen million pounds sterling. The German Imperial Bank follows this example, though on a more modest scale. In Germany the coin reserve at least somewhat exceeds the note circulation from time to time. The Bank of France is far from displaying the like pride of gold, and still clings to the depreciating "double standard"; though its gold reserve, which twenty years ago was very much below the silver reserve, has now risen much above it. The Austro-Hungarian Bank is still paying in compulsory legal-tender paper, and is not required to redeem its notes in coin; but with a view toward ultimate specie payments, it has materially increased its gold supply. Its stock of gold was eighty million florins at the middle of August, 1892, and two hundred and forty-seven million florins on the 23d of December, 1895. It is interesting to trace the development of this unusual reinforcement of gold reserves by consulting the reports of the great banks; and we therefore submit an extract from the official statements of the Imperial Bank, which will be found to furnish abundant material for reflection.



*Monthly Statements of the German Reichsbank, 1887 to 1895 (in Millions and Thousands of Marks).*

DATES.	Coin Reserve.	Notes Outstanding.	Bills of Exchange.	Imperial Treasury Bills.	Notes of Other Banks	Deposits and Loans to Bank on Call.	Loans.
1887—May 23	801.194	802.433	397.561	255.280	106.550	373.947	
June 1	804.953	801.014	385.961	25.084	11.941	386.956	
August 23	817.552	808.241	420.034	24.912	9.840	417.214	
September 15	790.973	828.941	427.169	24.509	10.555	358.691	
October 15	735.027	907.347	480.022	21.474	10.198		
November 23	787.729	865.698	482.902	23.222	10.568	378.857	
December 15	794.035	868.630	491.134	22.748	11.243	393.395	
1888—January 26	814.096	887.760	489.038	20.598	10.953	384.646	
February 7	831.888	849.232	457.515	21.960	10.690	411.587	
March 15	868.075	827.318	411.009	20.826	12.269	426.083	
April 15	878.769	896.337	438.454	18.710	10.596	394.095	
May 3	911.984	931.848	429.856	19.971	14.552	392.496	
June 3	989.439	880.891	409.806	22.822	12.013	504.057	
July 23	997.579	935.087	402.892	21.941	8.815	446.427	
August 26	974.661	917.846	384.264	22.609	9.704	420.433	
September 10	953.856	925.693	382.680	21.983	7.854	374.789	
October 1	882.465	1,070.199	476.878	18.052	6.690	290.680	
November 15	860.894	965.629	428.832	19.447	10.412	223.769	
December 3	866.162	971.789	443.359	19.585	10.283	316.198	
1889—January 7	860.328	1,054.896	481.667	16.644	9.692	290.524	
February 15	925.767	902.897	429.675	18.737	11.724	413.497	
March 18	939.568	879.483	409.646	21.290	10.202	435.709	
April 23	936.109	943.323	432.930	20.645	8.825	399.291	
May 30	939.937	996.605	451.754	20.598	10.928	379.806	
June 3	959.946	955.687	448.926	23.089	10.893	441.428	
July 18	900.231	1,018.119	508.860	20.760	10.702	390.590	
August 10	891.265	975.600	530.887	20.754	8.845	437.133	

	September 7	844.453	989.850	577.878	20.084	8.645	399.098	
	November 26	776.010	977.505	570.846	19.753	9.483	351.511	
	December 14	776.092	985.666	559.799	20.482	8.294	343.166	
1890	—January 7	741.967	1,108.053	605.018	17.261	11.841	317.292	142.939
	February 28	821.288	886.052	434.149	20.388	8.987	362.766	76.446
	March 7	826.246	904.086	481.854	20.905	9.041	416.314	93.560
	April 15	820.701	970.558	535.093	20.579	12.080	390.336	89.477
	May 23	869.036	920.138	471.848	23.221	9.938	410.214	75.945
	July 15	846.983	989.514	486.151	21.826	12.070	348.332	90.085
	August 7	828.911	954.415	485.059	21.659	10.650	348.359	79.920
	September 15	781.565	976.304	529.512	20.025	10.884	340.072	68.470
	October 23	716.791	1,015.942	616.708	17.285	9.562	330.842	79.358
	November 15	753.760	997.873	570.299	17.904	12.560	335.054	77.120
	December 23	781.505	993.272	579.144	18.180	10.218	391.303	98.556
1891	—January 23	817.264	958.804	496.251	19.407	11.935	364.926	76.132
	February 14	849.990	895.755	454.080	19.041	10.624	402.092	70.636
	March 14	879.277	904.602	482.479	21.289	8.918	463.032	77.929
	April 15	873.056	964.556	538.291	21.233	12.088	474.900	92.196
	May 15	892.494	945.846	624.987	23.296	12.086	577.900	83.680
	June 23	926.112	938.601	551.169	27.577	10.487	561.791	103.989
	July 15	904.470	974.056	548.859	21.359	10.597	519.384	125.164
	August 22	948.968	914.922	478.704	23.055	9.929	521.335	89.589
	September 15	933.404	987.960	475.470	23.592	8.852	470.742	95.677
	October 15	897.089	1,020.867	527.268	20.718	11.810	415.701	106.670
	November 14	915.341	1,009.623	543.101	20.652	8.409	451.088	103.840
	December 15	934.469	974.172	514.476	21.535	11.694	484.116	105.974
1892	—January 15	935.578	1,033.605	493.443	18.890	11.888	405.373	105.106
	February 23	978.687	878.727	529.142	24.352	15.249	628.822	91.790

	March 23	986.657	894.275	530.679	26.371	11.085	637.695	93.608
	April 14	935.879	969.686	568.931	24.853	10.297	551.723	98.323
1892—	May 23	993.252	909.738	512.153	28.447	9.820	612.180	95.930
	June 23	1,007.942	965.200	534.314	28.862	8.263	607.459	98.910
	July 15	988.187	993.858	535.787	26.103	10.044	552.133	98.695
	August 23	982.476	943.696	502.274	27.105	8.474	547.275	90.840
	September 23	945.176	963.726	518.280	25.383	7.692	497.129	88.726
	October 15	868.240	1,058.709	566.445	21.638	9.835	382.550	97.731
	November 30	871.609	1,005.824	565.677	22.083	10.578	429.879	87.158
	December 7	866.142	993.135	544.931	22.422	8.510	419.011	85.017
1893—	January 14	878.218	1,036.020	523.043	19.103	10.151	386.458	93.798
	February 15	913.772	923.567	475.385	23.468	11.271	466.155	80.380
	March 15	928.335	917.650	473.484	25.968	11.788	476.278	80.738
	March 30	868.955	1,070.481	586.339	23.010	8.110	399.654	97.173
	April 15	858.399	1,012.542	550.145	24.041	11.962	403.118	79.784
	May 23	884.344	931.618	638.892	26.768	10.379	593.150	84.280
	June 15	882.346	928.899	638.887	27.748	11.760	599.602	87.330
	July 22	813.721	1,099.976	721.565	34.338	9.128	499.142	145.813
	August 23	816.582	925.023	598.551	25.559	9.105	478.271	75.228
	September 23	792.384	943.503	596.468	25.622	11.440	447.769	81.111
	October 23	772.067	997.341	586.655	23.981	9.084	368.228	94.684
	November 23	819.186	954.662	544.117	24.762	9.816	419.763	92.737
	December 15	839.519	948.817	514.180	24.819	8.986	431.750	99.677
1894—	January 6	808.807	1,072.655	332.757	19.903	10.831	331.400	129.320
	February 15	904.445	920.152	498.943	25.587	11.944	468.372	72.677
	March 15	917.464	910.350	517.905	27.636	10.850	519.453	73.555
	April 14	862.529	995.506	585.768	25.516	10.119	448.047	75.952
	May 31	935.428	932.898	566.820	28.895	12.188	589.078	82.786
	June 15	983.149	917.720	551.248	29.327	9.751	597.970	80.114
	July 23	933.833	977.989	560.609	26.761	10.051	528.721	76.293
	August 15	943.852	966.406	527.948	26.418	11.327	516.600	76.386
	October 26	952.889	1,030.901	556.682	24.154	9.676	481.840	74.692

	November 15	1,040.825	1,052.787	544.824	24.030	10.343	538.379	73.084
	December 7	1,071.196	1,040.868	522.876	23.747	8.471	538.320	70.739
1895	—January 15	1,061.834	1,101.472	524.791	20.566	12.665	479.818	72.556
	February 15	1,112.093	998.450	474.303	24.826	10.804	571.736	66.662
	March 15	1,091.159	978.571	455.765	27.192	11.028	549.383	66.837
	April 21	1,074.315	1,041.938	494.373	26.164	12.525	525.379	69.184
	May 7	1,065.453	1,054.301	503.334	26.309	10.390	494.230	72.335
	July 15	1,014.790	1,126.670	588.894	24.020	10.882	487.159	79.210
	August 15	1,019.899	1,057.639	540.731	24.814	10.559	504.391	74.604
	September 15	978.455	1,059.992	583.349	23.833	7.970	499.405	71.522

*Dividends of the  
Prussian and  
Imperial Banks,  
1870-1893.*

1870 11.750 per cent.  
1871 12.300 per cent.  
1872 13.333 per cent.  
1873 20.000 per cent.  
1874 12.750 per cent.  
1875 15.603 per cent.  
1876 6.125 per cent.  
1877 6.290 per cent.  
1878 6.300 per cent.  
1879 5.000 per cent.  
1880 6.000 per cent.  
1881 6.667 per cent.  
1882 7.050 per cent.  
1883 6.250 per cent.  
1884 6.250 per cent.  
1885 6.240 per cent.  
1886 5.290 per cent.  
1887 6.200 per cent.  
1888 5.400 per cent.  
1889 7.000 per cent.  
1890 8.810 per cent.  
1891 7.550 per cent.  
1892 6.380 per cent.  
1893 7.530 per cent.

## FATE OF PRIVATE BANKS OF ISSUE UNDER ACT OF 1875.

By the terms of the German Bank Act of 1875 (Sec. 42), banks which were then authorized to issue notes are not allowed to carry on banking business through branch houses, nor through agents, nor to organize themselves as companies attached to other banks outside the State from which they have obtained their issuing rights; and neither are the notes of a bank in possession of the right of issue to be used in payments outside the State from which the bank has derived its powers. These prohibitions, however, do not include the optional exchange of such notes for other bank notes, paper money, or coin. Again, these limitations do not apply to those banks which, to date of January 1, 1876, had fulfilled certain conditions (Sec. 44 of act) relating on one side to the statutes of the Imperial Bank and on the other to the surety that the notes of small banks might be duly exchanged for notes of the Imperial Bank. Such banks were then obliged, except when located in Berlin or Frankfort, to select a place of redemption for their notes, and receive notes of other banks in payments.

The right of issuing bank notes becomes void: (1) when the time expires over which the right was granted; (2) upon recession, or renunciation, thereof; (3) in case of bankruptcy, or the institution of legal proceedings against the bank; (4) upon deprivation thereof by power of law; and (5) by dispensation of the Federal Government in accordance with the statutes or prerogatives of the same.

The limitations and penalties prescribed by the law are so burdensome that most of the banks have since then abjured their rights of issue. On promulgation of the German Bank Act, thirty-two banks of issue had then declared themselves ready to conform to its requirements. A contingent of 135,000,000 uncovered notes had been adjudicated for their circulation. Including the Imperial Bank, the total amount of the lawful, uncovered note circulation was 385,000,000 marks, distributed as follows:

	MARKS.
1. Imperial Bank	250,000,000
2. Manorial Private Bank in Pomerania (Stettin)	1,222,000
3. City Bank of Breslau	1,283,000
4. Bank of the Berlin Kassenvereins	963,000
5. Bank of Cologne	1,251,000
6. Private Bank of Magdeburg	1,173,000
7. Private Joint-Stock Bank of Dantzig	1,272,000
8. Provincial Joint-Stock Bank of the Grand Duchy of Posen	1,206,000
9. Municipal Bank of Prussian Upper Lusatia (Görlitz)	1,307,000
10. Bank of Hanover	6,000,000
11. Provincial Bank of the Landgraviate Grant of Hesse	159,000
12. Bank of Frankfort	10,000,000
13. Bavarian banks	32,000,000
14. Saxon Bank of Dresden	16,771,000
15. Bank of Leipzig	5,348,000
16. Leipzig Kassenverein	1,440,000
17. City Bank of Chemnitz	441,000
18. Wurtemberg Bank of Issue	10,000,000
19. Bank of Baden	10,000,000
20. Bank for South Germany	10,000,000
21. Bank of Rostock	1,155,000
22. Bank of Weimar	1,971,000
23. Provincial Bank of Oldenburg	1,881,000
24. Bank of Brunswick	2,829,000
25. Middle German Credit Bank of Meiningen	3,187,000
26. Private Bank of Gotha	1,344,000
27. Provincial Bank of Anhalt-Dessau	935,000
28. Bank of Thuringia (Sondershausen)	1,658,000
29. Bank of Gera	1,651,000
30. Lower Saxon Bank (Bückeburg)	594,000
31. Private Bank of Lubeck	500,000
32. Commercial Bank of Lubeck	959,000
33. Bank of Bremen	4,500,000
Total	385,000,000

Official information, which we owe to the courtesy of the president of the Imperial Bank Directors, shows that, by November, 1895, provincial banks, as per statement below, had abjured the right of issue, their note contingent thereby accruing to the Imperial Bank.

*Banks whose right of issue has either been abjured or has expired by lapse of their concession, and whose untaxed note contingent has accrued to that of the Imperial Bank, according to the Bank Act of March 14, 1875, Section 9½, dating from 1876.*

DESIGNATION OF BANK.	Date of Concession as Bank of Issue.	Authorized Untaxed Circulation of Notes. (Law of March 14, 1875, Sec. 9.) Stock.	The Right of Issue Expired on—	Term of Final Redemption of the Notes.
		MARKS.		
1. Manorial Private Bank in Pomerania (Stettin)	{ 1824 and Aug. 24, 1849.	1,222,000	Dec. 1, 1875.	Oct. 11, 1877.
2. Bank of Gera	July 17, 1854.	1,651,000	Jan. 1, 1876.	June 30, 1878.
3. Municipal Bank of Prussian Upper Lusatia, at Görlitz	Mar. 31, 1866.	1,307,000	Jan. 1, 1876.	Sept. 30, 1877.
4. Private Bank of Lubeck	Dec. 6, 1856.	500,000	Jan. 1, 1876.	{ Sept. 30 and Dec. 30, 1878.
5. Provincial Bank of Anhalt-Dessau, at Dessau	Sept. 20, 1847.	935,000	Jan. 1, 1876.	Dec. 31, 1878.
6. Private Bank of Gotha	June 24, 1856.	1,344,000	Jan. 1, 1876.	Dec. 31, 1878.
7. Thuringian Bank, at Sondershausen	Sept 21, 1855.	1,658,000	Jan. 1, 1876.	Dec. 31, 1878.
8. Bank of Leipzig	Mar. 12, 1839.	5,348,000	Jan. 1, 1876.	
9. Bank of Weimar	Sept. 26, 1853.	1,971,000	Jan. 1, 1876.	Dec. 31, 1878.
10. Middle German Credit Bank of Meiningen	Feb. 29, 1856.	3,187,000	Jan. 1, 1876.	April 16, 1878.
11. Lower Saxon Bank, at Bückeburg	Oct. 18, 1856.	594,000	Jan. 1, 1876.	April 29, 1878.
12. Provincial Bank of Oldenburg	June 10, 1868.	1,881,000	Jan. 1, 1876.	
13. Bank of the Berlin Kassenvereins	April 15, 1850.	963,000	Jan. 31, 1876.	Dec. 31, 1878.
14. Provincial Bank of the Landgraviate Grant of Hesse, at Homburg	1855.	159,000	April 24, 1876.	Sept. 15, 1878.
15. Bank of Rostock	July 25, 1850.	1,155,000	Oct. 13, 1877.	Dec. 31, 1880.

16.	Commercial Bank of Lubeck	1856.	959,000	Aug. 8, 1886.	Dec. 31, 1889.
17.	Private Bank of Cologne	Dec. 10, 1855.	1,251,000	Mar. 15, 1887.	Dec. 31, 1888.
18.	Bank of Hanover	July 22, 1856.	6,000,000	July 23, 1889.	Dec. 31, 1891.
19.	Bank of Bremen	Jan. 20, 1857.	4,500,000	Oct. 7, 1889.	Dec. 31, 1891.
20.	Leipzig Kassenverein	Mar. 19, 1867.	1,440,000	May 9, 1890.	Dec. 31, 1891.
21.	Private Joint-Stock Bank of Dantzig	Mar. 16, 1857.	1,272,000	Jan. 1, 1891.	Jan. 31, 1892.
22.	Provincial Joint-Stock Bank of the Grand Duchy of Posen	Mar. 16, 1857	1,206,000	Jan. 1, 1891.	Jan. 31, 1893.
23.	Private Bank of Magdeburg	June 26, 1856.	1,173,000	Jan. 1, 1891.	Dec. 31, 1893.
24.	City Bank of Chemnitz	May 20, 1848.	441,000	Jan. 1, 1891.	Dec. 31, 1893.
25.	City Bank of Breslau	June 10, 1848.	1,283,000	Jan. 1, 1894.	Dec. 31, 1895.

The following banks of issue are still in operation:

Amount of Untaxed Note Contingent. MARKS.

Imperial Bank	293,400,000
Bank of Frankfort	10,000,000
Bavarian Bank of Issue	32,000,000
Saxon Bank	16,771,000
Wurtemberg Bank of Issue	10,000,000
Bank of Baden	10,000,000
South German Bank	10,000,000
Bank of Brunswick	2,829,000
Total	385,000,000

## SECTION V.

### THE PRUSSIAN MARITIME ASSOCIATION.

THE Prussian Maritime Association, founded about one hundred and thirty years ago by Frederick the Great, quietly raised itself to the dignity of a very important institution. We have already remarked that it is the prototype of all *crédit mobilier* foundations; even the very ground pattern of that extravagantly admired Parisian *crédit mobilier*, devised a century later, and soon imitated in almost every country of



Continental Europe. In financial operations, the Seehandlung, or Maritime Association, was the Prussian Government's right hand for more than five-score years, and thereby enjoyed such full confidence as to be intrusted with the chief part of the French war indemnity of five billion francs for profitable investment, in the earlier years of the decade 1870-1880. It was not the fault of the Maritime Association that this instrument of wealth proved a two-edged sword; that the huge, heroic, Nibelungen treasure was parsimoniously mismanaged, with a design of saving interest, and so stinted that speculation at last exceeded rational bounds, and precipitated the crash of 1873. The Seehandlung itself passed through this crisis unscathed, and since then has continued so highly prosperous that its assets for the business year closing with March, 1894, reached the round sum of 520,500,000 marks, and showed a clear profit of over two million marks. Because of the honorable historical character of this influential institution and its great though silent service to the Prussian commonwealth for so many years, we addressed ourselves to the Association's headquarters in hopes of obtaining materials for our present relation; but we were answered: "The Royal Maritime Association, in view of its official constitution as a State organization, may not warrantably discover or publish its business, except by provision or edict of supreme orders or upon behest of regulations immediately subserving the Royal advantage and interests. The Association's business reports are not communicated to the public, but are appended as a supplement to the draft or projection of the Government budget. We therefore lament our inability to comply with your desires and request." This information, however, enabled us to fulfill our desire through another channel; for we straightway addressed the State revenue department, which promptly furnished budget statements for the past two years, including a separate report of the Seehandlung. We shall produce some interesting data from the documents in the course of this description. The range and nature of the business undertaken by the Maritime Association are not only identical with the business operations of *crédit mobilier* institutions throughout Europe to-day, but the Maritime Association even outstrips them in favoring the interests of the humbler classes. The Association engages in the ordinary financial transactions of a bank, and negotiates various kinds of loans, both on paper securities and on other dead pledges, for the administration of which a special State loan office has been created. In this, a regular and careful account is kept of the status of needy applicants. A list of the first three thousand borrowers, for October, 1893, included twenty-three pawnbrokers and consignees; 1648 artisans, tradesmen, and journeymen; 395 day laborers and factory hands; forty-one actors, painters, and other artists; twenty-three students; three military officers and surgeons; forty-nine professors and other scholars; 133 State, municipal, and railway officials; and 665 widows and spinsters. The three thousand loans amounted to only 81,750 marks; and the individual sums ranged from two to a thousand marks. It is obvious that a loan office of this kind, fostered by so old an established institution, more carefully guards the interests of the poorer classes than the ordinary pawnbrokers are wont to do.

The Maritime Association, furthermore, grants small loans on merchandise to manufacturers, trades-people, and mechanics. In 1893-94, 1203 such loans were effected, to a total of 125,752 marks; 841 of which, with a loan value of 75,390 marks, were still charged at the close of the year. Dead pledge loans at six per cent. and on paper securities for persons of moderate means are a less active business. The

securities accepted are bonds of the German Empire, of the city of Berlin, other State and municipal bonds, and Prussian consols. The Maritime Association also grants loans for the improvement of real property. Thus, for the business year 1893-94, full five million marks were loaned to lease-holders of domains, for the purpose of drainage. Only half this amount was still in arrear at the end of March, 1894. It is paid in annual installments, with interest at eight per cent., until the extinction be complete. Another class of loans is to forestry officials, for the drainage of forest lands. In 1893-94 such loans amounted to 56,500 marks, two-thirds of which remained on the books at the end of March, 1894. These are likewise gradually extinguished in annual installments, with interest at eight per cent. Interest received on loans for drainage in 1893-94 reached the sum of 125,982 marks. Ordinary bank loans on commercial securities for 1893-94 amounted to 282,296,000 marks, of which only 66,437,747 marks, interest included, were outstanding at the close of March, 1894. These loans for the preceding year had been much smaller; namely, 176,247,000 marks. Interest received on loans for 1893-94 amounted to 2,425,094 marks, as against 1,127,141 marks for 1892-93.

The Maritime Association was also an effectual contributor to the foundation of estates yielding annuities, toward which it advanced 953,668 marks in 1893-94; also issuing bonds for 452,875 marks, and giving annuity certificates to the amount of 1,615,665 marks. A tabulation of the dead pledges preserved in the loan office under date of January 20, 1894, shows the following results: 150,615 articles were on hand, consisting of 105 papers of value, with an average loan value of 193 marks; 4897 ornaments, such as jewelry, with an average value of 109 marks; 70,193 articles of gold and silver, averaging 24 marks apiece; 27,090 watches, at 19 marks each; and 48,330 articles of linen, dress goods, pieces of clothing, and utensils of the baser metals, with a general average of 9 marks 48 pfennings per item. Loan interest received for the whole year amounted to 2,425,094 marks.

The Maritime Association receives three kinds of deposits: (1) Money on interest; (2) money without interest; and (3) deposits for custody and administration. The amount of deposits on interest, with the interest included, was 19,896,532 marks at the end of March, 1893. For 1893-94, the principals and interest amounted to 52,473,946 marks. Adding the previous 19,896,532 marks, we have a total of 72,370,478 marks, of which 46,770,777 marks are withdrawn; leaving a residue of 25,599,701 marks in favor of the depositors, at the end of March, 1894. Interest for 1893-94 amounted to 330,128 marks, as against 233,535 marks for 1892-93. The total transactions in deposits with interest increase from year to year, and for 1893-94 they represented a sum of nearly one hundred million marks. Deposits in the way of current bank accounts rose to some forty-six million marks in 1893-94. Payments assumed for the next year amounted to 4,250,000 marks. Deposits by sundry parties made a round sum of 842,000,000 marks, of which about 420,000,000 marks remained in bank at the end of March, 1894. The equivalent of 81,000,000 marks was committed to the Association for custody and administration.

Besides these usual phases of bank business, the Maritime Association also controls and manages industrial enterprises; such as flour-mills at Bromberg, and linen-thread works at Landshut in Silesia. The amounts turned over by the former were two and a

half million marks, and by the latter, one and one-third million marks, by the last annual reports. The mills yielded a net profit of three per cent., and the thread-works net proceeds of 55,817 marks, or five and one-third per cent. of the invested capital.

*Associate Business.*—The Maritime Association also largely concerns itself with associate and syndicate business, both on its own account and in account with outside parties. This was first occasioned by the Prussian Government, which continually needed the society's co-operation in the raising of State loans. In 1893-94 the Association, in conjunction with its fellow societies, effected the following twelve loans and credit transactions: *On own account*—(1) The three and a half per cent. State loan of Wurtemberg, in 1893. (2) Four and a half per cent. partial-bonds of Siemens and Halske. (3) Three and a half per cent. Hessian State loan. (4) Three and a half per cent. loan of the Free City of Bremen. (5) Three and a half per cent. State loan of Wurtemberg for 1894. (6) Kiel municipal loan of 1889, at three and a half per cent. *In account with outside parties*—(7) For the Prussian Exchequer, Prussian consolidated State bonds in amounts of 140,000,000 marks at three per cent.; (8) and 3,613,100 marks at three and a half per cent.; (9) also sundry three and a half per cent. annuity certificates, to the amount of 731,070 marks. (10) Bills of exchange on Berlin and other banking centres were bought to the amount of 12,188,367 marks and 87 pfennigs. (11) Loans on securities were issued to the amount of 294,778,577 marks and 5 pfennigs. (12) The Bank further bought and sold for outside parties effects and bills of exchange amounting to 177,500,000 marks.

## BUSINESS RESULTS.

The Association's net profits for 1893-94 were 2,045,388 marks, as against 2,111,036 marks for the preceding year; which gains were conveyed to the general exchequer. The funded property yields about six per cent. on some thirty-four million marks, which were first subscribed through two and a half per cent. bonds, guaranteed by the State. The assets and liabilities at the end of March, 1893, made a balance of 33,885,173 marks, increased by 1149 marks representing interest due to the Association and equivalent obligations against it. So the resulting balance was 33,886,322 marks. The main results of the balance for 1893-94 are embraced in the following totals:

Assets	520,475,624 marks.
Liabilities, including net profits for 1893-94,	520,475,624 marks.

Transactions in gold, bills of exchange, and marketable effects amounted to a round sum of 1,810,000,000 marks for 1893-94. The round sum for 1892-93 was 1,136,000,000 marks. Of the total for 1893-94, 905,000,000 marks were taken in, and somewhat over this amount was paid out.

We are especially struck with the extraordinary economy of administration. The total administrative expenses for 1893-94, pensions included, were only 286,600 marks; and the advance estimate for 1895-96 puts them at 290,500 marks. These modest figures are explained by the very moderate salaries of officials. The president of this great institution, which is worthy of comparison with the greatest banks, receives an

annual salary of only fifteen thousand marks, whereas bank presidents in other countries receive fifty thousand marks, or even more. The associate directors draw from 7500 to 9900 marks. Cashiers, bookkeepers, clerks, etc., are salaried from 3000 to 5400 marks. The structure and organization of so venerable an institution are altogether typical of Prussian administrative thrift and honesty, whereby a country naturally poor has achieved such great results.

*Statement of the Maritime Association's Profits, 1893-94.*

A.—RECEIPTS.

	MARKS.	PF.
1. Cash interest received	1,936,323	49
Commissions from sundry State foundations, private persons, and		
2. foreign correspondents for transactions abroad, after deduction of	525,129	78
incidental loss through exchange of foreign currency		
3. Proceeds of industrial concerns at Bromberg and Landshut.	93,327	10
4. Sundry receipts	24,353	53
Total receipts	2,579,133	90

B.—EXPENSES.

1. Salaries, pensions, aid funds, administrative expenses, brokerage,	301,493	67
sundry stamp taxes, postage, etc		
2. Losses and effects to be subtracted from profits thereon	232,156	53
3. Sundry expenses	95	44
Total expenses	533,745	64
Balance:	{ Receipts	2,579,133 90
	{ Expenses	533,745 64
Resulting profits		2,045,388 26

*Summarized Balance-sheet of the Maritime Association at Close of March, 1894.*

ASSETS.

		Marks.	Pf.
1. Real estate		1,751,444	92
2. Working capital of loan office and industrial establishments		1,456,102	24
3. Cash account		7,467,653	36
4. Effects		9,229,949	15
5. { Bills of exchange	3,409,133	70	
{ Treasury bills	2,028,888	90	
		5,438,022	60
6. Loans on securities		66,437,747	80
7. Domestic and foreign debtors:			
(a) Interest-bearing investments for the Royal Exchequer (compare liabilities, 3 a)	1,998,347	20	
(b) Advances and loans to trusts and institutions	2,460,605	04	
(c) Advanced in accounts current	1,120,818	95	
(d) Advances in behalf of annuity foundations	113,861	11	
(e) Advances in behalf of redeeming coupons of three per cent. Prussian consols held abroad (compare liabilities, 3 e)	36,713	73	
(f) Commercial houses	97,980	90	
(g) Deposits of sundry patrons, in effects, mortgage bonds, securities, receipts, and policies (compare liabilities, 3 g)	419,031,127	85	
(h) Sundry accounts	3,835,249	20	
		428,694,703	98
Total assets		520,475,624	05

LIABILITIES.

1. Debt on the Association's obligations		370,921	03
2. Drafts		440,755	98
3. Domestic and foreign creditors:			
(a) Royal Exchequer (compare assets, 7 a)	29,000,000	00	
(b) Credited to trusts and institutions	2,121,904	62	
(c) In favor of accounts current	29,852,289	43	
(d) To the account of annuity foundations	2,344	15	
(e) Toward redemption of coupons of three per cent. Prussian consols held abroad (compare assets, 7 e)	162,370	51	
(f) Commercial houses			
(g) Depositors (compare assets, 7 g)	419,031,127	85	
(h) Sundry accounts	3,562,199	51	
		483,732,236	07
4. Capital account		38,886,322	71

5. Net profits of the Association for 1893-94	2,045,388	26
Total liabilities	520,475,624	05

## PRIVATE NON-ISSUING BANKS IN THE LATTER PART OF THE 19TH CENTURY.

We have before us the business statements of one hundred and thirty-seven banking institutions for the year 1894; which information the author owes to the courtesy of Mr. W. Christian, editor of the German “*Ökonomist*,” of Berlin. These establishments include eight banks of issue, one of which has since renounced its right of issue; thirty-three mortgage banks, and ninety-six credit banks, including the *crédit mobilier* organizations. One hundred and thirty-five of these banks are joint-stock companies; one is a municipal institution, and there is one company with unlimited obligations. We do not under this designation include the thousands of co-operative societies, which are to be considered next.

For the valuable statistical compilations of the “*Ökonomist*,” reference is made to the Appendix at the end of this treatise.

## GERMAN MORTGAGE BANKS.

For detailed information on this class of banks, the reader is referred to the Appendix to this part of the work.

## GERMAN CO-OPERATIVE FINANCIAL SOCIETIES.

Under the native designations *Volksbanken* (people’s banks) and *Vorschusscassen* (cash-advancing banks), Germany has a number of co-operative societies, or co-operative stores, which not only furnish ordinary commodities to consumers, but also handle raw materials, and endeavor to make a more productive use of machinery for wholesale purposes. Principally, they serve as money-lending institutions. Their origin dates from the reactionary period of depression in the fifties. Their principal founder, Schulze-Delitsch, of the province of Prussian Saxony, had the twofold object of raising credit for the minor industrial classes, and educating the great body of poor workmen to independence and self-help. In brief, he desired to make a powerful popular application of progressive modern ideas. This accessory thought exciting suspicion on the part of the Prussian police, it was resisted by virtue of the statute requiring State concession for any societies of limited liability. The founder’s projects being thus regularly set aside. Schulze-Delitsch resolved to form companies of unlimited liability, although such organizations had not maintained themselves in England. But there was no other way of circumventing official distrust. Eminent economists were well aware of the unfortunate consequences of unlimited liability schemes in Great Britain; but they refrained from combatting a political propaganda; whereas the people, though at first shy of unlimited liability, which affected the credit of the poor man more seriously than that of the rich, who had recourse to banks and banking houses, nevertheless eagerly participated in the movement. The cause advanced with greater strides after the reorganization of the German Empire, when

the societies were also invested with special statutory rights. Shortly after 1880, the number of societies had reached about two thousand, with half a million members, an associate or corporate capital of over one hundred million marks, and an annual business of fifteen hundred million marks in loans. Deposits amounted to three hundred and seventy-five million marks. Advocates of the original scheme now remembered the objections and obstacles which they had encountered in many social circles at the start. Meanwhile, the *limited* liability companies had victoriously pulled through in Great Britain, and in Germany as well; political changes had so modified laws and sentiments that the societies were no longer opposed, save that the reformers carried the day in the matter of limiting the liabilities. To this Schulze-Delitsch made obstinate resistance; but he, too, finally surrendered to public opinion, and the provision of limited liability became statutory for the co-operative societies by revised imperial laws. There was an extension of the co-operative movement along the lower Rhine through Raiffeisen; which, on account of their liberal terms in granting credit, found much favor among the farmers.

In order to facilitate business between the separate societies, the managers, for several decades past, have used a form of co-operative bank as a clearing-house, and the firm of Sörgel, Parisius & Co. has been employed for the same purpose. The resulting benefits and conveniences have been inestimable. The co-operative bank was founded on the joint-stock plan, and its present capital is about 21,000,000 marks. After a regular addition, in late years, of five per cent. to the reserve fund, there is a customary net profit of four to seven per cent. It would far exceed the space at our command were we to follow up the history of all the separate co-operative societies; we can merely refer to their official reports, annually published at Leipzig (Julius Klinghardt).

We may venture, however, to trace the development of a typical co-operative society—one which is regarded in Germany as a model institution, both in respect of its commercial magnitude and its excellent management of discounts and loans. It has even been a widely educating power among the middle classes in matters of banking and money. We allude to the Industrial Bank of Frankfort-on-the-Main, first started as an unlimited liability company, now limited. Its bank statement for 1892 supplies the following data: Its membership, in 1892, increased by a net number of sixty-nine, allowing for deceases and voluntary retirements. This raised the total membership to 1811. Every member is liable to the amount of his shares at a thousand marks each. At the close of 1891, the liability of 1742 members, with 2845 shares, amounted to 2,845,000 marks. An addition of 242 shares in 1892 increased the liability by 242,000 marks, and the round sum of membership liabilities at the close of 1892 was therefore above 3,000,000 marks. The corporate property itself was only 1,473,650 marks, but there was a reserve fund of 323,842 marks and a special reserve of 88,769 marks, together with an endowment and pension fund of 42,152 marks; total corporate property, 1,928,413 marks. Savings deposits and accounts current amounted to 7,173,601 marks. The combined working capital thus rose to 9,102,014 marks. The transactions included collections, discounting of bills, at a rate varying from two to four per cent. according to the paper, and accounts current, in which latter business either marketable securities or personal bonds are commonly pledged. Finally, there was an account with the Imperial Bank and one with the Bank of Frankfort. The

Industrial Bank also carries on a commission business with foreign correspondents. Net profits for 1892 amounted to 117,924 marks, yielding a dividend of six per cent.

We append the following balance for 1892:

ASSETS.

*Available at Once.*

	MARKS.	PF.
1. Cash	317,026	94
2. Credited in banks	262,411	24
3. Bills of exchange	3,282,233	62
4. Advances at short sight	1,109,588	00
	4,971,259	80

*Resources Outstanding.*

1. Loans maturing in three months	1,200,463	31
2. Accounts current, secured by effects and pledged bills maturing in three months	2,377,934	27
3. Mortgages redeemable quarterly	1,040,800	00
Total	4,619,197	58

LIABILITIES.

*Immediate or Subject to Short Notice.*

1. Balance of creditors in account current	4,673,319	90
2. Back dividends	842	52
3. Savings deposits in amounts of 100 marks or less	200,000	00
Total	4,874,162	42
Savings deposits running three, six, and twelve months	2,604,913	08

The accompanying table gives a review of the business conditions of the Frankfort Industrial Bank for the first three decades of its operation, as well as a general indication of the rapid growth of the city, whose water trade since the Main was opened for canal service twelve years ago—this inland port being thus made accessible to maritime navigation—has increased thirty-fold:



*Industrial Bank of Frankfort.—Review of Bus.*

		BILLS RECEIVED.					ACCOUNTS CURRENT.				
YEARS.	Number of Members.	Stock Capital Paid In.	Local.		External.		On Credit.		Paid Out to the Same.	W. D.	
			FLORINS.	Articles.	FLORINS.	Articles.	FLORINS.	Accepted Credit.			Accounts of Patrons.
1862	113	17,314									
1863	225	50,454	443		202,184	338	102,156	179,700	418,496	482,362	25
1864	336	87,640	932		419,744	1,636	221,959	277,290	532,516	699,585	77
1865	514	153,354	1,600		916,013	2,579	291,827	393,210	681,055	926,686	1,
1866	644	203,275	1,621		1,114,126	2,627	320,010	494,930	450,136	764,076	1,
1867	694	239,177	1,933		1,069,258	3,103	376,924	408,120	373,154	651,656	1,
1868	789	283,673	2,461		1,213,815	4,899	552,187	239,983	734,301	736,428	2,
1869	944	353,506	3,338		1,525,399	7,402	862,246	317,931	1,027,126	1,102,254	2,
1870	1067	412,662	3,266		1,835,996	6,087	774,885	607,720	1,539,380	1,634,389	3,
1871	1241	486,517	3,210		1,914,933	6,391	1,016,020	712,690	2,131,330	2,255,159	4,
1872	1525	616,836	3,688		3,016,776	8,888	1,385,966	774,235	3,032,970	3,131,202	7,
1873	1815	756,522	5,055		5,780,421	9,623	1,647,976	1,181,945	3,731,542	4,131,104	10
1874	2139	978,982	5,785		8,696,692	9,266	2,614,361	1,404,236	5,418,433	5,447,178	12
		MARKS.			MARKS.		MARKS.	MARKS.	MARKS.	MARKS.	M.
		1,678,255			14,908,614		4,481,762	2,407,264	9,288,742	9,338,019	22
1875	2153	1,902,013	5,878		15,635,716	10,368	9,549,094	3,365,825	16,295,072	16,285,774	21
1876	2118	1,900,207	6,430		18,952,297	9,377	9,299,178	2,243,652	14,443,997	14,704,140	19
1877	2098	1,899,232	6,357		15,926,025	7,092	4,600,098	2,490,376	8,632,020	8,589,013	18
1878	2099	1,887,272	5,949		14,106,871	6,806	2,883,207	2,326,701	7,503,790	7,297,244	16
1879	2051	1,856,013	6,078		12,615,362	6,726	2,362,979	2,270,833	8,752,691	8,824,824	13
1880	1941	1,790,116	5,165		9,351,041	5,835	2,035,036	2,418,152	9,364,218	9,709,582	13
1881	1836	1,726,316	5,504		12,880,549	8,128	3,239,318	1,832,073	10,553,420	10,082,227	15
1882	1780	1,672,000	5,205		12,023,691	10,708	4,087,736	1,909,758	8,951,427	9,151,686	15
1883	1742	1,593,000	5,252		11,291,435	12,723	5,839,144	2,473,778	10,623,344	11,200,500	17
1884	1697	1,551,800	5,957		14,880,250	18,742	7,680,589	2,900,818	11,129,099	11,348,781	21
1885	1669	1,498,300	6,090		14,586,614	26,595	10,367,283	2,773,007	11,393,874	11,258,903	22
1886	1617	1,460,100	6,391		14,313,921	31,424	9,976,662	2,931,172	13,953,061	14,010,308	23
1887	1522	1,402,000	5,559		13,240,518	29,725	8,265,525	2,151,825	11,851,553	11,282,695	21
1888	1494	1,343,000	5,673		12,716,490	28,076	7,831,707	2,255,835	15,929,313	16,033,474	23
1889	1586	1,351,910	6,788		15,091,523	27,311	8,322,729	3,648,415	22,187,894	23,330,555	26
1890	1666	1,358,625	7,157		14,498,521	27,242	8,279,399	4,124,100	22,940,853	22,477,400	29
1891	1742	1,421,650	7,397		16,142,887	27,609	7,737,383	1,759,820	13,843,220	13,355,212	31
1892	1811	1,473,650	7,292		15,605,838	28,341	8,327,528	4,237,970	15,464,567	16,384,047	31

The extraordinary development of the traffic in money and effects is also reflected in the material equipment of the Industrial Bank on a scale worthy of a great institution. Since 1894, the property includes a steel-lined store-chamber, on the plan of the “stronghold” of the Vienna Cassenverein, and similar to the London safe-deposit vaults; an apartment containing about twenty-five fire and burglar-proof safes. The walls, floor, and ceiling are so covered with steel and other non-combustible substances that the place may be regarded as absolutely fire-proof; being also, as before implied, a hopeless field for burglars. This retreat is used by the members for the safe-keeping of valuables, with a sense of extreme tranquillity.

[\[Back to Table of Contents\]](#)

## HISTORY OF BANKING IN AUSTRIA-HUNGARY.

### CHAPTER I.

#### THE AUSTRIAN NATIONAL BANK.

##### SECTION I.

##### ORIGIN OF THE BANK.

THE privileged bank of issue which, under this name, centralizes and monopolizes the circulation of bank notes in Austria-Hungary was founded in 1816. Its original title was “Austrian National Bank,” and its domicile was in Vienna. The State was at that time obliged to use compulsory paper tender, much inflated on account of military necessities; and but for this accident the Austrian Bank might have enjoyed easier lines than either the Banks of England and France or the German Imperial Bank, since it was the exclusive bank of issue in the whole country. Thus, though its general constitution resembled that of the Banks of England and France, it possessed an advantage over the two former banks from its very origin—that is to say, perfect monopoly and uniformity of note circulation, which long experience has shown to be the best and the most advantageous to the public. This was also proved by the particular testimony of the French bank investigating committee in 1863. Germany has eight banks of issue besides the Imperial Bank; there are still more in Great Britain, co-existing with the Bank of England; whereas nine banks of issue were operating in France until 1848, concurrently with the Bank of France. But in Austria-Hungary the privileged Austrian Bank was a monopoly, as a matter of course, for all issues of notes.

Far from causing embarrassment or occasioning losses to the public, this uniform arrangement rather contributed to strengthen the Bank’s credit and heighten its responsibility. It is true that the Austrian National Bank was repeatedly compelled to suspend payments in coin, and use obligatory paper currency; but for this the Bank administration was not to blame. The trouble proceeded from embarrassments of the Imperial Government, which either made abnormal draughts on the Bank in critical emergencies, or else, waiving its promise, emitted State paper currency as obligatory legal tender, and so rendered it impossible for the Bank to fulfill prescribed requirements in the matter of redeeming notes in coin. If we study the Bank’s independent action, we shall find that, even in great crises and in times of dire political peril, it remained firm as a secure anchor while everything else was in commotion, and served as a mainstay to demoralized trade. The good offices of the Bank led to the public conviction, upon the dual reorganization of the Monarchy in 1867 and in spite of Hungary’s eagerness for independence, that it would enhance the credit interests of both States to maintain such a single institution; and this is feasibly effected through the unity of the Bank’s administration. It is of more than merely

historical interest to review the motives which influenced the founders of the Austrian National Bank, as these motives are expressed in the Imperial patent of June 1, 1816, from which we select the following passages:

“The mighty convulsions which have shaken Europe in the course of the past five and twenty years have also involved us, from the beginning of our reign, in a series of heavy wars, to the jeopardy of our stability and monarchical independence, including whatever is most precious to rulers and peoples. We neither could nor should have spared our people the omission of any effort or sacrifice. \* \* \* From this time forth be there never again a creation of new paper currency having obligatory value or compulsory circulation; nor any augmentation of the present issue. Should extraordinary events occur, causing outlays beyond the limit of the usual financial resources which the State commands, then let the Exchequer take thought and provide means for meeting such abnormal charges by broaching new springs of wealth, or by sounding other depths of relief, and in no case enforce the circulation of obligatory paper money. The redemption of the paper currency is incumbent on a privileged national bank, to which the right of redemption is herewith conveyed.”

## RENEWALS OF THE BANK’S CHARTER.

The charter was renewed in 1841 and 1862, in each instance after a revision of the appertaining statutes. In 1856, a new department was created for transactions in hypothecated securities, or land mortgages. When the charter expired in 1877, ten years after the dual reconstruction of the Monarchy, the Bank was reorganized under the new name of Austro-Hungarian Bank, and by the request of Hungary, Buda-Pesth became a second headquarters of the nation’s banking business. These changes were ratified by the law of June 17, 1878. Apart from such external modifications as were made necessary by the reorganization itself, there were no essential changes in the tenor of the Bank Act. As the statutes were again revised upon renewal of the political treaty of 1888, and as we shall consider their contents further on, we may confine our attention at this point to a few fundamental features of the Bank’s operations during the first two decades of the dual Government, especially noting the manifold efforts of the Bank to restore specie payments, its policy during and after the crisis of 1873, and the synchronous phenomenal increase of its gold reserve. We must first return to times when, pending the joint exertions of Government and Bank toward the restoration of specie payments, the State and the Bank, summoned to its aid, were thrown out of their normal conditions.

The patent of July 1, 1841, extended the Bank’s charter to the last of December, 1866. The revolution of 1848, and the consequent war of 1849, with imperative Government orders on the Bank for its assistance, were strains which shook its previously solid foundations. The wealthy classes were seized with a sudden panic in 1848, which especially manifested itself through a distrust of credit. Even the notes of the substantial Prussian Bank were for a time accepted only at a premium, and for a term of several weeks Prussian exchequer bills were positively refused in South Germany. Great exports of coin were on their way to London; and this movement also soon reached such proportions in Austria-Hungary that the Government, in a disastrous moment, prohibited all export of gold and silver from its dominions. The immediate

consequence was, that gold and silver were locked up, in increasing amounts, and silver being the money standard, it presently commanded a premium of one and one-half per cent. In April, 1848, it was at a premium of eleven per cent., and by the end of the year twelve per cent. The dearth of small currency became so great that people sought to relieve their wants by cutting up bank notes and using private issues of small paper money. The premium on silver in 1849 fluctuated between seven and twenty-two per cent.; between twelve and thirty-three per cent. in 1850; from thirty-three to twenty per cent. in 1851; ten to twenty-four per cent. in 1852; three to sixteen per cent. in 1853; sixteen to thirty-nine per cent. in 1854, and twenty-eight to nine per cent. in 1855. After a considerable decline, in the period from 1856 to 1858, when the premium fell to two per cent., there was a sudden rise again to thirty-nine and forty per cent. in the spring of 1859, as a consequence of the proclamation of war by Napoleon III., in his new year's speech of the same year.

Even before the outbreak of this war, the Government had been obliged to exhaust its credit and seek extraordinary assistance during the momentous Crimean War. The Monarchy's credit had been drained by the loan of six hundred million florins during the occupation of the Danubian principalities, along with the secret and forced increase of this loan to eleven hundred million florins, resulting in the tragical fate of Finance Minister Baron von Bruck, who committed suicide and fell a lamentable sacrifice to the fruitless financiering of that age.

## THE AUSTRIAN SILVER STANDARD.

In 1857, the Vienna Convention standard was replaced by the Austrian standard. The original regulation whereby bank notes had been made and issued in sums of five, ten, twenty-five, fifty, one hundred, five hundred, and one thousand florins was modified by the Imperial ordinance of 1858 prescribing that, on and after November 1, 1858, only those notes should be legitimate which bore the Austrian standard values of ten, one hundred, and one thousand florins. At least one-third of the legal notes in circulation must be covered by standard silver coin or bullion, though in certain circumstances gold coin or bullion might be employed, with the consent of the Finance Minister; and the remainder should be protected by legally discounted paper or secured loans. After the close of 1858, it was decreed that all outstanding notes of the Vienna Convention standard should be speedily withdrawn within a maximum limit of one hundred million florins, and notes of one, two, and five florins be altogether canceled by December 31, 1859. At the same time, the Austrian National Bank was authorized to issue one-florin Austrian standard notes to the amount of one hundred million florins, in proportion as it retired the one, two, and five florin notes of the Vienna Convention standard. The statute requiring protection of bank notes by coin, etc., did not apply to the new one-florin notes, but these were to be used, up to the amount of one hundred million florins, as a separate and sufficient fund for covering State property conveyed to the Bank. In all other respects, the one-florin Austrian standard notes should be legal tender on the same basis as the notes for ten, one hundred, and one thousand florins. The notes were all alike affected by the obligatory Legal-Tender Act, which was binding after June 2, 1848; but the act was also then declared operative only until January 2, 1859, by which date specie payments should be resumed.

## SUSPENSION OF SPECIE PAYMENTS IN 1859.

However, the subsequent outbreak of war frustrated the eagerly expected plans of reform not only for Austria-Hungary, but also for half the peoples of Europe. In the early course of the war, and at the close of April, 1859, the promise of a restoration of specie payments was disannulled for the time being by the State itself. The Imperial ordinance of April 29, 1859, provided for defraying the necessary and extraordinary increase of expenses by the levy of a loan to the amount of two hundred million florins in five per cent. bonds, and empowered the Finance Minister, in proportion to the demands of the situation, to negotiate the loan of these bonds at the National Bank at two-thirds of their nominal value. The same ordinance authorized the Bank to issue, for this purpose, Austrian standard notes for five florins, governed by the same regulations as the other bank notes. Except on occasional suspension of specie payments, all these notes, of the several denominations one florin, five, ten, one hundred, and one thousand florins, Austrian standard, may be redeemed at the Bank's headquarters in Vienna in standard silver coin. Notes of ten, one hundred, and one thousand florins might be issued in amounts not exceeding three times the coin reserve; notes of five florins to the amount of one hundred and thirty million florins; and the one-florin notes to the amount of one hundred million florins. The one and the five florin notes need not be covered in coin, since the former are pledged by State property and the latter by bonds.

## SECTION II.

### WORKING ARRANGEMENTS BETWEEN THE BANK AND THE STATE.

#### THE STATE'S DEBT TO THE BANK.

WE must now glance at the origin of the State's obligations to the Bank. The oldest of such obligations, the so-called "primitive" or funded debt, originated in the redemption of Vienna standard paper currency, conformably to the agreement of March 3, 1820; which subsequently underwent many modifications. The Bank redeemed with its own notes a total amount of 443,899,092 florins of Vienna standard paper currency, which in Austrian standard money would amount to 186,437,601 florins. In compensation, it received State endowments amounting to 73,500,000 florins, Austrian standard; the remaining 112,937,601 florins devolved upon its own resources. The State acknowledged the ensuing claims of the Bank by four per cent. State bonds to the amount of sixty-three million florins, and 49,937,601 florins in bonds without interest. Further security was furnished to the Bank through so-called mortgage bonds amounting to 161,339,251 florins, Austrian standard, which were publicly quoted at seventy per cent.

The extinction of these bonds was to have been compassed by annual installments dating from January 1, 1821; but by a contract dated November 18, 1822, the time was postponed until 1837. Meanwhile, the State made other compensatory payments.

From 1837 forward, the annual installments were paid without interruption; and in 1860 the Bank's claim had been reduced to 43,074,606 florins, Austrian standard. For this amount, the Bank held round sums of 20,500,000 florins in four per cent. State bonds, 22,500,000 florins in bonds without interest, and 61,500,000 florins in five per cent. mortgage bonds. By the contract, then, the round sums of 20,500,000 florins in interest-bearing bonds, and 22,500,000 florins in bonds without interest, or a total of forty-three million florins, was to be canceled from 1861 to 1870. Besides these items, the State had gradually contracted from 1822 forward, a debt of 91,422,477 florins, Austrian standard, for which State lands were offered as security.

## FINANCING BETWEEN BANK AND STATE.

After 1822, the Bank had commonly discounted money orders of the central State Exchequer, which were meant to bring about a more expeditious use of State currency circulating in remote provinces, in case of transactions with the capital. Agreements, in this branch of business, were renewed from year to year. From an original limit of six million florins, and notwithstanding partial repayments, this business had reached the sum of fifty million florins by 1848. The original interest of five per cent. was reduced to four per cent. in 1823. and to three per cent. in 1834. In 1842 the Exchequer began to issue further three per cent. State Treasury certificates, which should not exceed an amount of five million florins; but they reached a total of 10,900,000 florins in 1848, and at the close of 1849 were taken up in a so-called two per cent. consolidated debt. The events of 1848 compelled the Government to make a still heavier draught on the credit of the National Bank. It was purposed to offer a mortgage of forty million florins as a means for procuring gold and silver from abroad, whereby to strengthen the coin reserve of the Bank. The plan miscarried on account of the general unrest in the spring of 1848. But in April, 1848, a substitute plan was taken up; namely, the issue of thirty million florins in partial mortgage bonds which were secured by the State salt mines at Gmunden, and which availed to meet the most urgent of the existing necessities. On these new bonds the Bank advanced twenty million florins at four per cent. interest, and in the same year assisted the Government to raise two new loans, one of six million florins and the other of fourteen million florins, both at five per cent., in Exchequer certificates. The Bank furthermore granted a credit of twenty million florins without interest, and received by way of security the Government shares in the Vienna-Gloggnitz Railroad, and mortgage bonds of the State Northern line. At the same time the Government bound itself to pay the Bank a round sum of four million florins for defraying half the cost of procuring silver in 1848, but the Bank later renounced this claim.

At the beginning of 1849, extraordinary State exigencies were met by the issue of three per cent. certificates in denominations from one thousand florins down to five florins, which were accepted in payments at the Exchequer and at the Bank's counters. By the middle of the same year they had become obligatory legal tender; and at the close of the year they had accumulated in the Bank to an amount of 44,500,000 florins. About this time the Government also began to issue certificates on the Hungarian revenues, in denominations from one florin upward, which, in turn, became obligatory legal tender except in Lombardy and Venetia, or the "Lombardo-Venetian Kingdom." To quote from the memorable Imperial patent of June 28, 1849:

“The violent shocks to which the political fabric has been subjected for more than a year, and the necessity of meeting the extraordinary expenses involved in fighting formidable foes at home and abroad, have rendered unusual measures indispensable; nor was it possible to effectuate the same in such extremely difficult circumstances without recourse to credit. The Austrian National Bank has therefore ably contrived to perform highly helpful service in the interests of the State, amidst conditions which must have paralyzed all other instruments of aid; and we would not withhold this expression of our satisfaction.” The Imperial patent decreed: (1) that the National Bank should not be prohibited from covering the Government demands with a more extensive issue of notes, and (2) that any sums not needed by the State for current expenses, whether such sums proceeded from the loan about to be negotiated, or were represented by newly issued three per cent. obligatory legal-tender State Exchequer certificates, or accrued from the Sardinian war indemnity, should be conveyed to the National Bank toward canceling the State’s obligations.

## CONSOLIDATION OF THE STATE DEBT.

This led to an agreement between the Government and the Bank under date of December 6, 1849, according to which all the sundry claims of the Bank on the State should be consolidated into a round sum of ninety-seven million florins. Within the first six months of the following year announcement was made that the three per cent. certificates should be retired against an issue, to be administered by the Bank, of Imperial Exchequer certificates, in denominations of one hundred, five hundred, and one thousand florins; and in December, 1850, there was ordered a further issue of Imperial Exchequer certificates, in denominations of one florin, two, five, ten, and fifty florins, to be likewise used as obligatory legal tender. In April, 1851, there was an issue of mortgaged certificates to the amount of thirty million florins. Thus followed loan upon loan, year after year, until by the patent of July 5, 1854, a subscription of three hundred million to five hundred million florins was advertised, by means of which the earlier loans should be paid off. At the same time the Financial Ministry ruled that the total debt of the State to the Bank should be reduced to eighty million florins by August 24, 1858. We have already indicated that the difficulties of the situation were not yet overpast, and that after the outbreak of war in 1859, though specie payments had been undertaken from the beginning of September, 1858, until the end of April, 1859, they were then again suspended.

## STATUS OF THE STATE DEBT.

For the forty-odd years from the founding of the Bank to 1860, the status of the State’s debt to the Bank was as follows, stated in florins: 1818, 10,000,000; 1823, 47,000,000; 1827, 98,000,000; 1838, 131,000,000; 1850, 150,000,000; 1857, 203,000,000; 1859, 300,000,000; 1860, 257,000,000.

For nearly thirty years the Austrian National Bank had maintained an unhesitating practice of redeeming its notes. Grave political events, commercial crises, the French revolutions of July, 1830, and February, 1848; the uprising in Poland, and Oriental entanglements, had indeed exerted an adverse influence on the Bank’s coin reserve;



but however unfavorable the relations between coin reserve and the note circulation often were, they had never quite come to fatal extremities.

## SECTION III.

### THE BANK AND FINANCIAL EVENTS, 1850 TO 1876.

#### TROUBLES FOLLOWING THE REVOLUTION OF FEBRUARY, 1848.

THE condition of stability and sound credit, due to good administration of the Bank's business, was somewhat unsettled in consequence of the February revolution in 1848. Within three months from that outbreak the coin reserve decreased by more than forty-three million florins. A panicky terror seized everybody, and the crowd grew daily bigger which thronged the Bank's counters. On May 21, 1848, the Bank directors announced that, by sanction of the Government, all payments in coin would be limited to twenty-five florins, and that, in order to facilitate small transactions, there would shortly be an issue of one and two florin bank notes. It was characteristic of the times that this important announcement first came from the Bank, and that the State ordinance prescribing obligatory legal tender was dated May 22d, a day later than the Bank's proclamation. The Imperial patent was delayed till June 2d. The exchange of notes for coin was restricted, but not wholly intermitted; though the coin reserve decreased by an amount of nearly one hundred million florins from 1848 to 1855, through redemption of notes in behalf of the State, municipal governments, corporations, and private business.

#### INSTITUTION OF A MORTGAGE DEPARTMENT.

In 1849 and 1850, the coin reserve was reinforced by the purchase of precious metals to an amount of twenty-eight million florins, at an expense of 3,200,000 florins to the Bank; and a much larger addition to the coin reserve was effected in 1855 by the issue of 50,000 shares for the establishment of a mortgage department of the Bank. This brought in a premium for the Bank amounting to six million florins. The note circulation was also increased relatively to the coin reserve on occasion of large advances to the State, and special grants of credit which the Bank was obliged to extend to private firms with a view toward obviating, in a great many instances, the mischievous consequences of the disturbances of 1848. In this way no less than eighteen million florins were granted on extraordinary credit to commercial houses, industrial enterprises, communities, and other corporations in 1848 and 1849. Four million florins of this amount went to the endowment fund of the Vienna Relief Committee, and two millions to the assistance of needy trades-people.

#### BRANCH BANKS AND LOAN OFFICES.

In the following decade, like advances were made to the sum of thirty-seven million florins. In the same period the first branch banks were organized, in the following

chronological order: Prague, Buda-Pesth, Lintz, Lemberg, Brünn, Trieste, Olmütz, Troppau, Kronstadt, Gratz, Klagenfurt, Cracow, Laibach, Fiume, Debreczen, Temesvár, Reichenberg, and Innsbruck (in 1857). The institution of branches dealing in loans on statutory securities was begun in 1854. The loan business of the main Bank in Vienna reached a continually greater magnitude from 1849 forward. Occasions for such increase were the augmentation of the State's debt, the enfranchisement of landed property, and the difficulties incidental to negotiations of this kind. In 1857, nearly fifty-three million florins were loaned out in this way by the Bank in Vienna alone, of which 10,500,000 were employed in case of large estates.

## RESUMPTION OF SPECIE PAYMENTS FAILS.

The Bank had made every preparation to resume specie payments in the autumn of 1858. The premium on silver had fallen to two per cent., and as payments in coin were actually begun in September, 1858, the premium declined to one and one-eighth per cent. The note circulation then amounted to a round sum of 389,000,000 florins, the coin reserve to 110,000,000 florins, and bills payable in coin to seventeen million florins. The hope was therefore justified that the premium on silver would totally cease. Then, as before stated, came ominous war clouds—first, the menacing new year's address of Napoleon III., and next his actual declaration of war. The premium on silver suddenly rose to thirty-one per cent. in April, 1859, and to forty per cent. in May, the note circulation also rising to 429,000,000 florins; whereas the coin reserve sank to ninety million florins, and the sum of bills payable in coin increased to twenty million florins. Notwithstanding the speedy conclusion of peace, which occasioned a drop to sixteen per cent. in the premium on silver, the note circulation still rose to 466,000,000 florins; the coin reserve declined to seventy-eight million florins, and bills payable in coin ranged around twenty million florins. Such was the course of affairs till 1865, when, by careful management, the Bank again succeeded in bringing the silver premium down to two per cent. But again all efforts to keep the notes at par were rendered fruitless by the impending German war. By the law of May 5, 1866, the one and five florin bank notes were adopted by the Exchequer and declared to be State currency. The National Bank was obliged immediately to transfer the total equivalent of these notes to the State in bank notes of the higher denominations.

## A NEW STATE LOAN OF 200,000,000 FLORINS.

By the law of July 7, 1866, concerning the creation of a credit of 200,000,000 florins, the National Bank was obliged to transfer to the State sixty million florins in bank notes, upon compensation for costs of manufacture, which loan should be repaid in bank notes, with the salt mines of Wieliczka for security. On the ground of irresistible political necessity, further issues of State notes were provided by the law of August 25, 1866, in order to meet extraordinary expenses of war and its costly consequences. The circulation of State notes was then so amalgamated with that of the partial mortgage bonds of Imperial salt mines—which bonds were a sort of floating State debt—that the total amount of circulating paper chargeable to the State should not exceed 400,000,000 florins. The maximum circulation of salt mine partial mortgage bonds alone was limited to 100,000,000 florins. Under pressure of these regulations,

the premium on silver jumped from six to twenty-five per cent. (in May, 1866, it was six per cent.), and continued at twenty-five per cent., with but slight deviations, till the end of 1871. Then it fell to fifteen per cent.; the bank note circulation decreased to 317,000,000 florins; the coin reserve was 143,000,000 florins, and there were bills payable in coin to the sum of eight million florins. The State paper currency had meanwhile reached a circulation of 374,000,000 florins; and thus the aggregate paper circulation of State and Bank amounted to 691,000,000 florins, backed by only 151,000,000 florins in coin; certainly, far short of the legal one-third.

## REDUCTION OF SHARE LIABILITIES AND SPECULATIVE TRANSACTIONS.

In order to indemnify the Bank for its sacrifices, at least in part, before the State should be able to make full restitution, the law of November 13, 1868, proposed certain measures, of which we would especially note the reduction of its liabilities to stockholders from 110,250,000 florins to ninety million florins; with corresponding statutory changes respecting the Department of Mortgaged Credit, such as the receiving of interest-bearing deposits, alteration in the terms of interest on the loan of eighty million florins, and extension of the loan business through contango bargains at the Bourse. The Bank used the latter facility very cautiously. The loan business at its maximum volume for 1861 (May 5th) amounted to 65,770,000 florins, distributed as follows:

Ordinary loans in Vienna	24,344,000 florins.
Ordinary loans at the branch banks	17,173,000 florins.
Continuations, or contango business	24,253,000 florins.

If we now bear in mind that from 1855 to 1858 the loans in Vienna alone had averaged seventy-four million florins, we shall have to admit that the reproach upon the Bank on account of its contango operations was by no means justified. When the Bank first engaged in contango operations, the common complaint was heard that it had made far too narrow terms for itself, and had shown excessive anxiety, whereas it should have proceeded liberally and boldly. There was no voice of remonstrance against over-activity in contangoes until the Bank had given up that whole line of business. Premonitions of the inordinate speculations which ushered in the crisis of 1873 were already sensible. We quote from a report of the Agricultural Committee of the Austrian Imperial House of Deputies: "The development of the railway system in the Austro-Hungarian Monarchy was as yet hardly begun in the first half of the decade—1860 to 1870. Not until after the war of 1866 was there a beginning of progress in that direction. Stimulated on the one hand by the increased and inflated circulation of paper currency, and, on the other, by the remarkably abundant harvests of 1867 and 1868, which occasioned large and unprecedented exports of grain abroad and brought in supplies of foreign capital, and still further advanced by the wholesome reorganization of State finances in 1868, when, for the first time, the Austrian Government withdrew from the position of money-seeker in the great public market, the newly awakened spirit of enterprise devoted itself with a zeal no less

beneficial than worthy to the construction of new railway lines within the Austrian dominions, on a scale so magnificent as to be truly revolutionary.”

## THE CRISIS OF 1873.

The feverish over-haste in railway enterprises and the stock-gambling in bank shares and other securities were attended with unfortunate consequences, which first became manifest when the Bank withdrew from the contango business. The item of bills was growing at a pace beyond precedent, and in order to meet the ensuing public demands, the National Bank resolved, in 1872, to retire fifteen million florins in railway priority bonds from the reserve fund and sell the bonds. By the close of 1872 there was an addition of ninety-four million florins to the discount and loan transactions, for which capital was furnished both by the reserve fund and the mortgage department, and also by increased circulation of notes to an amount of over seventy-one million florins. The maximum of bills and loan transactions occurred in 1873 (the crisis of that year declared itself in Vienna on May 12th); also the maximum circulation of bank notes, protected by the required portion of silver. On the other hand, there were State notes in circulation to the amount of 378,000,000 florins, and the total circulation of bank notes and State notes, together, had risen to 725,000,000 florins. The Bank no less promptly proceeded to relieve the commercial community when the crisis came than it had previously given warning by a timely raising of discount rates, in anticipation of the worst. As we have earlier mentioned, the Bank served as a firm anchor of salvation. The wisdom of this management has been demonstrated by the results of a like policy followed for many years by the Bank of England.

## INCREASE OF DISCOUNTS.

While the capital employed for loans had decreased in the decade from 1862 to 1872 by twenty-five million florins, on account of the Bank's retirement from the contango business, discounts had increased by more than 100,000,000 florins. Whereas the total discount business for 1863 was only 367,000,000 florins, the same item for 1872 was above 755,000,000 florins; a round increase of 106 per cent. In 1871, the Austrian National Bank had a bills portfolio more than thirty-four per cent. of that of all the other Austrian and Hungarian credit institutions, savings-banks, and insurance companies or associations combined; in 1872, thirty-five per cent.; thirty-seven and eight-tenths per cent. in 1873, and thirty per cent. in 1874. This comparison is the more significant when we consider the vast capital controlled by the other credit institutions; remembering also that the Bank is obliged to keep its large coin reserve locked up, whereas in this respect other institutions are allowed free discretion. We stated in an earlier connection that the National Bank used a part of its mortgage funds toward an extension of its operations in discounting bills of exchange.

## MORTGAGE BONDS.

When the mortgage credit department was organized, the statutes (Section 10) had prescribed that mortgage loans should be granted in the form of letters of mortgage to be realized by the debtors themselves. But since this would necessarily involve loss of

time and additional expense to the borrowers, the Bank was also authorized to pay out mortgage loans in cash. According to Section 46 of the statutes, letters of mortgage may not mature within less than twelve months, except on approval of a shorter term by the Ministry of Finance. For this reason the Bank made no considerable application of the statute authorizing the payment of letters of mortgage in cash; and the trouble consequently devolving upon mortgage debtors rendered the mortgage department of the Bank rather unpopular. Many other mortgage banks, both in Austria and in Hungary, were therefore instituted, which ensured cash payments of mortgage loans. At first, the National Bank had allowed this in case of one-year mortgage bonds; later, for six-year bonds; and lastly, for twelve-year bonds. On maturity these letters of mortgage must be retired by the National Bank with bank notes. The debtors incurred this double disadvantage, that the negotiation of the bonds usually cost them so much time and expense that they were unprepared to pay the loans when due; whereas private mortgage banks imposed, as a rule, far easier conditions.

## SUSPENSION OF THE BANK ACT.

After the outbreak of the crisis of 1873, the Government felt constrained to suspend the rights conveyed by the Bank's charter. On the very morrow of the crash an Imperial ordinance decreed the suspension of Section 14 of the statutes of 1863, concerning the protection of note circulation by coin reserve, and this ordinance remained in force till October 11, 1874. In a communication dated May 13, 1873—that is, on the same date as the Imperial decree—the Finance Minister assured the Bank that these extraordinary measures, which, as a matter of course, had been adopted only upon pressure of extreme necessity, should strictly cease as soon as the necessity ceased, and that their whole purpose was to obviate the shattering of confidence among solvent and substantial merchants and financiers. So the Bank's credit replaced private credit, which had been badly damaged by over-speculation; and, thanks to the prudence of the Bank directors, the Bank was fortified against all shocks. Nevertheless, it was charged with being needlessly stingy in granting loans, especially by certain straitened business people of Hungary. At this time the Bank accomplished a plan which for sharpness and audacity of conception and cleverness of execution must win for its originator, First Secretary Wilhelm Baron von Lucam, an ever-honorable position in banking history.

## THE NEW GOLD RESERVE.

We have hitherto seen that the administration of the Bank, from its earliest foundation, was based on solid principles; that for thirty years the Bank met all its cash obligations; and that it never deviated from statutory regulations except on Government orders, in perilous emergencies of war or panic, when there appeared to be no other help for the State than to draw on the resources of the Bank, which, in financial respects, were superior to those of the Government. This being the case, the Bank directors felt themselves obliged, so far as lay in their power, to bring about an improvement in the matter of circulation. Owing to the large issue of State notes, the Bank was much obstructed in its purpose of restoring specie payments. Since, however, the law of July 7, 1866, expressly declared that the Bank should have the

right to resume specie payments by no later than one year after the conclusion of peace, by which time its most recent advances to the State were expected to be repaid, the Bank declared its policy unchanged, in a memorial of the First Secretary for 1876, affirming that, first and last, the National Bank would devote its fullest attention to the necessity of resuming specie payments. An occasion was furnished by Austria's withdrawal from the German Monetary Union in 1867. At the draft of the terms of adjustment between Austria and Hungary in that same year, the question of adopting a gold standard was freely considered, and consistently with this consideration, the law of March 9, 1870, provided for the coinage of new gold pieces of four and eight florins, to circulate side by side with the old ducats. Shortly afterward, that shifting in the relative values of the precious metals began the effect of which we still observe today, and which the First Secretary closely watched. From May to December, 1871, the price of silver in London unexpectedly rose from 603/16d. to 607/8d. per standard ounce; and, after a subsequent rise to 611/8d. in the first half of 1872, it then again declined in September, 1872, to 601/16d. per ounce. Various reasons account for the continual decline of silver from that time forth; notably the gigantic increase in the silver production of Nevada, the adoption of a gold standard by the German Empire, and the suspension of the coinage of silver thalers by the States of the Latin Union.

## REMARKABLE SALES OF SILVER.

That brief, temporary rise in the price of silver was an opportunity which the Austrian Bank was quick to seize. In fact, the Bank sold the great bulk of silver that lay treasured in its basement vaults for an equivalent amount of gold before there was any talk of a gold premium. The news of a rise in silver in the London market electrified First Bank-Secretary Baron von Lucam, and, as business director, he decided to take prompt advantage of this turn in the market by selling silver from the Bank. At the instigation of Von Lucam, an act of March 18, 1872, had circumspectly altered the statutes of 1863 so far as to provide that in future the Bank might maintain gold coin and bullion as well as silver in its coin reserve. As regards the particular transaction which we are now reviewing, Von Lucam divulged his plan to the Bank governor, Von Pipitz, who straightway approved it, remarking that he would immediately call a meeting of the board of directors, nowadays known as the General Counsellors (*Generalrath*), that he might obtain their acceptance. To this Von Lucam objected that such proceedings would shipwreck the whole plan, since there were bankers and financial arbitrators on the board, who would use the intelligence to fatten their own interests. There could be no hope for the scheme unless it were kept secret between the governor and the First Secretary, and on this condition, the secretary would bear the full responsibilities of the entire transaction. So the governor at last consented, and the First Secretary at once bestirred himself to effect his conversions by selling silver as comprehensively as possible; also in such several sums and with such discreet latitude as to times of payment as were likely to escape the vigilant notice of dealers in the precious metals, or of financial arbitrators. The Bank effected its silver sales in London, Paris, Amsterdam, Brussels, and Berlin without affording the first inkling to the great banking houses, dealers in gold and silver, financial arbitrators, or even to the Administrative Council of the National Bank, of what was going on. Thus jealously was the secret observed between the governor and the First Secretary, and the few officers with whom it must inevitably be shared in order to perfect the plan.

These officers were the keeper of the coin, the bookkeeper, and one corresponding clerk.

The operations had continued about four years, and nearly eighty million florins in gold had been accumulated, before the first rumor thereof reached the Vienna Bourse. At the next meeting of the Bank directors, a certain member of the board who had been elected because of his expert knowledge in monetary matters, and at the suggestion of Von Lucam himself, who desired to have an efficient substitute in case of his own illness or absence, gave utterance to the Bourse rumors. We need not withhold this member's name; he was the late Mr. Schaff, dealer in precious metals. He then propounded the question: "Is it true that the Bank is selling silver, and if so, why has the board of directors not been notified?" The First Secretary made answer that the Honorable member could best appreciate the reason and account for the silence from the standpoint of his own trade. A communication of the transaction would not have been kept confidential, and the whole enterprise would have been foiled. This was so palpable, he continued, that from the very moment the secret was out, the operations must cease. So it proved, in fact; and on the very next day, the Bank was obliged to suspend the sales on account of changes in the London market. The affair had progressed from the close of 1870 till the close of 1874. In 1875, there was a diminution in the supply of ready money, due to changes in the market for commercial paper; and but for the untimely interruption above related, the Bank, which at that time had a coin reserve of 134,000,000 florins, might have increased its gold purchases to a sum of 120,000,000 florins. And as it mostly sold silver at the old rates, without reference to the new law just going into effect concerning an alternative gold standard, it might have earned a gold premium of over twenty-five million florins, whereas its present premium on the coin reserve amounts to only 13,500,000 florins. Yet even the latter gain was a great achievement, which raised the Bank in the esteem of financial experts and commercial magnates throughout Europe. No less renowned an organ than the "Revue des Deux Mondes," in an article by the eminent economist, Michel Chevalier, in the issue for August 1, 1876, expressed the following tribute: "We deem ourselves much superior to Austria, but Austria has administered her Bank far more cleverly than we have managed the Bank of France."

## SECTION IV.

### REORGANIZATION OF THE BANK.

### ATTITUDE OF THE HUNGARIANS.

IN consideration of the extraordinary results which followed the sagacious and bold operations of Von Lucam, it might have been supposed that he would be rewarded with unusual honors. His plan had most profitably served not only the Bank, but the whole Austrian realm. But the renewal of the State contract and of the National Bank's charter had the unexpected sequel that the man who had won the admiration of his fellow-experts in all Europe, and whose peer for directing the Bank could not be found, was removed from his high office. The main reason was his firm adherence to the correct and solid principles which he had ever applied in the management of

discounts and interest. For this he was especially unpopular in Hungary, where, as a general rule, a large part of the population is addicted to a wider extension of credit, and makes heavier draughts on credit institutions, than Von Lucam's policy would have allowed. In Hungary, too, there is a strongly cherished political sentiment in favor of an independent bank of issue. Upon renewal of the State contract with the Bank, in 1878, this political bias contrived to accomplish at least thus much, that the name "Austrian National Bank" was replaced by "Austro-Hungarian Bank," and a second board of Bank directors was appointed for Hungary, with headquarters at Buda-Pesth, and an organization altogether similar to that of the Bank in Vienna. The new head Bank in Hungary is equipped with a working capital almost as large as that of the old Bank, although the disbursements of Hungary, in the common Imperial budget, are only one-third and the Austrian portion two-thirds. An unsalaried deputy-governor is elected for the headquarters in both Vienna and Buda-Pesth, and the joint administration is under a governor, who draws an annual salary of twenty thousand florins. The deputy-governors, instead of a fixed salary, draw extra pay (special fees). The actual, prime direction of affairs devolves upon the First Secretary, whose annual salary is twelve thousand florins.

## UNMERITED REMOVAL OF VON LUCAM.

When the new Bank Act of 1878 went into effect, the strenuous opposition to Von Lucam in Hungary succeeded in removing this inflexible man from office. The liberally salaried position of Bank governor, which he rightfully deserved for his twofold service to Bank and State, was carried over him and bestowed on a man of inferior ability—the former sinecure director of the Austrian Land Credit Institution. Von Lucam was offered the deputy-governor's post in Vienna, which unsalaried office he might not at all have been warranted in accepting, since he had always despised using his genius and administrative experience for private ends, had not the Bank decently retired him with the life-long grant of his previous salary as a richly deserved pension. Shortly afterward, the man to whom ceaseless work had become a second nature, finding it impossible at the zenith of his bodily and mental powers to play fifth wheel to a wagon, withdrew from official service. In his memorial of 1876 on the Hungarian question, Von Lucam expressed himself as follows:

"In the lands of the Hungarian Crown, the National Bank was actually compelled to vindicate its legally defined authority. Whenever this happened, the Bank administration would invariably appeal to the fact that its charter was based on the law of December 27, 1862, which was operative in the whole Empire. For some time after the restoration of political autonomy to Hungary, the National Bank had not been moved to request a formal ruling for its status in Hungary, because nothing had occurred to call the recognition of its charter in Hungary into dispute. In the terms agreed upon by the Hungarian Royal Exchequer and the Imperial Department of Finance in March, 1867, the Hungarian Finance Minister expressly declared that he would not interfere with the existing regulations of the National Bank, in either an administrative or a legislative direction. The constructions which were later applied to this agreement were not yet in sight, though as far back as April 7, 1867, the Hungarian Finance Minister addressed a communication to the Bank, with reference to banking operations in the current year, wherein he proposed, for the sake of



facilitating those operations, a material extension of the National Bank's activity in Hungary. Since the details of his proposition would have involved a change in the statutes and banking regulations, the Bank forthwith answered that the legislative authorities must first be consulted. At all events, the Bank had vainly urged, in the second half of 1866, that the statutory changes which were then contemplated should be also made applicable to Hungary. It was not till the close of 1869 that the Bank began to exercise its full chartered prerogatives in Hungary, since that was the time when Hungary first began to challenge or dispute them. Thereupon the Bank significantly intimated, and in an official communication to the Finance Department, in March, 1870, plainly asserted that the acknowledgment of its rights in Hungary was hampered by conditions of which the Bank had not been seasonably notified; wherefore there was nothing to be done but resist them *après coup*, until a definite settlement of its relations in Hungary could be secured. By vote of both houses of the Hungarian Diet at the beginning of 1872, the Hungarian Government declared itself willing to decree a provisional recognition of the Bank charter by Hungary, provided the Bank established an endowment for Hungary on the same terms as that of Austria, and in proportion to Hungary's contribution to the total budget expenses; and further, that a board of directors, supplementing the general board, should administer the Hungarian bank business, with headquarters at Buda-Pesth. But the Bank held it quite inexpedient to enter upon any such provisional, temporary arrangement, involving conditions wholly inadmissible by the responsible directors of a bank of issue. At the close of October, 1872, and in the early part of November, it was resolved that the Hungarian Finance Minister should assist in deciding the Bank question, provided the Hungarian endowment be increased. This was granted, at first by the amount of 4,500,000 florins. From the standpoint of the Austrian Finance Department, Hungary's condition for joining the conferences on the Bank question was now fulfilled; but the Hungarian Exchequer claimed that the grant had come far short of the desired proportion.

"The Hungarian and Austrian Imperial commissioners made so little progress during 1873, that representatives of the Bank were not so much as invited to attend the sessions; and thus the matter dragged until near the end of 1875. The expiration of the Bank's third charter was approaching, and its rights were not yet recognized in Hungary. As for State endowments, those of the Austrian branches, for discount business, were increased by twenty-eight million florins, or 103 per cent., from the close of 1867 to the close of 1875; and those of the Hungarian branches, 28,100,000 florins, or 216.6 per cent. The item of discounted bills and other paper was not quite 1,500,000 florins, or 2.8 per cent. lower, in Vienna at the close of 1875 than at the close of 1867; for the Austrian branches it was 19,600,000 florins, or 125 per cent. higher, and for the Hungarian branches, 21,900,000 florins, or 250 per cent. higher. The total amount of discounted bills and commercial effects increased for the period 1867-75 by 127,100,000 florins, or 69 per cent., in Vienna; nearly 145,500,000 florins, or 191 per cent., in the Austrian branches; and 110,300,000 florins, or 295 per cent., in the Hungarian branches. For the period 1865-75, Vienna's portion of discount business shows a decline of 16.1 per cent., and that of the Austrian branches a decline of 7 per cent.; whereas that of the Hungarian branches rose 9.15 per cent.; namely, from 12.58 to 21.73 per cent. At the end of 1875, 10,750,000 florins of the Hungarian endowment for discount business were unemployed. For the same period

(1865-75), the endowment of the Austrian branches for loans was increased by 7,500,000, or 83 per cent.; that of the Hungarian branches, 6,700,000 florins, or 268 per cent. Of the total endowment of the Hungarian branches for the loan business, only 900,000 florins were unemployed at the close of 1875. Of the total sum of mortgage loans, 57 per cent. fell to lands of the Hungarian Crown at the end of 1867, and 54 per cent. at the end of 1875. There was a general opinion in Austria that the National Bank had granted Hungary too much latitude in the use of credit. There is this to be considered on the other side of the question: In Hungary the opportunities of industry are easier and larger; for though the soil is more fertile, the price of land is from one-sixth to one-fifth cheaper than in most of the domains of Austria. The rate of wages is lower, and the Government gives greater attention to the development of trade and industry. Credit in Hungary, therefore, has better prospects of realizing good results than in Austria; and that more liberal grants of it should be made to Hungary is rationally defensible.

“While accumulating a supply of gold, the Bank gradually restored the statutory proportion between circulation of notes and coin reserve, and the latter again covered one-third of the bank notes; though this by no means released the Bank from the obligatory and indispensable Legal-Tender Act of 1866, with its ensuing issue of State notes amounting to some 350,000,000 florins, and circulating in conjunction with about the same amount of bank notes. With the understanding that the State notes would be redeemed, the Bank was enabled to resume specie payments by 1875; indeed, from 1872 forward, its fund of coin, bullion, gold certificates, bills, and loans entirely sufficed to cover its own circulation.”

So the protection of bank notes, says Von Lucam, was, on the whole, exceptionally strong in those very years when demands on the Bank were unusually heavy. The coin reserve was in itself somewhat weak; but this comparative deficiency was offset by a greater volume of discounted bills. The less available, or less promptly available, resources from loans afford a more passive protection. Other assets than those just mentioned have not been practically needed for covering the notes, within the past four years. The most active protection is generally furnished by coin and bullion, commercial securities, and discounted bills. The thought which guided the National Bank in this most momentous problem for every bank of issue was not based on a merely theoretical assumption; it is the same in principle as that which governs all the most important banks of the Continent. In the department of bills of exchange, the Bank followed the strict practice which obtains in Belgium and Germany; namely, that bills be received only from business people, merchants, or stable manufacturers, and never be discounted for the creation of capital, even though offered by banks and mercantile firms. As far back as May 7, 1863, the National Bank reminded its branches that only such bills might be discounted as could be realized in cash within short terms and beyond reasonable doubt. On the contrary, bills which are designed to procure capital or afford investments for industrial or mechanical enterprises, and which are therefore liable to be carried past maturity, have no proper place in the Bank's portfolio, however solid the parties may be who back them. Prussian finances are proud to point a moral from the old Prussian Bank, whose bills, even during the Napoleonic wars, were commonly liquidated more punctually than mortgage loans or the interest thereon. In comparison with the Prussian Bank and the Bank of France,

the discounted effects of the Austrian Bank averaged higher in amount, in terms of maturity, and in rates of interest.

## BRANCH BANKS.

It is a matter of observation that the total business of the Austrian Bank is not so large as that of the banks of Western Europe; and the same disparity equally applies to the branch offices, which were not very freely patronized by the business public at the start. In 1874, the Prussian Bank, then merging into the Imperial Bank, had forty-nine principal bureaus and eighty-nine accessory bureaus for transactions in bills, and one hundred and sixty-six for the loan business; whereas the Austrian National Bank at that time had only twenty-four branches, since then increased to thirty-four, though the total number is seventy-nine, if the supplementary branches are counted.\*

## THE BANK'S RATE OF INTEREST.

In a country mainly devoted to agriculture and stock-raising, and not abounding in circulating currency, nor possessing highly developed mechanical industries, it is quite natural that interest should be higher than in manufacturing countries. Apart from this consideration, a fertile young soil affords better chances of realizing fat returns; and hence it is easier for Hungary to pay high interest than for Austria; and easier for Austria than for Germany. We find that the rent of lands in Hungary, averaging six per cent., is more easily paid than the lower rents in Western Austria and Germany. In the latter countries, lands renting at even only four per cent. no longer yield a clear living. Leaving out of account the great reduction of interest in Western Europe during the past twenty years, it may be noted that the rate of interest at the Austrian National Bank before its reorganization as the Austro-Hungarian Bank was an average of one-third per cent. higher than that of the Prussian Bank, seven-tenths per cent. higher than that of the Bank of France, and eight-tenths per cent. higher than that of the Bank of England. However, the Austrian Bank has followed the usage of the Bank of France in maintaining the utmost possible constancy of interest rates, and adopts modifications according to the trend of the international money market only at long intervals.

The year 1848 may be regarded as a turning-point in the history of the Austrian National Bank, since obligatory legal tender was then decreed; which, with an intermission of a few months in 1858 and 1859, has prevailed even to the present day. Other notable occurrences were the institution of the mortgage department in 1856, and the issue of State notes in 1866. But the chief event was the grant of the Bank's fourth charter in 1868, inaugurating the gradual retirement of legal-tender paper currency and a return toward specie payments; as well as the partly designed, partly accidental, transition to a gold standard. On the renewal of the State compact between Austria and Hungary in 1878, the Bank's charter was also subjected to a radical revision, in keeping with the political situation; being adapted, as before described, to the dual nature of the Government. We defer producing extracts from the revised statutes until we may recite the last legislative action in connection with a further revision in 1888.

## THE SILVER CRISIS.

The year 1878 was a time of important resolutions by various governments. The price of silver then began to fall by sudden jumps, and those States which had a silver or a bimetallic standard became apprehensive and instituted prudential measures. The Austro-Hungarian Government resolved to stop the coinage of silver for private parties, and the act was enforced from 1879 forward. The most significant consequences of this step were soon seen in the relative rise of silver florins in comparison with silver bullion; and even bank notes and State notes were quoted higher than silver florins. This favorable reaction would have come about still sooner had the dual Government carried things to their logical completion instead of stopping half-way; but whereas the coinage of silver florins for private parties was suspended, those for State uses were more abundant than ever.\* In the period 1868-78 the State silver coinage amounted to 102,825,176 florins; and in the briefer period 1879-85, to 126,721,655 florins. Experts vigorously denounced the increased State coinage of silver, and their censure may have had some weight in connection with the constantly rising production of the silver mines; at all events, the sum of silver coinage has been appreciably reduced in recent years by Austria-Hungary.

When the Government continued the coinage of State silver florins on a large scale, it was generally believed that this was done to benefit the Public Exchequer, since there was a slight profit to the State and railway treasuries on their payments of interest, silver annuities, and silver priority shares abroad, when silver was cheap; but the true reason was more plausibly economic. That is to say, Austria owns a very old and productive silver mine at Przibram, in Bohemia, which has been extended to an enormous depth.\* However, at the present low price of silver, even so productive a mine is worked at a loss; and the loss is not covered, as it was expected to be, by State coinage. It would have been more profitable to sell the bullion in the London market. Now, in any case, the State must provide for the silver miners at Przibram and at the Carpathian mines of Hungary as soon as a gold standard has been established; and also it must take organic measures to remedy the deficits and losses of many years' unprofitable mining. The mining population will have to be trained to a new industry, or transferred to the 200 gold mines of Hungary, which are so defectively worked as to yield little above expenses. The characteristic market rise in bank notes and State notes was proportional to the decline of silver; and there is as yet no limit in sight for the latter downward movement, with the present ceaseless overproduction. Under these circumstances, the Austro-Hungarian Government chose the right time for proposing, by the law of 1892, a return to specie payments and the ultimate introduction of a gold standard.

## SECTION V.

### THE CONSOLIDATION ACT OF 1878.

#### UNION OF THE AUSTRIAN AND HUNGARIAN BANKS.

WHEN the Minister of Finance conveyed to the Bank the new statutes of 1878, as approved by the legislative houses, together with the documentary ratification of the State debt of 80,000,000 florins clear of interest, the approval of the shareholders was also voted at their general meeting. The new act still strictly aimed at uniformity of bank note circulation in every part of the Austro-Hungarian dominions, besides recognizing the dual nature of the Government by the organization of a common bank of issue on the same basis in each State, without political preference for either. The notes were printed in German on one side, in Hungarian on the other; and the business is likewise transacted bilingually. The German designation of the Bank is *Oesterreichische-Ungarische Bank*, and of the Hungarian, *Osztrák-Magyar Bank*. “The kingdoms and provinces represented in the Imperial Diet” and the “Lands of the Hungarian Crown” constitute the working territory of the Bank. In the two capitals, Vienna and Buda-Pesth, there are Bank headquarters, with like departments of business.

The Bank is obliged to institute branches in either Austria or Hungary, when the combined Ministry of either State and the General Bank Counsellors agree that local circumstances demand a new bank. The dissolution of existing banks is not lawful in either State except by consent of the State Ministry of Finance. There can be neither increase nor diminution of the capital stock without the sanction of the legislative body of both divisions of the Monarchy. None but Austrian and Hungarian citizens are allowed to hold membership in the General Assembly of the Bank. The Bank governor is appointed and sworn in by the Emperor, upon recommendation of the Finance Ministers of both States. The deputy-governor in each State is chosen by the General Counsellors from a set of three candidates, and this selection is then submitted to the Emperor for approval. The selection of General Counsellors from the General Bank Assembly is also referred to the Emperor for final ratification. In Vienna and at Buda-Pesth there are boards of managers, whose province it is to apportion the endowment fund among the various Bank establishments within their respective jurisdictions; to determine individual grants of credit, and appoint Bank inspectors. Each board of managers consists of a deputy-governor, as chairman, and of eight directors residing in Vienna or at Buda-Pesth, as the case may be; nor can any but Austrian or Hungarian citizens belong to these boards. Two directors on each board are chosen by the General Bank Assembly, upon recommendation of the managing boards; the rest are chosen by the General Counsellors. The former pairs of directors, as also the deputy-governors, are at the same time General Counsellors. Each State Government appoints a commissioner and his authorized substitute, who become the agents through whom each State administration receives conclusive assurance that the Bank is operated in strict accord with the statutes; and these commissioners have identical qualifications and the same powers in each State. Any difference of opinion between the Bank and the Government concerning the statutory

validity of bank operations is decided by one of the supreme courts of justice in Vienna or Buda-Pesth. Grants of credit in either State are subject to identical regulations. All doubtful questions in this matter must be referred to the Finance Departments. All communications from the General Counsellors must be published in official journals at Vienna and Buda-Pesth, in both German and Hungarian. The Bank is obliged to redeem its notes on demand in current coin at headquarters in Vienna and Buda-Pesth. Complaints against the Bank and its branches in Austria must be carried before the Vienna Board of Trade, and in Hungary such complaints must be referred to the Board of Trade and Court of Accounts in Buda-Pesth. These tribunals are also qualified to decree the extinction of Bank records. Dissolution of the Bank before the lapse of its charter may be voted only by both parliaments.

The new Bank Act became operative on July 1, 1878. Until the General Counsellors of the reorganized Bank were officially installed, the directors of the old Bank continued business under the old title. On August 30, 1878, the directors of the Austrian National Bank summoned the shareholders to take part in organizing the General Assembly of the Austro-Hungarian Bank, and to hand in the shares. This Assembly convened on September 30, 1878, with the newly appointed governor, Aloysius Moser, as chairman, and the statutory election of General Counsellors was duly conducted. The new régime went into effect on October 30, 1878, and the old Austrian National Bank tranquilly departed after an honorable career of sixty-two years. The new reorganization was entirely completed in every department by January 9, 1879.

## BUSINESS OPERATIONS.

Incisive though the changes were which took place in the outward organization of the Bank, the dispositions concerning business methods and practice were not materially altered. The Bank, without laying new foundations, could build higher and wider on the old, historical principles, and aspire toward the perfection of a policy already tested in serious crises. The third memorial of the Bank, on its administration for the period 1878-85, remarks that the former difficulties with Hungary, on account of that State's refusal to recognize the Government loan of 80,000,000 florins, contracted without Hungary's consent, had become quite simplified by the new Bank Act. Under the old, unsettled status of the Bank in Hungary, its powers had been maimed; but the new Austro-Hungarian Bank was enabled to devote its full attention to strictly economic business, and even in Hungary conquer broader fields of usefulness, now that its legality was confirmed and freely recognized. Whereas the old Bank had only the limited number of twenty-five branches—much restricted, moreover, in their affairs of discount and credit—the new administration, as early as 1879, began to extend the banking system in the Crown lands by marking off bank districts for the facilities of personal credit. Beginning with July 1, 1879, the business districts of all banking centres were extended beyond the narrow circumference of their cash collection areas to the outlying towns and county seats, according to the geographical configuration of the country and local conditions of trade, so that even persons or firms at a distance from banking centres, though within the range of a sub-district, could enjoy facilities of discount, raising loans, or other banking operations. In short, the Austro-Hungarian Bank has become practically accessible to business circles

throughout the Empire. The bank districts were bounded with reference to the geographical positions of the existing and contemplated bank bureaus. Of fifteen new branches, five were located in Austria and ten in Hungary. In the distribution of the total forty branches, some regard was also observed for the precincts of the various chambers of commerce. Certain special utility districts were, furthermore, constituted, embracing domains or mercantile areas of either Crown.

We subjoin a list of the bank districts:

*Absolute Circuit of Austrian Bank  
Districts, in Square Kilometres.*

BANK DISTRICT. Square Kilometres.

1. Lemberg	36,116.59
2. Gratz	22,354.75
3. Cracow	20,534.00
4. Vienna	19,768.42
5. Innsbruck	18,469.95
6. Stanislau	16,861.73
7. Prague	15,317.64
8. Spalato	12,831.54
9. Czernowitz	12,798.14
10. Lintz	11,982.28
11. Brünn	11,834.07
12. Roveredo	10,822.85
13. Olmütz	10,389.78
14. Klagenfurt	10,327.63
15. Laibach	10,032.64
16. Budweis	9,538.19
17. Reichenberg	9,496.06
18. Trieste	7,966.93
19. Pilsen	7,381.14
20. Salzburg	7,154.54
21. Teplitz	5,242.10
22. Eger	4,966.69
23. Bielitz	4,920.99
24. Troppau	2,875.30
25. Debreczen	44,624.83
26. Buda-Pesth	40,437.82
27. Kassau	32,131.48
28. Temesvár	26,382.14
29. Klausenburg	25,583.86
30. Arad	18,551.64
31. Presburg	18,502.26
32. Agram	18,048.26
33. Eszek	17,189.68
34. Nagy Kanizsa	16,785.70
35. Kronstadt	15,139.79
36. Szegedin	14,493.06
37. Raab	10,436.03
38. Fiume	8,389.30
39. Eidenburg	8,342.50
40. Hermannstadt	8,075.47



The following statement affords an analysis of the outstanding credits of the two national banks on July 1, 1885, indicating the points at which the credits are issued, their number and the range of their amounts:

RANGE OF AMOUNT.		VIENNA.		BUDA-PESTH				Total of Both.
		“Censorial” Credits.	Austrian Branches.	Austrian Banking Centres.	“Censorial” Credits.	Hungarian Branches.	Hungarian Banking Centres.	
2.000	5.000		3.302	3.302		2.969	2.969	6.271
fl. to	fl.							
5.000	10.000		2.343	2.343		2.039	2.039	4.382
fl. to	fl.							
10.000	20.000	139	1.690	1.829	570	1.075	1.645	3.474
fl. to	fl.							
20.000	40.000	220	995	1.215	352	558	910	2.125
fl. to	fl.							
40.000	70.000	191	547	738	182	240	422	1.160
fl. to	fl.							
70.000	100.000	142	358	500	92	137	229	729
fl. to	fl.							
100.000	150.000	14	94	108	37	46	83	191
fl. to	fl.							
150.000	200.000	141	119	260	39	37	76	336
fl. to	fl.							
200.000	300.000	79	82	161	46	12	58	219
fl. to	fl.							
	Over							
	300.000	173	96	269	83	6	89	358
	fl.							
		1.009	9.626	10.725	1.401	7.119	8.520	19.245

## ACCESSORY BRANCHES.—CORRESPONDENTS.

Since the location of banks might not be determined exclusively by geographical boundaries, but must be partly settled by such questions as density of population and volume of business, sixteen accessory branches were organized in Austria and thirteen in the lands of the Hungarian Crown, making the total number of banks and branches sixty-nine in 1885. The system was also still further developed by the agency of correspondents, authorized in compliance with the solicitations of certain substantial firms in the provinces, not situated within easy reach of a bank. By the year 1885, the administration in Vienna had granted this favor to 262 provincial firms, and the administration in Buda-Pesth to 469. With these added facilities, the Bank organization appeared to be sufficient for existing business needs.

## THE BANK DIRECTORY.

Through this extended organization, not only were all parts of the country provided with banking facilities, but a wider and more systematic service of information was at the same time procured respecting every phase of mercantile and industrial activity, by means of frequent messengers and explicit local reports. The Bank was thus enabled to learn the standing of many firms and companies whose affairs had not hitherto been sufficiently well known. In particular, a directory was published which included every registered firm in the realm; and also a periodical, official review of Austro-Hungarian trade, compiled from authoritative sources and edited by the First Secretary's department of the Austro-Hungarian Bank. This appears three times a month, and gives condensed, well-digested, critically estimated summaries of material derived from eighteen provincial papers. The task of judging bills presented for discount is thus lightened; besides which the statutes require that only those bills should be discounted which were backed by two firms, one of which must be registered according to the form prescribed by the laws of trade.

The Bank's third memorial emphasized the necessity of uniform rates in case of external bills and local bills. The old Bank, for many years past, had imposed a higher rate of interest on outside bills, though perfectly secured, than on local bills; but this distinction was wisely and very justly abolished by the ruling of March 10, 1879 (a measure which private discount banks were prompt to imitate). It was a most reasonable *desideratum* that the banking facilities should not only be accessible to all, but on equal terms for all; whereas from 1853, when external bills were first received for discount, until 1879, they were charged one-half per cent. more than local bills.

## PRINCIPLES OBSERVED IN GRANTING CREDIT.

Under the old organization, the Bank officers who served with secondary functions on the committee of Bank censors had only an advisory voice in the censorial proceedings; but under the new organization the Bank officers might even preside at the meetings of the committee, and also exercise veto power in questions of accepting doubtful bills of exchange. This reform has proved wholly advantageous to the Bank. One of the vital traditions and practical usages which came down to the new Bank from the old was that none but such commercial effects should be handled as might be certainly converted into cash within brief terms of maturity. In other words, the Bank must strictly deal on the basis of a cash-paying institution, and neglect no duty which appertains to a solvent bank. Finally, a department of personal credit was organized and constantly developed. Discount regulations were based both on the Bank Act and on laws of trade. A bill proposed for discount is viewed from two standpoints; first, its security, as determined by the solvency of its indorsers, and second by its business origin.

By security is understood that bills will be paid in cash when they mature. In general, a bill, in order to be acceptable, must have originated in some recognized public business, and must represent its equivalent value in merchandise, consignments, transferred claims for securities furnished, or cash payments. In any case the transactions concerned must belong to some business capable of ensuring cash

payment on maturity of the bill or within a reasonably short period of grace. In contradistinction from bills of exchange proper are the credit or money-seeking bills; nor may the latter be quite excluded where a bank operates in a country mainly devoted to agriculture. At the same time it is not the province of a bank of issue to grant protracted credit to land-owners. What must be absolutely avoided, however, is to grant accommodation bills, or “kites.” An essential guide for a bank of issue, in the matter of discounts, is afforded by the “Credit Lists,” in which current estimates are given of the potential solvency of every firm in the sundry banking districts. This maximum reckoning is the book-credit, which is granted only in occasional instances. It differs from the Bank censors’ credit, in that the latter is determined by the censorial committee. The dual boards of Bank directors annually regulate the amounts to which firms, companies, and individuals may be credited in case bills of exchange come in with their signatures attached. In such assessments, and in the larger commercial centres, no firms are entered which control less than 10,000 florins in the way of available resources. The number of smaller firms is too great to admit of separate assessments, and the committee reserves discretionary powers toward the granting of loans on a lower scale than 10,000 florins security. It by no means follows that credit will be actually granted to the full figure of the assessment; for the committee always reserves the right to diminish the actual grant if circumstances make this advisable.

## LOANS.

The fundamental dispositions touching loans rest with the General Counsellors, and not with the Bank directors. A list of articles is formulated on which loans may be granted (see Appendix), and a maximum limit is fixed within which loans may be apportioned according to the exchange value of the accompanying security. In fine, the General Counsellors prescribe the limitations and regulations of the entire loan business. In exceptional cases the banks must be guided by the following considerations: The object of the loan business is to furnish people of means with readily available money in case of sudden need, without compelling them to sacrifice their goods. There is economic justification for such business when the advances offered on pledged securities return in a short time to the Bank; on the contrary, loans of long maturity are excluded from the business of a bank of issue. The designation of those papers of value which are acceptable as pledges, and the proportional extent of the loans, as determined by rates of exchange; are communicated to the banks from time to time through headquarters in Vienna. These rules are necessarily general, and, in particular instances, the banks must themselves decide whether the pledge in question is of current value and easy of realization. Where “grace” is allowed, the banks must see to it that the advanced funds be not unduly detained for want of prompt notice, nor otherwise too long tied up. Loans too long protracted, and especially those of large amount, may be either wholly or partly recalled, and the grace be withheld.

## APPROPRIATIONS OF WORKING RESOURCES.

The Bank's capital stock of 90,000,000 florins being tethered to the State loan of 80,000,000 florins, the only funds practically available for purposes of credit are the 200,000,000 florins not legally required for protecting bank notes with coin. All notes issued in excess of this limit are subject to a tax of five per cent. The General Counsellors must also reserve the right of diverting a portion of the free funds toward State endowments if either division of the Monarchy be in pressing need thereof. At the new organization it was therefore ordained that a constant sum of 50,000,000 florins be assigned to the headquarters in Buda-Pesth for the discount and loan business of the Hungarian banks; and this allowance may be increased if urgent reasons so demand. The available 200,000,000 florins were divided as follows, on January 1, 1879: Constant endowment of headquarters in Vienna, 125,000,000 florins; in Buda-Pesth, 50,000,000 florins; reserved by General Counsellors, 25,000,000 florins. The General Counsellors voted that only twenty-five per cent. of these available funds should be used for loans; and that any surplus from the loan business should be employed in discounts. The same arrangement has been renewed from year to year. Increase of these funds is binding in both parts of the Empire. The maximum for headquarters in Vienna was 154,000,000 florins on December 30, 1884; and at Buda-Pesth, 66,000,000 florins on October 11, 1884. The combined maximum was 216,000,000 florins December 30, 1884.

## DISCOUNTS.

From 1878 to 1885, five new banking centres were organized in Austria, ten in Hungary. For this reason as well as because of a general increase in financial business, the Bank was obliged to draw more and more heavily on its reserve fund. The new Hungarian branches alone reported a total of 13,000,000 florins for discounts at the end of 1885. The aggregate sum of discounts for the given period rose from 109,000,000 to 168,000,000 florins, though there was a decrease in 1885 to 136,400,000 florins. The portion of the Austrian banks had fallen off by 6.7 per cent., and that of the Hungarian banks had made a corresponding gain. We append a table of figures for the separate years, in millions of florins:

*Discounts for the Years 1878 to 1885, inclusive.*

YEARS.	Vienna.	Austrian Branches.	Austrian Total.	Buda-Pesth.	Hungarian Branches.	Hungarian Total.	Combined Total.
1878	43.646	38.883	82.529	23.434	3.217	26.651	109.181
1879	50.020	34.928	84.948	24.918	7.664	32.582	117.531
1880	60.084	39.107	99.191	26.390	13.526	39.916	139.108
1881	72.739	46.347	119.086	23.053	14.405	37.458	156.544
1882	58.444	59.783	118.227	29.432	15.008	44.440	162.668
1883	64.325	57.284	121.609	31.208	16.527	47.735	169.345
1884	61.854	53.683	115.537	31.872	20.303	52.175	167.712
1885	56.834	37.100	93.934	23.127	19.381	42.508	136.442
Annual average.	58.493	45.889	104.382	26.680	13.754	40.433	144.816

The Bank has noted the fact that from 1876 to 1885, the average maturity of bills decreased from 64 to 55 days. This both indicates a greater relative supply of money and the particular circumstance that bills were frequently presented from five to ten days before coming due. The Bank administration showed a decided tendency to treat small bills, provided they conformed to the regulations, exactly like large ones. While the total volume of discount business increased, the average amount of each bill decreased, at nearly all the Bank bureaus. The subjoined table will illustrate these remarks.

Amount of Bills.	Number of Bills Discounted.	Number of Bills Presented for Discount.	Number Declined.
Under 10 florins	4	9	5
From 10 to 50 florins	6,458	7,469	1,011
From 50 to 150 florins	83,340	92,043	8,703
From 150 to 300 florins	130,867	142,440	11,573
From 300 to 600 florins	127,110	137,860	10,750
From 600 to 1,000 florins	90,690	97,592	6,902
From 1,000 to 2,000 florins	73,565	79,027	5,462
From 2,000 to	62,548	66,200	3,652
Total number of bills	574,582	622,640	48,058

After the Bank had accommodated 19,245 business people and firms with credit, complaints about discrimination became so importunate that a Bank statement was published on January 7, 1886, showing the number of firms, associations, and

individuals included in the acceptance lists at that date to be 47,316. Among these were 498 foreign firms, 21,677 Austrian firms, and 25,141 Hungarian.

## LOANS—KINDS OF SECURITY ACCEPTED.

Loans on marketable securities reached their minimum status on August 15, 1881, when they stood at 16,600,000 florins, and their maximum on October 31, 1882, at 36,800,000 florins. Various additional facilities were introduced about that time. In 1879 a uniform list of receivable effects was drawn up, and the previous local distinctions and limitations were abolished. The list of securities acceptable at all the banks alike embraced 224 varieties at the close of 1885; namely, 59 State, provincial, and municipal stocks, 45 bonds, 73 priority debentures, 13 first bonds, and 34 joint-stock shares. Moreover, correspondent firms were authorized to negotiate loans through correspondence. In 1882, the proportion in which loans might be granted with reference to the nominal value of securities was raised from eighty to eighty-five per cent. on mortgage bonds, and from seventy to seventy-five per cent. on stocks and debentures. At the same time advance payment of interest was introduced, and post-payment was collected when the loan was redeemed or prolonged. Since 1883 all the banks have been warranted to make advances upon certificates of deposit issued from headquarters in Vienna or in Buda-Pesth; such certificates denoting that securities have been deposited for custody or administration. Interest on loans is usually one per cent. higher than the discount rate for bills of exchange.

## MINOR ITEMS OF BUSINESS.

The discounting of securities and coupons maturing within ninety-two days was permitted for all the banks in 1879, and the practice was extended to a larger category of papers. Since 1880 all the banks have accepted coupons due, but not more than one year overdue, for immediate cash payment, in case of all the securities recognized by the Bank; and such payment is according to the expressed value of the coupons. We subjoin a table of coupons redeemed from 1880 to 1885:

Number of Coupons. Florins.	
1880 294,059	4,979,775
1881 330,947	5,430,567
1882 290,464	4,790,528
1883 277,430	4,688,293
1884 260,269	4,474,563
1885 261,074	4,545,468

Since 1882 all the banks have managed coupons on commission, in so far as collection of the same is feasible, according to the Bank standard. Since 1885 the Bank has exercised discretionary powers respecting new securities, as also concerning partial payments on outstanding paper. Since 1881 all the banks have been authorized to buy and sell on the Bank's account both Austro-Hungarian gold ducats and gold pieces of the denominations francs and marks. Since 1882 the banks have undertaken

commissions for procuring foreign money orders. The transactions in money orders for the period of the fourth Bank charter were as follows:

<i>Money Orders.</i>							
YEARS.	AUSTRIAN BANKS.		HUNGARIAN BANKS.		COMBINED TOTAL.		Average
	Number. Florins.		Number. Florins.		Number. Florins.		Amount per Order. Florins
1878	38,586	133,181,937	19,702	51,648,346	58,288	184,830,284	3,171
1879	34,838	114,181,551	19,306	47,665,720	54,144	161,847,271	2,989
1880	33,905	125,597,895	20,589	56,499,800	54,494	182,097,696	3,341
1881	33,679	126,002,735	21,494	57,528,639	55,173	183,531,375	3,326
1882	34,649	121,942,630	22,851	60,819,165	57,500	182,761,796	3,178
1883	34,201	114,525,323	23,854	56,511,684	58,055	171,037,007	2,946
1884	32,080	117,265,845	23,598	58,317,587	55,678	175,583,433	3,153
1885	24,546	101,998,689	21,753	53,629,430	46,299	155,628,119	3,361

Next follows a statement of Bank accounts for headquarters in Vienna. The sums represent total *receipts and payments*, inclusive of amounts brought forward:

FLORINS.
1878 954,935,338
1879 687,604,738
1880 732,697,943
1881 745,365,746
1882 723,983,754
1883 873,120,419
1884 916,170,117
1885 706,457,625

Beginning with 1879, headquarters in Buda-Pesth received *valuable papers for custody*; and from 1881 at Vienna and 1884 at Buda-Pesth, such securities were also received for *purposes of management* in behalf of owners. The latter business increased very rapidly, as the following data will show:

YEARS.	EFFECTS DEPOSITED FOR CUSTODY.		EFFECTS DEPOSITED FOR MANAGEMENT.		GENERAL TOTAL.	
	Number of Deposits.	Nominal Value.	Number of Deposits.	Nominal Value.	Number of Deposits.	Value.
		FLORINS.		FLORINS.		FLORINS.
1878	3,562	113,612,000			3,562	113,612,000
1879	3,533	119,965,000			3,533	119,965,000
1880	3,643	126,562,000			3,643	126,562,000
1881	3,515	107,415,000	4,716	31,645,000	8,231	139,060,000
1882	3,816	101,618,000	8,345	60,094,000	12,161	161,712,000
1883	4,020	98,842,000	11,997	84,316,000	16,017	183,158,000
1884	3,886	91,624,000	19,080	122,401,000	22,996	214,025,000
1885	4,018	91,073,000	25,308	165,114,000	29,326	256,187,000

The transactions in *bills on commission* and in *collections* show the following extensive development from 1878 to 1885:

YEARS.	AUSTRIAN BANKS.		HUNGARIAN BANKS.		TOTAL.		Average Amount of Proceeds.
	Number of Transactions.	Amount.	Number of Transactions.	Amount.	Number of Transactions.	Amount.	
		FLORINS.		FLORINS.		FLORINS.	
1878	7,796	4,542,530	91	49,226	7,887	4,591,757	582
1879	9,208	6,484,495	1,758	290,447	10,966	6,775,243	618
1880	28,829	8,134,947	1,959	388,985	30,788	8,523,932	277
1881	35,675	13,253,506	1,425	893,866	37,100	14,147,372	381
1882	46,621	20,211,586	3,077	2,079,140	49,698	22,290,727	448
1883	42,528	17,155,189	4,464	2,890,318	46,992	20,045,507	426
1884	50,392	18,484,352	5,893	2,776,061	56,285	21,260,414	378
1885	67,592	17,909,701	8,196	2,997,792	75,788	20,907,493	276

## THE MORTGAGE DEPARTMENT.

The organization of mortgage credit was nearly a century later in Austria-Hungary than in Prussia, and the Austrian Bank had no mortgage department before 1856. Soon afterward a number of independent mortgage banks were instituted in the several provinces, with headquarters in Vienna, Buda-Pesth, Prague, and Lemberg. In some of the provinces, provincial land mortgage banks were founded, which are active competitors of the Austro-Hungarian Bank, and are not called upon to pay dividends. In certain regions—like Tyrol, for instance—the Austro-Hungarian Bank has no chance of a footing in the mortgage business, because the savings-banks and the administrators of church lands, with a view to influencing the peasantry, rather discourage mortgage traffic. The Bank's mortgage operations in Austria are confined to eleven provinces out of the seventeen. The Hungarian business is a great deal more active, as the table on opposite page shows.



We have seen that the reserve fund was sometimes drawn upon for transactions in loans on securities; and from 1856 it also served for mortgage loans. Mortgage bonds were first issued at four and a half per cent., and then at four per cent. (their present rate). Interest on mortgage loans is increased from one-half to one per cent. in order to meet the costs of amortization; for all the loans must be paid back by annual installments. Originally, mortgage bonds within two-thirds of their nominal amount might be used as protection for bank notes; but when the statutes were revised in 1876, and the request was expressed that the Bank should give up its mortgage business and the latter be separately and independently organized, the bonds were no longer available for that purpose. The mortgage department then became so distinct that neither loans nor the purchase of mortgage bonds might be negotiated through bank notes. It was

*Comparative Statement of Mortgage Loans for 1876  
and 1885.*

PROVINCES.	1876.	1885.	Difference.
	FLORINS.	FLORINS.	FLORINS.
Lower Austria	14,583,713	7,216,997	-7,366,715
Upper Austria			
Styria	355,753	28,270	-326,882
Carinthia	6,563	34,599	+28,035
Carniola	74,838		-74,838
Coast Province	59,648	35,862	-23,786
Bohemia	4,881,835	187,527	-4,694,307
Moravia	1,806,662	602,583	-1,204,078
Silesia	302,735	89,890	-212,845
Galicia	18,709,145	11,288,299	-7,420,845
Bukowina	3,366,208	5,121,729	+1,755,520
Austrian total	44,147,104	24,606,360	-19,540,743
Hungary	53,324,063	62,453,554	+9,129,490
Croatia-Slavonia	3,051,275	2,309,299	-741,976
Hungarian total	56,375,339	64,762,853	+8,387,513

observed, in practice, that the number of loans on small properties gradually increased as compared with loans on vast estates. It is a matter for special congratulation that arrears of both principal and interest are on the decline. Their maximum extent, at the close of 1881, was only 163/100 per cent. of the total sum of mortgage loans, and only 75/100 per cent. at the close of 1885. Terms of grace are granted to debtors who so desire, for payment of both interest and principal; but should the final grace be overstepped, the Bank may apply its rights of execution. The proceeds from such sales of distress are not of portentous magnitude. The issue and allotment as well as the buying and selling of mortgage bonds is a rapidly growing phase of the Bank's business. When the four and a half per cent. bonds rose above par, four per cent. bonds were issued, which at first stayed somewhat below par, but are now on a par basis.

## THE BANK'S WORKING CAPITAL.

The working resources of the Bank are derived from chiefly two sources—the capital stock of 90,000,000 florins, together with the reserve fund of 18,000,000 florins, and the bank notes, whose contingent limitation is 200,000,000 florins. Of the capital stock (as we have remarked before), 80,000,000 florins are tied up in a State loan, free of interest; and the remaining 10,000,000 florins are invested in the real estate reverting from transactions in mortgaged credit, previously redeemed or duly purchased mortgage bonds, outstanding and matured bills of exchange, etc. From the capital stock, therefore, the Bank practically derives no means at all for bank business proper. The Bank therefore has no other means at its disposal than the contingent fund of 200,000,000 florins, representing notes which are not necessarily covered by coin.

According to banking operations in England and North America, deposits should also constitute a very material part of a bank's working funds; but in Austria-Hungary they are only quite sparingly used for this purpose. The explanation is twofold: on the one hand, ready capital is less abundant in Austria-Hungary; and again, there is frequent opportunity for passive investments in the cheap and fruitful soil. Moreover, the contingent of 200,000,000 florins has seldom been exhausted, having been overdrawn only in one or two instances to the amount of 6,000,000 to 7,000,000 florins. When this happens, the tax on over-issue of notes intervenes. The note circulation at the close of 1877 was 282,000,000 florins; 363,000,000 in 1885, while at the same time the coin reserve was constantly improving. For a circulation of 614,000,000 florins in bank notes on November 2, 1895, the Bank had a coin reserve of 363,000,000 florins, of which 234,000,000 florins were in gold and in bills payable in gold (227,000,000 florins in gold alone). The taxable overplus of note circulation amounted to a round sum of 33,000,000 florins; though, except for the State notes, the Bank would have been on a sound basis of perfect cash solvency. Of the State notes, 200,000,000 florins were withdrawn and canceled by the new law, and 125,000,000 florins have been thus far redeemed. But we anticipate our order of narration. In the eleven years from 1876 to 1887, the total endowed funds were so apportioned between Vienna and Buda-Pesth that an annual average of 60,000,000 to 86,000,000 florins fell to Vienna, and 32,000,000 to 40,000,000 florins to Buda-Pesth. Since the revised statutes of 1888, the portion of Buda-Pesth has been relatively higher.

## SECTION VI.

### CONSTITUTIONAL PROVISIONS GOVERNING THE AUSTRO-HUNGARIAN BANK.

UPON renewal of the State compact between Austria and Hungary in 1878, the Bank's charter was extended for ten years, with the understanding that neither part of the Monarchy should exercise its constitutional right of erecting independent banks of issue between July 1, 1878, and December 31, 1887; but that for the given period, the Austrian National Bank should independently serve both States, under the designation of Austro-Hungarian Bank. Several organic reforms were introduced with this purpose in view. New headquarters were established at Buda-Pesth without reference

to the provision which determined that the Bank's headquarters were in Vienna. For transactions in discounts and loans, an endowed fund of 50,000,000 florins was voted to Buda-Pesth for exclusive use in Hungary. In case of urgent need, and by ordinance of the General Counsellors, drafts may be made on the Bank's general reserve. Five new branches were organized in Austria and three in Hungary in 1878 and 1879. The State loan of 80,000,000 florins, clear of interest, is to be gradually extinguished by means of the net profits of both divisions of the Bank; and should this fail to be accomplished before the charter expires, the debt shall be discharged in fifty equal annual installments, without interest, by Austria, toward which Hungary would contribute thirty per cent. The net proceeds of business, above seven per cent., are divided between the Bank and the dual Government. The statutes of 1887 being only externally, and not intrinsically, different from those of 1878, we shall treat the subject in a general and cursory way; with this reservation, that a law was passed on June 12, 1890, which authorized the Bank to discount warrants issued by public warehouses.

*The capital stock* consists of 90,000,000 florins, subscribed in 150,000 shares, of 600 florins each. The shares must be kept intact; and no shareholder is bound by more than his individual subscription. On the other hand, the aggregate liability of the Bank is covered by the total stock. For the punctual payment of interest and principal on mortgage bonds, the mortgage claims are accountable, and also the other movable and immovable Bank resources. Untransferable shares are entered in a separate book. Transferable shares may be filled out with any name the Bank approves, provided the transfer be plainly indorsed or signed in the name of the new holder. Untransferable shares may, however, change hands in case they have been legally acquired, and the holder furnishes public, legal, or judicial evidence of his rights. Permission for transfer must be sought with the General Counsellors, and be accompanied by the appertaining evidence. Untransferable shares are those which (a) are the property of minors; (b) or of corporations, communities, or trusts; (c) those which are legally attached for debt; (d) or whose free disposition is otherwise restricted, whether by process of law or through some arrangement premised by the Bank. Attachments are noted in the book of shares. Uncollected dividends, after the lapse of three years, accrue to the reserve fund.

*The Bank's Administration.*—None but Austrian or Hungarian citizens may take part in the general meeting of shareholders; and they must hold as many as twenty shares *per capita*. Extraordinary sessions may be called by written request of forty shareholders, within a term of sixty days. Disqualified for attending the general sessions are persons deprived of the full rights of citizenship, those fallen in bankruptcy, or under any legal castigation. The presence of one hundred members constitutes a working quorum. No member may send a substitute in his place. The General Assembly elects the General Counsellors, eight of whom shall be direct members of the Assembly; and two, in each case, shall be selected from candidates proposed by the Superior Directors in Vienna and Buda-Pesth. The General Assembly, further, elects five auditors and deputies to consider statutory changes, and increase or decrease of capital stock. The General Counsellors include the governor, two deputy-governors, and twelve advisers. The governor, upon unanimous recommendation of the General Assembly, is appointed by the Emperor. The

governor's annual salary is 20,000 florins, paid out of the Bank's resources; and he has the freedom of residence in the Bank building at Vienna. The board of General Counsellors, with the Bank governor as chairman, represents the Bank officially and extrajudicially, and controls all matters not specially vested in the General Assembly. In fine, the General Counsellors constitute the *firm* of the Austrian Bank. Signatures are valid if made by the governor, a deputy-governor, or a General Counsellor, and attested by the First Secretary or his deputy. Headquarters in Vienna and Buda-Pesth, from time to time, determine in what proportions the sums at their disposal for discounts and loans shall be distributed among the several banks; and set maximum limits for the credit that may be advanced to firms or individuals. Members of the administration in Vienna must be Austrian citizens, and those at Buda-Pesth Hungarian citizens. Each of the local administrations is presided over by one of the deputy-governors. The General Counsellors, recommended by the General Assembly, are also members of the Superior Administration; and these recommended counsellors need not exclusively be members of the General Assembly, but non-members are likewise eligible in so far as their individual means would qualify them to become members of the Assembly. The directors are not salaried. They meet once a week, as a rule, and on a day named by the presiding deputy-governor. The ultimate direction of all branches of business devolves upon the First Secretary, under supervision of the General Counsellors. The final appointment of officials and employees rests with the General Counsellors, who also decide in cases of dismissal. Bank officers are bound to observe secrecy in matters of business. Each Government appoints a commissioner and a deputy-commissioner as Government agents for dealing with the Bank and making sure that the Bank administration is obedient to the statutes.

*Business Regulations.*—(a) The Austro-Hungarian Bank is empowered to discount bills, marketable effects, and coupons, or make further negotiation thereof; (b) to grant loans on collateral security; (c) to receive deposits for custody, and, to a certain degree, for management in behalf of the depositor; (d) to receive moneys under bond; and also (e) to receive moneys, bills, and marketable effects of short maturity in accounts current, or Bank accounts; (f) to issue money orders on all its bureaus; (g) to do business on commission; (h) to make payment on papers acceptable for security, and on their coupons when due; (i) to procure and also to sell gold and silver coin or bullion, and foreign bills of exchange; (k) to grant letters of mortgage conformably to the statutes of the department of mortgaged credit, now incorporated with the general Bank statutes; (l) to buy and convey the Bank's own mortgage bonds.

The Austro-Hungarian Bank in both parts of the Empire is exempt from the operation of laws limiting the rate of interest. Payments to the Bank are valid only when made in bank notes or in legal specie.

*Discount Operations.*—The Bank is authorized to discount bills of exchange, both its own and others, provided they be payable in Austrian currency and mature within three months, inside the realm. Acceptable bills must be indorsed by three, and in no case less than two, signatures of substantial and recognized vouchers. Small bills are not excluded.

*Loans.*—The Bank is authorized to grant loans on security for a maximum term of three months. The following are acceptable kinds of security: (1) Gold and silver in Austrian, Hungarian, or foreign coin or bullion. (2) Papers of value which appear in the official lists of Austro-Hungarian money markets, to wit: (a) Austrian or Hungarian State securities; (b) Austrian or Hungarian provincial bonds; (c) bonds issued, with Government approval, by communities or other corporations under Government control and entitled to make assessments, or by credit institutions employed by such corporations; (d) mortgage bonds of the Austro-Hungarian Bank, and of other mortgage credit institutions of the Austro-Hungarian Monarchy; likewise, legal Austrian or Hungarian certificates for the lawful administration of minors' funds or other trusts; (e) shares fully paid in of Austrian or Hungarian transportation companies or industrial enterprises in actual operation; (f) priority bonds of the like companies and enterprises. (3) Bills of exchange maturing within six months at the latest, and in other respects conforming to previous regulations for bills of exchange. The General Counsellors fix the conditions of loans on gold and silver and on bills; also determining what particular securities shall be accepted, and in what proportion to the market quotations loans may be allowed, or to what maximum amount. These dispositions are in force at all the Bank's bureaus, in both parts of the Empire. The borrower is at liberty to pay back his loan before maturity; but he may not, in that event, recover interest already paid to the Bank.

*Deposits, Accounts Current, Small Notes, etc.*—The Bank is obliged to take charge of deposits bearing interest; and it admits accounts current. It further undertakes collections on commission; and may issue small notes of no lower denomination than ten florins, two-fifths of whose total amount must be protected with gold or silver coin or bullion, and the remainder by the usual statutory means. These notes enjoy the exclusive privilege of passing at their full nominal value in case of all payments called for in Austrian currency, both at public counters and in private transactions within the country.

Regulations of the Austrian and Hungarian tribunals of commerce are not applicable to the Bank in case they be at variance with the Bank statutes; nor was the Bank obliged to register itself in conformity to the laws of trade.

*Redemption of its Notes.*—The provision whereby the Bank is obliged to redeem its notes in silver coin or bullion at the rate of forty-five florins per mint pound of fine silver, was so far extended by the law of August 2, 1892, that the Bank, at headquarters in Vienna and Buda-Pesth, is now obliged to redeem notes in legal gold coin as well, or in gold bullion, at their full nominal value according to the Imperial standard. The Bank is authorized to have gold bullion assayed and tested by experts of the Bank's choice, at the sellers' expense; and furthermore, to deduct the prescribed Government royalty.

*Distribution of Profits.*—Of the annual proceeds from business and invested funds, the shareholders are entitled to five per cent. on their paid subscriptions, after all expenses have been cleared. Eight per cent. of the surplus goes to the reserve fund, two per cent. to the pension fund, and from the residue the shareholders' dividends may be increased to seven per cent. Any further surplus is equally divided between

the shareholders and the dual Government, Austria receiving seventy per cent., Hungary thirty per cent., of the Government portion. Business reports must be published four times a month.

## REGULATIONS OF THE MORTGAGE DEPARTMENT.

Upon reorganization of the Bank, the mortgage department was also overhauled, with certain statutory changes, of which we present the following summary: The main direction of the mortgage business is vested in the General Counsellors, who appoint the principal officers, fix the rate of interest, and other conditions with respect to loans, settlement of mortgage claims, and interest on the bonds. In certain circumstances, however, the advice of trustworthy outside specialists is obtained, at the discretion of the General Counsellors. The Government Bank Commissioners also inspect the mortgage department. The Bank's general rights are supplemented, with reference to this department, in the following particulars: The Bank is exempt from all legal limitations of interest and from other conditions affecting loans. Of this, its books furnish ample evidence. No mortgage loan may be granted unless covered by twice its value in real estate; moreover, the Bank may assume loans already binding, provided there be full conveyance of all the appertaining rights. The committee of General Counsellors, upon consultation with the confidential outside specialists, estimates the value of the mortgage which is to secure the loan. Among means helpful for ascertaining the value of landed property may be mentioned legal assessments, revenues yielded in a series of years, contracts of lease or sale, divisions of inheritance, land-registry reports, the hundredth ground tax, and local prices and rent rates of land. The Bank is also empowered to collect the value of the proffered mortgage. In his bond the borrower must pledge himself: (a) To pay the interest and amortization rates semi-annually in advance; (b) in case of delayed interest, to pay forbearance dues; (c) on paying the second half-year's charges, to satisfy the Bank that the fire insurance rates have been paid; (d) to undertake no alteration of the bond through subdivision or any like performance. The loan is not advanced until all conditions are fulfilled, and the borrower must especially make sure that his loan is properly classified. Even then, the payment may be refused in the following contingencies: (a) If the mortgage has declined in value since the loan was contracted; (b) when the borrower fails to collect his loan within thirty days; (c) when he has died; (d) when he has become insolvent; (e) when the mortgage is subject to legal auction.

*Conditions and Limitations of Mortgage Bonds.*—The Bank is authorized to issue bonds to the amount of 150,000,000 florins, though the total issue of bonds may not at any time exceed the total amount of current mortgage claims. Should mortgage loans be paid back in cash before they legally mature, the Bank is entitled to redeem the equivalent amount of mortgage bonds. The bonds are made out to the bearer, and accompanied by semiannual interest coupons. They are issued in specific amounts determined by the General Counsellors, but not under a minimum amount of 100 florins for a single bond. The mortgage bonds of the Austro-Hungarian Bank may be invested in both parts of the Empire, as a legitimate sort of productive capital, whether controlled by communities or other public corporations; and they may also be used as security for money of minors, private trusts, deposits, military marriages, and serve

sundry other purposes of business and security, provided none of these transactions require cash payments. The bonds may be sold at the Bourse, and advertised in the official market reports. The latter dispositions afford a certain degree of compensation for the restriction which prevents the Bank from advancing cash or notes on its mortgage bonds; though even when the Bank offers to sell the bonds at the Bourse on the borrowers' account, it remains at a disadvantage in comparison with the private mortgage banks, which may at once negotiate the loan in cash and so save the borrower time and expense.

## SECTION VII.

### STEPS TOWARD RESUMPTION OF SPECIE PAYMENTS.

#### CURRENCY REFORMS.

THE money revolution attending the enormous increase in the production of gold and silver at all sources of supply, together with the radical measures adopted by the Austrian and Hungarian exchequers, which have emerged from a condition of chronic deficit into one of surplus, and induced the statesmen of both governments to prepare the way for restoring specie payments. To this end, examining committees of experts were summoned to Vienna and Buda-Pesth, who, by a large majority, declared themselves in favor of currency reforms, and the transition to a gold standard. Legislative bills elaborated in the same spirit were voted with high majorities by both parliaments. Thus the great work was begun, but the co-operation of the Bank was necessary to the real task of execution; and this would involve new contracts and new statutes to be discussed and projected without delay by State and Bank authorities. Meanwhile, all preliminary steps have been taken. The Vienna mint has been equipped with the latest English machinery for expeditious coinage of the new gold, silver, nickel, and copper currency, and the Hungarian mint has been likewise energetic. The official reports affirm that the work of coining shall be completed by the autumn of 1896. Introductory measures promptly followed, as regards qualifying the Bank for the actual resumption of specie payments.

#### COINAGE CHANGES.

The principal factor of the currency reforms is provided in Article 4 of the law passed on August 11, 1892. This calls for coinage of national gold pieces of ten and twenty crowns; 147.6 twenty-crown pieces and 295.2 ten-crown pieces to be stamped from one kilogramme of mint standard gold; that is to say, 164 twenty-crown pieces and 328 ten-crown pieces to a kilogramme of fine gold. The national gold coins are alloyed in the proportion of 900,000 parts of fine gold to 100,000 parts of copper. So there are 2592 crowns to a kilogramme of mint gold, and 3280 crowns to a kilogramme of fine gold. Independently of the transition to a gold standard, the dual Government, in deference to the general notion that a small unit of currency favored a reduction of prices, had proposed, in the legislative bill, to abandon the denomination of florins, and adopt as the unit of currency the half of a florin, under the designation *crown*. The small kreutzers should also be halved, and half-kreutzers be circulated

under the name of *heller*; 100 hellers making an Austrian crown. In brief, the florin shall be simply halved; and the silver florin will be replaced by two silver crowns. While the old silver and small coins continue in circulation for a time, the new crowns are gradually displacing florins, and nickel twenty-heller pieces displace the old ten-kreutzer silver pieces, which were thickly alloyed with copper. The big four-kreutzer copper coins are supplanted by nickel ten-heller pieces; and bronze hellers and two-heller pieces replace their copper predecessors. Silver crowns are alloyed at 835,000 parts of silver to 165,000 parts of copper. One kilogramme of mint silver yields 201 crowns; hence a silver crown weighs very nearly five grammes. One-crown pieces are coined only for the State; and the same is true of gold coins, except that twenty-crown pieces may be also coined for private individuals, in so far as the mint can do this without encroaching on its Government business. The coinage royalty shall not exceed three-tenths of one per cent. of the coin value. In future, no more four and eight florin gold pieces are to be coined; though the coinage of ducats is maintained because of their circulation in the Orient.

While the currency bill was pending, the Author submitted an open letter to the members of the Legislature, protesting against the halving of florins as a waste of time and a measure in itself superfluous. He also protested against the retirement of five-florin State notes, unless they were replaced by bank notes of like denomination, since the smaller, ten-crown gold coins wear away too rapidly, as appears from the experience of France, Great Britain, and the United States; and silver change consisting of twenty-crown gold pieces, too hugely stuffs the pockets. The adoption of crowns in place of silver florins was a mere fiddling to popular prejudice. As for the reduction of prices France has the small unit of francs and Great Britain the large unit of a pound sterling; yet bread is cheaper in London than in Paris. In connection with this matter, a member of the Austrian Examining Committee pointed out the fact that, on the former transition from the Vienna Convention standard to the Austrian standard, namely, from a larger to a smaller unit of currency, prices positively rose. The truth is, generalizations on this topic are worthless. In questions of universal variations in prices, we must distinguish between wholesale and retail, between transactions at great market centres and the penny dealings of the popular throng. We must consider both aggregate and separate sales of bread, meat, vegetables, grocery wares, drinks, etc. It may, indeed, happen in case of a transition from an old standard not easily reckoned in terms of the new, that Messieurs the innkeepers and traders will seek to clear a small profit of exchange; and this circumstance encourages the popular prejudice in favor of a small unit. But we are not at the like disadvantage in Austria, for, on passing from florins to crowns, the decimal system is retained, and the only operation required is to multiply by two; or divide by two, as the case may be. The old half-kreutzer will circulate under the new name, *heller*, without change of value. In regard to wholesale prices, which are regulated by the universal market, intense international competition is a safeguard against any defraudation in the event of currency reforms. Leaving out of account the slight fluctuations in rates of exchange and discount which follow the international movements of gold, the cost of a given amount of wheat, coal, petroleum, sugar, tobacco, or wine is not measured by a pound sterling, twenty-five francs, or five dollars; and the small unit of the Latin Monetary Union ensures not the least advantage over the Englishman's pound sterling—twenty-five times the Latin unit. But such arguments made no impression on the



parliamentary bodies; and the adoption of crowns was decreed along with the retirement of five-florin State notes. However, the opposition of the Chambers of Commerce has been so far effective that the Government proposes to authorize an issue of five-florin bank notes.

The difficult question of adjusting the ratio between silver and gold in changing the standard was settled by an easy compromise. The coinage of silver for private individuals had raised the price of paper florins sixteen to eighteen per cent. above that of the silver florins. Had the Government then wholly ignored the decline of silver, as was the fashion in States with a double standard, where silver thalers were accepted on a par with gold, the change of standards would have been seriously prejudicial to debtors. Equitable justice therefore occasioned a compromise by which both sides had to grant certain concessions. It was ordained that 100 crowns should be reckoned equal to forty-two florins in gold; that is, gold florins of the four-florin and eight-florin denominations. The silver value should be that of the standard silver florins prior to the great decline of 1872.

## THE PROCUREMENT OF GOLD FOR RESUMPTION.

The ratification of these currency reforms called forth some complaints from creditors; but the changes found surprising favor with the population at large, and even the banking houses of Vienna and Buda-Pesth made patriotic efforts, sometimes to their own loss, to supply the Austro-Hungarian Bank with gold. The Finance Ministers of both States, in conjunction with a syndicate of bankers, operated the gold purchases and the appertaining conversions with such skill and felicity that for the most part only American gold coins, which were crowded out by the United States silver bill, and gold bullion from various gold-producing countries, were procured. The gold reserves of the great European banks were left intact; and not infrequently they stood higher in the German Imperial Bank and the Bank of England than the note circulation. Latterly, the gold reserve of the Bank of England was 19,000,000 pounds sterling. The same spirit which high financiers had manifested toward the new currency reforms also began to declare itself through speculations at the Stock Exchange.

The two Finance Ministers' guarded purpose of achieving unity of plans, and their tact and confidence in the explanation and vindication of their methods, had not only dispelled many doubts on the part of the public, but had also inspired all circles of the produce and stock exchanges, capitalists, and brokers alike with confident anticipations of a successful realization of the proposed reforms.

## RISE IN AUSTRIAN SECURITIES.

After both governments had been for a long time accumulating gold reserves, and the Bank's gold store of 80,000,000 florins had promptly increased by 40,000,000 florins in the autumn of 1892, there also began such a rise and activity in Austro-Hungarian securities as had not been witnessed in a quarter of a century; though their steady upward movement had been perceptible since 1890. In consequence of two nearly contemporary causes, which were the disappearance of State deficits in Austria-

Hungary and the outbreak of the Argentine crisis, and also by reason of the failure of Messrs. Baring Brothers, English and German capital began to move in larger and larger proportions toward Austria for investment in Austro-Hungarian funds. These offered the double advantage of security and a high rate of interest; for while the prevailing rate of interest in Western Europe has declined within the past twenty years to about three per cent., as appears from the discount rates of the Banks of England, France, Germany, Holland, and Belgium; likewise from the conversions of British and Portuguese consols, North American bonds and the French rentes, Austro-Hungarian funds continued to yield four to four and a half per cent. The improvement which was steadily perceptible in Austro-Hungarian investments from 1890 forward received a new impulse in 1892; and the extraordinary activity of the market rise may be illustrated by the following examples. From the middle of 1889 to the middle of 1892, note rentes advanced from 8340/100 to 9535/100, and to 9555/100 by 1893. Hungarian four per cent. gold rentes advanced in the first period from 10070/100 to 11085/100; and from the middle of 1892 to 1893, to 11610/100. Austrian four per cent. gold rentes, in the same periods, advanced from 10910/100 to 11275/100 and 11785/100.

## THE SPECULATIVE REACTION.

From the middle of August, 1892, the advance was so swift that the cool observer was bound to feel anxious even before the end of that year. In a short time Vienna and Buda-Pesth had become the leading bourses of Europe. This could not last. A countermine must inevitably be sprung against such flourishing operations; and when there is occasion for counter-mining, Berlin employs the most reckless agents. But even without the interference of foreign speculators, the high price of Austrian securities must have tempted our foreign creditors, among whom none are more perfected in worldly thrift than the capitalists of the German Empire to seize the opportunity for profitable sales. In fact, this was done in course of the winter of 1892-93 to such a vast extent that we hesitate to report the unofficial figures, our efforts to obtain authentic data having been poorly rewarded. Certain it is that many millions' worth of Austro-Hungarian securities came home in the first six or seven months of 1893 from sojourns in Germany, Belgium, and Holland. The securities were payable in gold, and the 40,000,000 florins in gold which the Bank had acquired by virtue of the statutory concession of August, 1892, must also be covered by gold notes abroad. At the same time, the Government was gradually calling in and turning over to the Austrian and Hungarian mints the long-accumulated gold reserve, most of which had been prudently distributed among secure banks both at home and abroad, in order to obviate a tightening of the international gold market. Hence, the rates of foreign exchange in Vienna and Buda-Pesth were bound to rise, and again bring about a formidable premium on gold. As a matter of fact, more than 100,000,000 florins in gold were conveyed abroad during this period. Such is the true and simple explanation of the unfavorable reaction of exchange in Austria-Hungary in the course of 1892 and 1893; albeit Bourse dealers and the newspapers, both in attacking and in defending the turn of events, befogged the question, which they called the "Financial Problem," with many stupefying arguments. We lay small stress on the attacking side, whose charges were plainly referable to the strategy of Bourse manipulators, and in particular to the countermining game of Berlin. Those bogus Tartar dispatches were

also too transparent. Even the usually serious and respectable Berlin “National Gazette” (“Berliner National-Zeitung”) announced that Austria was visited with the worst harvests of a whole decennium; though official reports had already certified that the crops were of medium quantity and of exceptionally fine quality. Simultaneously it was announced that Japan had stopped coining silver, and that in St. Petersburg the Russian Exchequer had declared silver roubles an ordinary market commodity, as much as to imply the abrogation of the silver standard. But news of this brand bore its own mark and moral. The policy of defence was not much better; its main argument being that the mercantile assets for 1892 had been 80,000,000 florins less than for 1891. However, this must be observed, that the exports for 1891 had exceeded the imports by 160,000,000 florins, or double the excess for 1892. Besides, comparisons of commercial situations must be instituted not months afterward, but during the very progress of events. On August 15, 1892, the Bank’s coin reserve was 249,000,000 florins, and 289,000,000 florins on October 23d. The note circulation had risen from 412,000,000 florins on August 15th to 492,000,000 florins by October 31st; bills of exchange, from 149,000,000 florins to 186,000,000 florins. Meanwhile, or from then till now, the rate of discount has constantly stood at four per cent. The Bank was not compelled to exhaust its untaxed circulation of notes; though by locking up the 40,000,000 florins of gold which it had procured within six weeks, it necessarily disturbed the money market, and was sharply censured by merchants and financiers. We all know how nervously susceptible are the conditions of trade; how troubled by the slightest unfavorable accident; and how prompt is the cry for help. The wealthy merchant or manufacturer who takes it quite amiss that Socialistic Democrats grow eloquent in appeals for State subsidy makes no scruple of calling on the State for protective duties or bespeaking the assistance of a privileged bank of issue. In this matter we have the most conspicuous modern example of national egoism in case of the great American Republic, with its high protective tariff and its silver bill. We do not incline to favor such tendencies, and though it may have been well for the Bank to *secure* its gold treasure, we hold that it should have been profitably invested until actually wanted at the mint. The testimony of both Finance Ministers goes to show that the Bank administration adhered too strictly to the principle of security. According to the Finance Minister of Hungary, the gold reserve of the Bank and the dual Government had reached the sum of 312,000,000 florins, whereas the mints were not prepared to coin the whole amount within a year. So the Bank might have kept the greater part of the 40,000,000 florins invested or deposited for a year at solid banks abroad, and thereby strengthened the international market, as well as reaped a fair margin of interest. It did, in fact, leave only 6,000,000 florins for this purpose.

## SUSPENSION OF THE INDIA COINAGE.

The dread of a scarceness of gold was suddenly augmented in the summer of 1893 by two events, which, though long foreboded, still greatly agitated the silver market. These were the close of the India mint against the free coinage of silver, and the repeal of the silver bill of 1890 in the United States. The prompt and perfectly confident resolution displayed by the Indian Government in connection with the report of the parliamentary silver commission both checked the increased valuation of silver and alarmed silver magnates in all parts of the world. Whole cargoes of silver were on their way to India; but when the Indian Government refused to accept them

for coinage, all the silver-producing States announced either an impending reduction of their output or the contemplated closing of their mines. The Indian Government partly followed the policy of the States of the Latin Union in 1878, and that of Austria-Hungary since 1879; only with greater consistency and practical conviction. The agreement to give fifteen Indian rupees for a gold sovereign clearly denotes the aim of introducing a gold standard. Consequences have thus far demonstrated that the project is not so difficult as many suppose. The very vastness of the country, and its population of nearly 300,000,000, which some regard as obstacles, really lighten the task. The great bulk of the population is so poor, and wages are so low, that even under a gold standard ordinary transactions might be compassed with base coin or small silver ("token money"). The mass of the people scarcely ever acquire enough cash to need a gold coin at all; and, after the introduction of a gold standard in India, the principal use of gold pieces would be limited to foreign trade. In their secondary capacity of merely representing gold values, the silver coins will not be affected by fluctuations of the silver market; and business will be generally more secure. We must also consider the circumstance that the Indian foreign trade usually exhibits higher exports than imports. In India, moreover, much gold is hoarded; as appears from the surplus of gold imports, which in the past thirty years have amounted to more than 120,000,000 pounds sterling. Now, if the native population should gain such confidence in State resources as to open the hidden treasures, and invest them in railways, steamships, irrigation, new plantations of tea, coffee, sugar, cotton, indigo, and wheat, or even in new manufactures, the Indian currency reforms could succeed without the necessity of application for gold in the international money market.

Views of this cast appear to have become uppermost among our own public, and people are beginning to dismiss anxiety on the score of our currency reforms. No doubt, their confidence is strengthened by the increasing yield of gold and the constant export of gold from the United States; not to mention the gradual steps which Russia has latterly been taking toward the transition to a gold standard. We have learned from trustworthy diplomatic sources that Russia has already accumulated a gold reserve of 700,000,000 florins, which are stored in the Imperial Bank cellars and in the State Treasury.\* The two ordinances which, on the one hand, sanction the validity of bills payable in gold, and in turn put a tariff on Russian gold coins, distinctly indicate Russia's purpose of steering toward a gold standard; but at the same time, it is purposed to guard the public from pitfalls of arbitration.

Meanwhile, the Austro-Hungarian Government has been active in furthering the new currency laws; and, at the date of this writing, has advanced to the Bank 125,000,000 florins in twenty-crown gold pieces for an equivalent amount of silver florins and bank notes, to provide for the withdrawal and cancellation of the like sum of State notes. First of all, 65,000,000 florins in one-florin State notes were retired and destroyed; their whole issue being now extinct. Next, five-florin to fifty-florin State notes were withdrawn to the amount of about 60,000,000 florins; though the retirement of five-florin notes was afterward suspended in deference to loud public remonstrance and protests from the chambers of commerce on account of the dearth of small notes. The latter want was not satisfied by the tencrown gold pieces; and there were no five-florin bank notes. Even the previous withdrawal of State notes had

caused the gold premium to disappear, and gold was twice down to par before the last Bourse panic.

## RELATIONS OF THE BANK TO THE STATE.

The currency reforms have so far progressed that the resulting financial superstructure will soon be ready for the crowning-stone. On renewal of the Bank's charter, its relations to the dual Government are also established on a new basis. The present charter expires at the close of 1897; but since the co-operation of the Bank is indispensable to the resumption of specie payments, its understanding with the State must be adjusted before the charter actually lapses. The Bank administration timely remembered this necessity, and proposed its terms and conditions. But they were so onesided and altogether favorable to the shareholders that sharp opposition arose in Government circles and in the press, and effectual negotiation between the Bank and the Government delegates has not yet been begun; although the last official report of the Vienna mint announces that the new coinage will be completed by the end of 1896. That is to say, by that time the Bank is expected to be ready to fully resume specie payments.

In a memorial of Hon. Emil von Mecenseffy, First Secretary of the Austro-Hungarian Bank, touching the worth and value of the charter, the claims of the public are considered in their true light. Especially this plea is advocated, that the State's debt to the Bank, which by force of the statutes of 1888 yields no interest, and is to be gradually extinguished by the dividends accruing to both States, shall be now paid once for all, in order to enable the Bank to meet its constitutional obligations of redeeming its notes in gold coin at all times without fail. The memorial emphasizes the importance of mutual concessions, as follows: "In the proceedings pertaining to a charter, the Austro-Hungarian Bank assumes and plainly expresses the intention of meeting the wants of high governments and parliaments, upon the future establishment of the Bank, with all the wealth of its experience, and in the most responsive manner. The Bank also entertains the conviction that the high governments and parliaments, on ratifying the terms of the future charter, will incline to take full account of the grave duties, burdens, and responsibilities which will devolve on the Bank under its essentially altered relations."

It seems to us that in all transactions between the Bank and the Government until the present time, there has been too little of acute discrimination respecting the intrinsic functions of note circulation. The issue of notes is, in fact, one of the forms of credit which the public allows the Bank. When the public, that is to say, the total community, uses the Bank's notes in making payments, it virtually credits the issuing institution, which is bound to make answerable compensation. The least return the State can claim for its concessions of such credit, by vesting the Bank with exclusive powers, is half the net proceeds; and this is done in practice by the German Imperial Bank. These things being so, the Bank will probably agree to a reasonable compromise. But apart from fundamental precepts, it is charged that throughout the period of obligatory legal tender, the Bank favored the interests of its shareholders rather than the weal of the State. On another side, the reproach was urged that the Bank had been mismanaged in the matter of Von Lucam's wise gold policy, that it

had not warmed up to the proper realization of his plans for adopting a gold standard, but had sought to injure the shareholders by clinging to the existing silver standard, and, in the same spirit, had impeded the free course of discounts. We have already seen that there was no foundation for the reproach about Von Lucam's gold policy, which in his own day was checked by the indiscreet prying of General Counsellors. But any strictures about conniving at the retention of the silver standard and profiting by the compulsory legal tender apply quite as directly to the public and the Government, also to the press; for, according to the general opinion, the reaction in favor of a gold standard is something wholly recent. Be this as it may, there is a prevailing sentiment, in Hungary at least, that the State should exercise a greater influence on the discount policy of the Austro-Hungarian Bank.

## PROPOSED RESTORATION OF BANK OF HUNGARY'S INDEPENDENCE.

The press was outspoken in behalf of a revision of the Bank Act along lines followed by the German Imperial Bank; and as in Hungary questions of economics easily assume a political bent, there is also an extreme radical party, zealous for the creation of an independent Hungarian bank of issue as one of that country's national rights. At the same time, an intermediate opinion is voiced, which proposes that, in addition to the present Austro-Hungarian Bank, which might be advantageously reconstructed as an Imperial Austrian Bank on the model of the German Imperial Bank, there shall be an independent royal Hungarian bank of issue, under the direct control of the Hungarian Finance Minister, just as the Austrian Finance Minister should be the supreme governor of the Austrian Bank. The two banks should have nothing organically in common—only the issue of notes. Hungary's finances being now as well-ordered as those of Austria, and the once chronic deficits of both States being now replaced by an annual surplus, the author\* of the intermediate plan believes that a separate Hungarian bank would be no less solvent than an Imperial Austrian Bank. The present practice of printing the notes in German on one side and in Hungarian on the other could be retained with slight verbal modifications. Of course, both banks would have to redeem their notes in gold; and against this there should be no obstacle, in view of the huge increase of the international supply of gold and the circumstance that Vienna and Buda-Pesth are only five hours apart by railway; so that any extraordinary diminution of either bank's coin reserve could be offset without delay by transfer of gold from the other bank. Under this double security, the notes of both banks would enjoy such confidence in both States that they could circulate without hindrance in all the Empire, and also, to a greater degree than at present, in foreign countries, the premium on gold being removed.

This proposition had found much support among the people of Hungary, where everything is welcome which looks toward national independence. For this very reason it was received with coldness or distrust in Austria, where everything must exert itself to strengthen the political dualism. But since even in Hungary there is an influential minority of statesmen and financiers which opposes political separation on grounds of economy, the possibility remains that an adjustment will be again decreed according to the present organization of the Bank. Hungarian merchants are very

willing to admit that since the statutory revision of 1887, the Austro-Hungarian Bank, as directed by a Hungarian governor and a Hungarian First Secretary, has carefully promoted the cause of Hungarian credit.

To sum up the situation: First, the claim of Hungary as regards establishing an independent bank of issue is not contested, though Austria fears a certain propensity on the part of Hungary toward inflation of currency, to the prejudice of unfailing redemption in coin. Secondly, Hungarian statesmen and financiers are themselves somewhat anxious lest under an independent bank Hungarian credit might deteriorate for want of a sufficient volume of deposits, the population of Hungary not ensuring their increase through the same thrift as prevails among the Austrians. Thirdly, therefore, a compromise on the present basis is likely to be adopted, possibly with some new features borrowed from the constitution of the German Imperial Bank. This should be achieved in 1896, or at the latest in 1897; so that, when the new coinage is completed, there may be no impediment in the way of restoring specie payments.

Just as we are about to dispatch our manuscript, we learn from an orthodox source that both governments, in order to smooth all susceptibilities, have adopted the following *modus procedendi*: The Bank governor and both deputy-governors shall be appointed by his Imperial and Royal Majesty, the Emperor of Austria and King of Hungary. The board of General Counsellors shall consist of six Austrians and six Hungarians—twelve members in all. These shall be appointed, half by the General Assembly, half by the Governments. Deliberations upon changes in the rate of interest and upon other weighty questions shall take shape at the joint sessions, held alternately in Vienna and Buda-Pesth.

In an appendix to this treatise we shall present a series of statistical statements which bring out with much distinctness the effect of the new currency reforms in augmenting the gold reserve. The reader is referred to the data for 1892 and 1893.

## THE BANK'S PROFITS IN 1895.

The General Counsellors of the Austro-Hungarian Bank determined the balance for 1895 in the first half of January, 1896. Net profits for 1895 amount to 7,081,219 florins, an increase of 441,695 florins over 1894. The shareholders first receive a dividend of five per cent. on their subscription, or a first dividend of 4,500,000 florins; then four per cent. of the residue, or 163,248 florins, is added to the pension fund; next, the dividend is increased to seven per cent.; and the final surplus, 677,970 florins, is equally divided between the Bank and the State—namely, the Bank receives 338,985 florins and the dual State the other half. The State further receives the note tax, which in 1895 amounted to 196,429 florins, payable out of the net profits. The total returns to the State were therefore 535,414 florins, which are employed in extinguishing the 80,000,000-florin debt, now reduced to 76,322,459 florins. So the shareholders received 338,985 florins in addition to the seven per cent. dividend, and 8985 florins were carried over to the new account. The General Counsellors fixed the final portion for the shareholders at forty-four florins and twenty kreutzers per share of 600 florins, or at 7367/1000 per cent., against forty-two florins and ninety kreutzers, or 715/100 per cent. for 1894. A partial payment of fifteen florins per share

having been already furnished, the General Assembly will still have to approve twenty-nine florins and twenty kreutzers per share; and there is no doubt of their accepting the official balance.



[\[Back to Table of Contents\]](#)

## CHAPTER II.

### AUSTRIAN JOINT-STOCK BANKS AND BANKING ASSOCIATIONS.

#### THE VIENNA CLEARING-HOUSE.

IT was first attempted to handle the clearing-house business at Vienna on the plan of the like English and American institutions; but the attempt proved so slow and feeble in the way of results that a new organization was introduced, which deserves to be generally known. We refer to the Vienna Giro und Cassen-Verein.

Frequent complaints were formerly heard that the Vienna mercantile community made too little of the “bank account” department of the old Austrian National Bank. As late as 1873, only 1474 of the registered Vienna firms, out of a total number of 6100, had their folios in the various local banks. In 1864, when the Bank of England joined the London Clearing-House, a similar institution was founded in Vienna, at the instigation of the Austrian Credit Bank, and under the name Vienna Saldirungsverein (Balancing Association). This began business on December 1, 1864, in the so-called Saldosaale (Balance Hall, or Clearing-House). Four of the principal banks had announced to the mercantile community that they would daily adjust their claims at the new institution by the exchange of bills, cheques, money orders, etc.; and they invited the community to patronize the new enterprise by opening bank accounts with the banks of Vienna. The four leading banks were the Austrian National, the Austrian Credit Bank, the Lower Austrian Discount Company, and the Anglo Bank. At this stage, the proportion of settlements made in cash was as high as forty and a half per cent. At present, ten banks are associated with the Vienna Saldirungsverein, namely, the following six in addition to the four previously mentioned—the Union Bank, General Commercial Bank, Vienna Giro und Cassen-Verein, General Deposit Bank, Territorial Bank, and the Vienna Banking Association. All except the General Commercial Bank had “bank account” departments in 1887. The clearances from 1865 to 1873 were from 300 to 700 million florins per annum—two-thirds being made in paper and one-third in cash. The paper facilities are by no means utilized to the same degree as in London and New York, where cash clearances average only from four to five per cent. The transactions for 1887 were 551,472,661 florins; the total item for the Austro-Hungarian Bank being 135,000,000 florins. But the clearing-house business in Vienna received a new impulse by the founding of the Giro und Cassen-Verein, which (as appeared above) was also associated with the Saldirungsverein, and in 1887 turned over 143,324,082 florins. It is true that London was a century before us in this branch of business, and both elsewhere in Great Britain and in the United States there were clearing-houses many years before we thought of starting one in Austria; nor may it be expected that Vienna will ever reach the colossal results of London and New York. Nevertheless, the Vienna Giro und Cassen-Verein is just as *intense* in its activity and as perfectly equipped as the model clearing-houses of

the United States and England. in the latter centres, the clerks of associated banks or firms meet at stated times and in specially appointed halls, to exchange cheques, bills, etc., and settle various claims; but all such business, and more besides, is managed by the Giro und Cassen-Verein alone. Its maximum annual transactions were 7,668,904,167 florins in 1881, 5,571,638,178 florins in 1882, and 8,112,396,442 florins in 1894. This is a moderate showing, even for the relative size of Vienna, when we consider London clearances, amounting to 6,000,000,000 pounds sterling; yet it is large in view of the circumstance that cheques are but imperfectly naturalized with us, whereas in London all payments of the middle and upper classes are made by cheques. Such differences of habit are explained by the difference of circulating mediums and of popular traditions. Notwithstanding occasionally depreciated currency, the Austrian circulating mediums are more convenient, especially for dealings between Vienna and the provinces, than those of England. The lowest denomination of English bank notes is five pounds, or ten times our lowest in Austria. Moreover, the Bank of England employs no further protection against counterfeits than to manufacture its own notes from its own water-marked paper; so that, there, both the Bank managers and the public are more distrustful of counterfeits than in Austria. The Bank of England holds all notes once returned from circulation—perforates and eventually destroys them. This affords an exact history of the duration of circulated notes. Indeed, the London banks, hotels, and public are so suspicious of counterfeits that one may hardly get a ten-pound note changed without introduction by somebody of known credit. We were ourselves obliged to call on the clerk of one of our merchant friends in the City in order to get change for a ten-pound note; and a five-pound note led us the long two hours' chase from the Grosvenor Hotel, by Victoria Station, to the Bank of England, because the note had been issued by the branch bank at Southampton, and so excited the hotel cashier's suspicion. No wonder that every well-to-do citizen of London keeps a bank account, and always carries his cheque-book with him, and but little extra cash. The formality of cheques, however, is decidedly more troublesome than the Austrian general use of bank notes; and the small five and ten florin notes also save the inconvenience of carrying considerable sums of silver. This practical usefulness of our currency, and the comparative helplessness of the English note circulation, explain our limited and backward adoption of cheques and the enormous multiplication of cheques in London. Lately, however, postoffice orders have become a quite popular form of currency, and they are generally accepted. The business facilities enjoyed by patrons of the Giro und Cassen-Verein are much wider than those offered by the English and American clearing-houses.

## THE GIRO UND CASSEN-VEREIN.

The Vienna house not only receives deposits of money in accounts current, but also securities for deposit and bills of exchange for collection. The firms which deal with the Giro und Cassen-Verein are not obliged to handle the securities which they wish to buy or sell, but only to have the bargains transferred from one folio to the other. Besides buying and selling deposited securities, the Cassen-Verein also draws in coupons when due, and attends to time contracts. The Austrian Credit Bank and the Lower Austrian Discount Company pay two per cent. interest on deposits; but the Cassen-Verein, instead of paying interest, allows its patrons a percentage of the net

profits in excess of six per cent., apportioned according to the size of their accounts. Even when the net profits come short of six per cent., and there is no surplus to be meted out, the Cassen-Verein's patrons have this advantage, that all their business transfers are effected gratuitously. As a rule, the chief clearance business of nearly all the banks and banking houses is committed to the Cassen-Verein; they deal with it in accounts current, effect their mutual conveyances through its agency, and deposit with it their principal securities, inasmuch as the Cassen-Verein has extraordinary accommodations of security for this purpose. The transfer of securities, like that of money, being mostly effected by clearing-house paper, the banking houses need hardly half the clerical *personnel* required before the Giro und Cassen-Verein was founded. Many banking houses also keep reserve deposits at the Austro-Hungarian Bank. A great time-saving device has been adopted in the department of coupons, in the guise of an ingeniously constructed machine. This is fed with coupons in batches, and the slips are turned out perforated and automatically numbered. The trouble of stamping and numbering coupons by hand is thus avoided. They are delivered in bound parcels—100 parcels to a package—and the bearers receive accompanying cards, which give the numerical order and total amount of the coupons.

The structural arrangements of the palatial edifice which serves as the local habitation of the Giro und Cassen-Verein are admirable, and ensure perfect security to the deposits. Valuable papers are kept in two deep subterranean vaults, absolutely fire-proof, and lighted day and night by glass-insulated gas burners, high above reach, near the lofty ceiling. The light may be magnified or softened by turning the stop in a remote corner. Adjoining the vaults is a manipulating room, lighted from a deeply depressed courtyard. The windows are guarded by strong iron bars, and the whole basement can also be flooded with water in a very few minutes. The vaults are lined with great fire-proof safes, immured in the walls. An iron railway encircles the vaulted compartments. The surrounding corridor is nightly patrolled by two watchmen, who, through staunchly barred loop-holes, must look into the vaults every half-hour, to ascertain that nothing suspicious is brewing within, and they are obliged to attest their vigilant presence by touching an electric button. The instantaneous message is then communicated by a conducting-wire to a clock in the uppermost story, and this clock records the intelligence by dropping points on a great arch or conceptive dial, whose registrations are inspected every morning by the officer in charge. The telegraphic apparatus is further utilized. Fine wires are drawn across the space behind the iron bars, and any attempt to break through a door or window would be instantly signaled by the rupture of a wire. The electric bells in the rooms occupied by resident officials would loudly ring, and by pressing a button the basement could be straightway flooded. In view of the useful activity of the Cassen-Verein, which, as previously mentioned, undertakes more diversified operations than the English and American clearing-houses, it is not surprising that its transactions from the very start attained large proportions. It began business on July 1, 1872, and even in that first half-year the bank accounts amounted to 4,022,198 florins; cash accounts, to 2,681,520 florins, and the total sums turned over in the first half-year, to 2,296,598,351 florins.

By courtesy of Mr. Isidor Kanitz, director of the institution, we are enabled to give data for that and the succeeding years, as follows:

*Vienna Clearing-House.*

Total Transactions.

FLORINS.

1872\* 2,525,352,149  
1873 2,781,033,157  
1874 1,378,456,760  
1875 1,563,162,022  
1876 1,622,193,391  
1877 2,554,959,172  
1878 2,895,088,778  
1879 4,451,683,261  
1880 5,835,469,432  
1881 8,032,899,891  
1882 5,867,674,317  
1883 4,903,940,795  
1884 5,319,297,058  
1885 4,506,318,946  
1886 4,858,778,963  
1887 4,806,128,521  
1888 5,083,915,959  
1889 5,931,559,071  
1890 6,246,791,194  
1891 5,643,350,756  
1892 5,531,430,337  
1893 6,843,483,172  
1894 8,112,396,442

\*Second half-year.

## AUSTRIAN CREDIT BANK FOR TRADE AND INDUSTRY.

### *(Oesterreichische Credit-Anstalt Für Handel Und Gewerbe.)*

The Austrian Credit Bank, founded in 1855, is nearly as old as the French *crédit mobilier*. The company is located in Vienna, with privileges of organizing branches and agencies at home and abroad. Within terms defined by the laws of trade, it may also interest itself as a limited partner in other firms. Branches may be erected for all or for only some of the operations designated in the statutes, and whatever be their functions, they have the same rights and obligations as the main organization. The charter was granted for ninety years, dating from 1855. In a few years after the original company was chartered, branches were created at Prague, Brunn, Lemberg, Buda-Pesth, Trieste, and Alexandria, though the latter was subsequently discontinued.

The company's business departments may be classified as follows:

(1) It is authorized to establish, or to take part in establishing, industrial, commercial, or other economic enterprises of a character designed to promote the public weal. (2) In connection with the founding or the operating of such establishments, it is empowered to organize joint-stock or joint-stock limited liability companies, as well as to reorganize existing enterprises on such bases; and for all the like enterprises and companies it may issue shares and bonds. (3) To negotiate State loans and also loans for separate provinces, districts, communities, joint-stock or limited liability companies, and private individuals, both at home and abroad; either on its own responsibility or in coalition with other parties; to subscribe toward such loans, or transfer them either wholly or in part to third persons. (4) To buy and sell raw materials both in its own behalf and for others: though the purchase price of any such bargains made in its own behalf must not exceed one-sixth of the paid-in capital stock. (5) To invest in real estate within limits not exceeding one-tenth of the paid-in capital stock, and without impairing the right of buying up such other real estate as may serve to cover precarious claims, or be necessary for business purposes, such as extra buildings or ground space. (6) To buy and sell all kinds of securities; to pledge the same, or exchange them for other articles of value. (7) To grant interest-bearing loans on securities or merchandise. (8) To handle moneys in current account, and give interest-bearing notes for the same; also to negotiate cheques on deposits. The promissory notes may not be made out in smaller sums than 100 florins; and they must be formulated agreeably to State regulations. (9) To receive in custody gold and silver coin or bullion, and securities of all kinds; giving due receipt for the same. (10) To collect or pay interest and dividends, and make general collections on commission. (11) To do a general exchange and banking business.

In addition to these comprehensive rights, the Credit Bank is also authorized to issue interest-bearing bonds of its own, whose total amount must always be secured by its proper resources, marketable effects, covered capital claims, and real estate. These bonds must not mature within less than one year, nor be issued in lower denominations than 100 florins. Their form must be submitted to the State for approval. The Credit Bank is authorized to issue certificates or warrants for the merchandise or raw materials on which it advances loans. The original capital stock was fixed at 100,000,000 florins, of which 60,000,000 florins were paid in. The result of twelve years' operations showed that such a large capital was unnecessary, if the old experience held good, that a bank is a public receptacle for surplus capital, which it proceeds to distribute according to local needs. The Austrian Credit Bank soon became such a receiving and distributing centre, for its management was excellent. In 1868, it resolved to reduce its capital stock to 40,000,000 florins, in 250,000 shares at 160 florins each; and the step was defended as follows, in the business report for 1868.

“The Imperial edict dated May 20, 1868, sanctioned the resolution which was adopted at our general session of March 31, 1867, with reference to reducing our capital stock from 60,000,000 to 40,000,000 florins. To this end, we are authorized to buy in 50,000 joint-stock shares at their nominal value at the public Bourse; and then cancel the same, together with the 50,000 shares already bought in and held by the Bank. It was further ordained that these operations should be conducted in strict conformity to the regulations of the Commercial Code.”

The right of issuing new shares was reserved to the General Assembly of shareholders. Wide concessions were made to the founders of the institution, as in the event of an increase of capital stock above 60,000,000 florins they had the privilege of acquiring one-third of the added shares, while the other two-thirds should be held by the former shareholders. Despite these sweeping rights, or perhaps because of them, the institution rapidly gained vast influence, and suffered no loss of credit, even on occasion of several serious injuries by bad officials. Rather, the public confidence grew so great that the shares of the Credit Bank became the standard paper at the Bourses of Vienna and Buda-Pesth; and quite often even Berlin speculators based their operations on the status of Austrian Credit shares. The institution's high status is also proved by the favor it receives when associated in raising State loans or effecting State conversions.

Data from the reports for 1894 will appear in the Appendix to this treatise.

The business development of the Austrian Credit Bank is especially important in the two features of State loans and discounts. As a syndicate firm for the floating of State loans, the institution has won an influential position, in line with the Rothschilds and the Berlin Discount Company, not to speak of other great banks in both Berlin and Vienna. By its judicious management, the great Hungarian loan of 400,000,000 florins was converted into four per cent. rentes, though only twenty years ago Hungary had to pay interest on the same at nine per cent.

The following table shows the dividends declared from 1856, the year after the institution was founded, to 1890, together with the price of shares:

YEARS.	Par Value Per Share. FLORINS.	Dividend Per Share. FLORINS.	Per Cent.	Market Value of Shares on December 31. FLORINS.
1856	60	15.00	25.00	316.00
1857	190	9.50	5.00	217.00
1858	200	14.00	7.00	242.50
1859	200	12.00	6.00	206.20
1860	200	10.00	5.00	157.40
1861	200	15.50	7¾	179.40
1862	200	17.00	8½	224.80
1863	200	12.00	6.00	182.90
1864	200	10.00	5.00	174.40
1865	200	9.00	4½	150.40
1866	200	10.00	5.00	154.50
1867	200	15.50	7¾	182.40
1868	200	26.00	13.00	243.60
1869	200-160	29.00	16.1-9	266.75
1870	160	22.50	14.1-16	246.70
1871	160	28.00	17½	327.50
1872	160	30.00	18¾	331.00
1873	160	9.00	5⅝	237.50
1874	160	11.00	6⅞	235.75
1875	160	8.00	5.00	202.10
1876	160	2.00	1¼	135.60
1877	160	13.00	8⅞	194.25
1878	160	14.00	8¾	219.80
1879	160	18.00	11¼	291.50
1880	160	18.00	11¼	289.75
1881	160	17.50	10.15-16	354.60
1882	160	15.00	9⅜	282.80
1883	160	14.00	8¾	291.80
1884	160	15.00	9⅜	294.20
1885	160	13.50	8.1-16	300.00
1886	160	13.00	8⅞	294.00
1887	160	13.00	8⅞	264.70
1888	160	14.50	9.1-16	310.30
1889	160	17.00	10⅝	319.00
1890	160	17.00	10⅝	306.75

## LOWER AUSTRIAN DISCOUNT COMPANY.

This institution was founded in 1853, and next to the Austro-Hungarian Bank, it is the oldest discounting house in Austria. Its capital stock for the first few years consisted of 4,981,500 florins in 9963 shares of 500 florins each. The stock was increased to

5,000,000 florins in 1856, making 10,000 shares; and by another million florins in 1859, through the issue of 2000 new shares. It now consists of 9,800,000 florins, in 19,600 untransferable shares. The Discount Company supplied an urgent public want; and so sound has been its business régime that not even the embezzlement of 2,000,000 florins by one of its higher officials, about a decade ago, had power to undermine its credit. Business data will appear in the Appendix.

## ANGLO-AUSTRIAN BANK.

This bank was organized in 1864, with a capital stock of 20,000,000 florins, of which only thirty per cent. was originally paid in. By the end of 1870, the paid-in stock was increased to 14,000,000 florins, and it now amounts to 18,000,000 florins in 150,000,000 shares of nominally 200 florins each, but effectually only 120 florins each. The Anglo Bank also issues mortgage bonds at four and a half per cent., which may be legally offered by way of security and invested in the way of private foundations, minors' and other trusts, and as ordinary deposits. Statistical data of this bank may be found in the Appendix.

## AUSTRIAN TERRITORIAL BANK.

This institution was founded mainly by French capital. It rendered special service by drawing French investors to take part in the fusion of the extensive Styrian mining companies. Those capitalists, however, were obliged to divert a large portion of their funds to Servia, in order to reap speedier profits. The Territorial Bank was established in 1880, at first with a capital of 80,000,000 florins; but as it soon appeared that so great a sum could not immediately find profitable occupation, the stock was reduced to 40,000,000 florins in gold, Austrian standard, fully subscribed and paid in. The Bank has very diversified interests in foreign railways, mines, and State loans. Its privileges and limitations are similar to those of the Austrian Credit Bank. See Appendix for data.

## GENERAL AUSTRIAN MORTGAGE BANK.

This highly prosperous organization was started in 1864. At the first general meeting of shareholders, on April 24th, it was ascertained that 30,400 shares at 200 florins each had been paid in to the extent of forty per cent., and that there was no lack of customers. Indeed, the want of credit was so pressing that by the end of 1875, 11,189 applications for loans had come in, amounting to 54,532,700 florins; of which applications, 9277, amounting to 35,626,700 florins, had been rejected on statutory grounds; 1912 loans granted, amounting to 18,906,000 florins; but only 1648 of them realized, at an amount of 16,388,600 florins. The Bank's charter was revised in 1881, with a term of ninety years. The business headquarters are in Vienna; and though the charter is limited to Austria, the actual operations also embrace Hungary.

The following rights and restrictions are provided:



(1) To grant mortgage loans on real estate, for longer or shorter periods. The loans may be redeemed either in single payments or by annual installments, according to conditions of the contract. (2) To redeem outstanding mortgage claims. (3) To grant loans to provincial, municipal, and district communities, or other juridical *personæ*, such as school boards, road committees, water companies, etc., either with or without mortgaged security. In the latter case, interest and guaranty of redemption must be secured through assessments. (4) To issue mortgage bonds or other bonds in connection with the foregoing branches of business. These may either be formulated for a specified term, or else retired by lot. For the latter sort, a final premium may be collected. (5) To discount the Bank's own bonds, and make advances thereon. (6) To receive deposits on interest, and issue notes for the same, payable either to the bearer or to some specified person, and in sums not less than fifty florins, Austrian standard. The notes must have at least three days' right of warning; and they must generally conform to statutory requirements. (7) To deal in accounts current in such sort that no cheques may be drawn, nor credit entered on the folio, save upon cash balance in favor, or upon cash deposits. (8) Deposits received under provision of the two preceding articles may be applied to the Bank's mortgage and bonded loans, as well as to loans on securities publicly quoted at the Vienna Bourse. The same deposits may also be used in discounting certified bills of exchange, both domestic and foreign; and in transactions on commission, duly secured. Operations in blank credit are forbidden. (9) The Bank is furthermore authorized to support enterprises aiming at the improvement of property and buildings. (10) The total issue of mortgage and other bonds must not exceed thirty times the paid-in capital stock; and the funds applied to discounts on bills of exchange must not exceed twice the effectual stock. (11) The issue of bonds must never exceed the total mortgage claims; though the Bank may issue anticipatory bonds to the extent of 2,000,000 florins or less, pending contracts to the same or like amount. (12) The Bank pays mortgage loans in cash. They are mostly redeemable by annual installments; and the maximum term allowed is fifty-two years. The interest is rated according to the time of redemption, and runs from 5.7 to 6.5 per cent. a year.

The extraordinary activity which these liberal privileges encourage has not only never endangered the Bank's stability, but has wholly contributed to its success. The net profits have averaged fourteen per cent. a year, save in the five years following the disasters of 1873. Before that time there had been dividends as high as 17, 20, 21, and 26 per cent. These remarkable profits are partly explained by the difference between the mortgage bonds and the mortgage loans, and partly by the directors' management of bills of exchange at short sight. Much of the capital stock was subscribed in Paris, and this brought in a welcome supply of foreign funds, which were employed in agricultural improvements. The Bank requires mortgaged security three times the nominal value of its loans; and on this basis it had issued bonds to the amount of 15,600,000 florins, even by the close of 1865, in the first period of its operations. Outside its mortgage business it profitably devoted its working funds to the usual departments of banking; and the discount traffic reached a round sum of 54,000,000 florins; contango transactions, 30,000,000 florins, and the total cash transactions over 120,000,000 florins. Finally, the Bank might largely associate itself with great financial syndicates, and co-operate in the issue of State loans. At the beginning of

1887 the total item of loans was 143,000,000 florins, and the issue of mortgage bonds had risen to 138,000,000 florins.

For further facts, see Appendix; also, for the business report of 1894.

## THE UNION BANK.

This bank was founded in 1870, with a capital stock of 12,000,000 florins. It was properly the amalgamation of four older banks. It has notably satisfied public wants in the way of opening a warehouse department, with capacious docks. In this connection it give an impetus to the legal issue of warrants. By 1887 more than 12,000,000 florins had been advanced on merchandise and warrants. The Bank has its own warehouse in Vienna; and, by the close of 1887, about 350,000 cwt. of goods lay stored therein, with an insurance value of over 3,000,000 florins. There are branches in Trieste and at Sarajevo, in Bosnia. It is widely concerned in syndicates and industrial enterprises.

For data, see Appendix.

## VIENNA BANKING ASSOCIATION.

This was founded in 1869, with a nominal stock of 8,000,000 florins in 40,000 shares at 200 florins each, of which 40 per cent. was paid in; so that the effectual capital was 3,200,000 florins. In 1875, however, the effectual capital was increased to 12,000,000 florins. The Bank was thus put in a position to join a number of profitable syndicates.

For data, see Appendix.

## GENERAL SURVEY OF OTHER AUSTRIAN BANKS.

The number of other discount, credit, and mortgage banks in Austria-Hungary is too great for us to attempt a complete review of their statutes and business operations; it must therefore suffice to give a sketch of them according to materials derived from sundry financial journals, and such statistical authorities as Mr. Ehrenberger and Dr. Rauchberg.

The years of over-speculation which led to the crisis of 1873 were serious times for banking in Austria-Hungary. Never had so many banks been founded in so short a time as were established at Vienna and Buda-Pesth in 1872 and 1873; nor did ever so many banks collapse shortly after their organization. Business which ought properly to have been managed by private persons was metamorphosed into the semblance of a bank; for instance, that of the stock-brokers, who were among the first to "break." From data compiled by Mr. Ehrenberger, it appears that most of the banks founded prior to 1868, of which the principal ones had been started in the fifties, withstood the storm of 1873; whereas of the seventy banks founded at Vienna from 1868 to 1873, only eighteen were still operative in 1883, and of sixty-five provincial banks founded

in the same year, only twenty-one were alive in 1883. We append an illustrative table showing the status of these institutions (expressed in millions and thousands):

YEARS.	Number of Banks and Credit Institutions.	Capital Stock Paid In.	Liabilities.	Receipts.	Expenditures.	Profit or Loss.
		FLORINS.	FLORINS.	FLORINS.	FLORINS.	FLORINS.
1872	131	508.63	1.968.34	133.26	44.38	+88.88
1873	102	480.84	1.757.78	101.35	140.46	-39.11
1874	75	329.72	1.478.36	70.83	51.95	+18.88
1875	71	321.58	1.383.55	58.00	46.04	+11.96
1876	65	269.84	1.340.80	55.01	46.03	+8.98
1877	57	238.74	1.291.17	52.42	35.12	+17.30
1878	53	236.27	1.319.56	53.71	34.66	+19.05
1879	53	239.89	1.400.08	58.62	36.11	+22.51
1880	54	262.81	1.486.30	58.17	35.93	+22.24
1881	55	310.40	1.651.86	65.98	38.20	+27.78
1882	56	312.08	1.650.54	63.89	37.56	+26.33
1883	58	313.21	1.641.72	62.13	37.37	+24.76

With the exception of the Austrian Bank, only forty-seven banks may be regarded as still substantially solvent after 1883, geographically distributed as follows: Lower Austria, 15 (of which 14 belong to Vienna); Upper Austria, 2; Carniola, 1; Styria, 2; Coast Province, 2; Tyrol and Vorarlberg, 1; Bohemia, 12; Moravia, 2; Silesia, 1; Galicia, 4; Bukowina, 1; Dalmatia, 4. Twenty-nine of these banks engage in mercantile and industrial applications of credit, as well as in agricultural operations of the *crédit mobilier*; sixteen confine themselves to ordinary banking business; and others, including some of both the preceding classes, make most of their profits through large foundations, funding of loans, etc. In the period from 1869 to 1883, the movements in the capital stock, including that of the Austro-Hungarian Bank, were as follows:

YEARS.	VIENNA.		PROVINCES.		Total Banks.	Total Stock Paid In.
	Existing Stock Banks.	Capital Stock	Number of	Capital Stock		
		Paid In.	Banks.	Paid In.		
		THOUSAND FL.		THOUSAND FL.		THOUSAND FL.
End of 1869	23	209.182	24	22.663	47	231.845
End of 1870	21	218.700	29	23.589	50	242.289
End of 1871	31	258.940	36	28.745	67	287.685
End of 1872	59	417.194	66	91.437	125	508.631
May, 1873	69	519.290	72	99.800	141	619.090
End of 1873	42	410.660	54	70.180	96	480.840
End of 1874	28	280.680	40	49.044	68	329.724
End of 1875	25	277.572	39	44.009	64	321.581
End of 1876	18	228.500	38	41.337	56	269.837
End of 1877	15	204.388	33	34.347	48	238.735
End of 1878	14	203.788	31	32.485	45	236.273
End of 1879	14	206.788	31	33.099	45	239.887
End of 1880	15	231.588	31	31.217	46	262.805
End of 1881	15	279.725	31	30.678	46	310.403
End of 1882	15	279.725	32	32.359	47	312.084
End of 1883	15	279.725	33	33.480	48	313.205

Including the Austro-Hungarian Bank, we may classify the banks as follows, the amounts being represented in Austrian florins:

CATEGORY OF BANKS.	Number of Joint-Stock Banks.	CAPITAL STOCK, 1883.	
Austro-Hungarian Bank	1	90,000,000	28.73 per cent.
Discount, deposit, and loan banks	16	22,973,000	7.33 per cent.
<i>Crédit mobilier</i> banks	13	172,127,000	54.95 per cent.
Mortgage credit institutions	7	21,687,000	6.93 per cent.
People's banks	6	479,000	0.16 per cent.
Loan and pawning concerns	5	5,939,000	1.90 per cent.
Total	48	313,205,000	100.00 per cent.

The balances for the separate years from 1870 to 1883 reveal unexampled fluctuations. Except in the case of the Austro-Hungarian Bank, the maximum total of liabilities occurred in 1872, at 1,466,000,000 florins, and the minimum, 784,000,000 florins, in 1877. The liabilities of Vienna banks decreased by fifty-four per cent.; those of the provincial banks by only twenty per cent. As business revived, liabilities rose again from 1878 forward; not appreciably, however, in the case of the Austro-Hungarian Bank. The following table shows the distribution of liabilities in percentages, exclusive of the Austro-Hungarian Bank:

YEARS.	Capital Stock.	Mortgage Capital.	Exchequer Bills and Money Deposits.	Acceptances and Bank Accounts	Creditors.	Reserve Fund.	Profit and Loss Account.	Other Liabilities.	Total.
1870	20.84	24.43	11.09	5.46	30.80	1.23	3.58	2.57	100.00
1871	20.08	21.38	12.64	6.47	31.61	1.40	3.93	2.49	100.00
1872	20.96	16.08	9.73	6.34	38.03	0.97	5.28	2.61	100.00
1873	30.08	22.21	9.05	7.91	23.27	2.87	0.96	3.65	100.00
1874	24.66	29.03	11.25	7.09	20.61	3.24	1.56	2.56	100.00
1875	25.49	33.17	10.77	6.41	17.23	3.32	0.96	2.65	100.00
1876	21.67	36.98	10.42	8.08	17.86	1.38	0.73	2.88	100.00
1877	19.04	40.35	10.77	8.06	15.74	1.71	1.23	3.10	100.00
1878	18.32	41.69	10.58	7.12	16.98	1.38	1.45	2.48	100.00
1879	17.61	40.63	10.99	6.49	18.66	1.45	1.87	2.30	100.00
1880	16.52	41.64	10.64	5.83	19.63	1.53	1.80	2.41	100.00
1881	20.46	36.19	9.69	5.13	21.70	2.41	2.00	2.42	100.00
1882	20.77	36.06	9.06	6.10	20.95	2.69	1.80	2.57	100.00
1883	21.23	36.62	9.78	6.95	18.41	2.87	1.69	2.45	100.00

The item of *exchequer bills* calls for special remark, as they require longer terms of notice than other interest-bearing deposits. On the side of *assets*, the least fluctuation appeared in the items of *bills of exchange and mortgage loans*. The latter departments represent the ordinary course of business, and are least influenced by speculations at

the Bourse. Still, the bills portfolio could not altogether escape the effects of critical years; and from its maximum status of 337,000,000 florins in 1872, it declined to 259,000,000 florins in the six years following. A constant improvement set in at the close of 1878, and by 1883 the bills had again reached a maximum of 338,000,000 florins. Their subsequent movement varied somewhat according to turns of the market, but on the whole it was steadily and solidly upward. *Loans* show less uniformity, because they are also connected with contango operations, and these are more or less subject to chance. Loans dropped by a round fifty per cent. from their high status just before the critical period, in the course of the next nine years. We subjoin a classified table of assets in percentages, exclusive of the Austro-Hungarian Bank:

YEARS.	Cash.	Bills of Exchange	Commercial Effects and Securities.	Loans.	Mortgage Loans.	Real Estate and Building and Lots.	Advances on Merchandise and Securities.	Other Assets.	Total.
1870	2.88	19.44	4.95	36.93	24.52	0.76	7.32	3.20	100
1871	2.80	19.49	3.75	38.89	21.10	0.61	9.74	3.62	100
1872	2.48	11.58	6.05	51.00	16.46	0.55	9.43	2.45	100
1873	2.10	12.87	7.70	39.85	22.59	2.41	3.81	8.58	100
1874	2.68	18.17	7.19	29.39	29.21	3.52	3.93	5.91	100
1875	3.38	18.50	6.36	26.52	32.96	2.34	4.16	5.78	100
1876	2.18	17.93	6.37	26.94	36.62	2.38	3.19	4.39	100
1877	2.50	19.41	6.44	21.42	40.30	2.56	3.71	3.66	100
1878	3.02	18.63	5.39	22.06	41.04	2.55	4.07	3.24	100
1879	3.00	17.75	4.17	21.71	40.02	2.58	7.72	3.05	100
1880	3.10	16.65	4.18	22.16	39.60	2.63	8.30	3.38	100
1881	3.20	14.33	4.65	26.27	34.08	2.32	10.83	4.32	100
1882	2.78	14.82	4.45	31.10	35.03	2.79	5.30	3.73	100
1883	2.87	16.04	4.14	29.08	35.86	2.74	5.52	3.75	100

Next, we may distribute the assets among the respective banks as follows, including the Austro-Hungarian, stated in millions of florins and percentages:

CATEGORY OF BANKS.	AMOUNTS.			PERCENTAGES.			
	Coin Reserve and Coin Bills of Exchange.	Cash.	Exchequer Bills, Savings Deposits, and Money Orders.	Bills on Hand.	Coin Reserve and Coin Bills of Exchange.	Cash.	Exchequer Bills, Savings Deposits, and Money Orders.
Austro-Hungarian Bank	200.94	2.44		169.34	34.04	0.41	28.69
Discount, deposit, and loan banks:							
In Vienna		6.22		44.10		10.07	71.43
In the provinces		2.27		35.94		3.44	54.48
Total		8.49		80.04		6.65	62.68
<i>Crédit mobilier</i> banks:							
In Vienna		14.56	0.17	67.44		3.67	0.04
In the provinces		0.79	0.84	10.81		1.90	2.02
Total		15.35	1.01	78.25		3.50	0.23
Mortgage credit institutions:							
Joint-stock mortgage banks		4.10	6.44	9.11		1.54	2.43
Mutual liability companies		1.44	4.78	0.01		0.81	2.69
Mtge. department of savings-banks		0.40	1.46			1.42	5.23
Total		5.94	12.68	9.12		1.26	2.69
People's banks		0.04		0.56		2.56	33.87
Pawn concerns		0.38		0.63		3.07	4.99
Total	200.94	32.64	13.69	337.94	12.24	1.98	0.83
							20.58

The several headings of the assets columns below express the sundry departments of business; nearly all of which require special technical direction. That direction implies an adaptation to banks of the general economic principle known as division of labor. (We are at present quoting from Dr. Heinrich Rauchberg.)



*Assets, 1883—Million Florins, Austrian Standard.*

CATEGORY OF BANKS.	Commercial Effects and Securities.	Coupons and Interest.	Loans.	Merchandise.	Mortgage Loans.	Real Estate and Building Lots.	Advances on Merchandise and Securities.	Foundation Expenses and Inventory.	Sundry Assets.
Austro-Hungarian Bank	4.11	0.15	79.45		86.99	2.91	30.03		13.92
Discount, deposit, and loan banks:									
In Vienna	0.98		0.51			1.62	7.46	0.03	0.81
In the provinces	1.52	0.02	23.01		0.08	1.60	0.87	0.07	0.60
Total	2.50	0.02	23.52		0.08	3.22	8.33	0.10	0.41
<i>Crédit mobilier</i> banks:									
In Vienna	29.15	0.17	241.67		0.23	11.08	29.31	0.15	2.94
In the provinces	2.14	0.02	9.85	8.17		4.88	3.92	0.04	0.04
Total	31.29	0.19	251.52	8.17	0.23	15.96	33.23	0.19	2.98
Mtge. credit institutions:									
Joint-stock mtge. banks	5.50	0.01	26.48		196.08	6.96	8.57	0.05	2.20
Mutual liability co's	3.73	3.59	1.53		161.29	0.92	0.34	0.05	0.13
Mtge. dept. of savings-banks		0.18	0.04		19.30	0.36	0.07		6.11
Total	9.23	3.78	28.05		376.67	8.24	8.98	0.10	8.44
People's banks	0.04		0.50		0.09		0.25		0.14
Pawn concerns	0.49	0.22	2.12		0.02	1.37	7.23	0.03	0.02
Total	47.66	4.36	385.16	8.17	464.08	31.70	88.05	0.42	26.91

The following statement gives the same items in percentages:

CATEGORY OF BANKS.	Commercial Effects and Securities.	Coupons and Interest.	Loans.	Merchandise.	Mortgage Loans.	Real Estate and Building Lots.	Advances on Merchandise and Securities.	Foundation Expenses and Inventory.	Sundry Assets.
Austro-Hungarian Bank	0.70	0.02	13.46		14.74	0.49	5.09		2.36
Discount, deposit, and loan banks:									
In Vienna	1.58		0.83			2.63	12.09	0.05	1.32
In the provinces	2.29	0.04	34.87		0.13	2.42	1.32	0.10	0.91
Total	1.95	0.02	18.42		0.06	2.52	6.52	0.07	1.11
<i>Crédit mobilier</i> banks:									
In Vienna	7.35	0.04	60.89		0.06	2.79	7.39	0.04	0.74
In the provinces	5.14	0.06	23.72	19.70		11.75	9.45	0.10	0.10
Total	7.14	0.04	57.38	1.87	0.05	3.64	7.58	0.04	0.68
Mtge. credit institutions:									
Joint-stock mtge. banks	2.07	0.01	9.97		73.85	2.62	3.23	0.02	0.83
Mutual liability co's	2.10	2.02	0.86		90.71	0.52	0.19	0.02	0.07
Mtge. dept. of savings-banks		0.67	0.16		69.10	1.27	0.25		21.88
Total	1.96	0.80	5.95		79.93	1.75	1.91	0.02	1.79
People's banks	2.94	0.26	30.45		5.57		14.61	0.44	9.30
Pawn concerns	4.00	1.65	16.99		0.16	11.02	57.79	0.23	0.10
Total	2.90	0.30	23.45	0.50	28.27	1.93	5.36	0.02	1.64

*Profit and Loss Account for a Series of Years, expressed in Millions of Florins, Austrian Standard.*

YEARS.	PROFIT (+) OR LOSS (-) FOR ALL THE JOINT-STOCK BANKS, EXCEPT THE AUSTRO-HUNGARIAN.			Proceeds of Banks without Joint Stock.	Proceeds of the Austro- Hungarian Bank.	Profit (+) or Loss (-) of all the Banks, the Austro-Hungarian included.
	Vienna.	Provinces.	Total.			
1870	+22.07	+ 2.88	+24.95	+0.14	+ 8.25	+33.34
1871	+30.63	+ 4.01	+34.64	+0.19	+ 9.18	+44.01
1872	+67.89	+10.38	+78.27	+0.33	+10.28	+88.88
1873	-43.09	- 7.15	-50.24	+0.27	+10.86	-39.11
1874	+ 5.99	+ 3.35	+ 9.34	+0.45	+ 9.09	+18.88
1875	+ 1.90	+ 2.09	+ 3.99	+0.46	+ 7.51	+11.96
1876	- 0.21	+ 1.73	+ 1.52	+0.44	+ 7.01	+ 8.97
1877	+ 7.00	+ 2.61	+ 9.61	+0.55	+ 7.14	+17.30
1878	+ 9.32	+ 2.40	+11.72	+0.47	+ 6.86	+19.05
1879	+13.66	+ 2.67	+16.33	+0.33	+ 5.85	+22.51
1880	+13.70	+ 2.34	+16.04	+0.45	+ 5.75	+22.24
1881	+18.45	+ 3.24	+21.69	+0.23	+ 5.86	+27.78
1882	+16.41	+ 3.17	+19.58	+0.13	+ 6.62	+26.33
1883	+14.69	+ 3.34	+18.03	+0.12	+ 6.61	+24.76

*Application of Net Profits for a Series of Years—Percentages.*

YEARS.	To Interest and Dividends.	Tantiemes.	Appropriations & Reserve Fund.	Other Applications.	Total.
1870	78.71	7.25	12.35	1.69	100
1871	82.74	7.53	7.40	2.33	100
1872	64.45	7.50	18.58	9.47	100
1873	84.84	4.27	6.61	4.28	100
1874	68.51	3.83	7.04	20.62	100
1875	51.73	2.44	8.33	37.50	100
1876	71.94	3.07	15.73	9.26	100
1877	79.27	3.78	11.31	5.64	100
1878	75.16	2.95	12.87	9.02	100
1879	71.15	4.73	12.81	11.31	100
1880	73.98	4.90	12.71	8.41	100
1881	77.80	5.28	12.17	4.75	100
1882	81.11	4.50	10.89	3.50	100
1883	82.82	3.98	10.18	3.02	100

## AUSTRIAN ASSOCIATIONS, OR CO-OPERATIVE SOCIETIES.

These institutions were legally organized toward the close of 1860. The Imperial Diet, in considering measures to be adopted, very carefully avoided the mistake of the

German Empire, and gave no advantage to the rich over the poor. The matter of limited or unlimited liability was left optional with the organizing members. In practice, the societies are about equally divided. However, this remarkable fact was observed in the stormy years following the crisis of 1873, that the number of unlimited societies which fell into bankruptcy was much greater than that of bankrupt limited societies. There was the same reason for this as in England; namely, that in case of unlimited liability, the partners feel too much confidence in the directors and attach too little importance to cautious management. In Austria, co-operative societies have not attained wide development; there were too many older, powerful savings institutions, not to mention the new and admirable postal savings-banks, with their highly successful system of cheques. Lastly, there is the effectual competition of many local and provincial banks. The transactions of these societies are therefore very modest; their savings deposits are usually in sums less than 100 florins, and only in exceptional instances do the separate sums amount to 3000, 4000, or 7000 florins. Data furnished by the Austro-Hungarian financial year-book, "Compass," are so meagre that we shall not attempt any tabulated statements.

## SAVINGS-BANKS.

In the front rank of savings-banks appears the Postal Savings-Bank, which has by far the most perfect organization. Founded as recently as 1883, this institution soon spread into fourteen of the Crown lands; and when the department of cheques, or money orders, was added to its business, all classes of society patronized its bureaus. The number of its customers in 1894 was about 2,000,000, and their deposits amounted to more than 124,000,000 florins. There were over 1,000,000 depositors under twenty years of age, one-third of whom were children under ten years. Transactions in cheques and clearances amounted to 46,000,000 florins in 1884, 265,000,000 florins in 1885, and above 1,367,000,000 in 1894. The secret of this prodigious activity is quite simple, in that the whole transfer of payments is gratuitous. Every postal savings-bank money order, drawn by any depositor, is at once made payable in cash and receipted at any post-office in any part of the Empire, without cost of postage or other charges whatsoever.

For further data, see Appendix.

[\[Back to Table of Contents\]](#)

## CHAPTER III.

### HUNGARIAN JOINT-STOCK BANKS AND PRIVATE CREDIT INSTITUTIONS.

#### THE ERA OF PRIVATE BANKING.

PRIVATE banking in Hungary received its main impulse about the time of the crisis of 1873, when many joint-stock companies came into being. The Hungarian soil is a fruitful field for credit operations, for it is the most fertile in Europe, and the climate is mild. Moreover, land is cheap and wages are lower than in most of the Austrian provinces. Under such conditions, interest on movable capital is high, greatly varying also according to the different counties. Only ten years ago, the interest rates of savings-banks ranged from four and a half to twelve per cent.; and fifteen years ago, the State itself had to pay nine per cent. on loans at short sight. But such excessive rates have given way to the powerful financial revolutions of the past decade. The State now pays only four per cent. on its gold rentes; and the Austro-Hungarian Bank maintains a very constant interest rate of four and a half to five per cent. By the revised Bank Act of 1887, the appropriation to the Austro-Hungarian Bank for discounts in Hungary was materially increased, and the same bank's Hungarian mortgage loans rose to 90,000,000 florins. Again, Hungary's liberal concessions to foreign industrial enterprises, in the way of periodical abatement of taxes, customs, and State railway freights, offer potent inducements to outside capital. In 1882, there were 113 discount and commercial banks in Hungary and 289 co-operative banking societies, with rates of discount ranging from four to fourteen per cent., and of interest on loans from six to ten per cent. Interest-bearing deposits, for which certificates or bonds are issued, yielded from three and a half to four and a half per cent. We append a table showing the condition of the aggregate Hungarian joint-stock banks and credit institutions from 1873 to 1882, inclusive, stated in Austrian florins:

YEARS.	Shares Paid In.	Reserve Fund.	Deposits and Interest.	Profits.	Bills of Exchange.	Advances.	Mortgage Loans on Real Estate.	Debtors in Accounts Current.	Mar Valu Secu
1882	22,924,407	14,297,140	293,809,574	5,714,400	109,063,374	9,777,117	109,060,912	5,872,572	75,9
1881	21,100,985	13,072,129	283,696,713	5,806,384	103,357,781	7,390,900	101,393,576	9,124,895	70,7
1880	20,802,965	10,337,968	260,022,068	5,392,933	95,641,828	7,508,506	98,305,789	5,455,429	66,8
1879	20,274,689	7,640,767	242,838,115	5,329,824	91,730,519	7,232,267	94,583,415	5,617,281	48,2
1878	19,671,009	5,172,157	215,680,148	4,662,652	83,354,953	7,766,093	90,568,158	6,057,566	35,8
1877	19,794,784	4,361,803	206,291,870	4,625,822	75,939,034	8,432,853	90,080,780	3,866,520	32,0
1876	19,775,220	3,641,816	189,713,114	4,250,591	71,468,221	8,067,143	88,323,444	3,090,146	24,6
1875	19,499,152	3,401,398	173,631,413	4,130,233	67,608,373	9,817,226	80,836,320	3,082,627	23,0
1874	18,217,014	3,140,092	158,931,264	4,197,893	65,158,472	1,237,839	77,436,174	2,741,097	20,1
1873	17,201,766	2,695,819	152,092,648	3,762,069	61,642,511	1,932,058	75,076,378	2,264,484	16,5

## HUNGARIAN MORTGAGE BANKS.

In addition to the mortgage department of the Austro-Hungarian Bank, there were five independent mortgage credit institutions in Hungary in 1882. Certain Vienna mortgage banks also had considerable business with Hungary. The prevailing discount rate was from four to seven per cent.; the rate on dead-pledge loans, four and a half to seven per cent., and on mortgage loans, four and a half to eight per cent., besides the usual fees, or according as an amortization charge is stipulated or not. Mortgage banks pay from four to five per cent. on deposits. Three of these five Hungarian mortgage banks are located in Buda-Pesth, one is at Sopron, and the fifth at Hermannstadt, or Nagy-Szeben. We append their balances for 1876-1882:

### *Hungarian Mortgage Banks, Assets for 1876-1882, in Austrian Florins.*

YEARS.	Bank Bills.	Credit Bills.	Securities and Pledges.	Mortgage Loans on Real Estate.	Loans by Promissory Notes.	Debtors in Accounts Current	Market Value of Securities.	Inventory and Value of Movables.	Losses and Value of Transient Items.	Re
1882	2,870,423		968,796	95,069,130		5,215,687	16,747,167	1,374,455		4,5
1881	2,699,981		4,463,921	81,376,861		5,911,664	13,523,191	1,385,388		5,2
1880	3,195,406		1,449,449	72,264,256		9,995,830	8,138,621	1,751,936		4,3
1879	2,963,779		3,245,518	63,437,353		3,682,086	5,493,959	2,080,052		3,6
1878	1,207,362	38,350	64,085	62,516,289		7,509,467	6,227,393	1,939,825	2,618,352	2,6
1877	1,385,934	42,745	70,068	59,797,334	42,827	2,664,210	7,035,230	1,712,223	3,063,758	2,8
1876	4,150,900	50,774	74,787	57,959,396	40,479	2,730,044	5,968,247	1,727,913	2,950,306	2,4

*Hungarian Mortgage Banks, Liabilities for 1876-1882, in Austria*

YEARS.	Statutory Capital Stock.	Shares Paid In.	Capital Investments.	Reserve Fund.	Creditors' Surety and Reserve Fund.	Savings Deposits and Interest.	Exchequer Bills & Drafts in Circulation (or outstanding).	Acceptances in Circulation.	Cred in Acco Curr
1882	20,480,000	12,210,326		7,077,840	190,408	585,375	357,600		5,92
1881	20,450,000	12,228,326		6,830,702	100,865	540,069	422,000		4,97
1880	50,540,000	7,958,000		6,937,002		423,111	554,900	162,785	6,53
1879	35,540,000	7,678,000		4,747,071		330,997	391,081		4,29
1878	36,290,000	11,840,140		5,428,954	6,775	510,871	416,100		2,12
1877	36,290,000	8,978,000		5,198,877	6,504	403,043	387,013		1,99
1876	36,230,000	8,960,000	21,290	3,834,858	6,788	233,160	558,441		2,74

## HUNGARIAN CREDIT ORGANIZATIONS IN 1892.

To pass on ten years, in 1892 there were 203 discount and loan banks in Hungary; six mortgage credit banks; 660 co-operative banking societies, besides 101 in Croatia-Slavonia, and four banking establishments in the strongly Italian-savored port, Fiume. To all these we may add 505 savings-banks, which commonly engage in banking operations, receiving and placing deposits, investing in mortgage loans, making advances on securities, and discounting bills. Official returns show that at the close of 1892, and inclusive of the savings-banks, 1479 credit organizations in the Hungarian Kingdom owned a paid capital stock of 111,920,000 florins, of which 37,930,000 florins were in joint-stock shares; 50,360,000 florins in the general reserve fund; 17,020,000 florins constituted a special reserve; 940,000 florins a surety fund for creditors; and, in fine, the total controlled capital was 218,180,000 florins. The liabilities included 661,900,000 florins in savings deposits; 7,650,000 florins in deposits and cheques; 9,950,000 florins in outstanding acceptances; 160,700,000 florins in accounts current; 225,880,000 florins in mortgage bonds debit, and a profit balance of 22,970,000 florins. Liabilities all told amounted to 1,455,500,000 florins. Total profits came to ten and a half per cent. of the net capital. At the close of 1892, discounts amounted to 366,300,000 florins; surety bills, 7,400,000 florins; loans on securities, accepted bills, and mortgage loans, 446,700,000 florins; obligations, 188,590,000 florins; bank accounts, 120,400,000 florins; securities, inventory, and real estate, 28,900,000 florins; other claims and current items, 60,400,000 florins; cash, 25,530,000 florins; total assets, 1,455,500,000 florins (not so by the addition of all the reported items). In percentages on the savings deposits and interest due, discounts amounted to 507/10 per cent.; surety acceptances, 11/10 per cent.; loans, 11 per cent.; mortgage loans, 674/10 per cent.; obligations debit, 195/10 per cent.; securities, 195/10 per cent.

Our latest reports (see Appendix) include the balances for 1894. The most striking feature of affairs from 1885 to 1894 is the enlarged rôle of the Austro-Hungarian Bank in Hungary. Owing to the increased statutory provisions of 1887, discounts in the Hungarian department of the Austro-Hungarian Bank rose from a round sum of

forty-five million florins to eighty million florins; and mortgage loans from sixty-two million florins to 108,000,000 florins. Of the latter total, twenty-one million florins were loaned on houses; eighty million florins on estates, and seven million florins on small properties.

At the close of 1894 the Austro-Hungarian Bank had twenty-one branches and eighty accessory branches in Hungary, besides the headquarters in Buda-Pesth. Of the Bank's total transactions for 1894, amounting to 2,311,775,000 florins, 555,478,000 florins fell to Hungary; 1,756,297,000 florins to Austria. Its discounts were 433,070,000 florins in Hungary; 643,370,000 florins in Austria. Loans, 37,593,000 florins in Hungary; 117,185,000 florins in Austria.

*Status of the Austro-Hungarian Bank in Hungary, 1881-94, expressed in Thousands of Florins.*

ITEM OF DISCOUNTS.

YEARS.	Bills Portfolio at the Beginning of the Year.	VALUE OF BILLS.		Close of the Year.
		Collected during the Year.	Discounted during the Year.	
Average 1881-1885	44,345	220,185	219,667	44,863
Average 1886-1890	49,848	244,616	241,671	52,793
1891	57,228	336,487	320,293	73,422
1892	73,422	325,807	330,411	68,818
1893	68,818	427,565	414,906	81,477
1894	81,477	433,070	436,323	78,224

ITEM OF MORTGAGES.

YEARS.	Beginning of the Year.		Standing at close of Year.	On		
	Loan	Loaned in course of Year.		Houses.	On small Estates.	On small Properties.
Average, 1881-1885	61,214	10,914	62,224	7,684	49,453	5,087
Average, 1886-1890	73,950	11,624	78,530	11,570	61,583	5,377
1891	87,662	11,414	91,133	16,366	68,662	6,105
1892	91,133	9,321	95,963	18,160	71,493	6,310
1893	95,963	10,714	101,129	19,488	74,878	6,763
1894	101,129	17,658	108,379	21,057	80,005	7,371

From the financial year-book, "The Compass," for 1896, we borrow the following data: At the close of 1894 there were 835 banking concerns in Hungary, and 782 of them published their balances. These 782 concerns represent a total of assets reaching 158,450,000 florins, and 124,740,000 florins of liabilities. The balances at the end of 1894 gave 33,710,000 florins net income, only seven banks showing a small loss. The net income was shared by seven mortgage banks with 11,770,000 florins; by ten Buda-Pesth banks and savings-banks with 24,470,000 florins, and 752 provincial institutions with 11,240,000 florins. In the average, each institution gets 750,000



florins, equal to 24.8 per cent. of the joint stock. Each provincial bank gets 14,948 florins, or 18.7 per cent. of the capital. The reserve fund had been increased in 1894 by 7,560,000 florins (or 49.89 per cent. of the joint-stock capital).

The total of the savings deposits and emitted bonds has reached 1,139,400,000 florins, an increase in 1894 of 76,400,000 florins. Amongst the 158,450,000 florins of *assets* above mentioned as belonging to 782 institutions are included 1.3 per cent. cash; 7.73 per cent. securities; 1.67 per cent. immovables; 0.05 per cent. inventory; 39 per cent. mortgage loans; 4.91 per cent. loans on securities; 1.27 per cent. obligations and effects; 26.57 per cent. bills of exchange; 11 per cent. diverse debtors; 0.6 per cent. current accounts; 5.4 per cent. investments in large industrial undertakings. Thirty-nine per cent. are therefore invested in mortgage loans and other emissions whose prompt liquidation is not easy.

The *liabilities* of 124,740,000 florins comprise 9.5 per cent. of capital; 4.72 per cent. reserve fund; 71.9 per cent. bonds and deposits; 0.39 per cent. pension fund; 5.6 per cent. creditors; 1.35 per cent. current accounts; 4.69 per cent. rediscount; 2.13 per cent. net income (or 22 per cent. of the shareholders' capital). Croatia, which is not included in these figures, has fifty-five balance-sheets from fifty-five institutions, the total number being sixty-six. Those concerns report 60,920,000 florins of *assets*; 59,960,000 florins of *liabilities*; 960,000 florins net income, averaging 7.4 per cent. of the capital stock. Of these institutions, thirty banks and savings-banks are at Buda-Pesth, and show the following total balance in 1894: *Assets*—Cash, 8,890,000 florins; discounts, 99,430,000 florins; loans, 67,710,000 florins; mortgage loans, 424,230,000 florins; securities and effects, 72,140,000 florins; investments in industrial undertakings and banking concerns, 361,000 florins; in immovables, 7,440,000 florins; syndicates, 112,610,000 florins; inventory, 310,000 florins; transient items, 9,980,000 florins. Total, 885,940,000 florins. *Liabilities*—Joint stock, 90,440,000 florins; reserve fund, 45,060,000 florins; pension fund, 2,650,000 florins; acceptances, 6,520,000 florins; deposits, bonds, cheques, 644,290,000 florins; transient items, 11,570,000 florins; creditors, 62,940,000 florins; net income, 22,470,000 florins. Total, 885,940,000 florins.

## HUNGARIAN GENERAL CREDIT BANK.

A detailed account of all the prominent Hungarian joint-stock banks would be too voluminous to present here; but we must make an exception in the case of the Hungarian General Credit Bank, which is a financial rival of the Austrian Credit Bank, and plays the same part in Buda-Pesth as the latter in Vienna. It was founded in 1867, and its charter was last revised in 1891. The capital stock at first stood nominally at 15,000,000 florins, in 75,000 shares, of which forty per cent. was paid in. This made an effectual stock of 6,000,000 florins; increased to 12,000,000 florins in 1872; reduced to 10,000,000 florins in 1877, and again increased, to 14,000,000 florins in 1890. Shares held by the Austrian Credit Bank to an amount of 3,000,000 florins were paid back; and the latter institution's interests in the Hungarian Credit Bank were cut down to twenty-five per cent. after 1892. Other shareholders were allowed to hold two new shares to each of their former shares fully paid in. The purchase price of the new shares was 290 florins each, with the addition of five per

cent. interest dating from January 1, 1891. The business development of this institution is outlined in tables reserved for the Appendix.

## HUNGARIAN CO-OPERATIVE SOCIETIES.

In 1882, there were two hundred and eighty-nine co-operative societies, or "people's banks," in Hungary, whose rates of discount varied from six to twelve per cent., and of interest on loans from eight to ten per cent. They paid from four to six per cent. on deposits at short sight, and five to eight per cent. on those of longer dates. We append balances for the period 1877-82, the values being expressed in Austrian florins:

YEARS.	Capital Stock.	Savings Deposits and Interest.	Profits.	Bills of Exchange.	Advances.	Mortgage Loans.	Promissory Notes.	Cash.
1882	15,717,885	13,371,328	4,205,401	16,898,773	958,150	1,061,220	13,408,364	949,466
1881	15,184,088	11,688,233	1,116,850	10,961,900	506,169	4,274,270	11,609,210	866,755
1880	14,752,024	10,418,570	1,217,012	8,821,467	689,932	3,936,105	12,008,240	794,160
1879	14,031,746	9,241,712	1,112,689	8,467,790	521,349	3,359,475	10,898,481	865,132
1878	13,059,386	7,872,603	1,077,642	8,034,237	503,309	2,874,337	10,079,564	707,340
1877	12,546,544	7,119,854	926,654	7,712,080	404,608	2,452,641	9,384,649	588,314

The status of 660 Hungarian co-operative societies was ascertained in 1892. Their assets ranged between 100 and 1200 florins each, and their dividends from 4 to 14 florins. Discounts ranged from 100 to 700 florins. Loans on pledges and securities varied from 100 to 1000 florins; mortgage loans, from 100 to 1100 florins. These facts singularly illustrate how, in Hungary, the poorest classes combine to protect and utilize their very small earnings, and experience seems to indicate that they manage this business with entirely satisfactory results.

## HUNGARIAN SAVINGS-BANKS.

Savings-banks do a large business for the general public, especially in the rural country and in small towns; or in localities not directly reached by the Austro-Hungarian Bank, nor by private discount banks. Both with respect to the number of new bureaus and to the sum total of deposits, the savings-banks have shown constant growth. In 1882, there were 335 savings-banks in Hungary; which rated their discounts in proportion to the fertility of the soil and the density of population. The range was from four and a half to twelve per cent. and the prevailing average seven per cent. But since Hungary reorganized her budget, and also in consequence of the international market adjustments, the former high rates have declined; and the national currency reforms have had their effect. In a word, savngs-banks have been influenced greatly to their advantage by the universal improvement in financial methods. By 1894, the number of these banks in Hungary had increased to 505. The following table gives data for 1873-1882:

*Statistics of Hungarian Savings-Banks, 1873 to 1882, stated in Austrian Florins.*

YEARS.	Shares Paid In.	Reserve Fund.	Deposits and Exchequer Bills.	Creditors In Accounts Current.	Profits.	Bills of Exchange.	Advances.	Debtors in Accounts Current.	Market Value of Securities.
1882	48,987,201	6,071,917	50,895,508	33,166,620	4,892,167	60,318,620	11,094,835	29,736,729	13,381,111
1881	38,863,086	2,841,543	46,044,893	34,490,415	3,942,497	51,791,910	10,850,699	29,529,310	11,350,442
1880	32,991,969	2,449,496	40,024,090	23,954,550	3,183,256	49,503,630	7,980,377	17,557,228	8,942,442
1879	27,137,184	1,992,631	34,512,158	19,978,804	3,288,065	46,191,496	7,232,786	16,014,905	4,693,242
1878	27,608,384	1,724,473	29,699,741	13,161,481	3,010,993	44,047,540	4,479,987	10,505,583	4,440,242
1877	31,526,622	1,280,980	27,426,561	12,791,197	2,960,230	40,782,659	4,836,446	12,715,868	4,670,342
1876	38,292,405	1,081,872	26,493,689	13,189,179	1,861,183	36,977,440	4,644,058	11,608,915	7,549,542
1875	48,951,631	1,110,917	24,116,359	11,688,320	1,878,277	33,397,657	6,126,994	13,477,734	10,197,442
1874	54,181,655	1,448,632	24,261,061	16,109,983	3,132,250	35,156,368	6,089,971	17,003,304	9,163,111
1873	52,806,342	1,528,454	23,551,069	28,264,521	2,650,036	30,962,833	8,584,422	28,140,952	9,176,242

*Summarized Balance of 437 Hungarian Savings-Banks, 1890, stated in Austrian Florins.*

ASSETS.		LIABILITIES.	
Bills of exchange	188,158,200	Capital stock paid in	31,595,900
Mortgage loans	156,970,100	Reserve fund	16,044,700
Advances	17,147,200	Deposits	452,018,900
Securities	74,485,600	Rediscounts	15,026,600
Various investments	102,136,400	Sundry liabilities	51,640,400
Real estate	14,190,400	Profits for 1890	8,435,500
Cash	10,723,900		
Other assets	10,950,200		
Total	574,762,000	Total	574,762,000
Dividends paid for 1890			5,613,833
Deposits brought over from 1889			+32,764,400

*Summarized Balance of 35 Croatian Savings-Banks, 1890, stated in Austrian Florins.*

ASSETS.		LIABILITIES.	
Bills of exchange	11,870,200	Capital stock paid in	1,343,700
Mortgage loans	6,998,800	Reserve fund	1,038,400
Advances	1,023,200	Deposits	22,679,400
Securities	4,235,600	Rediscounts	1,037,500
Various investments	907,500	Sundry liabilities	1,040,500
Real estate	1,542,500	Profits for 1890	367,100
Cash	532,800		
Other assets	396,000		
Total	27,506,600	Total	27,506,600
Dividends paid for 1890			205,400
Deposits brought over from 1889			+565,700

## THE POST SAVINGS-BANK.

The Royal Hungarian Post Savings-Bank was instituted in 1886. It shows the following development:

	1886.	1893.
Number of bureaus	2,000	3,907
Customers:		
Savings depositors	85,517	234,131
Drawers of cheques (1890)	910	2,568
Clearance patrons (1890)	656	1,751
	FLORINS.	FLORINS.
Deposits	65,714,013	256,029,968
Total deposits, 1886 to 1893		686,990,810
Total payments, 1886 to 1893		672,559,794

From 1886 to 1893, 568,753 deposit books were given out (421,905 Hungarian, 96,222 Magyar-Teutonic, 20,437 Magyar-Croatian, 17,237 Magyar-Slovak, 7116 Magyar Roumanian, etc.), 334,622 books (58.8 per cent.) were balanced and canceled, while 234,131 remained open and in good order at the end of 1893. 67.5 per cent. of the deposits in 1893 were in sums under five florins. In the department of cheques, or orders, there were 2568 patrons at the close of 1893 (555 in Buda-Pesth, 1173 provincial, 94 Croatian, 728 Austrian, and 18 from other outside countries). 1751 firms or persons took part in the clearance business, which amounted to 51,062,838 florins, and comprised 45,572 transactions. Securities were bought to the amount of 4,876,730 florins. Annuity books were issued to the number of 996.

## AUSTRO-HUNGARIAN INSURANCE COMPANIES.

In our sketch of Austro-Hungarian banking, we may not omit insurance companies; for these are wont to employ their surplus premiums in discounting bills and negotiating loans. Their business in the two States must be treated under one head, as they observe no sharply defined territorial divisions. In addition to the older insurance companies, some of which trace their origin back to the times of Charlemagne (for even then there were insurances against fire and theft)—that is, in addition to fire, life, marine, steam-boiler, plate-glass, cattle, hail, and accident insurance companies—there are also societies for the dower of marriageable daughters, the care of widows and orphans, for the military service, etc. There are forty-eight domestic insurance companies in Austria, thirteen in Hungary, and sixty-eight foreign companies in the whole Empire. Apart from the proper usefulness of these organizations in the way of insuring our population, they procure for us the extra economic advantage of increasing our business buildings. The law requires them all, foreign as well as native, to maintain their own administrative buildings; which condition has been fulfilled with notable magnificence by the New York insurance companies. In both Vienna and Buda-Pesth, they have reared veritable palaces.

Though no summarized accounts are at our command, we may fairly infer from the circumstance that so many companies find profitable occupation in it, that the insurance business is in a flourishing condition, and that losses are on the wane. Damages by fire have been greatly diminished through the excellent improvement of the Fire Department in Vienna.

[\[Back to Table of Contents\]](#)

## APPENDIX To BANKING IN GERMANY AND AUSTRIA-HUNGARY.

### I.

#### STATISTICS OF BANKING IN GERMANY.

*For the following tabular statements, with accompanying explanatory remarks, relating to German non-issuing banks in the latter half of the nineteenth century, the author is largely indebted to the "German Ökonomist," of Berlin.*

#### NON-ISSUING BANKS.

*Capital and Surplus of German Private Banks, as per  
Annual Statements, 1883-1894.*

YEARS.	Capital	Stock.	Surplus.	Per Cent. of Surplus.
	MARKS.		MARKS.	
1883	1,248,700,000		174,400,000	14.00
1884	1,265,700,000		175,100,000	13.83
1885	2,272,200,000		181,800,000	14.30
1886	1,290,200,000		190,900,000	14.80
1887	1,315,500,000		202,700,000	15.40
1888	1,328,100,000		213,300,000	16.10
1889	1,536,400,000		262,100,000	17.06
1890	1,621,600,000		303,500,000	18.72
1891	1,623,900,000		312,400,000	19.24
1892	1,652,800,000		326,000,000	19.72
1893	1,667,800,000		337,800,000	20.25
1894	1,700,400,000		347,000,000	20.41

At the annual settlements, the banks also had the use of the following outside resources, including business profits. The sums are in millions of marks:

RESOURCES.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
Due to creditors and profits to be paid	1,041.6	1,050.6	1,180.4	1,489.1	1,296.3	1,290.9	1,292.3	1,344.9	1,638.9
Deposits	607.5	657.7	659.3	759.7	791.7	821.1	789.4	797.7	969.7
Acceptances	457.5	483.6	486.0	562.5	562.6	561.2	586.4	581.5	667.8
	2,106.6	2,191.9	2,325.7	2,811.3	2,650.6	2,673.2	2,668.1	2,724.1	3,276.4
Bank notes	1,215.8	1,207.8	1,288.5	1,351.0	1,295.0	1,313.9	1,327.8	1,297.5	1,402.2
	3,322.4	3,399.7	3,614.2	4,162.3	3,945.6	3,987.1	3,995.9	4,021.6	4,678.6
Mortgage bonds	2,123.5	2,268.4	2,523.1	2,859.3	3,081.7	3,353.4	3,721.3	4,001.1	4,490.8
	5,445.9	5,668.1	6,137.3	7,021.6	7,027.3	7,340.5	7,717.2	8,022.7	9,169.4
Cash	977.4	1,059.1	1,168.5	1,096.0	1,125.1	1,282.3	1,207.3	1,176.2	1,431.0
Discounts	1,342.7	1,401.0	1,415.3	1,762.4	1,718.5	1,702.9	1,799.7	1,841.0	2,040.8
Bills of exchange	1,277.0	1,364.0	1,307.5	1,583.1	1,670.0	1,661.8	1,650.6	1,611.5	1,736.1
Effects	533.2	454.2	482.9	408.2	408.7	474.0	466.6	489.9	538.3
Loans on securities	438.5	384.0	523.0	791.5	643.4	508.5	550.7	556.0	647.1
	4,568.8	4,662.4	4,897.2	5,641.2	5,565.7	5,629.5	5,674.9	5,674.6	6,394.8
Mortgages, etc	2,343.8	2,511.4	2,770.8	3,166.9	3,377.7	3,640.3	4,016.2	4,349.9	4,816.9
Total	6,912.6	7,173.8	7,668.0	8,808.1	8,943.4	9,269.8	9,691.1	10,024.5	11,211.0

The influence of changes in the money market may be distinctly observed in the ascending amount of acceptances and loans on securities. The statements attest a high degree of steadiness, which, however, is not so much owing to industrial causes as to the efforts of many banking concerns to prevent an undue fluctuation in dividends. By careful methods of balancing accounts, provision is made in favorable years for unfavorable times to come. We may here call attention to the fact that recent dividends, on an average, have not been lower than six and nineteen-hundredths per cent., nor higher than eight and nine-hundredths per cent. The variation in Bourse rates finds expression in the average per cent. of dividends as follows:

Per Cent. of Dividends.

1883 6.74  
1884 6.74  
1885 6.35  
1886 6.19  
1887 6.33  
1888 7.10  
1889 8.09  
1890 7.60  
1891 6.50  
1892 6.20  
1893 6.25  
1894 6.74

The average dividends for 1893 and 1894 may be further classified, with respect to the several kinds of banks:

*Per Cent. of Dividends.*

Banks of issue 6.68 in 1893; 5.69 in 1894.

Mortgage banks 7.68 in 1893; 7.94 in 1894.

Banks of deposit 5.72 in 1893; 6.49 in 1894.

For payment of dividends in 1894, 113,550,000 marks were required out of gross profits amounting to 199,600,000 marks. The stock on which these dividends were based amounted to 1,685,300,000 marks in 1894; the corresponding stock for 1893 was 1,656,700,000 marks. Subscriptions were credited in 1894 to the amount of 12,100,000 marks; and reserve funds were endowed to the amount of 10,000,000 marks. We must not omit to mention that *bank expenses* have almost doubled in the past twelve years, and in 1894 amounted to some 48,666,000 marks. The reasons are, increased numbers of bank officials, higher salaries, greater taxes, and more comfortable equipment and furniture. The greatest general progress in German banking is shown by the banks of Berlin. We subjoin comparative balances of the collective private banks:



*Balances of all Private Banks (in Millions of Marks).*

ASSETS.

Number of Banks.	Business Year.	Cash.	Bills of Exchange.	Loans on Securities.	Effects, Etc.	Debtors, Branches, Etc.	Real Estate Mortgages.	Premiums.
137	1894	1,431.8	1,736.1	647.1	538.3	2,040.8	4,816.9	5.8
133	1893	1,176.2	1,611.5	556.0	489.9	1,841.0	4,349.9	3.8
134	1892	1,207.3	1,650.6	550.7	466.6	1,799.7	4,016.2	4.8
135	1891	1,282.3	1,661.8	508.5	474.0	1,702.9	3,640.3	7.0
136	1890	1,125.1	1,670.0	643.4	408.7	1,718.5	3,377.7	9.1
137	1889	1,096.0	1,583.1	791.5	408.2	1,762.4	3,166.9	11.9
114	1888	1,168.5	1,307.5	523.0	482.9	1,415.3	2,770.8	11.8
115	1887	1,059.1	1,364.1	384.0	454.2	1,401.0	2,511.4	12.6
116	1886	977.4	1,277.0	438.5	533.3	1,342.7	2,343.8	13.8
113	1885	906.1	1,248.2	362.6	493.2	1,327.2	2,143.7	11.9
113	1884	803.9	1,246.7	499.8	473.9	1,199.1	2,068.6	13.6
113	1883	827.1	1,203.2	392.7	461.6	1,079.6	1,957.5	12.8

LIABILITIES.

Number of Banks.	Business Years.	Creditors Capital and Profits, Etc.		Deposits.	Acceptances.	Surplus.	Bank Notes and Letters of Mortgage.	Total for Both Sides.
137	1894	1,700.4	1,638.9	969.7	667.8	347.0	5,893.0	11,216.8
133	1893	1,667.8	1,344.9	797.7	581.5	337.8	5,298.6	10,028.3
134	1892	1,652.8	1,292.3	789.4	586.4	326.0	5,049.1	9,695.9
135	1891	1,623.9	1,290.9	821.1	561.2	312.4	4,667.3	9,276.8
136	1890	1,621.6	1,296.3	791.7	562.6	303.5	4,376.7	8,952.4
137	1889	1,536.4	1,489.1	759.7	562.8	262.1	4,210.3	8,820.0
114	1888	1,328.1	1,180.4	659.3	486.0	213.3	3,811.6	7,679.9
115	1887	1,315.5	1,050.6	657.7	483.6	202.7	3,476.2	7,186.2
116	1886	1,290.2	1,041.6	607.5	457.0	190.9	3,339.3	6,926.5
113	1885	1,272.2	999.1	612.7	422.0	181.8	3,004.8	6,492.8
113	1884	1,265.7	940.4	595.9	409.6	175.1	2,918.3	6,305.9
113	1883	1,248.7	768.9	514.7	374.5	174.4	2,769.4	5,934.5

After the City Bank of Breslau had renounced its right of issue, only eight banks of issue, including the Imperial Bank, were operating in 1894. The note circulation and coin reserve of all these remaining issuing banks collectively appear in the following table, stated in millions of marks:

END OF Note Circulation. Coin Reserve.

1883	1,030.2	703.2 = 68.2 p. c.
1884	1,061.9	663.4 = 62.4 p. c.
1885	1,063.2	769.5 = 70.4 p. c.
1886	1,215.8	819.6 = 67.7 p. c.
1887	1,207.8	900.0 = 74.5 p. c.
1888	1,288.5	987.3 = 76.7 p. c.
1889	1,351.0	869.2 = 64.3 p. c.
1890	1,295.0	900.9 = 70.0 p. c.
1891	1,313.9	1,043.6 = 79.4 p. c.
1892	1,327.8	974.7 = 73.4 p. c.
1893	1,297.5	929.5 = 71.6 p. c.
1894	1,402.2	1,150.2 = 82.1 p. c.

## COMPARISON OF PRIVATE BANKS WITH THE REICHSBANK.

The Bank Act prescribes that one-third of the notes shall be covered by coin or bullion; but the foregoing figures show that the average reserve of all the banks at the annual settlement of accounts was generally in more than twice that ratio. The maximum amount and proportion of the reserve appear at the close of 1894. The relation between reserve and notes is always much stronger on the side of coin, in case of the Imperial Bank, than with other banks of issue, as will appear from the following comparison, stated in millions of marks:

END OF	IMPERIAL BANK.		OTHER BANKS OF ISSUE.	
	Note Circulation.	Coin Reserve.	Note Circulation.	Coin Reserve.
1883	829.7	592.0 = 71.3 p. c.	200.3	111.2 = 55.6 p. c.
1884	854.1	547.6 = 64.1 p. c.	207.8	115.8 = 55.7 p. c.
1885	859.9	655.6 = 76.3 p. c.	203.3	113.8 = 60.0 p. c.
1886	1,009.5	700.5 = 69.3 p. c.	206.3	119.1 = 57.7 p. c.
1887	1,010.5	794.7 = 78.6 p. c.	197.3	105.3 = 53.3 p. c.
1888	1,093.4	883.5 = 80.8 p. c.	195.1	103.8 = 53.2 p. c.
1889	1,160.5	764.5 = 65.9 p. c.	190.4	104.7 = 55.1 p. c.
1890	1,102.6	788.3 = 71.5 p. c.	192.4	112.6 = 58.5 p. c.
1891	1,122.5	931.8 = 83.0 p. c.	191.4	111.8 = 58.4 p. c.
1892	1,140.2	865.0 = 75.9 p. c.	187.7	109.6 = 58.4 p. c.
1893	1,110.1	826.4 = 74.4 p. c.	187.4	103.1 = 55.0 p. c.
1894	1,211.2	1,041.4 = 86.0 p. c.	191.0	108.8 = 57.1 p. c.

It has often happened, and this for some time past, that the Imperial Bank has carried a coin reserve in excess of its note circulation. As a matter of course, changes in the money market are much more vividly reflected by the Imperial Bank than by the other banks of issue, whose uncovered circulation commonly approximates their authorized

contingent, and even frequently oversteps it, thereby incurring the tax on over-issue of notes. The constant increase of coin reserves, almost entirely in gold, triumphantly refutes the bimetallist fairy tales about a dearth of gold.

The following table applies the same comparison to the amount of

*Bills of Exchange and Loans on Securities, stated in Millions of Marks:*

END OF	IMPERIAL BANK.		OTHER BANKS.		COMBINED TOTAL.	
	Bills of Exchange.	Loans on Securities.	Bills of Exchange.	Loans on Securities.	Bills of Exchange.	Loans on Securities.
1883	467.00	75.86	282.30	34.61	749.90	110.46
1884	511.86	140.12	287.05	31.27	798.91	171.39
1885	461.83	78.94	278.53	33.01	740.35	111.95
1886	546.48	115.55	271.10	35.15	817.58	150.70
1887	564.35	83.92	276.57	34.17	840.93	118.09
1888	517.62	93.07	251.21	41.72	768.83	134.79
1889	653.94	186.22	208.75	39.61	862.70	225.83
1890	613.77	146.13	209.88	36.19	823.66	182.32
1891	572.13	138.61	210.63	26.50	782.76	165.11
1892	606.14	118.90	211.95	25.43	818.09	144.32
1893	604.28	149.16	206.54	28.22	810.82	177.38
1894	602.85	100.38	217.52	23.81	820.37	124.19

As competition between the Reichsbank and the private banks is developing new tendencies as to the distribution of business, it may be proper to remark that the amount of bills of exchange was collectively and considerably greater at the end of 1894 than at the end of 1893. The increase of 10,000,000 marks in the item of bills, however, is offset by a decrease of 53,000,000 marks in the item of loans; the decrease being 49,000,000 marks for the Imperial Bank alone. The explanation is that the credit banks offered their services at such cheap rates that the Imperial Bank could not compete with them without reducing interest still lower; and it is a recognized maxim in discount economy that the Imperial Bank is not obedient to every casual fluctuation of the money market, either above or below par. Its conservative restraint in the matter of loans is especially noteworthy. There is a wide erroneous impression that the Imperial Bank is in a position to grant loans on marketable securities at all times, and can even do so in critical emergencies. This is by no means the fact. The Bank may not use loan securities toward covering notes, and consequently cannot advance notes on paper securities, after other means are unavailable. Such loans may be made from the capital stock and reserve fund, exclusively of real estate; and that has been done even in times of a large general surplus of gold. Ordinary deposits are subject to daily recall, and though a small portion of them can be safely loaned when times are good, such latitude is of necessity precluded in critical conditions of the money market. Deposits practically require a higher grade of contingent liquidation of resources than the bank notes afford; and it is therefore interesting to observe that the deposits and notes together, amounting to 1,885,560,000 marks, were covered with 1,150,190,000 marks in coin and bullion; a round percentage of seventy per cent., or sixty-three per cent. in case of the Imperial Bank alone. But if we separate the

deposits from the coin reserve (a more correct process, as we regard it), the cash covering of notes would stand as follows.

	Coin Reserve, Excluding Deposits.	Note Circulation.	Percentage of
	MARKS.	MARKS.	Notes Covered.
Imperial Bank	606,100,000	1,211,200,000	50
Other banks	60,800,000	191,000,000	32

According to this way of reckoning, the Imperial Bank had half its notes covered in coin, seventy-five per cent of which was in gold; and the proportion of notes covered in case of the other banks averaged even less than the legal one-third. We are aware that this view of the matter will be opposed; but it is the strictly correct view, since deposits have nothing to do with the protection of bank notes, being moneys in trust and liable to daily withdrawal. It makes no essential difference in the argument to consider that the Imperial Bank theoretically diminishes the demand of deposits by regarding them as means of balancing bank accounts with patrons.

We subjoin a comparative statement of deposits for 1883-1894:

*Deposits of Private Banks and Reichsbank, 1883 to 1894 (in Millions of Marks).*

	END OF Imperial Bank.	Other Banks.	Combined Total.
1883	210.15	54.03	264.18
1884	266.38	53.42	319.80
1885	260.26	54.97	315.23
1886	290.25	57.17	347.42
1887	331.88	53.87	385.75
1888	301.90	54.04	355.94
1889	347.84	40.90	388.74
1890	346.93	41.73	388.65
1891	396.40	38.71	435.11
1892	359.27	40.26	399.53
1893	373.24	37.28	410.52
1894	435.30	48.03	483.33

Deposits bear no interest, they constitute the working capital of bank accounts, and furnish means for the continual increase of the gold reserve. They also add to the credit resources of the whole business world; a point necessary to be considered in any general review of cash means at the disposal of banks collectively.

## BANKS OF DEPOSIT.

The number of deposit banks, in 1894, had risen to ninety-six, which, for a period of twelve years (1883-1894), controlled the following resources:

MARKS.	MARKS.
1883 1,961,700,000	
1884 2,122,600,000 Increase	160,900,000
1885 2,229,000,000 Increase	106,400,000
1886 2,283,400,000 Increase	54,400,000
1887 2,338,800,000 Increase	55,400,000
1888 2,529,800,000 Increase	191,000,000
1889 3,156,200,000 Increase	626,400,000
1890 3,149,900,000 Decrease	6,300,000
1891 3,104,000,000 Decrease	45,900,000
1892 3,151,500,000 Increase	47,500,000
1893 3,167,300,000 Increase	15,800,000
1894 3,593,500,000 Increase	426,200,000

By grouping some of the principal deposit banks in the order of their available or employed capital, which is a fair indication of their commercial importance, we shall have the following exhibit:

*Assets and Capital of Deposit Banks (in Millions of Marks).*

BANKS.	TOTAL ASSETS.					Capital
	1894.	1893.	1892.	1891.	1890.	Stock.
German Bank	459	426	417	403	423	75
Discount Company	320	276	267	248	266	75
Dresden Bank	270	219	219	186	195	70
Bank for Trade and Industry	201	166	167	172	181	80
Berlin Trading Company	172	154	158	170	134	65
North German Bank	164	146	150	155	145	60
A. Schaaffhausen Bank-Verein	160	129	118	115	98	48
German National Bank	119	94	91	82	90	36
Middle German Credit Bank	90	77	79	83	85	30
Discount and Commercial Bank of Hamburg	81	73	75	67	67	30

The German Bank, at both ends of the given period, shows by far the greatest volume of business; indeed, it is a recognized phenomenon that further development is more constant on high levels than on lower planes. The Discount Company has also taken a great stride forward, though not at the same rapid pace as the Dresden Bank. The amount of outside capital included in the preceding totals we tabulate separately, as below, in millions of marks:

YEARS.	ALL THE BANKS.			BERLIN BANKS ALONE.		
	Creditors.	Deposits.	Total.	Creditors.	Deposits.	Total.
1883	498.51	250.42	749.03			
1884	598.44	276.07	874.51			
1885	664.43	297.45	961.88			
1886	713.31	260.13	973.44			
1887	697.44	271.96	969.40			
1888	814.96	303.43	1,118.39			
1889	1,021.20	370.98	1,392.18	612.68	130.99	743.67
1890	883.23	403.01	1,286.24	510.92	138.14	649.06
1891	895.42	385.96	1,281.38	528.58	105.34	633.92
1892	893.08	389.86	1,282.94	517.91	103.25	621.16
1893	934.31	387.19	1,321.50	533.76	119.90	653.66
1894	1,141.52	486.39	1,627.91	738.42	163.69	902.11

### *The Cash Movement.*

The movement of money in the principal credit banks for 1890-1894, through creditors' accounts and deposits, is herewith presented, in millions of marks:

BANKS.	1894.	1893.	1892.	1891.	1890.
German Bank	255.10	221.30	212.54	204.4	208.2
Discount Company	167.79	134.31	120.42	113.7	130.3
Dresden Bank	116.96	82.98	74.48	69.3	75.4
Bank for Trade and Industry	58.72	36.65	35.12	46.9	54.0
Berlin Trading Company	55.84	46.15	49.51	66.2	43.6
North German Bank	62.27	52.41	53.12	52.9	44.4
Schaaffhausen Bank-Verein	64.17	39.80	35.39	35.0	32.5

Additional banking resources were derived from acceptances as below (in millions of marks):

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
All the banks	419.8	445.7	448.3	516.0	523.2	503.6	534.4	531.5	613.1
Berlin banks	239.6	254.5	281.2	278.0	246.1	283.5	283.4	370.6	

### *Acceptances of Leading Banks.*

We next present a comparative tabulation of acceptances (1) for a number of leading banks, and (2) for certain mortgage banks of the mixed system, with acceptances in circulation:

TABLE I.

INSTITUTIONS.	1894.	1893.	1892.	1891.
	MARKS.	MARKS.	MARKS.	MARKS.
German Bank	93,865,000	96,325,000	96,094,000	89,067,000
Dresden Bank	61,279,000	46,478,000	53,583,000	38,856,000
Discount Company	45,772,000	37,544,000	36,695,000	28,157,000
A. Schaaffhausen Bank-Verein	40,576,000	34,574,000	29,043,000	26,553,000
Bank for Trade and Industry	38,564,000	26,961,000	27,635,000	24,939,000
Middle German Credit Bank	29,330,000	26,865,000	26,106,000	28,331,000
General German Credit Concern	24,257,000	20,917,000	21,750,000	27,351,000
Berlin Trading Company	26,965,000	20,254,000	19,778,000	17,049,000
German Union Bank	18,715,000	20,135,000	23,280,000	22,433,000
Discount and Commercial Bank	23,498,000	19,264,000	19,569,000	14,675,000
German National Bank	20,967,000	17,434,000	14,067,000	8,984,000
North German Bank	24,409,000	16,773,000	19,493,000	25,392,000
German Effects and Exchange Bank	16,646,000	14,700,000	14,642,000	14,156,000
Rhenish Credit Bank	16,127,000	13,914,000	18,232,000	17,639,000
Margraviate and Mining Bank	12,577,000	13,382,000	12,150,000	12,967,000
Union Bank of Württemberg	10,438,000	10,785,000	11,565,000	15,854,000
D. G.-B. Soergel, Parrisius & Co.	11,799,000	10,335,000	8,695,000	9,877,000
Bank of Bremen	13,687,000	10,160,000	12,826,000	11,606,000
Bavarian Union Bank	9,571,000	9,998,000	10,435,000	7,193,000
Bank of Leipzig	9,035,000	8,485,000	10,275,000	8,544,000
Discount Bank of Breslau	7,354,000	7,458,000	7,565,000	8,041,000
Bank of Mülhausen	5,374,000	7,031,000	4,512,000	5,861,000
Palatinate Bank	10,706,000	6,679,000	5,589,000	5,154,000

TABLE II.

INSTITUTIONS.	1894.	1893.	1892.	1891.
	MARKS.	MARKS.	MARKS.	MARKS.
Discount Company of Aix-la-Chapelle	4,646,000	5,333,000	4,446,000	5,593,000
Barmen Banking Company	5,532,000	4,854,000	6,538,000	6,526,000
German Union Bank	2,948,000	4,358,000	5,572,000	4,706,000
German National Bank	3,009,000	3,916,000	2,977,000	2,298,000
Essen Credit Concern	4,657,000	3,618,000	3,982,000	4,025,000
Köster's Bank	4,298,000	3,486,000	3,522,000	4,010,000
Bavarian Trading Bank	4,145,000	3,486,000	2,864,000	3,267,000
Württemberg Banking Concern	3,906,000	3,422,000	4,896,000	4,575,000
Bavarian Exchange and Mortgage Bank	4,237,000	3,274,000	3,721,000	2,641,000
Union Bank of Hamburg	1,986,000	3,235,000	2,508,000	4,586,000
Lower Saxon Bank	2,475,000	3,233,000	3,483,000	3,279,000
Silesian Banking Company	3,222,000	2,962,000	2,690,000	3,494,000
Duisburg-Ruhrort Bank	3,537,000	2,549,000	1,826,000	3,236,000
Bank of Alsace-Lorraine	3,520,000	2,534,000	3,023,000	2,729,000
Hamburg Exchange Bank	3,103,000	2,528,000	2,722,000	2,839,000
Breslau Exchange Bank	2,286,000	2,291,000	2,337,000	2,467,000
General Alsatian Banking Company	2,696,000	2,194,000	1,953,000	1,910,000
Exchange and Commercial Bank of Cologne.	2,155,000	1,939,000	2,095,000	2,334,000
Westphalian Bank	1,967,000	1,876,000	1,910,000	1,860,000
Rhenish and Westphalian Bank	1,328,000	1,795,000	1,113,000	718,000
Private Bank of Gotha	1,702,000	1,635,000	1,180,000	883,000
Königsberg Union Bank	1,879,000	1,632,000	1,529,000	306,000
Halle Banking Company	1,121,000	1,295,000	1,256,000	612,000
Private Bank of Magdeburg	2,506,000	1,280,000	806,000	
Credit and Savings-Bank of Leipzig	1,753,000	1,262,000	856,000	
Dresden Banking Company	1,961,000	1,079,000	1,137,000	768,000
Provincial Bank of Anhalt-Dessau	1,078,000	1,078,000	1,078,000	878,000
German Transmarine Bank	1,404,000	1,069,000	312,000	
Dortmund Banking Company	1,504,000	1,022,000	835,000	
Brunswick Credit Concern	1,097,000	1,009,000	942,000	
Bank of Mannheim	1,998,000			
Bank of Osnabrück	1,017,000	865,000		

Characteristic of the business movement is the proportion of acceptances in arrear.  
For 1886-1894 it stood as follows:



*Acceptances in Arrear (in Millions of Marks).*

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
Arrears	1,047.1	1,119.4	1,138.2	1,426.2	1,428.5	1,365.3	1,450.9	1,471.1	1,631.4
Accepted	419.8	445.7	448.3	516.0	523.2	503.6	534.4	531.5	613.1
Remain'g arrears	627.3	673.7	689.9	910.2	905.3	861.7	916.5	939.6	1,018.3

This statement shows it to be a constant fact that considerably more than a third of all accounts current is utilized in the way of acceptances. This is mainly done for the sake of procuring cheap money with a view to speculation. A person who wishes to speculate at the Bourse beyond his means goes and opens a bank account credit, then draws on the bank, discounts the bill, often at the bank itself, as a private transaction; and the resulting proceeds are credited to him in cash. The acceptance is made payable three months from date, and for the intervening, visible credit, marketable effects are bought in. Thus the speculator's account appears well regulated, whereas he is actually speculating with the bank's credit. Fundamentally considered, these are corrupt transactions, and they powerfully stimulate over-speculation at the Bourse.

The obligations of the banks through borrowing and deposits are presented, in millions of marks, in the following summary for 1886-1894:

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
Creditors	713.3	697.4	815.0	1,021.2	883.1	895.4	893.1	934.3	1,141.5
Deposits	260.1	272.0	303.4	371.0	403.0	386.0	389.9	387.2	486.4
Acceptances	419.8	445.7	448.3	516.0	523.2	503.6	534.4	531.5	613.1
Profits to be paid out	57.2	57.7	75.4	110.5	98.3	74.1	76.9	71.8	85.1
Total	1,450.4	1,472.9	1,642.1	2,018.7	1,907.6	1,859.1	1,894.3	1,924.8	2,326.1

Available, or theoretically available, resources (as we must consider them in part) were as follows for all the credit banks in the same period of years:

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
Cash	125.5	136.3	151.2	192.2	190.9	206.6	194.6	213.7	232.6
Bills of exch	459.4	523.2	538.7	584.1	691.2	793.1	737.1	705.0	795.4
Loans on securities	258.9	224.8	344.8	533.9	427.0	306.0	362.4	342.2	469.3
Effects, etc	296.0	288.7	310.4	362.8	355.7	374.9	346.6	375.4	400.2
Total	1,139.8	1,173.0	1,345.1	1,673.0	1,664.8	1,680.6	1,640.7	1,636.5	1,897.3

Immediately available resources, therefore, came short of the obligations by the following sums: 1886, 310,600,000 marks; 1887, 299,900,000; 1888, 297,000,000; 1889, 345,700,000; 1890, 242,800,000; 1891, 178,500,000; 1892, 253,600,000; 1893, 288,500,000; 1894, 428,600,000.

These figures simply indicate the general tendency, which has become less favorable in respect to conditions of liquidation. It is, moreover, to be observed that no collective liquidation can be ordered, but only for each bank separately. This being the case, bare figures are insufficient data for forming an opinion, since very different conditions may exist behind similar sets of accounts. One bank may have all its effects within reach of realization at all times; another may have no effects whatever that can be realized at once. The same is true of collateral loans. At all events, the preceding data reveal a significant tendency, and for this reason we append corresponding figures for the Berlin credit banks, in millions of marks:

*Ready Assets of Berlin Credit Banks.*

	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
Cash	91.05	99.41	131.08	131.86	142.71	114.79	139.34	171.33
Bills of exchange	271.25	280.98	269.15	339.18	407.62	379.41	352.34	415.76
Loans on securities	109.11	211.60	343.59	243.69	123.61	174.67	161.22	282.21
Effects	135.57	158.60	169.84	173.86	202.18	187.59	200.87	230.90
Resources	606.98	750.59	913.66	888.59	876.12	856.46	853.77	1,100.20
Deposits and borrowings of banks	748.35	911.52	1,088.85	979.82	915.65	943.81	970.07	1,319.51
Excess of obligat'ns	141.37	160.93	175.19	91.23	39.53	87.35	116.30	219.31

From these figures it is apparent that there is a deterioration in conditions of liquidation, in case of the Berlin banks particularly. The numerical expression of this would be 113,000,000 marks for the Berlin banks, to 27,000,000 marks for provincial banks.

The prominent items of loans and "effects" (also including trust payments and a few small mortgages), for the period 1891-1894, are next tabulated from reports of leading institutions:

*Loans and Effects of Leading German Banks (in Millions of Marks).*

BANKS, ETC.	1891.		1892.		1893.		1894.	
	Loans.	Effects.	Loans.	Effects.	Loans.	Effects.	Loans.	Effects.
German Bank	26.15	39.72	43.66	46.47	34.26	51.95	69.83	65.09
Discount Company	14.94	45.63	11.38	43.61	18.65	50.62	48.58	36.23
Bank for Trade and Industry	22.73	10.85	27.62	10.87	24.07	9.70	30.46	22.90
Dresden Bank	2.05	44.63	33.04	27.67	28.90	27.76	54.13	29.02
Berlin Trading Company	15.38	30.06	16.42	28.70	10.40	29.85	21.13	19.33
Middle German Credit Bank	8.47	7.02	10.61	7.28	11.19	7.00	19.77	6.98
German National Bank	12.09	8.23	10.32	7.17	10.60	12.58	17.74	10.86
North German Bank	19.46	31.23	20.92	30.46	22.02	35.92	15.61	32.16
Commercial Bank of Hamburg	8.35	13.62	8.16	12.23	10.35	11.83	10.47	10.88
Union Bank of Hamburg	15.39	5.19	17.42	5.25	16.88	5.82	15.06	5.84
Schaaff hausen Bank-Verein	14.05	13.40		11.84		16.57		18.77
German Union B'k of Frankfort	3.58	7.12	6.31	6.78	4.20	7.20	9.11	6.79
German Effects and Exch. B'k	2.21	6.11	9.74	4.99	7.21	6.66	9.87	11.88

The *capital* and *surplus* of the banks show the following development, stated in millions of marks:

YEARS.	ALL THE CREDIT BANKS.		YEARS.	BERLIN CREDIT BANKS.	
	Capital Stock.	Surplus.		Capital Stock.	Surplus.
1883	705.60	90.85 = 13.00 p. c.	1885	326.74	55.08 = 17.00 p. c.
1884	719.48	89.49 = 12.45 p. c.	1886	332.75	59.52 = 18.00 p. c.
1885	723.95	93.24 = 12.90 p. c.	1887	354.75	67.14 = 19.00 p. c.
1886	733.69	99.27 = 13.53 p. c.	1888	368.18	74.03 = 20.11 p. c.
1887	758.00	107.90 = 14.23 p. c.	1889	473.12	103.82 = 22.00 p. c.
1888	772.40	115.32 = 15.00 p. c.	1890	507.45	119.65 = 23.58 p. c.
1889	981.45	156.06 = 15.90 p. c.	1891	481.24	117.91 = 24.50 p. c.
1890	1,054.33	187.88 = 17.82 p. c.	1892	494.39	123.18 = 24.92 p. c.
1891	1,053.21	191.72 = 18.20 p. c.	1893	486.40	117.56 = 24.17 p. c.
1892	1,057.09	200.31 = 18.95 p. c.	1894	534.20	120.49 = 22.56 p. c.
1893	1,046.17	196.33 = 18.77 p. c.			
1894	1,067.52	199.82 = 18.72 p. c.			

Dividends of Berlin banks have always averaged higher than those of other German banks. We present a table by way of illustration: All the banks—1885, 6.41 per cent.; 1886, 6.43; 1887, 6.53; 1888, 7.79; 1889, 8.64; 1890, 7.60; 1891, 6.11; 1892, 5.80;

1893, 5.72; 1894, 6.49. Berlin Banks—1885, 7.56 per cent.; 1886, 7.34; 1887, 7.60; 1888, 9.11; 1889, 10.49; 1890, 8.69; 1891, 6.77; 1892, 6.03; 1893, 5.73; 1894, 7.14.

A just view of the productiveness of a bank is afforded only as we bear in mind that the reserves themselves are a part of the working capital, from which dividends may be drawn; to this end they contribute quite as effectually as the capital stock. The subjoined statement gives the respective percentages for 1891-1894:

ITEMS.	1894.	1893.	1892.	1891.
	MARKS.	MARKS.	MARKS.	MARKS.
Capital stock	1,057,302,200	1,044,519,000	1,055,276,000	1,048,708,000
Surplus	196,331,000	200,313,000	191,717,000	187,880,000
Working capital	1,253,633,200	1,244,832,000	1,246,993,000	1,236,588,000
Apportioned dividends	68,617,000	59,738,000	61,230,000	64,070,000
Actual per cent. of dividends	5.48 p. c.	4.80 p. c.	4.91 p. c.	5.18 p. c.
Per ct. on capital stock alone	6.49 p. c.	5.72 p. c.	5.80 p. c.	6.11 p. c.

Hence, we perceive that about one per cent. of the dividends is furnished by the reserves; the proportion being higher, of course, where the reserves are large in comparison with the capital stock. In 1894, three banks declared no dividends—the Real Credit Bank and the Börsen-Handels-Verein\* of Berlin, and the Maklerbank† of Hamburg.

## MORTGAGE OR LAND BANKS.

The proportion of capital stock to circulation of mortgage bonds, in 1894, will appear below, for the purely mortgage banks:

### *Proportion Of Capital To Mortgages.*

BANKS, ETC.	Capital Stock. MARKS.	Circulation of Mortgage Bonds. MARKS.	Number of Times the Capital Stock.
Prussian Central Land Credit Company	21,600,000	433,829,000	20.1
Prussian Joint-Stock Land Credit Bank	30,000,000	188,640,000	6.3
Prussian Joint-Stock Mortgage Bank	15,000,000	223,973,000	14.9
Frankfort Mortgage Bank	12,000,000	214,529,000	17.9
Frankfort Mortgage Credit Union	6,000,000	91,429,000	15.2
Silesian Joint-Stock Land Credit Bank	7,500,000	100,168,000	13.3
German Mortgage Bank, Berlin	5,400,000	67,550,000	12.5
Pomeranian Joint-Stock Mortgage Bank	9,000,000	90,866,000	10.1
National Mortgage Credit Society	629,000	42,736,000	67.9
North German Land Credit Bank	4,500,000	40,011,000	8.8
German Mortgage Bank	6,000,000	87,159,000	14.5
West German Land Credit Concern	5,000,000	12,193,000	2.4
Joint-Stock Land and Commercial Credit Company	4,800,000	65,699,000	13.7
Brunswick-Hanover Mortgage Bank	9,000,000	114,010,000	12.7
Citizens' Bank of the Kingdom of Saxony	600,000	24,308,000	40.5
German Land Credit Bank, Gotha	10,500,000	94,453,000	9.0
German Mortgage Bank, Meiningen	16,801,000	267,921,000	15.9
Mortgage Bank, Hamburg	15,000,000	283,703,000	18.8
Rhenish Mortgage Bank, Mannheim	9,000,000	192,099,000	21.3
Württemberg Mortgage Bank	11,000,000	105,976,000	9.6
South German Joint-Stock Land Credit Bank	24,000,000	344,765,000	14.4
Palatinate Mortgage Bank	8,000,000	116,458,000	14.5
Leipzig Mortgage Bank	580,000	6,223,000	10.8

The maintenance of a definite proportion between capital stock and circulation of bonds is not prescribed for all the banks; and for those of the mixed system it is even an irrelevant matter, in so far as they have other creditors besides the bondholders.

### ***Mortgage Bonds Issued By Each Class Of Land Banks.***

The bond circulation for each set of banks was as follows, in millions of marks:

YEARS.	Purely Mortgage Prussian Banks.	Yearly Increase.	Other Purely Mortgage (German) Banks.	Yearly Increase.	Mixed Banks.	Yearly Increase.
1884	563.8		641.8		651.8	
1885	591.5	27.7	666.0	24.2	684.0	32.2
1886	628.2	36.7	748.6	82.6	746.6	62.6
1887	671.2	43.0	804.6	56.0	792.6	46.0
1888	742.0	70.8	899.9	95.3	881.2	88.6
1889	864.9	122.9	1,011.2	111.3	983.3	102.1
1890	950.9	86.0	1,094.5	83.3	1,036.3	53.0
1891	1,068.8	117.9	1,196.3	101.8	1,088.3	52.0
1892	1,235.5	166.7	1,341.8	145.5	1,144.1	55.8
1893	1,367.7	132.2	1,443.8	102.0	1,189.7	45.6
1894	1,553.1	185.4	1,655.6	211.8	1,282.1	92.4

### ***Open Obligations Of Land Banks.***

Open obligations existing side by side with the bond circulation were as follows, including net profits: 1884, 253,500,000 marks; 1885, 249,300,000; 1886, 257,000,000; 1887, 272,300,000; 1888, 282,900,000; 1889, 360,400,000; 1890, 300,100,000; 1891, 321,900,000; 1892, 324,700,000; 1893, 337,400,000; 1894, 419,200,000.

Their *distribution* is here presented:

YEARS.	Prussian Mortgage Banks.	German Mortgage Banks.	Mixed Banks.
	MARKS.	MARKS.	MARKS.
1887	40,400,000	53,400,000	178,500,000
1888	39,800,000	50,800,000	192,400,000
1889	50,300,000	53,700,000	256,400,000
1890	46,200,000	47,000,000	207,500,000
1891	41,400,000	47,800,000	232,700,000
1892	54,900,000	48,600,000	221,200,000
1893	54,700,000	45,800,000	237,000,000
1894	82,400,000	54,900,000	281,900,000

REPORTS OF GERMAN NON-ISSUING									
INSTITUTIONS.	CREDITOR ITEMS.				DEBTOR ITEMS.				
	Cash.	Bills of Exchange.	Loans.	Effects, Mortgages, Trust and Syndicate Funds.	Debtors and Sundries.	Real Estate and Movables.	Capital Stock.	Creditors.	Deposits.
Bank of Trade and Industry, Aix-la-Chapelle	347	1,343		418	3,656	115	2,500	1,029	1,693
Discount Company of Aix-la-Chapelle	631	3,202	1,969	1,657	14,114		9,000	5,167	1,052
General Alsatian Banking Company	1,153	4,481	9,308	3,174	11,640	465	4,800	11,885	9,522
Rhenish and Westphalian Bank	213	1,163	180	2,245	3,200	316	4,350	877	24
Bank of Alsace-Lorraine	1,506	8,599		1,910	21,560	554	7,200	18,042	3,823
<u>a</u> 6½ per cent. on 8,015,000 marks of capital stock for one year.									
<u>b</u> 8 per cent. on 3,000,000 marks of capital stock for one year.									
8 per cent. on 1,500,000 marks of capital stock for four months.									
<u>c</u> 6½ per cent. on 10,790,700 marks of capital stock for one year.									
<u>d</u> 7 per cent. on 10,500,000 marks of capital stock for one year.									
<u>e</u> 6 per cent. on 3,100,000 marks of capital stock for one year.									
6 per cent. on 1,900,000 marks of capital stock for four months.									
<u>f</u> 5½ per cent. on 6,000,000 marks of capital stock for one year.									
5½ per cent. on 3,000,000 marks of capital stock for six months.									
<u>g</u> Incl. 600,000 marks deficit.									
<u>h</u> The loss amounted to 957,956 marks, and was covered to the extent of 600,000 marks by reserve fund and									
<u>i</u> 7 per cent. on 7,500,000 marks of capital stock for one year. 7 per cent. on 3,750,000 marks of capital stock									
<u>j</u> 5.33 per cent. on 571,052,200 marks of capital stock for one year.									
<u>k</u> 6.49 per cent. on 1,057,302,200 marks of capital stock for one year.									
<u>l</u> 5.72 per cent. on 1,044,519,000 marks of capital stock for one year.									
<u>m</u> 5.80 per cent. on 1,055,276,000 marks of capital stock for one year.									
<u>n</u> 6.11 per cent. on 1,048,708,000 marks of capital stock for one year.									
<u>o</u> 7.60 per cent. on 1,049,478,000 marks of capital stock for one year.									
<u>p</u> 8.77 per cent. on 934,190,000 marks of capital stock for one year.									

Barmen Banking Company	692	5,937		709	15,483	350	9,356	4,130	2,383
Margraviate and Mining Bank	2,041	17,012	19,839	1,871	25,211	978	20,000	22,515	7,223
Brunswick Credit Concern	297	3,504	1,439	253	6,840	188	6,750	583	3,154
Bank of Bremen	2,164	10,223	10,291	7,028	27,526	1,964	20,000	3,439	19,514
Discount Bank of Breslau	516	4,453	152	3,589	15,139	935	10,500	3,796	811
Exchange Bank of Breslau	1,144	2,687	285	1,488	8,622	2,100	8,000	2,799	1,672
Chemnitz Banking Company	144	870	126	5	3,841	127	3,000	1,008	426
Coburg-Gotha Credit Company	417	457	215	1,522	4,649	352	3,900	1,730	888
Discount and Commercial Bank	1,747	10,630	10,470	10,880	45,900	1,057	30,000	8,676	12,879

[a](#)6½ per cent. on 8,015,000 marks of capital stock for one year.

[b](#)8 per cent. on 3,000,000 marks of capital stock for one year.

8 per cent. on 1,500,000 marks of capital stock for four months.

[c](#)6½ per cent. on 10,790,700 marks of capital stock for one year.

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[g](#) Incl. 600,000 marks deficit.

[h](#)The loss amounted to 957,956 marks, and was covered to the extent of 600,000 marks by reserve fund and

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[p](#)8.77 per cent. on 934,190,000 marks of capital stock for one year.



Municipal Bank of Görlitz	839	4,746		959	10,552	378	4,500	7,819	3,488
Private Bank of Dantzig	103	1,148	10,467	865	729	50	4,500	1,960	4,851
German Effects and Exchange Bank	2,834	7,143	9,868	11,882	31,913	27	15,000	28,439	
German National Bank	90	5,585	1,068	1,670	9,425	895	11,250	2,282	319
German Unionbank	587	2,628	1,346	593	6,131	22	6,000	1,880	
German Union Bank	1,936	8,748	9,108	6,787	29,076	898	24,000	8,787	1,742
Dortmund Banking Company	162	3,251		106	4,701	234	3,001	1,095	2,257
Dresden Banking Company	426	2,463	1,848	207	7,888	454	6,000	2,647	1,495
Bank of Duisburg-Ruhrort	1,139	1,729		897	7,762	139	1,980	4,447	1,124

[a](#) 6½ per cent. on 8,015,000 marks of capital stock for one year.

[b](#) 8 per cent. on 3,000,000 marks of capital stock for one year.

8 per cent. on 1,500,000 marks of capital stock for four months.

[c](#) 6½ per cent. on 10,790,700 marks of capital stock for one year.

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Düsseldorf									
Banking Company	106	1,713			2,583	136	1,000	1,176	1,602
Discount Bank of Eisleben	267	312		93	3,449	66	900	415	2,584
Bank of Erfurt	140	867		121	3,564	183	2,000	2,385	50
Essen Credit Concern	1,499	5,629		1,513	22,003	86	13,312	6,831	2,591
Private Bank of Flensburg	238	1,256	147	2,019	1,878	41	600	2,547	2,102
Bank of Geestemünde	155	1,436		577	5,612	177	1,000	1,126	5,259
Halle Banking Company	419	4,676	265	575	16,744	185	9,000	6,573	3,430
Bank of Hanover	910	8,454	2,093	3,377	6,981	689	12,000	7,791	120
Bank of Hildesheim	361	2,155		305	5,628	237	2,250	4,084	1,439
Bank of Kiel	127	2,677	1,131	157	1,784	74	1,500	1,520	2,261
Exchange Bank of Cologne	640	2,125	285	319	5,831	263	5,194	917	381
Königsberg Union Bank	493	6,788	867	778	6,094	490	6,000	2,170	4,621
Köster's Bank	644	4,694	658	786	10,621	528	5,000	7,859	

[a](#) 6½ per cent. on 8,015,000 marks of capital stock for one year.

[b](#) 8 per cent. on 3,000,000 marks of capital stock for one year.

8 per cent. on 1,500,000 marks of capital stock for four months.

[c](#) 6½ per cent. on 10,790,700 marks of capital stock for one year.

[d](#) 7 per cent. on 10,500,000 marks of capital stock for one year.

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[i](#) 7 per cent. on 7,500,000 marks of capital stock for one year. 7 per cent. on 3,750,000 marks of capital stock for one year.

[j](#) 5.33 per cent. on 571,052,200 marks of capital stock for one year.

[k](#) 6.49 per cent. on 1,057,302,200 marks of capital stock for one year.

[l](#) 5.72 per cent. on 1,044,519,000 marks of capital stock for one year.

[m](#) 5.80 per cent. on 1,055,276,000 marks of capital stock for one year.

[n](#) 6.11 per cent. on 1,048,708,000 marks of capital stock for one year.

[o](#) 7.60 per cent. on 1,049,478,000 marks of capital stock for one year.

[p](#) 8.77 per cent. on 934,190,000 marks of capital stock for one year.

Bank of Leipzig	2,983	14,147	2,551	4,891	24,381	405	24,000	327	10,603
Leipzig Credit Bank	1,158	4,103	1,010	123	1,085	371	3,000	119	4,089
Leipzig Credit and Savings Bank	736	6,777	985	1,529	9,594	526	7,500	2,808	6,284
Commercial Bank of Lübeck	618	4,693	1,870	674	1,483	125	1,920	1,785	4,589
Private Bank of Lübeck	584	3,283	2,469	171	628	185	1,200	552	4,642
Magdeburg Banking Company	234	3,372	2,066	448	6,740	462	7,500	4,486	
Private Bank of Magdeburg	565	4,786	449	1,530	12,071	621	9,000	5,553	1,672
Brokers' Bank, Hamburg	51			524	<a href="#">g</a> 891		1,200	266	
Bank of Mannheim	331	1,264	342	312	4,743	123	2,400	1,532	477
Bank of Mecklenburg	251	412		471	7,755	150	2,000	94	6,737
Mecklenburg Savings-Bank	211	8,318	6,400	13,116	2,428	29	2,000	194	27,390

[a](#)6½ per cent. on 8,015,000 marks of capital stock for one year.

[b](#)8 per cent. on 3,000,000 marks of capital stock for one year.

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Middle Rhenish Bank	68	251		280	1,876	73	1,200	418	120
Bank of Mülhausen	1,019	24,950		2,757	25,314	432	4,800	34,957	6,192
Minden Banking Company	52	1,042	603	209	3,684	75	2,000	512	2,266
Lower Saxon Bank	657	3,803	2,110	721	12,438	482	6,000	4,344	6,424
North German Bank	6,263	31,700	15,608	32,165	75,886	2,270	60,000	38,462	23,804
Bank of Nordhausen	169	1,456		314	2,615	196	1,500	1,494	593
Upper Lusatian Bank	185	969	329	355	3,737	156	2,700	1,003	1,548
Upper Silesian Credit Company	104	1,371	19	172	1,954	19	1,200	530	1,311
Provincial Bank of Oldenburg	238	9,296	7,324	2,562	7,613	90	1,200	1,045	24,145
Oldenburg Savings and Loan Bank	441	7,444	8,693	4,706	10,557	201	3,000	2,426	25,475
Bank of Osnabrück	427	2,316	1,059	948	8,417	269	3,000	3,273	5,267

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East Frisian Bank	394	3,877		761	3,262	72	900	1,493	5,652
Palatinate Bank	690	7,106	7,641	4,437	22,197	827	11,250	10,269	8,123
Provincial Joint-Stock Bank of the Grand Duchy of Posen	69	3,601	1,062	10	119	139	3,000	85	1,019
Private Bank of Gotha	547	1,976		247	12,926	206	6,000	5,638	1,494
Rhenish Credit Bank	2,964	11,825	5,139	3,111	28,718	532	15,000	17,249	
Bank of Rostock	255	3,425	3,002	2,363	2,358	200	5,000	2,969	3,319
Saxon Discount Bank	99	2,434	63	63	1,693	102	1,800	1,116	908
Silesian Banking Company	1,700	11,053	476	6,528	28,083	966	22,500	13,883	4,046
Schwarzburg Provincial Bank	161	131	2,144	273	1,611	50	1,000	30	3,229

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Siegen Bank for Trade and Industry	66	542		102	1,017	53	1,060	528	
Union Bank of Hamburg	6,704	23,577	15,056	5,842	16,314	900	18,000	38,312	5,698
Union Bank of Hanover	267	829		576	1,307	315	1,000	1,875	
Union Bank of Mühlhausen in Thuringia	123	427		43	1,953	68	1,200	691	458
Union Bank of Wismar	176	5,179	492	180	1,510	35	1,000	262	6,003
Union Bank of Zwickau	372	2,716	965	602	3,048	157	1,500	936	4,149
Vogtland Bank	290	2,725	262	381	5,646	77	2,000	2,557	3,478
Exchange Bank of Hamburg	510	1,014	2,999	811	4,504	5	3,750	1,604	691
Westphalian Bank	261	2,094		411	6,996	341	4,500	1,997	576
Westphalian Banking Company	183	882	114	295	4,568	4	2,000	699	2,181

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Württemberg Bank Concern	778	2,481	144	1,961	9,693	300	6,000	3,508	477
Bank of Zwickau	139	1,203	246	61	1,604	206	1,200	793	779
79 Banks, 1894	61,219	379,634	187,117	169,371	793,347	28,569	533,323	403,102	322,694
96 Banks, 1894	232,552	795,394	469,325	400,274	1,631,402	64,522	1,067,525	1,141,519	486,386
93 Banks, 1893	213,707	704,996	342,237	375,448	1,471,108	59,780	1,046,169	934,306	387,192
94 Banks, 1892	194,634	737,090	362,386	346,629	1,450,918	59,889	1,057,089	893,078	389,855
95 Banks, 1891	206,595	793,131	306,022	374,874	1,365,269	58,122	1,053,208	895,423	385,960
92 Banks, 1890	190,907	691,219	427,026	355,668	1,428,459	56,596	1,054,328	883,106	408,014
93 Banks, 1889	192,211	584,113	533,945	362,804	1,426,230	56,897	981,450	1,021,205	370,977
71 Banks, 1888	151,179	538,739	344,761	310,411	1,138,186	46,525	772,403	814,959	303,433
71 Banks, 1887	136,261	523,177	224,838	288,670	1,119,407	46,460	758,005	697,445	271,965
71 Banks, 1886	125,480	459,449	258,911	255,987	1,097,072	46,512	733,693	713,306	260,132
71 Banks, 1885	113,496	507,806	205,585	254,322	1,100,353	47,451	723,946	664,429	297,454

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71 Banks, 1884	112,646,447,841	288,707,241,706	981,907	49,759	719,479	598,443	276,072
71 Banks, 1883	100,947,453,327	223,276,247,406	886,360	50,428	705,600	498,506	250,522

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## ***Circulating Acceptances.***

The “mixed banks” include circulating acceptances to the following amounts:



BANKS.	1894.	1893.	1892.
	MARKS.	MARKS.	MARKS.
Bavarian Exchange and Mortgage Bank	4,236,621	3,274,200	3,721,393
Bavarian Union Bank	9,571,297	9,997,863	10,434,734
Bavarian Trades' Bank	4,145,453	3,485,604	2,864,006
Nuremberg Union Bank	828,814	478,246	634,164
Provincial Bank of Anhalt-Dessau	1,078,500	1,078,500	1,078,500
General German Credit Concern, Leipzig	24,256,584	20,917,234	21,749,841
Württemberg Union Bank	10,433,068	10,784,560	11,565,395
Total	54,550,337	50,016,207	52,048,033
	1891.	1890.	1889.
	MARKS.	MARKS.	MARKS.
Bavarian Exchange and Mortgage Bank	2,640,508	1,850,072	1,814,247
Bavarian Union Bank	7,192,627	4,503,519	4,868,573
Bavarian Trades' Bank	3,267,175	3,018,659	3,048,949
Nuremberg Union Bank	452,674	136,460	239,749
Provincial Bank of Anhalt-Dessau	878,500	478,500	63,500
General German Credit Concern, Leipzig	27,350,672	15,686,668	18,486,085
Württemberg Union Bank	15,853,916	13,713,514	17,972,295
Total	57,636,072	39,387,392	46,439,398

### ***Foreclosures Of Mortgages.***

The amount of real estate foreclosed by process of law compares as follows for a series of years: 1884, 18,400,000 marks; 1885, 14,000,000; 1886, 21,200,000; 1887, 18,300,000; 1888, 16,300,000; 1889, 13,700,000; 1890, 11,900,000; 1891, 8,100,000; 1892, 10,500,000; 1893, 11,900,000; 1894, 12,100,000.

### ***Dividends Of Mortgage Banks.***

The productiveness of the banks will be indicated by the following table, giving the per cent. of dividends on capital stock:

YEARS.	Prussian Mortgage Banks.	German Mortgage Banks	Mixed Banks.	General Average.
1884	6.07	4.32	8.57	6.75
1885	5.93	4.92	8.31	6.78
1886	6.06	5.15	8.20	6.68
1887	6.02	5.35	8.27	6.89
1888	6.29	5.40	8.74	7.30
1889	6.57	5.29	9.49	7.56
1890	6.95	5.40	9.49	7.74
1891	6.93	5.87	8.65	7.46
1892	7.23	6.26	8.68	7.67
1893	7.17	6.43	8.70	7.68
1894	7.20	6.55	9.28	7.94

Dividends have constantly risen, but not in proportion to the growing volume of business. The lowest dividend was four per cent., and no bank was unable to pay dividends in 1894.

### ***Net Profits And Expenses Of Land Banks.***

Net profits from the mortgage business and other departments of the banks were as follows, for the period 1884 to 1894:

YEARS.	Prussian Mortgage Banks. MARKS.	German Mortgage Banks. MARKS.	Mixed Banks. MARKS.	Combined Total. MARKS.
1884	7,550,000	6,750,000	15,480,000	29,780,000
1885	7,420,000	8,640,000	15,520,000	31,580,000
1886	7,640,000	8,390,000	17,270,000	33,300,000
1887	8,650,000	8,280,000	16,810,000	33,750,000
1888	9,010,000	8,740,000	20,480,000	38,220,000
1889	10,800,000	9,600,000	23,500,000	43,900,000
1890	11,350,000	10,180,000	24,090,000	45,630,000
1891	11,640,000	10,970,000	22,670,000	45,290,000
1892	12,280,000	12,510,000	23,740,000	48,180,000
1893	13,370,000	12,480,000	25,110,000	50,960,000
1894	15,370,000	13,649,000	27,900,000	56,910,000

*Expenses* from 1887 to 1894 were as follows:

YEARS.	Prussian Mortgage Banks. MARKS.	German Mortgage Banks. MARKS.	Mixed Banks. MARKS.	Combined Total. MARKS.
1887	1,560,000	1,630,000	2,410,000	5,610,000
1888	1,690,000	1,730,000	2,470,000	5,900,000
1889	1,860,000	1,960,000	2,780,000	6,610,000
1890	1,920,000	1,920,000	2,940,000	6,790,000
1891	2,100,000	1,970,000	3,090,000	7,160,000
1892	2,420,000	2,260,000	3,320,000	8,010,000
1893	2,720,000	2,340,000	3,160,000	8,220,000
1894	3,040,000	2,730,000	3,530,000	9,290,000

### ***Surplus Accruing From Loans.***

We have attempted to ascertain the surplus accruing to the banks through loans, assuming that they received four per cent. from those mortgage loans which they held on their own account, apart from the issue of mortgage bonds to outsiders. Upon that basis, we tabulate the following data, expressed in thousands of marks:

BANKS, ETC.	Surplus of Loans Over Mortgage Bonds.	Interest at 4 Per Cent., Etc.	Net Proceeds of Mortgage Business.	Remaining for Mortgage Business	PROCEEDS OF MORTGAGE BONDS.								
					1894.	1893.	1892.	1891.	1890.	1889.	1888.	1887.	
					Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	
Prussian Central Land Credit Company	21,510	860	2,131	1,271	0.29	0.48	0.52	0.66	0.69	0.71	0.55	0.70	
Prussian Joint-Stock Land Credit Bank	20,183	807	2,479	1,672	0.88	0.64	0.96	0.93	1.04	1.02	1.19	1.34	
Prussian Joint-Stock Mortgage Bank	11,780	471	1,368	897	0.40	0.27	0.57	0.71	0.69	0.56	0.63	0.70	
Frankfort Mortgage Bank	4,564	183	1,270	1,087	0.51	0.39	0.53	0.47	0.51	0.52	0.49	0.66	
Silesian Land Credit Bank	4,320	173	624	451	0.45	0.49	0.58	0.56	0.63	0.15	0.56	0.65	
German Mortgage Bank, Berlin	4,432	177	600	423	0.63	0.63	0.72	0.80	0.80	0.83	0.93	1.00	
Pomeranian Mortgage Bank	3,165	127	529	402	0.44	0.64	0.66						
German Mortgage Bank	6,706	268	360	92	0.11	0.24	0.60						
Palatinate Mortgage Bank	5,441	218	913	695	0.59	0.45	0.67						
Joint-Stock Land and Commercial Credit Co.	4,100	164	472	308	0.47	0.56	0.52	0.55	0.61	0.36	0.44	0.36	
Brunswick- Hanover Mortgage Bank	3,152	126	586	460	0.40	0.32	0.32	0.41	0.46	0.34	0.41	0.39	
German Land Credit Bank, Gotha	7,647	306	692	386	0.41	0.35	0.38	0.51	0.54	0.41	0.75	0.53	

German Mortgage Bank, Meiningen	9,261	370	1,821	1,451	0.54	0.44	0.45	0.34	0.41	0.59	0.68	0.60
Mortgage Bank, Hamburg	7,786	311	1,493	1,182	0.42	0.31	0.30	0.32	0.26	0.33	0.28	0.43
Rhenish Mortgage Bank, Mannheim	5,262	210	1,536	1,326	0.68	0.73	0.88	0.97	1.01	0.92	0.66	0.85
Württemberg Mortgage Bank	11,872	475	884	409	0.39	0.39	0.42	0.49	0.45	0.91	0.48	0.53
South German Land Credit Bank	3,814	153	2,331	2,178	0.63	0.72	0.68	0.77	0.79	0.71	0.75	0.81
Bavarian Exchange and Mortgage Bank	24,753	990	4,015	3,025	0.51	0.51	0.53	0.59	0.50	0.54	0.54	0.51
Bavarian Union Bank	288	11	1,160	1,149	0.51	0.51	0.45	0.47	0.39	0.44	0.58	0.49
Bavarian Trades' Bank	4,371	175	815	640	0.54	0.54	0.51	0.45	0.47	0.51	0.46	0.46
Nuremberg Union Bank	7,213	289	1,024	735	0.42	0.46	0.57	0.54	0.59	0.61	0.65	0.59
Provincial Bank of Anhalt- Dessau	1		25	25	0.31	0.22	0.52	0.58	0.51	0.47	0.60	0.30
General German Credit Concern, Leipzig	3,323	133	196	63	0.21	0.41	0.41	0.32	0.44	0.66	0.29	0.44
Mecklenburg Exchange and Mortgage Bank	9,791	392	704	312	0.77	0.51	0.48	0.78	1.00	0.68	2.42	1.20
Württemberg Union Bank	131	5	32	27	0.27	0.37	0.49	0.35	0.40	0.28	0.32	0.56

Total	184,866	7,304	28,060	20,666	0.49	0.49	0.56	0.59	0.62	0.58	0.62	0.63
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INSTITUTIONS.	Cash.	Bills of Exchange and Effects.	Mortgages and Municipal Loans.	Loans on Securities	Debtors and Sundries	Bank Buildings and Movables.	Real Estate.	Premiums	Capital Stock.	Surplus Fund.
I.—Prussian Banks.										
Prussian Central Land Credit Company	<a href="#">956</a>	7,302	455,339	600	5,159	1,400	730	4,280	21,600	<a href="#">1,900</a>
Prussian Joint-Stock Land Credit Bank	571	4,886	208,823	14,096	1,338	500	1,500		30,000	<a href="#">5,900</a>
Prussian Joint-Stock Mortgage Bank	2,505	15,528	235,753		9,880	1,711			15,000	<a href="#">2,600</a>
Frankfort Mortgage Bank	2,035	3,887	219,093	4,860	3,452	387			12,000	3,630

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000

Frankfort									
Mortgage	1,624	685	94,218	3,570	1,343			6,000	465
Credit Union									
Silesian Joint-									
Stock Land	1,549	4,897	104,488	1,041	390	610		7,500	<a href="#">j</a> 2,03
Credit Bank									
German									
Mortgage	910	635	71,982	1,795	425	300		5,400	<a href="#">l</a> 1,45
Bank, Berlin									
Pomeranian									
Joint-Stock									
Mortgage	1,942	7,295	94,031		1,051	9		9,000	<a href="#">m</a> 2,3
Bank									
National									
Mortgage	434	3,145	42,397		1,193	<a href="#">p</a> 110	711	629	676
Credit									
Company									
German									
Mortgage	950	8,205	93,865		4,727	20		6,000	<a href="#">q</a> 263
Bank									
Westphalian									
Land Credit	7		14,451		3,164	225		5,000	
Bank									
Total	13,483	56,465	1,634,440	25,968	32,122	5,272	2,230	4,991	118,129
II.—Other									
German									
Purely									

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000



Mortgage Banks.										
Leipzig Mortgage Bank	40		6,917		138			580	56	
Joint-Stock Commercial and Land Credit Bank	813	4,697	69,799		2,870	615	832	74	4,800	917
Brunswick-Hanover Mortgage Bank	510	5,311	117,162	352	3,257	554		295	9,000	1,27
Citizens' Bank of the Kingdom of Saxony	44	282	25,176	421	9	1			600	282
German Mortgage Bank, Gotha	355	2,895	102,100		8,048	170	765		10,500	2,34
German Mortgage Bank, Meiningen	300	4,083	277,181	1,015	9,992	1,115			16,800	<a href="#">t</a> 3,37
Mortgage Bank, Hamburg	12,536	1,510	291,489	853	3,582	500	70		15,000	<a href="#">v</a> 3,4

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000

Rhenish										
Mortgage Bank, Mannheim	423		197,361		9,450		95	114	9,000	1,520
Württemberg Mortgage Bank	207	1,315	117,848	96	394	774	3		11,000	2,390
South German Joint-Stock Land Credit Bank	688	14,915	348,579	33	13,749	305	2,399		24,000	2,700
Palatinate Mortgage Bank	1,017	293	121,899		4,641	135		331	8,000	800
North German Land Credit Bank	331	594	42,017	514	1,507		2,756		4,500	152
Total	17,264	35,895	1,717,528	3,284	57,637	4,169	6,920	814	113,780	19,200
III.—Mixed Banks.										
Bavarian Exchange and Mortgage Bank	4,558	40,009	620,013	2,929	52,395	3,231			39,286	19,000
Bavarian Union Bank	3,194	21,054	227,745	1,210	50,563	2,074			27,000	8,280
Bavarian Trades' Bank	1,121	11,869	123,394	1,932	<a href="#">aa</a> 13,410	978			15,286	<a href="#">bb</a> 3,000

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000

Nuremberg Union Bank	450	12,859	182,585	1,022	7,478		585	12,000	<a href="#">dd</a> 4,
Provincial Bank of Anhalt-Dessau	495	3,291	7,992		7,953	753	80	7,500	1,53
Agricultural Credit Bank	93	274	5,776	104	773	7		600	164
General German Credit Institution, Leipzig	5,022	38,973	32,849	4,305	70,110	2,410	1,066	42,000	14,4
Mecklenburg Exchange and Mortgage Bank	1,073	5,819	50,155	6,049	24,429	60	443	9,000	<a href="#">ee</a> 1,1
Württemberg Union Bank( <a href="#">hh</a> )	1,534	11,606	10,515	4,658	27,392	8	761	18,000	4,35
Prussian Letter of Mortgage Bank	855	2,444	80,602	2,161	3,830	667		10,500	2,30
Total	18,395	148,198	1,341,626	24,370	258,333	10,188	2,935	181,172	58,8
33 Mortgage banks, 1894	19,142	240,558	4,693,594	53,622	348,092	19,629	12,085	5,805	413,081
								99,4	

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000

31 Mortgage banks, 1893	33,038 191,428	4,232,539	36,400	301,716	19,803	11,934 3,780	398,888 93,1
31 Mortgage banks, 1892	38,028 190,798	3,904,733	43,901	288,701	15,368	10,546 4,828	372,993 77,8
31 Mortgage banks, 1891	32,186 171,859	3,532,810	37,369	292,527	16,126	8,111 6,994	348,905 73,4
31 Mortgage banks, 1890	33,194 155,271	3,270,788	33,992	257,337	13,901	11,926 9,096	335,997 67,6
31 Mortgage banks, 1889	34,610 136,315	3,057,753	31,737	301,665	14,035	13,660 11,854	320,629 61,2
27 Mortgage banks, 1888	30,006 136,950	2,669,047	43,367	230,244	13,998	16,306 11,810	292,814 52,9
27 Mortgage banks, 1887	22,805 144,177	2,408,161	41,100	221,536	13,898	18,285 12,582	292,582 49,6
27 Mortgage banks, 1886	32,348 156,249	2,238,120	28,884	210,413	14,064	21,238 13,791	288,242 46,4
24 Mortgage banks, 1885	23,110 175,292	2,046,226	45,099	186,984	12,020	14,033 11,922	279,993 43,7
24 Mortgage banks, 1884	27,974 169,208	1,964,380	39,736	184,896	12,224	18,403 13,570	277,864 41,8
24 Mortgage banks, 1883	23,048 171,098	1,850,142	58,863	169,507	10,422	22,880 12,793	274,850 41,1

[a](#)Cash and Bills of Exchange are thrown together, amounting to 1,912,443 marks. We estimated 956,000

\*?\* For References, see next page.

[\[Back to Table of Contents\]](#)

## II.

### STATISTICS OF BANKING IN AUSTRIA-HUNGARY.

#### THE AUSTRO-HUNGARIAN BANK.

*Assets and Liabilities for Years 1876, 1885, 1895, on December 31st.*

ASSETS.	1876.	1885.	1895.
	FLORINS.	FLORINS.	FLORINS.
Coin reserve	136,607,783	198,796,035	244,091,527
Foreign bills, payable in gold	11,139,397	10,242,126	6,827,247
Discounts	135,591,771	136,442,984	219,474,480
Loans on securities	29,011,300	27,216,700	46,274,000
Redeemed matured securities and coupons		197,931	230,392
State notes on hand	1,699,634	4,496,136	13,752,815
Debt of kingdoms and provinces represented in Diet	80,000,000	79,403,386	76,322,459
Mortgage loans	100,522,443	89,369,213	134,290,233
Market value of mortgage bonds bought in by Bank	4,958,532	7,053,627	8,730,600
Market value of securities in reserve fund	11,343,270	10,577,091	18,848,146
Securities purchased by current proceeds		1,500,000	
Market value of securities in pension fund	2,439,497	3,660,703	5,175,204
Buildings and <i>fundus instructus</i>	3,285,834	2,990,391	4,886,421
LIABILITIES.			
Capital stock	90,000,000	90,000,000	90,000,000
Reserve fund	17,815,425	18,098,114	32,457,754
Circulating notes outstanding	295,910,060	363,603,020	619,854,140
Outside funds payable on demand*	1,295,745	4,815,951	12,618,510
Other demand obligations	914,873	7,272,023	12,527,778
Mortgage bonds outstanding	99,940,180	81,191,000	128,541,300
Pension fund	2,439,497	3,660,754	5,274,453
Carried over from current proceeds toward interest on mortgage bonds of next year	2,572,300	1,875,711	1,638,491
Net annual proceeds	7,009,909	5,810,516	7,085,685

\*Including payables to banks.

*Balance-sheet of the Austro-Hungarian Bank, December 31, 1895.*

ASSETS.

Coin reserve:	FLORINS.
Gold coin in crowns, gold bullion, foreign and commercial gold coin at 1638 florins per kilogramme fine	244,091,527.19.0
Foreign bills payable in gold	6,827,247.81.0
Silver currency	126,602,571.00.0
	377,521,346.00.0
State notes	13,752,815.00.0
Discounted bills, warrants, and securities:	
Vienna	50,245,300.98.0
Austrian branches	70,901,622.27.0
Buda-Pesth	62,005,394.01.0
Hungarian branches	36,322,163.68.0
	219,474,480.94.0
Loans on securities:	
Vienna	17,760,560.00.0
Austrian branches	16,715,260.00.0
Buda-Pesth	7,300,830.00.0
Hungarian branches	4,497,860.00.0
	46,274,510.00.0
Redeemed matured securities and coupons	15,100.14.5
Debt of kingdoms and provinces represented in the Imperial Diet	76,322,459.47.5
Mortgage loans	134,290,233.73.0
Mortgage bonds bought in by the Bank	8,730,600.00.0
Securities in the reserve fund	18,848,146.48.0
Securities in the pension fund	5,175,204.40.0
Buildings and <i>fundus instructus</i>	4,886,421.00.0
Other assets	10,170,978.67.5
Total	915,462,295.84.5
LIABILITIES.	
Capital stock	90,000,000.00.0
Reserve fund	32,457,754.78.0
Circulation of bank notes	619,854,140.00.0
Gold balance in favor of the Imperial and Royal Austrian Exchequer	1,517,968.90.0
Gold balance in favor of the Royal Hungarian Exchequer	1,115,382.48.5
Outside funds payable on demand:	

Bank accounts	12,618,510.37.0		
Other accounts and outstanding drafts or money orders	12,527,778.24.5		
Allotted mortgage bonds, due and not yet redeemed	695,200.00.0		
Uncollected interest on mortgage bonds	44,118.25.0		
Uncollected dividends	43,760.50.0		
			25,929,367.36.5
Mortgage bonds in circulation			128,541,300.00.0
Annual interest on mortgage bonds, not yet due			1,310,483.00.0
Pension fund			5,278,453.19.0
Other liabilities			3,425,503.27.5
Carried over from current proceeds toward interest on mortgage bonds for next year			1,638,491.12.0
Net proceeds for 1895	7,085,685.97.0		
Applied to dividends for July, 1895	2,250,000.00.0		
Applied to pension fund	103,248.79.0		
Applied to dual Government	338,985.45.0	2,692,234.24.0	4,393,451.73.0
Total			915,462,295.84.5
[Kreutzers are included in this statement, because otherwise there would be discrepancies in the totals.]			

*Items from the Official Report for 1895.*

	FLORINS.
Total volume of transactions	2,532,289,026
Number of papers discounted, 1,507,968 (including 187,578 pieces brought over from 1894).	
Amount of discounts	1,430,655,383
Amount of discounts collected	1,211,180,902
Date of maximum status of discounts, October 31st	227,715,000
Date of minimum status of discounts, March 15th	116,974,000
Annual total of loans on securities	189,890,510
Bank accounts:	
Total receipts*	3,966,563,502
Total payments	3,963,183,951
Annual number of deposits, 110,434; nominal value	662,064,538
Total of cash turned over in 1896	21,506,355,574

\*Exclusive of amount brought over from 1894 and of sums in transit.

Number of mortgage loans applied for in 1895, 700; number granted, 375.

	FLORINS.
Amount of loans applied for	20,497,700
Amount of loans granted	10,019,700
Number granted in Austria, 41; amount	623,000
Number granted in Hungary, 315; amount	9,124,900
Number granted in Croatia-Slavonia, 19; amount	271,800



## THE AUSTRIAN CREDIT BANK.

*Balance-sheet for 1894.*

ASSETS.

FLORINS.

Stocks and bonds		2,722,860.93	
Bills of Exchange:			
Vienna	20,406,586.24		
Branches	9,969,898.21		
		30,376,484.45	
Cash:			
Vienna	3,583,041.27		
Branches	1,706,838.57		
		5,289,879.84	
Advanced on securities:			
Vienna	27,494,173.81		
Branches	273,948.00		
		27,768,121.81	
Inventory:			
Vienna	26,700.00		
Branches	32,900.00		
		59,600.00	
Real estate:			
Bank building in Vienna	1,000,000.00		
Agricult'l property at Pecek, Treboul & Zbozi.	1,193,518.88		
		2,193,518.88	
Branches	570,092.23		
		2,763,611.11	
Debtors:			
	{ Foreign	4,397,097.76	
Vienna	{ Domestic	20,010,776.95	
	{ Local	36,430,891.82	
		60,838,766.53	
	{ Foreign	6,268,253.81	
Branches	{ Domestic	23,821,973.09	
	{ Local	43,214,565.34	
		73,304,792.24	134,143,558.77
Total			203,124,116.91
LIABILITIES.			
Joint-stock capital of 250,000 shares at 160 florins		40,000,000.00	
Reserve fund (or surplus fund)		8,000,000.00	
Back dividends, 1889-1894		16,094.00	
Acceptances		18,962,304.08	
Interest-bearing deposits:			

Vienna		3,605,130.15	
Branches		2,116,589.04	
			5,721,719.19
Creditors:			
	{ Foreign	9,471,474.22	
Vienna	{ Domestic	12,063,897.89	
	{ Local	43,545,201.33	
			65,080,573.44
	{ Foreign	15,518,465.41	
Branches	{ Domestic	14,279,480.10	
	{ Local	30,152,093.41	
			59,950,038.92
			125,030,612.36
Profits			5,393,387.28
Total			203,124,116.91

*Market Investments of the Bank.*

Number of Shares Dec. 31, 1894.	DESIGNATION OF SHARES.	Market Quotation Dec. 31, 1894.	AMOUNT IN FLORINS.
	Bank shares:		
20	Austro-Hungarian Bank	1,043	20,860
5	Lower Austrian Discount Company	810	4,050
25	Vienna Giro und Cassen-Verein	315	7,875 32,785
	Transportation shares:		
4,964	Potscherad-Wurzmies Railway	120	595,680
	Industrial shares:		
750	Brünn Water-Works	410	307,500
125	Vienna-Neustadt Locomotive-Works	276	34,500
22	Pecek Sugar Refinery	Par.	110,000 452,000
	Sundry bonds		1,642,395
			2,722,760

## THE AUSTRIAN CREDIT BANK FOR TRADE AND INDUSTRY.

### *Abstract of Operations in 1894.*

	FLORINS.
Business on commission—Vienna	609,651,000
Business on commission—Branches	680,766,000
Total	1,290,417,000
Commission charges—Vienna	467,539
Commission charges—Branches	1,016,242
Total	1,483,781
Bills of exchange—Vienna	170,963,000
Bills of exchange—Branches	117,428,000
Total	288,391,000
Proceeds in interest	1,162,472
Accepted drafts	116,152,000
Foreign bills—Vienna	970,010,000
Foreign bills—Branches	336,870,000
Total	1,306,880,000
Net returns	512,781
Advances on securities—Vienna	211,223,000
Advances on securities—Branches	139,000
Total	211,362,000
Proceeds of this business—Vienna	1,301,106
Proceeds of this business—Branches	17,349
Total	1,318,455
Bank accounts—Total transactions in 1894	83,927,000
Bank's clearance account with the Vienna Clearing-House Assoc'n	72,577,000

### *Money Orders.*

	Brought Over from December 31, 1893.		Issued in 1894.		Total Issued.		Paid Back in 1894.		Outstanding on December 31, 1894.	
	Number.	Florins.	Number.	Florins.	Number.	Florins.	Number.	Florins.	Number.	Florins.
Vienna	532	1,030,600	938	1,712,200	1,470	2,742,800	903	1,586,000	567	1,156,800
Branches	1,209	1,602,100	1,997	2,845,700	3,206	4,447,800	2,350	3,243,700	856	1,204,100
Total	1,741	2,632,700	2,935	4,557,900	4,676	7,190,600	3,253	4,829,700	1,423	2,360,900

	FLORINS.
Cash movement in 1894—Vienna	1,713,771,000.00
Cash movement in 1894—Branches	318,179,000.00
Total	2,031,950,000.00
Total interest from the various branches of business	4,439,260.15
Total commission fees	1,483,781.44
Total proceeds from real estate	89,152.57
Total proceeds from securities	512,781.28
Profits in the banking and merchandise department of the Hungarian General Credit Bank at Buda-Pesth	194,407.02
Deduct quota falling to the directors of the Hungarian General Credit Bank	9,720.35
	184,686.67
	6,709,662.11
Deduct salaries and expenses	1,734,411.36
Deduct tax on current business	400,789.14
Deduct unpaid claims	4,614.24
	2,139,814.74
Net proceeds	4,569,847.37

Current business, without reference to market investments and association with syndicates, thus yielded very nearly 11 425-1000 per cent. on the capital stock of 40,000,000 florins.

## THE VIENNA UNION BANK.

*Abstract from Reports of 1870, 1880, and 1890.*

### ASSETS.

ITEMS.	1870.	1880.	1890.
	FLORINS.	FLORINS.	FLORINS.
Cash	1,557,000	1,722,000	1,250,000
Bills of exchange	7,225,000	2,365,000	6,494,000
Our own securities	2,220,000	3,705,000	4,391,000
Advanced on securities	4,449,000	1,924,000	5,944,000
Advanced on merchandise		3,407,000	1,895,000
Real estate		901,000	
Warehouse, etc.		1,166,000	
Debtors	29,172,000	16,294,000	16,182,000
Syndicate business		1,764,000	3,612,000
Inventory and tax on shares	143,000	94,000	
Total (approximate)	44,924,000	36,211,000	39,770,000

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
	FLORINS.	FLORINS.	FLORINS.
Capital stock	12,000,000	15,000,000	12,000,000
Surplus fund		450,000	391,000
Drafts	2,222,000	4,552,000	1,568,000
Money orders in circulation	403,000	382,000	5,819,000
Creditors	28,241,000	9,651,000	18,484,000

*Items from Report of December 31, 1894.*

### ASSETS.

### LIABILITIES

	FLORINS.		FLORINS.
Bills of exchange	14,823,000	Capital stock	12,000,000
Securities	3,861,000	Surplus fund	777,000
Advances	22,133,000	Deposits on interest	7,807,000
Debtors	25,941,000	Acceptances	2,396,000
Cash	2,828,000	Creditors	44,335,000
Total assets	69,586,000		

## THE AUSTRIAN TERRITORIAL BANK.

### *Abstract from Reports for 1881 and 1890.*

ASSETS.			LIABILITIES.		
ITEMS.	1881.	1890.	ITEMS.	1881.	1890.
	FLORINS.	FLORINS.		FLORINS.	FLORINS.
Cash	1,201,000	3,169,000	Capital stock	40,000,000	40,000,000
Bills of exchange:					
Austrian	7,825,000	14,254,000	6,825,000	Redeemed gold premium	
Foreign	1,062,000	4,278,000	Gold premium surplus.	250,000	
Securities	10,473,000	8,497,000	Ordinary surplus fund.		712,000
Advanced on securities	20,462,000	7,551,000	Extraordinary surplus fund	7,024,000	7,180,000
Debtors	29,220,000	59,107,000	Drafts	6,932,000	16,039,000
Syndicate business	11,187,000	12,561,000	Deposits on interest		2,939,000
Real estate and inventory	75,000	5,369,000	Pension fund		342,000
			Creditors	18,157,000	43,458,000
Total	81,505,000	114,786,000	Reserved for doubtful claims	102,000	

### *Paris Branch, as per Statement of December 31, 1890*

ASSETS.		LIABILITIES.	
	FRANCS.		FRANCS.
Cash	673,029	Appropriation fund	5,000,000
Bills of exchange	5,386,999	Drafts	7,161,004
Securities	172,179	Creditors	5,317,265
Advanced on securities	2,517,236		17,478,270
Certified debtors	8,728,824		
	17,478,270		

*Summarized Report for December 31, 1894.*

ASSETS.		LIABILITIES.	
	FLORINS.		FLORINS.
Bills of exchange	19,429,000	Capital stock	40,000,000
Securities	14,988,000	Surplus fund	9,988,000
Advances	9,663,000	Deposits on interest	4,024,000
Real estate and inventory	5,487,000	Acceptances	23,576,000
Debtors	81,357,000	Creditors	53,162,000
Cash	4,590,000	Other liabilities	711,000
Other assets	546,000		
Total assets	136,060,000		

THE VIENNA BANKING ASSOCIATION.

*Abstract from Reports of 1869-70, 1880, and 1890.*

ASSETS.		1869-70.	1880.	1890.
ITEMS.		FLORINS.	FLORINS.	FLORINS.
Cash			341,000	1,978,000
Bills of exchange			1,497,000	6,375,000
Advanced on securities	602,000	1,403,000	7,435,000	
Our own securities	386,000	3,014,000	4,700,000	
Furnished in syndicate operations	805,000	2,176,000	6,616,000	
Debtors		5,294,000	26,222,000	
Real estate	781,000	1,826,000	1,617,000	
Current accounts credit	3,728,000	1,643,000		
Total		6,302,000	17,194,000	54,943,000
LIABILITIES.		1869-70.	1880.	1890.
ITEMS.		FLORINS.	FLORINS.	FLORINS.
Capital stock		3,200,000	8,000,000	25,000,000
Surplus fund			545,000	1,347,000
Special surplus fund			1,221,000	2,877,000
Acceptances			227,000	7,853,000
Creditors		1,126,000	7,315,000	18,039,000



*Items from Report of December 31, 1894.*

ASSETS.		LIABILITIES.	
	FLORINS.		FLORINS.
Bills of exchange	20,801,000	Capital stock	25,000,000
Securities	6,747,000	Surplus fund	4,553,000
Advances	5,274,000	Acceptances	13,534,000
Real estate and inventory	1,480,000	Creditors	46,670,000
Debtors	53,920,000	Other liabilities	2,000
Cash	4,117,000		
Other assets	918,000		
Total assets	93,257,000		

## THE GENERAL AUSTRIAN MORTGAGE BANK.

*Abstract from Reports of 1870, 1880, 1890.*

### ASSETS.

ITEMS.	1870.	1880.	1890.
	FLORINS.	FLORINS.	FLORINS.
Cash	2,029,000	6,700,000	3,284,000
Bills of exchange	4,535,000	2,662,000	14,387,000
Advanced on securities	5,441,000	21,685,000	26,197,000
Our own securities	1,769,000	2,264,000	3,980,000
Mortgage bonds in Bank	1,018,000		
Loans on public domains	55,827,000	49,474,000	39,765,000
Mortgage loans: Gold	25,708,000	38,678,000	15,098,000
Bank funds	19,132,000	32,187,000	55,502,000
Municipal loans: Gold	411,000	7,352,000	95,000
Bank funds		13,102,000	52,750,000
Annuities	561,000	1,584,000	446,000
Real estate		2,578,000	2,905,000
Debtors		18,780,000	31,003,000
Deposited securities	41,613,000		
Current accounts	8,363,000		
Total assets	166,407,000	197,046,000	245,412,000

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
	FLORINS.	FLORINS.	FLORINS.
Capital stock	9,600,000	9,600,000	9,600,000
Premium fund			3,074,000
Ordinary surplus fund	1,145,000	223,000	4,691,000
Extraordinary surplus fund	2,241,000	423,000	3,495,000
Mortgage bonds: On public domains	56,040,000	51,129,000	39,048,000
In gold	27,370,000	36,762,000	16,009,000
In bank notes	16,399,000	31,454,000	53,665,000
Municipal bonds: In gold	410,000		
In bank funds			
Premium bonds		20,000,000	51,512,000
Interest on mortgage bonds, etc.	2,665,000	2,446,000	2,233,000
Allotted mortgage bonds	385,000	9,510,000	1,075,000
Interest on loans	762,000	939,000	305,000
Exchequer bills	3,110,000	906,000	
Drafts	1,342,000	312,000	7,000
Creditors		20,903,000	53,341,000
Reserved for doubtful claims		322,000	322,000
Current accounts		10,349,000	4,201,000

*Balance-sheet for December 31, 1894.*

ASSETS.

FLORINS.

Cash, coin, coupons, bank accounts credit at the Austro-Hungarian Bank and the Vienna Giro und Cassen-Verein	4,278,435
Bills of exchange	10,859,488
Advanced on securities	37,277,184
Securities	7,335,760
Debtors	29,449,831
Loans on public domains	34,988,695.10
Mortgage loans in gold	8,834,284.04
Mortgage loans in bank funds	66,361,980.19
Municipal loans in bank funds	62,514,616.96
	172,699,576
Annuities	469,764
Real estate	2,173,259
	264,543,302
LIABILITIES.	
Capital stock paid in	9,600,000
Premium fund	3,737,096
Ordinary surplus fund	8,029,849.21
Extraordinary surplus fund	5,986,399.86
	14,016,249
Reserved for doubtful claims	322,415
Drafts	135,732
Creditors	58,504,650
Mortgage bonds on public domains	34,138,920
Mortgage bonds in German Imperial currency	7,972,800
Mortgage bonds in bank funds	62,618,300
Premium bonds	57,777,600
	162,507,620
Interest on mortgage and premium bonds	2,365,987
Allotted bonds on public domains	1,014,298
Allotted bonds in gold	9,120
Allotted bonds in German Imperial currency	213,651
Allotted bonds in bank funds	39,100
Allotted municipal bonds in gold	246
Allotted premium bonds	561,300
Interest on loans: amount brought forward for first half of 1895	331,847
Balance of current accounts	7,843,387
Profit and loss account	3,340,599
	264,543,302

## THE ANGLO-AUSTRIAN BANK.

*Abstract from Reports for 1864, 1870, 1880, and 1890, stated  
in Millions and Thousands of Florins.*

### ASSETS.

ITEMS.	1864.	1870.	1880.	1890.
Cash	2.607	4.618	1.929	2.277
Bills of exchange	4.401	6.879	7.108	11.479
Advances on securities	3.297	3.795	2.729	1.236
Own securities	2.110	5.649	2.404	4.216
Real estate, inventory, and mines	0.032	0.418	3.823	2.111
Mortgage loans				3.464
Debtors	9.269	56.622	25.869	34.875
Total (approximate)	22.617	77.983	43.863	59.658

### LIABILITIES.

ITEMS.	1864.	1870.	1880.	1890.
Capital stock	6.000	14.000	18.000	18.000
Silver premium	0.900	3.405		
Surplus (or reserve) fund		1.538	1.572	1.787
Acceptances	6.327	8.451	10.495	11.693
Money orders	6.140	1.824	1.177	0.903
Mortgage bonds				3.485
Creditors	2.577	44.766	11.398	21.376

*Summarized Report for December 31, 1894.*

### ASSETS.

### LIABILITIES.

	FLORINS.		FLORINS.
Bills of exchange	12,682,000	Capital stock	18,000,000
Securities	1,003,000	Surplus fund	2,434,000
Advances	15,183,000	Mortgage bonds	1,625,000
Mortgage loans	1,703,000	Deposits on interest	1,530,000
Real estate and inventory	1,413,000	Acceptances	31,320,000
Debtors	56,885,000	Creditors	33,885,000
Cash	1,889,000	Other liabilities	8,000
Total assets	90,758,000		

The dividends of this bank exhibit large fluctuations, as shown by the following comparisons:

1864 8½ per cent., silver.  
 1866 9 per cent., silver.  
 1867 35 per cent., silver.  
 1868 76? per cent., silver.  
 1870 15 per cent., silver.  
 1872 25 per cent., notes.  
 1873 5 per cent., notes.  
 1875  
 1876  
 1880 2½ per cent., notes.  
 1890 8? per cent., notes.

## THE LOWER AUSTRIAN DISCOUNT COMPANY.

*Abstract from Reports of 1860, 1870, 1880, and 1890, stated  
 in Millions and Thousands of Florins.*

### ASSETS.

ITEMS.	1860.	1870.	1880.	1890.
Cash	1.735	0.806	1.324	1.308
Bills of exchange	28.772	31.630	41.228	21.458
Advances on securities	0.468	3.651	8.026	4.851
Own securities	0.076	0.456	0.326	5.232
Banking and exchange business		4.831	0.958	1.340
Debtors	0.265	1.806	0.857	8.944
Real estate and movables	0.358	0.293	0.380	0.790
Round total	31.700	43.583	53.643	44.646

### LIABILITIES.

ITEMS.	1860.	1870.	1880.	1890.
Capital stock	7.000	7.000	7.000	9.800
Shareholders' surplus fund	0.071	0.455	0.905	0.355
Creditors' surplus fund	0.053	0.364	0.090	0.328
Creditors' surety fund	2.222	2.278	2.067	1.494
Due to other banks		2.209	8.466	1.881
Current accounts	20.955	19.929	23.545	15.702
Acceptances				
Creditors	0.471	9.500	9.844	13.381

*Statement of Dividends, Years 1854 to 1890.*

YEARS.	Amount of Dividends Per Share. FLORINS.	Per Cent. of Dividends.	Market Value of Shares December 31.
1854	25	5	474 <sup>3</sup> / <sub>8</sub>
1855	35	7	462 <sup>1</sup> / <sub>2</sub>
1856	40	8	585
1857	44	8.4-5	588 <sup>1</sup> / <sub>8</sub>
1858	39	7.2-5	630
1859	40	8	583
1860	40	8	545
1861	47.50	9 <sup>1</sup> / <sub>2</sub>	601
1862	48	9.3-5	648
1863	45	9	654
1864	37.50	7 <sup>1</sup> / <sub>2</sub>	580
1865	40.50	8.1-10	574
1866	40	8	608
1867	41	8.1-5	616
1868	65	13	670
1869	100	20	895
1870	74	14.4-5	889
1871	81	16.1-5	988
1872	92.50	18 <sup>1</sup> / <sub>2</sub>	1,155
1873	62.50	12 <sup>1</sup> / <sub>2</sub>	880
1874	45	9	859
1875	40	8	700
1876	35	7	640
1877	42	8.2-5	710
1878	43	8.3-5	750
1879	41	8.1-5	810
1880	43	8.3-5	800
1881	50	10	890
1882	45	9	840
1883	37	7.2-5	845
1884	10	2	660
1885	12 <sup>1</sup> / <sub>2</sub>	2 <sup>1</sup> / <sub>2</sub>	555
1886	22 <sup>1</sup> / <sub>2</sub>	4 <sup>1</sup> / <sub>2</sub>	546
1887	22 <sup>1</sup> / <sub>2</sub>	4 <sup>1</sup> / <sub>2</sub>	505
1888	25	5	513
1889	30	6	585
1890	30	6	600

*Summarized Report of the same Bank for December 31, 1894.*

ASSETS.		LIABILITIES.	
	FLORINS.		FLORINS.
Bills of exchange	22,649,000	Capital stock	9,800,000
Securities	1,470,000	Surplus fund	831,000
Advances	9,518,000	Deposits on interest	13,237,000
Real estate and inventory	840,000	Creditors	18,574,000
Debtors	13,661,000	Other liabilities*	9,042,000
Cash	1,866,000		
Other assets*	2,045,000		
Total assets	52,049,000		

\*Including Bank and exchange accounts, securities of the pension fund, and of creditors' reserve fund.

\*Including surety fund of creditors, with interest thereon; creditors' reserve fund, Bank accounts, pension fund, interest on current bills, uncollected interest, and dividends.

## VIENNA GIRO UND CASSEN-VEREIN (BANK ACCOUNT AND CASH ASSOCIATION).

*Balance-sheet for 1894.*

ASSETS.		LIABILITIES.	
	FLORINS.		FLORINS.
Cash	1,182,029	Joint-stock capital	3,000,000
Local bills	7,663,821	Surplus fund	425,695
Advances on securities	5,159,430	Back dividends	40
Bank property	460,000	Bank accounts, credit	7,783,327
		Bonded security	2,532,700
		"Arrangement" security	153,595
		Brought over	220,084
		Profits	349,838
Total assets	14,465,281	Total liabilities	14,465,281

## IMPERIAL AND ROYAL AUSTRIAN POST SAVINGS-BANK.

*Designation of Depositors for the Seven Years Period, 1883 to 1890.*

DEPOSITORS.	NUMBER OF ACCOUNT-BOOKS.		
	Issued.	Closed.	Open.
Children	120,575	21,657	98,918
Students and school children	445,940	168,691	277,249
Private citizens	95,405	43,649	51,756
Married women and widows	54,711	23,821	30,890
State, provincial, and municipal officials	23,249	10,212	13,037
Private officials	40,207	17,708	22,499
Clerical and religious	7,213	2,923	4,290
Military	28,737	12,539	16,198
Police ("organs of safety") and bank watchmen	9,287	2,403	6,884
Scholars, professors, teachers, artists	26,817	10,852	15,965
Advocates and notaries	3,769	2,927	842
Physicians, medical persons, and apothecaries	5,758	4,690	1,068
Poets, authors, journalists	2,541	1,914	627
Trades-people	25,356	11,320	14,036
Artisans	7,884	5,574	2,310
Industrial hands, mechanics	177,631	76,159	101,472
Shopkeepers' assistants	36,007	19,512	16,495
Factory hands	22,289	12,522	9,767
<i>Ouvrières</i>	20,684	8,736	11,948
Men-servants and messengers	97,549	35,089	62,460
Farmers	15,041	8,699	6,342
Farm servants	4,406	2,960	1,446
Day laborers	8,029	4,146	3,883
Miners, smelters, woodsmen	5,535	1,974	3,561
Sailors	643	293	350
Associations and <i>juris personæ</i>	19,700	12,922	6,778
Persons of unknown calling	2,584	474	2,110
Convicts	82	57	25
Total	1,307,629	524,423	783,206



*Depositors for the Seven Years 1883 to 1890, with respect to Age.*

DEPOSITORS	Books Issued. Closed. Open.		
Ten years and under	235,711	40,627	195,084
From 10 to 20 years	474,758	203,669	271,089
From 20 to 30 years	291,704	118,432	173,272
From 30 to 40 years	169,874	83,803	86,071
From 40 to 50 years	71,247	43,597	27,650
From 50 to 60 years	26,901	14,193	12,708
From 60 to 70 years	11,510	4,424	7,086
From 70 to 80 years	4,143	1,729	2,414
From 80 to 90 years	806	647	159
Above 90 years	48	32	16
Of uncertain age	1,227	348	879
Associations and <i>juris personæ</i>	19,700	12,922	6,778
Total	1,307,629	524,423	783,206

*Growth of Business from 1891 to 1894.*

FLORINS.

1891—Deposits 23,300,000  
 1892—Deposits 26,500,000  
 1893—Deposits 29,500,000  
 1894—Deposits 32,500,000

The transactions in cheques and clearances rose from 1,001,000,000 florins in 1891, to 1,367,000,000 florins in 1894.

## THE FIRST AUSTRIAN SAVINGS-BANK.

*Data by Decades, from 1820 to 1890, stated in Millions and Thousands of Florins.*

ITEMS.	VIENNA CONVENTION STANDARD*				AUSTRIAN STANDARD.			
	1820.	1830.	1840.	1850.	1860.	1870.	1880.	1890.
Deposits	.083	4.320	5.380	8.132	8.600	25.811	41.433	41.441
Paid back	.020	4.529	5.224	6.077	8.607	21.609	44.374	47.854
Increase of interest	.001	.298	.747	1.055	1.511	2.743	5.159	6.539
Deposit capital	.084	7.901	20.890	29.392	35.704	62.099	132.593	184.006
Surplus fund	.008	.150	.975	2.567	3.881	3.922	4.630	6.000
Total administrative funds	.092	8.287	22.400	32.169	40.028	67.251	144.517	193.781
Applicat'n of administrative funds:								
Mortgage claims		4.831	10.617	14.245	26.981	32.972	58.103	94.131
Valid bills of exchange, Exchequer mortgage bonds, current accts	.021	.801	4.758	12.960	10.020	16.064	65.292	55.080
Advances on State securities and bank shares		.934	5.427	1.760	.651	5.512	6.126	4.368
Bank shares and State bonds	.047	1.231	.706	1.325	.912	10.296	4.791	30.275
Number of open accounts	2.601	32.543	91.409	125.570	169.596	199.133	276.514	401.970

\*Until 1858, the currency of the Bank was of the Vienna Convention standard. The sums from 1860 forward are in Austrian standard florins.

## THE SAVINGS-BANKS OF AUSTRIA.

*Total Assets and Liabilities of 414 Austrian Savings-Banks for 1890.*

ASSETS.		LIABILITIES.	
	FLORINS.		FLORINS.
Mortgage loans	822,722,800	Deposits	1,281,569,600
Bills of exchange	50,324,300	Sundry liabilities	33,865,600
Advances	11,911,300	Surplus fund†	65,130,100
Securities	317,972,400	Profits‡	3,717,600
Sundry investments	99,502,900		
Real estate	21,991,500		
Cash	20,003,700		
Other assets	39,854,000		
Total	1,384,282,900	Total	1,384,282,900

†A further sum of 28,851,300 florins does not appear in the balanced statements.

‡Excluding 5,479,500 florins not entered in the balanced statements.

## HUNGARIAN GENERAL CREDIT BANK.

*Summarized Reports for 1870, 1880, and 1890, stated in Millions and Thousands of Florins.*

### ASSETS.

ITEMS.	1870.	1880.*	1890.*
Cash	50	1.038	2.677
Bills of exchange	13.515	10.004	10.652
Advances on securities	3.198	41	7
Advances on merchandise		.399	.115
Securities	2.074	1.234	3.276
Merchandise		1.413	.804
Debtors		19.467	27.113
Real estate and inventory	15	.773	.443
Steam mills		.972	1.207
Sundry assets and syndicate investments	3.966	3.280	10.493
Total (approximate)	22.892	38.621	56.610

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
Capital stock	6.000	10.000	10.000
Surplus fund	42	.754	1.322
Creditors	12.259	11.001	32.794
Acceptances	.909	.626	.521
Exchequer bills		.172	.409
Deposit of Austrian Credit Bank		3.000	3.000
Balance of Central Office		9.105	3.235
Sundry items	3.240	2.259	3.878

\*For 1880 and 1890, the returns include the Central Office, and the Bank and Warehouse departments.

*Table of Dividends, 1868 to 1890.*

YEARS.	Paid In Per Share. FLORINS.	Amount of Dividend. FLORINS.	Per Cent.	Closing Value of Shares at Vienna Bourse.
1868 (for 15 months)	80	11.65	1165/100	92.25
1869	80	7	875/100	78.50
1870	80	5.50	6 <sup>7</sup> / <sub>8</sub>	81.50
1871	80	13.50	16 <sup>7</sup> / <sub>8</sub>	126.50
1872	160	18	1125/100	178
1873	160	9	5 <sup>5</sup> / <sub>8</sub>	125.50
1874	200	17	8 <sup>1</sup> / <sub>2</sub>	225
1875	200	10	5	189.25
1876	200	5	2 <sup>1</sup> / <sub>2</sub>	101
1877	200	21	10 <sup>1</sup> / <sub>2</sub>	185
1878	200	20.50	1025/100	213.40
1879	200	25	12 <sup>1</sup> / <sub>2</sub>	268.75
1880	200	19.50	975/100	265.25
1881	200	21	10 <sup>1</sup> / <sub>2</sub>	351
1882	200	19.50	975/100	272.50
1883	200	19.50	975/100	290.50
1884	200	21	10 <sup>1</sup> / <sub>2</sub>	307
1885	200	19	9 <sup>1</sup> / <sub>2</sub>	306.50
1886	200	18	9	302.75
1887	200	16	8	264.75
1888	200	18.50	925/100	306
1889	200	24	12	342
1890	200	24	12	359

## HUNGARIAN COMMERCIAL BANK.

*Summarized Reports for 1870, 1880, and 1890, stated in Millions and Thousands of Florins.*

### ASSETS.

ITEMS.	1870.	1880.	1890.
Cash	.116	.312	1.208
Bills of exchange	4.776	4.944	10.844
Advances on securities and pledges	2.486	2.621	15.356
Mortgage loans	4.928	7.762	27.897
Municipal loans			10.352
Own mortgage and other honds	65	.680	3.648
Securities on sundry funds	.112	1.431	1.925
Investments with other institutions	.659	.238	
Debtors*	.200		13.135
Exchange account			.561
Syndicate operations		.736	.665
Real estate and inventory	.318	.681	.325
Total (approximate)	13.717	19.406	85.915

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
Capital stock	1.575	2.500	8.000
Surplus funds	.100	29	2.097
Mortgage bonds	4.943	10.235	27.759
Municipal bonds			10.403
Creditors' surety fund	.142		92
Sundry deposits	5.602	3.746	28.914
Creditors	.882	2.277	4.749
Acceptances			97
Transient items	.265	.191	1.816

\*Including State subsidized industries.

## HUNGARIAN MORTGAGE BANK.

*Returns for 1870, 1880, and 1890, stated in Millions and Thousands of Florins.*

### ASSETS.

ITEMS.	1870.	1880.	1890.
Cash	5	10	.290
Bills of exchange	2		.112
Mortgage loans	.814	1.505	32.427
Municipal loans			45.998
Own mortgage bonds		.249	3.275
State securities		.208	2.718
Advances on securities	.382	15	3.698
Sundry securities	.136	1	3.038
Hungarian Discount and Exchange Bank	.121	.188	
Debtors	28	51	5.150
Deposits with other institutions			.368
Annuities			.537
Real estate and inventory		.330	.556
Current accounts		6	.632
Total (approximate)	1.527	2.624	98.799

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
Capital stock	.600	.700	10.970
Surplus fund	2	23	.829
Gold premium surplus fund			.245
Exchange variation fund			60
Surety fund of mortgage debtors		56	.543
Mortgage bonds	.779	1.588	34.886
Premium bonds			42.510
Anticipatory payment of mortgage loans			.760
Creditors	.100	.184	3.853
Coupons and uncollected dividends	10	34	.991
Current accounts	8		.603

## HUNGARIAN MORTGAGE CREDIT INSTITUTION.

*Items from Report for 1870, 1880, and 1890, stated in Millions and  
Thousands of Florins.*

### ASSETS.

ITEMS.	1870.	1880.	1890.
Cash	.962	.640	.517
Bills of exchange	.406	1.359	1.400
Mortgage loans	28.173	65.769	94.169
Investments at short notice	50	4.081	7.672
Advances and accounts current	.345	1.583	1.171
Securities for mortgage bond surety fund			4.823
Sundry securities	2.590	4.648	1.375
Mortgage bond deposit of joint liability fund	.213	.500	.577
Real estate and inventory	.253	.484	.253
Mortgage bond redemption account		.769	1.207
Foundation obligations	1.478		
Total (approximate)	34.482	79.939	128.851

### LIABILITIES.

ITEMS.	1870.	1880.	1890.
Mortgage bonds ready for allotment	28.058	65.573	91.047
Mortgage bonds allotted		3.029	2.707
Creditors	1.306	2.296	6.052
Exchequer bills	.858	.320	1
Coupons due	.121	.65	93
Annuity certificates	.250		
Transient interest	.689	1.525	2.131
Joint liability fund	.368	.990	1.411
Net foundation capital	1.677	.167	.167
Due to State	.500	.500	.500
Surplus fund	.654	4.704	7.886

### A HISTORY

of

Banking in the Netherlands.

by

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NEW YORK.



1896.

[\[Back to Table of Contents\]](#)

## BANKING IN THE NETHERLANDS.

### INTRODUCTION.

THE development of Dutch Banking offers but few points for critical remark. An event of real importance, however, arose about 1814, when Holland adopted the bank note system. Before that date, a few resultless attempts had been made toward this important step. Dutch Banking in general followed the type of the exchange banks (*Wisselbanken*). Although they had increased in the course of years beyond their originally limited sphere, no great progress in principle was apparent. It was only in the nineteenth century that, in all branches of banking, a greater variety of form and a better adaptation of ruling principles of credit to the commercial interests began to appear. In the same degree that economic conditions all around changed, the banks changed their methods from exchanging money to the exchange of credits.

Dutch Banking has a history of about 300 years. Its origin was a natural consequence of the large increase of commerce, which demanded intermediary establishments for money interchanges.

These agencies appeared earlier than in most other European States; the reason for this being in the circumstance that Dutch international commerce had at an early period attained considerable importance. This trade made but little use of the resources of credit. Bills of exchange, which in these days form so predominant a part of the international settlements, were hardly known to the Dutch merchants up to the beginning of the seventeenth century. Most commercial transactions were made in specie. Consequently, a mass of different foreign coins poured into Holland, and were put into circulation, partly with, partly without permission of the authorities. This gave rise to a necessity for authorized agents for the exchange of these coins. These conditions were aggravated by the bad state of currency systems which existed during the sixteenth century in all European States.

The systematic deterioration of coin brought much bad money into the country. Good coins were thus taken from the market, or when left in circulation, brought an agio. All efforts made by the Government to secure a fixed price for each coin proved useless. This deplorable condition had its great drawbacks for trade, and the Dutch monetary system was in such disorder that it only increased the general confusion. A national currency did not exist in Holland. There was but one recognized coin, according to which the various tariffs establishing the prices of coins admitted to circulation were valued. That coin, for a long time, was the "gulden" (guilder); the actual coining of which, however, did not commence until 1681 in the provinces of Holland and Western Friesland. Not only the provinces, but also the towns, struck their own money. Even illegal minting appears to have flourished, which is proved by the repeated prohibitions published against it.

The unbearable state of the currency in the sixteenth and seventeenth centuries, which was aggravated by wars, finds its characteristic expression in the numerous currency

decrees of this period. The great number of coins shows sufficiently the many difficulties against which commerce had to contend. The decree of the Earl of Leicester (August 4, 1586\*) is accompanied by a “Beeldenaar of Figuerboeck”—*i. e.*, a collection of copies of coins—which mentions about 130 different kinds of silver coins and 370 gold coins as in circulation. Among the latter are, for example, twelve French crowns, four double and fifty-nine single Italian pistoles, eighteen double and forty-eight single Italian ducats, eighteen Spanish and thirty-eight Hungarian ducats, and seventy-one German goldgulden. On the basis of this decree a “Manuael” (manual) was issued for the use of changers, in which the prices for more than 500 different kinds of gold coins and more than 340 different silver coins were fixed. To the ordinance of the Staaten-Generaal—*i. e.*, the Dutch Parliament—of the provinces of Holland and Western Friesland from December 19, 1603, is attached a “Beeldenaar,” with the copies of 120 silver and about 380 gold coins, amongst which there are fifteen French crowns, five Spanish pistoles, eight double and sixty single Italian pistoles, eighteen double and forty-eight single Italian ducats, thirty-seven Hungarian ducats, and seventy German goldgulden. The “Manuael” for changers, published in accordance with this decree, mentions more than 320 silver and more than 500 gold coins. In the “Beeldenaar,” added to the ordinance of the Staaten-Generaal of the United Netherlands, dating from March 21, 1606, are included the copies of 148 silver and 396 gold coins, and in the corresponding “Manuael” 341 silver and 505 gold coins from many foreign countries.

These figures prove better than any further explanation how difficult it was for a merchant, toward the end of the sixteenth and the beginning of the seventeenth century, to find his way in this maze of money. No wonder that people wished and were compelled to shift this trouble on professional changers, and that the business of money-changing became very lucrative and very important. Cash trade was more and more concentrated in the changers’ offices; and changers in Holland, as well as in Germany and other countries, were the predecessors of the bankers and the banks.

## MONEY-CHANGERS LICENSED.

It was thoroughly in accordance with the notions of those days that such an important trade should be licensed. The money-changers were even in the fourteenth century official persons, and remained so afterward. But money-changing seems also to have had a great attraction for other people, and many unlicensed individuals appear to have taken it up. This fact is proved by the complaints of the minting decrees of the Earl of Leicester, August 4, 1586, and that of the Parliament (Staaten-Generaal) of Holland and Western Friesland of December 19, 1603. Those documents say that money-changing was driven to “*tot willen, lust ende believen van een yegelyks*”—*i. e.*, at the wish, goodwill, and pleasure of everybody. For that reason, it was over and over again impressed by the authorities upon the public that the trade of money-changing was allowed only to duly licensed changers. According to the decree of August 4, 1586, above mentioned, which agrees with the minting ordinances of Emperor Maximilian (December 14, 1489), and of Charles V. (February 4, 1520), concerning money-changers, the *generaals van der munte* (head manager of the mint) is to appoint as many money-changers in the capital towns of the province as are needed, according to a report of the Town Council. Only persons of good name and

reputation, not suspected of unlicensed minting (*hegmunterey*) might be appointed to this office. The Minting Master gave to the changer an “instruction,” upon which this money-changer had to take an oath. Outside of their offices (named “winkel”) the sworn money-changers were obliged to exhibit the “dish or bowl” (*schotel ofte nappe*), with the coat of arms of the province painted on the same. They had to purchase precious metals and coins and to exchange the same according to the officially stated prices in the “Manuael.” This “Manuael” was to be kept open on their table, with the signature of the Minting Master, as well as an authorized copy of the existing decrees concerning coins and money-changing. They were not allowed to sell the coinage material to goldsmiths and silversmiths, or to any other person; but they were bound to deliver the same to the mint office of their province.

This the money-changers evidently evaded. They tried to put into circulation again the coins allowed to circulate with an agio, and to sell the purchased precious metals, with a profit, to the goldsmiths and silversmiths. First, by the decree of the Staaten-Generaal of the United Netherlands of March 21, 1606, changers were allowed to sell coinage material to the home manufacturing consumers. By the ordinance of the Staaten-Generaal of Holland and Western Friesland of December 19, 1603, money-changers also had been permitted to supply merchants with such money as they required for their international exchanges. For the rest, the orders of 1603 and 1606 are in accordance with the decree of 1586, with the exception of one point (to which later reference will be made); and the appointment of money-changers rested with the Town Council.

It seems that money-changers were not always very particular with respect to their scales and weights. The above-mentioned decrees (1586, 1603, and 1606) all agree that, in consequence of “this long-lasting war, the conformity and proper bias of weights and scales have not been properly attended to by the masters of the mint, changers, jewelers, goldsmiths and silversmiths, etc. Therefore, it has been urged over and over again that the weights of the changers need to be officially tested and that the scales of the money-changers should be adjusted (*justirt*), and that unexpected revisions will settle any infringements.” A very interesting new order is to be found in article thirty-seven of the decree of March 21, 1606. That clause forbade all changers to keep money or cash for merchants, or to receive money for their account from any person, or to pay by bills of exchange, or to make remittances, or in any way, directly or indirectly, to make settlements for others. In this article it is stated that certain “money-changers and other people daily attempt to keep either money or cash for merchants, to receive and repay their debts by drafts, bills of exchange, remittances, and other means, and thus give occasion to fraud and cause the replacement of heavier coins by lighter ones.”

The above-mentioned business was known as that of “cashiers,” who are to be considered the immediate predecessors of bankers. No doubt the cashiers had previously existed and owed their origin to the requirements of commerce. It was natural that merchants found it to their interest to place their money transactions in the hands of certain persons familiar with such affairs. So far as can be traced, however, the cashiers are not officially mentioned before the beginning of the seventeenth century.\* The authorities did not by any means regard the cashiers with a friendly eye,

as their trade offered many occasions for dishonest actions. But it had become indispensable to the merchants. It is evident, from the above-mentioned prohibitions of article thirty-seven of the decree of March 21, 1606, that the money-changers also occupied themselves with the business of cashiers. The money-changers being, naturally, considered wealthy people, enjoyed great credit in the commercial community; they were, moreover, sworn and under official control, and in a position which enabled them to do a cashing trade on the cheapest terms, as they were obliged to keep their own stock of coin and metal in safe places, and thus already possessed the necessary arrangements for safe-keeping in behalf of others. The changers accepted the money of the merchants on deposit, received payments for them, cashed their bills, called in their assignments, bills, etc.; and, on the other hand, made payments for them, but they were not allowed by law to use the deposited funds for their own business.

The foregoing may be regarded as a depositing business in the narrowest sense of the word. These operations cannot be compared to the modern deposit business so perfectly developed; but they may be considered the original form of banking in Holland. At all events, the operations of the first banks in Holland were nothing more than the continuation of the trade of changers and cashiers.

[\[Back to Table of Contents\]](#)

## CHAPTER I.

### ERA OF EXCHANGE BANKS.

(*wisselbanken.*)

PERIOD 1609-1814.

#### SECTION I.

#### THEIR FIRST ORGANIZATION.

*Measures Against the "Cashiers" in Amsterdam—Formation of the Amsterdam Exchange Bank. 1609—Fruitless Attempts to Secure to the Bank a Monopoly in Exchange and Cashing—Establishment of the Middelburg Exchange Bank. 1616—Origin of the Rotterdam Exchange Bank. 1635—Continued Existence of Private "Cashiers."*

THE first Dutch exchange bank (Wisselbank) was established at Amsterdam. This could by no means happen by chance. In the fourteenth century, Amsterdam already began to flourish, and became more and more the centre of the great international trade which was concentrated in Holland. Great wealth was gathered there. It is characteristic of the town that half the capital (6,500,000 guilders) of the Dutch East India Company, founded on March 20, 1602, was contributed by the Amsterdam merchants, one-quarter by the merchants in Middelburg, and by the merchants of Delft, Rotterdam, Enkhuizen and Hoorn one-sixteenth part each.\*

The comparatively large income and expenditure of Amsterdam in those days speak for the importance of this town as a mercantile centre.\* The port of Amsterdam was large enough for 4000 ships. Amsterdam itself was the home of about 500 ships, and the freight business was an important source of revenue to the citizens. Toward the end of the sixteenth century, the circulation of bills of exchange in Amsterdam also began to increase. In 1597 the "costumen" of Antwerp, which had already formerly been used for the exchanging trade in Amsterdam, were indorsed "good for Amsterdam," and in commerce also the circulation of papers of credit increased considerably.† Owing to this extensive trade, inconveniences resulting from the confusion of coin were all the more felt, and changers and cashiers for this reason were of great importance. It is even possible that cashiers had been employed in Amsterdam earlier than anywhere else.

Neither the cashiers nor the use of credit paper met with the approval of the Amsterdam Government. On January 5, 1604, severe orders were issued against the cashiers; but they were not enforced on account of the remonstrances of the merchants. A new decree was issued on July 15, 1608, by which it was strictly

prohibited to anyone to act as cashier. The deplorable state of the coin market had meanwhile considerably increased, and forced the Government to take these measures. It is explained in the decree that “experience shows how within the past four years (since 1604), by the trade of the aforesaid mischievous people (who only care to increase their own income at the expense of the loss and ruin of the common welfare), so much harm had been done that money was raised up to a much higher value than in former years, even up to nine per cent.”<sup>‡</sup> It was feared that by these proceedings the commonwealth would be entirely ruined unless strict measures were adopted. But this decree had to be modified on July 29, 1608, on account of the necessities of the merchants, which modification took place under the form of an “interpretation”; by virtue of which a merchant had the permission to employ a cashier outside of his own house, if the cashier did not serve any other than the one merchant, and on condition that he previously took an oath to the mayor of the town not to interfere with the exchange business, neither to receive or pay any coin higher than the legal ordinance permitted, nor to deal in coins nor to sell them to money-changers. A professional banking cash business was of course not possible, being limited by the permission to serve only one merchant for the time being. The decree of July 15, 1608, tried at the same time to hinder the circulation of private credit paper, and ordered, for that reason, that no one should give or receive from his debtor any bills, obligations, or assignments, but that all claims should be paid in hard cash. The use of private credit paper in connection with the business of “cashing” was looked upon by the Town Council as liable to increase the bad state of the currency; but also in this case the decree of July 29, 1608, had to allow certain exceptions. The Town Council already, at this period, contemplated a new scheme<sup>\*</sup> to remedy the inconveniences of the currency.

## CREATION OF THE AMSTERDAM WISSELBANK.

It was the official intention to substitute cashing and exchanging by private persons by a large bank. This plan was realized, and by the decree of January 31, 1609, the Amsterdam Wisselbank was established, the first great bank of Holland, being indeed one of the first European banks.

The purpose intended by the establishment of this Banck van Wissel was, according to the decree of January 31, 1609, “to check all agio (of the current money) and confusion of coin, and to be of use to all persons who are in need of any kind of coin in business.”

The Bank was intended to serve as a general exchange office, and had to fix in front of its door the coat of arms of the province, in the same manner as the money-changers, besides keeping on its table a copy of the last mint decree and the Exchange Manual. The Bank was to raise “as little agio as possible” for exchanging of money. At the same time, the Bank had to serve as a general cashier for the merchants. Every merchant was permitted to deposit the precious metals in coin or bars at the Bank, and to withdraw it again at his pleasure. The smallest sum that could be deposited was 300 guilders, excluding coin smaller than the shilling. The latter coin was not allowed to exceed three per cent. of the total deposited. The depositor enjoyed a credit at the



Bank which corresponded to the sum deposited by him. The value of this sum had to be in accordance with the mint decrees.†

This credit was called “bank money.” The depositor could dispose of it by assignation, if he did not choose to withdraw it in hard cash. The amount of his assignation was not allowed to exceed his bank credit, under penalty of a fine of three per cent. of the sum overdrawn. The assignations were balanced by payment or transfer from one account to another. “For better and safer payment of money drawn on bills,” it was further decreed that all bills of exchange drawn in Amsterdam after February 14, 1609, and all foreign bills payable in Amsterdam after that date, of the value of 600 guilders and upward, had to be paid in bank money, otherwise the bill was to be considered as “badly paid,” and the offender fined twenty-five florins.

This regulation involved a great privilege for the Bank, because every merchant was obliged to keep an account with it. Still more, by a decree of April 1, 1609, private exchange, and by decree of November 28, 1609, private cashing, were prohibited under penalty of a fine of twenty-five per cent. of the amount received and paid. An attempt was thus made to give the Bank a monopoly in the exchange and cashing business. For the better accommodation of merchants, the same decree (November 28, 1609) appointed *buyten-ontfanghers* (out-of-door receivers). It became the duty of these receivers to act as intermediaries between the Bank and the merchants, and they had to do the depositing and paying for the latter at the Bank, for a compensation of one stiver for each 100 guildens. The money received they were not allowed to keep in their possession, but must deliver it after three days to the owner, or pay it for him at the Bank. The delivery of this money to others was strictly forbidden. These instructions also forbade these agents to receive or to pay any money independently, on higher terms or in any way not in conformity with the decrees. It was only by order of the head commissioners of the Bank that the *buyten-ontfanghers* were allowed to exchange coins with the agio intrusted to them by these commissioners. The receivers had to keep a register of their receipts and expenditures, so as to be better able to settle their accounts with the head commissioners. They were obliged to communicate to the head commissioners any irregularity in minting or defects in coins which came to their notice. They were of course “zealously and faithfully” to mind their own business, and they had to find security of 12,000 guilders as a guarantee for the Bank and their clients. The city guaranteed the deposits at the Bank, and they could not be attached.

It will be perceived that the Amsterdam Bank was originally a bank of deposit and “giro,” in the primary sense of the word. As the Bank was not allowed to lend the deposits, it was obviously not able to pay interest to the depositor. On the contrary, the depositor had to pay a fee, which was fixed by the decree of January 31, 1609, at one-half stiver for every 100 guilders paid to the Bank or by the Bank. The original amount of the capital of the Bank appears uncertain; but the settlement of the first annual account for 1609 amounted to 1,000,000 guilders.



## MODIFYING THE BANK MONOPOLY.

It was in accordance with the notions of that time that an attempt was made to secure a monopoly for the Bank; but it does not seem to have been in the interest of the merchants, and the monopoly could not be realized. It was not possible to enforce the rule that all bills of the value of 600 guilders and upward should be paid in bank money. Already, by the decree of June 16, 1615, this order had to be repeated and the bill-brokers were threatened with removal from their functions if they sought to infringe the decree of January 31, 1609. At the same time, the brokers were obliged to communicate to the mayor any infringement which came to their notice. The entire abolition of money-changers also failed of success. The city could only remove sworn money-changers, which she herself employed, but it was impossible to prevent the appearance of unsworn changers.

The merchants, moreover, did not want to renounce the services of private cashiers. At last, the decrees of June 4 and 19, 1621, had not only to sanction the business of the cashiers, but also to regulate it. According to these decrees, the cashiers were to be appointed by the Town Council, had to take an oath on their appointment, and to find security to the amount of 3000 guilders. The sworn cashiers had to be at the service of anybody who wanted to trust them with carrying, reclaiming, or paying money. When they had to call in assignments, they were obliged to communicate to their employers within fourteen days whether these were paid or not. They had to remit money received for their employers within twenty-four hours to the latter, in the same specie in which they had received it. The cashier had to make payments for his employer by assignments, but only in hard and good cash. He was obliged to accept and to remit all coins at the prices fixed by decrees. For weighing coins he had to have in his office an accurate pair of scales and weights. Coins under value the cashier was not allowed to give out again, but he had to deliver them to the Bank, where the intrinsic value was paid for them. All infringements of the decrees concerning minting and cashing, the cashier was obliged to communicate to the mayor or commissioners of the Bank.

The cashier had to enregister all transactions made by him in two books, called “specie-boeken,”\* one of which had to contain all the money received and the other all the money paid out, together with the values on which his transactions were based. Besides this, the cashier had to keep a cash-book detailing his transactions of the day before. These books the cashier had to be ready to show when the authorities requested it. The cashier had to give a proper written account to his employer, and he received for his trouble a fee of two stivers for each 100 guilders.

Under these regulations the sphere of action of sworn cashiers was very restricted. By the prohibition against keeping money received longer than twenty-four hours, cash-holding was made impossible. Probably this measure was taken to assure to the Amsterdam Wisselbank the monopoly of this business. We may presume that this order was often infringed, and that in consequence of such infringement, sworn cashiers were able to exist till a later day. By the decree of May 9, 1617, it was forbidden to transfer less than 600 guilders from one account to another, and a depositor could only dispose of money transferred from another's account to his own on the following day.

## EXTENSION OF THE WISSELBANK SYSTEM.

The plan of the Amsterdam Wisselbank was copied in other towns. First, Middelburg—then an important commercial town—adopted the system. The Middelburg Wisselbank was opened on May 1, 1616, according to a decree (March 28, 1616) issued by the Middleburg Town Council. As far as can be traced, the original organization of this bank was very similar to that of the Amsterdam institution. Schimmel (*“Geschiedkundig overzicht van het muntwezen in Nederland,”* Amsterdam, 1882, page 24) mentions a Wisselbank at Dordrecht, about which I have not been able to get any information.

Rotterdam followed in 1635 with its Wisselbank. The establishment of this bank had been resolved on by the Vroedschap (Senate) on February 9-19, 1635, and the Bank was opened according to a decree of the Staaten-Generaal of Holland and Western Friesland of April 4, 1635; published on April 18, 1635. In the introductory part of this decree it is especially mentioned that the Publijcque Wisselbank (public exchange bank) “has been established according to the example of Amsterdam or Middelburg,” and that Delft, Amsterdam, and Hoorn had been consulted about the project.

The Bank was to begin operations on May 1, 1636, and was at first a privileged exchange office. The initial article of the decree prohibited to private persons money-changing and business in coins and precious metals under penalty of a fine of twenty-five guilders for the first offence and fifty guilders for the second. Any transactions in precious metals (coins or bars) could, according to article two, only be done through the intervention of the commissioners of the Bank. The agio which they could demand had to be posted on the door of the Bank. Second, the Rotterdam Bank did a cashing business. It received all coins admitted to circulation and not abraded, at the values fixed in the tables. Coins which were light, not legally current, or false, had to be cut into pieces at the Bank and returned to the owner (Art. 4). Coin smaller than a shilling, the Bank was not allowed to receive, and of shillings it was permitted to take only ten per cent. The smallest permissible deposits at the Bank were of 150 guilders (Art. 5). The public transferred their deposits by assignation, and these had to be delivered by the owner or by an authorized commissioner (Art. 8). No one was allowed to draw more than stood to his account, under penalty of a fine of three per cent. of the sum overdrawn (Art. 6). All the money which was paid at the Bank or assigned for an individual account had to remain at least twenty-four hours on the same account (Art. 9). All bills for 50 Flemish pounds (300 guilders) and upward which, after April 18, 1635, had been drawn in Rotterdam, or after May 1st anywhere else, and were made payable in Rotterdam, had to be paid in bank money, otherwise they were considered imperfectly paid, and for this the payer and payee had each to pay twenty-five guilders fine, for the benefit of the Bank (Art. 3). The city guaranteed the deposits (Art. 13). The deposits could not be attached by legal process (Art. 14). The depositors had to pay a fee of one-half stiver for each 100 guilders (Art. 15).

It is remarkable that the prohibition of private cashing, which had been futile in Amsterdam, is not to be found in the decree of April 4-18, 1635. Private cashing, as already stated, existed side by side with the Wisselbanken of the towns. The cashiers steadily grew in importance, and had under their control large banking operations. I

presume that they facilitated the settling of payment of the merchants by clearing, and that they sometimes gave credit to their employers; but accurate data concerning private cashing are, unfortunately, not to be found.

## SECTION II.

### EXCHANGE BANKS IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES.

*Their Importance to Trade in Coin and Precious Metals—The “Bank Money” of the Amsterdam Exchange Bank—The “Bank Money” of the Rotterdam Exchange Bank—Reorganization of the Middelburg Exchange Bank, 1681—The “Bank Money” of the Middelburg Exchange Bank—The Receipt System in Rotterdam and Amsterdam—The Lombard (loans) on Stocks in Middelburg.*

THE importance of the exchange banks mentioned in the preceding section was very considerable during the rest of the seventeenth and in the greater part of the eighteenth century. This is especially true of the Amsterdam Bank, respecting which the most accurate data are to be found. The Wisselbanken, as we have seen, were at first meant to do the changing and the trade in coin and the precious metals in place of the private changers. But these latter were not to be pushed aside. The Rotterdam Town Council was induced, on August 24, 1720, to reserve to itself the right of giving the privilege of money-changing to a private person. This fact proves that the scheme of monopolizing the business of money-changing for the benefit of the Wisselbanken was not realized.

Many vain attempts were made in Amsterdam to suppress the private trade in coin and the precious metals. By a decree of November 22, 1655, gold and silver wire-drawers were obliged to use nothing but metal bought at the Wisselbank. By a decree of April 16, 1684, the Bank commissioners secured the monopoly of the trade in silver and silver coin. The few exceptions made here were in favor of goldsmiths and silversmiths and merchants, who received the metal from foreign countries. The export of uncoined metal was allowed only when accompanied by a certificate given by the Bank commissioners. These and many other orders were found insufficient to suppress private trade in the precious metals, or private changing at Amsterdam.

Nevertheless, the Amsterdam Wisselbank attained great importance in all that relates to transactions in coin and the precious metals. The Bank had a large stock of both, and for this reason a lively business in coin and the precious metals developed at Amsterdam. The Town Council of Amsterdam became convinced, after a long struggle, of the uselessness of trying to assure the Bank's monopoly. Accordingly, it sanctioned by the decree of June 27, 1749, the private trade in specie, and even ordered that the regulation of the values of the coins had to be fixed by commercial agreement. The business of changing and dealing in coin and the precious metals was of great importance to the Wisselbanken, but their position as banks of deposit and “giro” was still more important.

## THE REGULATING INFLUENCE OF “BANK MONEY.”

The Wisselbanken accepted coins and precious metals, and the depositor received for the deposited value a credit, named “bank money,” a term which was used in the Amsterdam decree of November 10, 1638, for the first time by authority. This bank money became of vital significance at the Amsterdam Wisselbank, and we shall first consider its development in connection with this institution. The bank money tended to replace the confusion of coins by a certain uniform method of account for the commercial community. It could not, however, correct the deplorable condition of the coin system or fix the agio of good and true coin. The Bank reckoned with guilders, which were struck for the first time in the eighth decade of the seventeenth century. When the Bank was established there were but two kinds of silver coin in circulation, the Dutch ryksdaelder (rix-dollar) and the leeuwdaelder (lion dollar), and we may assume that most of the deposits at the Bank were made in these coins. The proportion of ryksdaelders to bank guilders was fixed as follows:

1609 1 ryksdaelder = 2 florins 7 stivers.

1610 1 ryksdaelder = 2 florins 8 stivers.

1619 1 ryksdaelder = 2 florins 10 stivers.

1622 1 ryksdaelder = 2 florins 10 stivers.

The value of the lighter lion dollar was established by a decree of September 26, 1615, at two guilders. The average value of the Amsterdam bank guilder was  $2\frac{1}{4}$  Dutch azen fine silver. The better coins received in commerce usually bore an agio, as the current coin mostly was and remained of less value. Bank money representing good coin had also an agio. That was not originally intended, but it was not possible to prevent bank money being estimated by the merchants higher than the poor current money (*courant geld* or *kas geld*). The number of bad and damaged coins augmented continually. Therefore the Bank was early obliged to refuse deposits in other coin than bank specie, coins which it received and paid at values fixed by decrees. In exchanging, however, this restriction did not operate, and when a certain kind of coins were in demand the Bank exacted an agio. Especially ryksdaelders and leeuwdaelders composed this bank specie. These coins were received by the Bank at the prices fixed by a decree of 1622. The aforementioned silver coins were removed more and more by the ducaton and the patacon, coins that had been struck by Archduke Albert and Archduchess Isabella in 1617 and 1618 in the southern parts of Holland. A want of bank specie, which meant a high agio for bank money, might result from the circumstance that private cashiers bought up and retained the bank specie, or that a temporarily large demand was made by the merchants. This happened in 1638. It was tried to remedy these inconveniences by the decree of November 10, 1638, under which the Bank was also allowed to receive on deposit ducatons and patacons. The value of the ducaton was fixed at three guilders, of the patacon at two guilders eight stivers, and only at this rate the merchants were allowed to deposit at the Bank or to withdraw within a period of four months.\* By decree of October 26, 1641, both kinds were declared “good bank money,” and had to be deposited and paid at the above-mentioned rates. Thus they were fully accepted as bank specie.

## THE COIN PREMIUM AND THE NEEDS OF COMMERCE

This augmentation of bank specie was not sufficient to assure to merchants always the kind they asked for. The Senate of Amsterdam, therefore, ordered by decree of August 5, 1645,<sup>†</sup> that the Bank must pay the desired description of coin, reserving the right to demand a suitable agio if the coin in question was scarce. At first the Bank respected this order only as to a few, but later it was held to cover all kinds of bank specie.

The Government was often obliged to take measures against the tendency to increase the agio on the bank money. Very remarkable is a decree of October 6, 1656, according to which a loan on ducats and patacons, fixed at the price of three guilders and two guilders eight stivers, was once more authorized. The depositor of these coins received a receipt (*récépissé*), drawn on the bearer.<sup>‡</sup> The coins not claimed up to that date belonged to the Bank. This system of loans on coins, which was probably adopted as to other kinds of coins, did not last long, the pretence being made that the Bank had lost money by loans on bad Russian coins.

By a decree of August 11, 1659, the intrusive ducats and patacons were replaced by the silver rider and the silver ducat, at prices of three guilders and two guilders eight stivers, respectively. These bank prices, as well as the calculation of *rycksdalders* at two guilders ten stivers, and of lion dollars at two guilders, were called “*zwaargeld*” (heavy money). In current money (*courant geld*), the silver rider passed for three guilders three stivers, and the silver ducat for two guilders ten stivers.

The calculation in heavy money was adopted by the Bank, and therefore bank money had to represent heavy money. The prices of the current money being otherwise fixed than the valuation of heavy money, the agio of the bank money may be considered as legalized. In consequence of these measures, the bank money was more and more considered to have a fixed value, and the fluctuations of agio were believed to be the consequences of high or low values of the coins which were represented by bank money. Thus the bank money became an instrument of commerce, corresponding to paper money, without taking its form.

## “BANK MONEY” AND THE CURRENCY.

In reality, the bank money had no constant value, but the Bank was able to fix the value of it by making the agio higher or lower, just as it liked, and to check an inconvenient drain by raising the agio. Usually bank money was not demanded at all. In disturbed times this state of things did not prevent merchants from calling for the bank money. We find an example in 1672. The armies of the French king, Louis XIV., marched to a short distance from Amsterdam. People were afraid they would become masters of the Bank’s treasure, and regarded the money deposited as unsafe. For that reason many deposits were drawn out of the Bank. In the beginning the depositors doubted whether the deposited coins would still be found in the coffers of the Bank. This supposition would at least help to explain the temporary drop in the market value of bank money to five per cent. below the current money. This would not have happened if everybody had been convinced that the coins represented by

bank money were lying untouched in the Bank vaults, as they ought to have been. At all events, the Bank stood the test very well. The payment of bank money was not interrupted, so that a calmer view of the situation soon prevailed.

After 1681, the currency of Holland began to improve. By decree of September 25, 1681, the Staaten-Generaal of Holland and Western Friesland ordered three, two, one, and half guilders to be struck.

The supposititious coin the Bank had employed up to this time thus became a struck coin. By decrees of March 17, 1694, and December 31, 1699, the new currency system was adopted for the whole country, and remained in force till 1806. The legal tender was the three-guilder piece, containing 603 azen fine silver. The one-guilder piece contained but 200 azen fine silver, so that it was minted a fraction too light. Although the provincial mints still continued to exist, the Government tried very carefully to prevent any deterioration of coin.\* Owing to the great extension of Dutch commerce, it came about that a lot of negotiepenningen (coins of trade) were used together with the national coins. As these pennigen had a fluctuating market value, nobody was obliged to take them. The chief negotiepenningen were the golden ducat, the silver ducat, the silver rider,\* the old Dutch rix-dollar, and the lion dollar. The two latter went later out of use.

The negotiepenningen formed during the eighteenth century the bulk of deposits made at the Bank. Especially the silver rider, at a bank price of three guilders, had a leading place.

Meanwhile the bank money had assumed a different character, for in 1683 a sort of loan on deposited coins had been tried for the third time, and was now to prove durable. The depositor received, as before, a *récépissé* (receipt) drawn on the bearer, entitling him to take out again the money deposited, at any time within six months, upon paying one-eighth per cent., and upon redepositing in the Bank that amount of bank money which was credited to him when the deposit was made.

## THE DEVELOPMENT OF A LOAN AND CURRENCY SYSTEM.

A very important innovation was the permission to prolong the loan for another six months by paying an interest charge of one-eighth per cent. This system (which will be explained more in detail further on) was at first applied only to the silver rider and to the new three-guilder piece. The time came when the latter could no more be pledged, but the practice prevailed also in regard to negotiepenningen and many foreign coins, as well as to the precious metals. Gold coins could also be pledged at a later date. This was one of the causes why bank money was not any more drawn out.†

If anyone wished to have a certain kind of coin from the Bank, he had only to buy a receipt, given for deposits of the coin in question. The receipt empowered him to demand of the Bank the coin mentioned therein at the price recorded. Thus an important trade sprung up in "receipts" in "bank money." This trade was carried on by private cashiers or by special brokers, who received a fee of one-half per mille. These



transactions were commonly made between 10 and 11 a. m. before the town-hall, in which the Bank was established. The Bank had an interest in keeping the current value of the bank money as stable as possible and bore its part in this trade with much ability. As soon as the rate of exchange sank below a certain value—at the end of the eighteenth century under four and one-fourth per cent., later under three per cent.—it bought bank money and resold it when the agio approached five per cent.\* This was the rule, but the Bank operated differently according to circumstances. When a low agio of bank money and a rate of exchange which favored the export of coin coincided, the Bank sometimes did not buy bank money. This happened, for example, in 1763, when the value of bank money, in consequence of the crisis, fell even one-half per cent. below the value of current money. In ordinary and quiet times, however, the Bank sought to keep the agio at a uniform figure by its transactions in bank money. Under the “instruction” of April 26, 1782, the Bank commissioners were expressly charged with the supervision of such transactions, so as to prevent the decline of the agio below four per cent. or its use above five per cent.

The Bank pretty generally attained its end, which contributed to sustain the opinion that the bank money was unvarying in value, whereas the coins were considered variable. This opinion aided the operations of the Bank to a great extent. The bank money was very much prized in Holland and foreign parts chiefly because of its supposed stability in value. Of course other advantages were added to this. Adam Smith says in his “Inquiry into the Nature and the Causes of the Wealth of Nations”:<sup>†</sup> “Bank money is secure from fire, robbery, and other accidents; the city of Amsterdam is bound for it; it can be paid away by a simple transfer, without the trouble of counting or the risk of transporting it from one place to another.” Besides this, bank money could not be attached by legal process. In reality, all the commerce of the East India Company was transacted in bank money, and it was also much used for other commercial operations.

## THE CITY OF AMSTERDAM AND THE BANK.

The trade in bills of exchange, which had become of great importance in Amsterdam, was also conducted in bank money. This was principally caused by the privilege of 1609, according to which all bills of the value of 600 guilders and upward had to be paid in bank money. By decree of December 11, 1643, payment in bank money had been ordered for all bills of 300 guilders and upward. Adam Smith says (volume 2, page 233): “It is generally reckoned that there are about two thousand people who keep accounts with the Bank, and allowing them to have, one with another, the value of *fifteen hundred* pounds sterling lying upon their respective accounts, \* \* \* the whole quantity of bank money, and, consequently, of treasure, in the Bank will amount to about *three millions* sterling, or \* \* \* *thirty-three millions* of guilders.” This approaches the estimate of Mees (page 111) very closely, who supposes that the average aggregate of bank money exceeded *thirty millions* of guilders, and that the number of merchants who had accounts at the Bank was sometimes more than five thousand. The city of Amsterdam, which owned the Bank and guaranteed the deposits, derived from it a considerable revenue. The guarantee of the city very seldom gave rise to any claims against it. Here and there, however, we find an example of this, as in 1686, when the city had to replace 43,770 guilders stolen from

the Bank. The expenses of administration were small, consisting mainly of salaries. The net profit to the city fluctuated considerably, and was, for example, in 1781, 266, 167 guilders, and in 1784 only 28,403 guilders. So far as I can find, the city had not to complain of any losses up to 1790. Mees (page 150) has calculated the total revenue of the city from this source between 1609 and 1796 at 12,256,000 guilders.

The surplus chiefly accrued from the fees, which had to be paid by the depositors. For the loans on specie there had to be paid a certain rent. Upon first opening an account, the depositor had to pay a fee of ten guilders (after 1782 a fee of fourteen guilders). For every transfer of 100 guilders one-half stiver had at first to be paid; after 1683, one stiver; after 1715, two stivers; after 1782, three stivers, and if the transfer was for less than 300 guilders, six stivers. The East and West India Companies and the town officials enjoyed certain privileges. It may also be assumed that the profits of the transactions in bank money were very considerable.

## THE ROTTERDAM BANK.

The Amsterdam bank money bore a very important relation to the Rotterdam bank money, which, after 1660, only represented the value of the former in current funds.

The Rotterdam Exchange Bank might have had an independent agio if the merchants had not found it to be to their interest to prevent the introduction of another kind of bank money, each with its own agio. For this reason they evidently tried to keep the agio at Rotterdam on a par with the rate of exchange existing at Amsterdam. The Bank had, as it seems to me, early in its history, limited the deposit of bank specie, which did not conform to the original rules. It was in 1660 that the Bank was again ordered to receive all current coins (among these, ten per cent. in shillings), adding the "agio of the bank money." Mees (page 213) concludes from the later organization of the Bank, that by this was meant the agio of the *Amsterdam* bank money, and that the Rotterdam Bank, after this date, paid its bank money in current coin, with the addition of the Amsterdam agio, after deducting a fee of one-eighth per cent. for the safe custody, as was the practice in the eighteenth century. Bank money could always be obtained in Rotterdam by depositing current money and making the additional payment of the agio. Therefore, it was also possible to give to a creditor current money, plus the additional agio, in payment of debts, which ought to have been paid in bank money, without making any use of the Bank's services. From this cause, the Rotterdam bank money did not become so important as the Amsterdam bank money, far-famed in the eighteenth century.

Besides an account in bank money, we find at the Rotterdam Bank another kind of account in current money, called "courant-rekening." This courant-rekening was more used than the account in bank money, and made it possible to deposit current money (at least 150 guilders), to dispose of it by transfers, and to withdraw it at any time. Transfers and withdrawals were permitted only if the deposit had been at least one day to the credit of the depositor. In 1720, permission was also given to pay bills by the aid of courant-rekening, after adding the agio.



## THE MIDDELBURG WISSELBANK FAILURE.

The Middelburg Wisselbank proved unable to respond to the heavy demands made on it in 1672.\* A temporary suspension and a stagnation for several years was the result. By decree of March 11, 1681, an entire reorganization was effected. According to this decree, the Bank remained a central office for exchanging and cashing. As to exchanging, article three ordered that all persons who wanted to sell or buy gold or silver, coined or uncoined, might address themselves to the Bank commissioners, who had to serve everyone on receiving an agio publicly announced on a poster fixed to the door of the Bank. As for cashing, the Bank was obliged to receive deposits in coin as well as in bars, and these deposits could be redemanded at any time (Art. 1). Article twelve provides that deposits cannot be attached. The guarantee for these deposits was not required from the town, but from the Bank commissioners (Art. 14). The owner of deposits in hard cash was allowed to dispose of them the same day they were made; for deposits in transfer he had to wait twenty-four hours (Art. 10). Overdrawing was prohibited under penalty of a fine of three per cent. of the whole assigned sum, for the benefit of the Bank (Art. 8).

All this was according to the former regulations, except the charging of the commissioners with the guarantee.

Another interesting provision of the decree of 1681 is the creation of two kinds of accounts at Middelburg. Article one prescribes an account in metallic bank money and an account in current money. If a merchant wanted to get the former money, he could deposit hard cash, with the additional agio, at the Bank (Art. 2), provided always that he was not able to get metallic bank money from the Bank commissioners or from private account-holders. It is an important point that the agio was settled by the Bank commissioners (Art. 2), and had to be made public, as stated. Although the agio was fixed by the Bank commissioners, it probably approached the Amsterdam agio, for the same reasons as existed in Rotterdam. It is proved that in the middle of the eighteenth century the agio was always one-fourth to three-eighths per cent. lower than at Amsterdam. Payment in heavy bank money was ordered for all merchandise sold by auction by the East India Company, and for all foreign bills of exchange of the value of fifty Flemish pounds (300 guilders) and upward. Otherwise the bills were considered badly paid, and a fine of three per cent. was imposed on both payer and payee. Only amounts upward of 300 guilders could be paid or transferred in heavy bank money. This order did not touch the East and West India Companies (Art. 11).

All admitted, good current coins could be deposited at their legal value to the account of courant-rekening. Five per cent. of the deposits might be made in double stivers and twenty-five per cent. in shillings (Art. 7). The lowest sum which could be deposited, transferred, or redemanded was 150 guilders (Art. 11). All merchandise sold at auction for private persons had to be paid for in heavy or current bank money, if the amount equaled 300 guilders or more (Art. 4). Home bills of exchange, drawn on current money, had to be paid in courant-rekening (Art. 5).

## DEVELOPMENT OF THE RECEIPT SYSTEM.

The above-mentioned restrictions were in accordance with the original rules of the Wisselbanken. Only the receipt system may be considered a deviation, as it resembles the system of a credit bank. This receipt system had been adopted in Amsterdam for a short time in 1638 and 1656; after 1683 it proved permanent. The Rotterdam Bank also had a receipt system in the second part of the eighteenth century, details of which are not known. The Amsterdam system was as follows:

The depositor of coin of a certain kind received, according to the decree of 1683, credit for a fixed sum in bank money, and a receipt (*récépissé*). This receipt entitled the depositor to take out the bullion again within six months, upon retransferring to the Bank a sum\* of money equal to that for which credit had been given to him when the deposit was made, and upon paying the fixed rent for the keeping of the bank money for which he had received credit. The Bank was not permitted to use the deposits, but had, on the contrary, to keep them untouched. If the depositor neglected to reclaim his deposits, they belonged to the Bank, and he was not forced to repay the sum of bank money credited to him.

The receipt could also be extended always for another six months by paying the rent for the preceding period. It was also permissible to divide a receipt into several of smaller value, and thus be able to dispose of smaller sums. The receipts were drawn for the holder even if they contained the name of the depositor. Mees (pp. 138, 139) believes that this operation was nothing else than a selling of the deposit to the Bank for a certain sum of bank money, with the power on the part of the depositor to reclaim his deposit for the same sum of bank money received for it (*pactum de retro emendo*).

It seems to me that another explanation is much more obvious. Here it is only a question of a loan, or "lombard." The lombard houses, called "banken van leening," had, according to A. I. van Citters ("De Rechtstoestand van de Banken van Leening," Leyden, 1886, page 5), sprung up as early as the thirteenth century in Holland. They gave to those persons who pawned effects "lombard bills," by which the bank promised to return the articles to the owner of the pawn on repayment of the borrowed money, with the interest. These lombard bills were drawn on the holder. The sale of the bills was allowed, and the bearer had the power to take the pawn so long as there was no suspicion of an illegal acquisition of it.

It has been shown that this way of pawning had been practised in Holland in the beginning of the seventeenth century. Felix Hecht ("Ein Beitrag zur Geschichte der Inhaberpapiere in den Niederlande," Erlangen, 1869) gives the text of the decree for Amsterdam of April 25, 1614, which proves this beyond a doubt. In Rotterdam (1635), and Enkhuizen also (1662), similar decrees had been promulgated.

The agreement of the receipt system, finally adopted in 1683 by the Amsterdam Exchange Bank, with the methods of the lombard houses is so evident as to be readily explicable, on the theory that it was copied from them. Adam Smith does not believe that there is here any question of selling with the power of redemption. He calls the

interest to be paid by the depositor “a sort of warehouse rent.” In reality, there is simply in question a deposit received by the Bank in pawn. This pawning of the Amsterdam Exchange Bank was first established for new standard coins stamped since 1681 (*i. e.*, for the three-guilder pieces) and for the zilveren rijder (silver rider). The three-guilder pieces were subsequently not generally received, but the system was afterward extended to other silver and gold coins. In regard to some kinds of coin—as, for example, the golden rider—the Bank often changed its practice. Coins on which loans could be given had to have a certain weight and a fixed fineness; but this was not demanded for every single coin, but only for every whole bagful.

Gold and silver bullion was already received in the beginning of the eighteenth century, but it was only in the latter decades of the eighteenth century that both metals were *always* received. The public made use of the privilege when the price of bullion was lower than usual.

## VALUATION OF COIN AND BULLION.

The amount of bank money which the Bank gave for the pawned bullion or coin often changed. The value given to some coins corresponded almost exactly to their intrinsic value. Adam Smith gives the prices at which the Bank received bullion and coin in September, 1775. The values in guilders, mentioned by him, are as follows:

### (a) *Silver.*

Mexican dollars }	
French crowns }	22 per mark.
English silver coin }	
Mexican dollars, new coin	21.10 per mark.
Ducats	3 per ducaton.
Rix-dollars	2.8 per rix-dollar.
Bar silver containing 11-12 fine silver	21 per mark.
Fine bars	23 per mark.

### (b) *Gold.*

Portuguese coins }	
Guineas }	310 per mark.
Louis d'ors, new }	
Louis d'ors, old	300 per mark.
New ducats	4.19.8 per ducat.
Fine bars	340 per mark.

Mees (page 294) has found the following bank values by S. Ricard (“*Traité Général du Commerce*,” Amsterdam, 1781), given in guilders:

(a) *Silver.*

Ducats	3 per ducaton.
Rix-dollars	2.8 per rix-dollar.
Old Spanish piastres	22 per mark.
New Spanish piastres	21.10 per mark.
Fine bars	23 per mark.

(b) *Gold.*

Ducats	4.19.8 per ducat.
Old French louis d'ors	8.14 louis d'or.
New French louis d'ors	10.14 louis d'or.
Portuguese coins	310 per mark.
Fine bars	340 per mark.

(The mark\* was  $\frac{1}{2}$  troy pound, and weighed 246.0839 grammes.)

\*It was divided into eight ounces; the ounce contained twenty engels, one engel — 32 azen.

The rent which had to be paid for the keeping of the deposits in bullion by the receipt-holder was one-half per cent. for each six months; for silver coin in the beginning, one-eighth per cent., and later on, one-fourth per cent., excepting the ducats, for which one-eighth per cent. only was charged.

For gold coins the rent was one-half per cent., and after 1770, one-quarter per cent.

The amount receipted for was chiefly regulated according to the market prices of specie and bullion. The values of the receipts, therefore, often changed and gave many occasions for extensive speculation.

While the receipt system of the Amsterdam Wisselbank may be considered a loan on specie and bullion, the Middelburg Wisselbank, on the other hand, had, in the middle of the eighteenth century, a system of loans on stocks. The Bank lent money for three, six, or twelve months, at a rate of interest which was about one-quarter or one-half per cent. higher than the customary rate, and on the security of bonds on Seeland, Walcheren, or Middelburg, or in shares of the East India Company. Repayment in whole or in part could be made every month; but the shares of the India Company could be pawned only for a whole year. This fact is stated by Mees (page 231); further details of the practice I have not been able to find. At all events, this was an important step toward the creation of a bank of credit. The Bank had to take from its deposits the sums which it lent, and while it is true that it had in the stocks pledged an equivalent which could always be realized on in quiet times, it is evident that the principles of a bank of deposit, pure and simple, were no longer strictly maintained.

## SECTION III.

### DECADENCE AND END OF THE EXCHANGE BANKS.

*Abuses of Credit in Middelburg, Rotterdam, and Amsterdam—Crisis of the Amsterdam Exchange Bank (1789)—Reorganization of the Amsterdam Exchange Bank (1796)—Decay and End of the Amsterdam Exchange Bank (1819)—Ruin of the Rotterdam Exchange Bank (1794)—Reorganization of the Middelburg Exchange Bank (1802-1806)—Crisis of the Middelburg Exchange Bank (1830)—Reopening of the Middelburg Exchange Bank (1831)—Decay and End of the Middelburg Exchange Bank (1838-1878).*

IN Middelburg, as has been shown at the end of the preceding section, loans on stocks had been openly given out of the funds of the Bank; in Rotterdam and Amsterdam, however, the deposits could not be touched.

The credit of the Wisselbanken could only be maintained so long as the public was convinced that for each guilder of bank money there was a corresponding amount of specie and bullion in the coffers of the Bank. Such an equivalent was also necessary for the receipt system. The administrators of the Bank, and of the town, therefore took great pains to make the public understand that the deposits were always intact. On the other hand, there was a great temptation to make loans in the fact that the Bank had in its coffers considerable sums which could easily be invested to the manifest increase of the revenue of the Bank. The Wisselbanken did not resist this temptation. When the public, in 1672, fearing the advancing French armies, demanded the deposits, the Middelburg Exchange Bank, which had not yet openly begun to lend money, and the Rotterdam Exchange Bank, could not satisfy the demands made on them. This was a proof of their having, without authority, touched the deposits. Mees (page 216) says that this was the sole example of such an abuse in the history of the Rotterdam Exchange Bank.

### THE ANTECEDENTS OF A CRISIS.

The abuse was older and more extended at the Amsterdam Exchange Bank. As early as January 22, 1657, the city government was induced to interfere in the business of lending to private persons. It is, however, characteristic that the Bank shortly afterward, on August 17, 1657, began to advance money on loan to the East India Company. These advances could not be made without the knowledge of the city government. The lending did not cease in after years, and finally proved fatal to the Bank and to the finances of the city.

The city government of Amsterdam considered the East India Company of such importance to the prosperity of the city that they in every way tried to aid it. I presume that the readiness of the city to aid the company was increased by the fact that often former mayors or members of the Senate of Amsterdam took part in the administration of the company.\* As soon as the company came to be in want of money, the stock of coin of the city bank controlled by the authorities was at its

disposal. The sums necessary in autumn for the equipment of ships belonging to the company were lent by the Bank. At first, the city had to give a special permission for each loan. Later on it was taken more easily, and by decree of October 5, 1682, the East India Company could at any time have at its disposal 1,700,000 of bank guilders. An independent bank might have demurred to such a treatment of its resources, but a city bank was powerless. At the head of the Bank there were at first three commissioners; in 1715, five; in 1716, six, and later, at times, seven or eight commissioners; but I do not know whether they ever tried to offer assistance. This is hardly likely, as among the Bank commissioners the merchants were usually in the minority as against the former aldermen and members of council. Besides, the commissioners had to obey the orders of the mayor, and the Bank functionaries in their turn depended on the commissioners.

The advances to the East India Company could by permission of the mayor exceed 1,700,000 bank guilders, and this privilege was freely used. In 1698, the company had a debt of 3,200,000 bank guilders. In 1760, 30,000,000 guilders were deposited at the Bank, and only 10,000,000 could be found there. The company had to pay only a very small rate of interest. By decree of the Senate of February 18, 1723, the interest charged to the company was reduced from three and one-half per cent. to three per cent., and on January 13, 1724, to two and one-half per cent.

## DIFFICULTIES OF THE EAST INDIA COMPANY.

This abuse of the bank deposits is all the more incomprehensible when one remembers that the East India Company was involved in debt at the end of the seventeenth century, and afterward had to struggle with a growing deficit. The position of the company became still worse when England and Holland, in 1780, were involved in war. The company sustained great losses by the capturing of many ships returning from the East with valuable cargoes, and was not able to pay its debts to the Bank. An attempt was made to mend the situation by giving to the Bank as security for the borrowed bank money, bonds issued by the company under guaranty of the province. The interest of these obligations the city received. The situation of the company becoming more and more critical, the Bank commissioners were empowered by a decree of October 8, 1782, to transfer 5,100,000 guilders of the company's debts to the account of the city, and to lend another 2,550,000 guilders to the company on the city's behalf. As the company's bonds were given as a security, the whole transaction was nothing but a veiling of the company's debts.

The city government, on its own account, borrowed money from the Bank, chiefly for the purpose of establishing a loan office, which was first opened in 1773 and again in 1781, in consequence of hard times. All this was disclosed in 1795 by a report of the Committee of Commerce and Navigation. This committee had been charged by the new government with an examination of the state of the Bank, and it found that more than 9,000,000 guilders in coin was missing. The principal debtors of the Bank were the city treasury (to the amount of 7,650,000 bank guilders, for which sum 6,273,000 guilders in bonds of the East India Company had been given as security) and the loan office (to the amount of 1,200,000 bank guilders, for which latter were pawned,

838,857 guilders 1 stiver in bonds of the provinces of Holland and Western Friesland).

## THE EVILS OF SECRET MANAGEMENT.

Till then these loans had been carefully kept secret. The loans were agreed upon by the mayors and the Bank commissioners. It is scarcely possible that they always acted in good faith. The nature of the Bank organization lent itself to this secrecy. The Bank commissioners had, as already mentioned, to obey the mayors' orders, and all the other Bank officers had to obey the commissioners. All officials had to swear strict silence in everything concerning the Bank's operations, both while in its employ and after quitting it. A constant and independent control of the Bank was wanting. The Bank commissioners had once a year to render an account, and the mayors had to compare the books of the Bank with the bullion in the coffers of the Bank. As a matter of course, the mayors did not publish abroad the loans which they had permitted or ordered. Therefore, abuses were continued for whole decades without exciting the suspicions of the public.

## THE BEGINNING OF THE END.

It was only at the end of the eighth decade of the eighteenth century that the public began to suspect. The agio, which, as a rule, had not exceeded three per cent. in the preceding years, went down in the winter of 1789-90 to two per cent., and in April, 1790, to one and one-fourth per cent. In August, 1790, the value of the bank money was equal to the value of current money, and in November, 1790, it was even two per cent. below the value of the latter. Other circumstances contributed to this decline; as, for example, the great coin export of the time, extensive sales of bank money for hard cash by the East India Company, etc. The Bank might have overcome these difficulties by buying up bank money if it had not unreasonably diminished its stock of coin. It excited the suspicion of the public that the Bank did not buy bank money.

This state of things was aggravated by the action of the city government on November 12, 1790. According to an order then promulgated, the Bank value was to be 26 guilders 15 stivers per mark fine silver for November, and later on the rate was to be fixed by the Bank for every month. Nobody was to be allowed to draw silver out of the Bank if he had not at least 2500 guilders to his account, and nobody could transfer more than 50,000 guilders in one day. This approached a declaration of bankruptcy, and was a palpable injustice to those having accounts. Before this, the Bank had taken the silver at a price of 24 guilders 2 stivers, which was very nearly the market price. The fixing of the bank value at 26 guilders 15 stivers was to be regarded as a deterioration of bank money. Besides this, the Bank reserved for itself the power of changing every month the value of the amount to the depositor's credit by fixing the bank rate for silver.

## BANK MONEY BELOW PAR.

No wonder that the value of the bank money fell during the winter of 1790-91 two and one-half per cent. below the value of current coin, and that the claims made on the specie of the Bank went on growing. The Bank tried to surmount these difficulties by declaring its duty of paying out coin to be optional. The idea was even suggested of making for the purchase of bank money a new coin, which was to have a value higher than its intrinsic value. Some merchants, invited to report on these and other projects, did not approve of them (January, 1791), and recommended the raising of a loan, in order to buy up the bank money. At the same time the Bank was openly accused of giving credit in an unauthorized manner. The Bank tried in vain to get out of its troubles by ordering that coin should be given only to cashiers, and stopped other coin payments on February 3, 1791. Then the raising of a loan of 6,000,000 guilders at three and one-half per cent. was finally decided upon in order to be able to buy bank money.

The realization of this plan made it possible to keep for a few years the current value of bank money on a level with current coin. A new decline took place at the end of 1794.

On October 11, 1794, the current value of bank money was quoted at eighty-four per cent.; on November 11, eighty-four and one-half per cent. (after, in the meantime, having risen to ninety-two per cent.); and at the end of the year it was eighty-nine per cent. Büsch says that the cause of this was "fearing an invasion by the French." As the new government proclaimed the city's guarantee for the Bank (February, 1795), the current value remained at ninety per cent. The new government, which had also ordered the investigation of the Bank already referred to, raised, in the beginning of March, 1795, a loan of 8,000,000 guilders at three and one-half per cent., destined to pay the debts of the city to the Bank, as well as other municipal obligations; but of this sum the Bank did not get much. The Government, therefore, decided to raise another loan of 7,000,000 guilders at four per cent., which was to serve solely for paying off the debts of the city to the Bank.

## THE END OF THE AMSTERDAM BANK.

The Amsterdam Wisselbank was reorganized on March 31, 1796, on the same basis as before, with some few exceptions. The credit of the Bank had been, however, severely shaken. The Government tried in vain to help the Bank by decreeing, on October 6, 1796, that all bills, of any amount, drawn upon Amsterdam by foreign countries, or drawn upon foreign countries by Amsterdam, after October 15, 1796, were to be paid in bank money. It availed nothing that in 1802 it was repeatedly declared that all debts to the Bank were paid, and that all the bank money was now covered by specie and bullion. Many attempts were made to recover for the Bank the confidence of the public. It was strictly forbidden to the Bank commissioners to give credit to anybody who had not an equal quantity of the precious metals deposited. For any infringement of this order they were to be held responsible in their person and fortune. They were allowed to refuse the execution of any outstanding order, and were protected against the consequences of such a refusal. All this proved ineffectual. The



vigor of the Bank had departed, and the highly depressed state of trade in that unquiet time decreased the necessity of employing the Bank's services. After 1802 the Bank could not even cover one-fifth of its expenses by its own revenue, although they had been diminished by one-half.\*

By royal decree of December 19, 1819, an end was put to the long agony of the Bank. The liquidation began on January 19, 1820, and lasted a long time.

## FATE OF THE ROTTERDAM BANK.

The Rotterdam Wisselbank, although devoid of blame, was involved in the inglorious fall of the Amsterdam Wisselbank. The Rotterdam Bank, having up till then always adopted the Amsterdam agio, tried to go its own way when in 1789 the agio of bank money in Amsterdam went below two per cent. The effort was made, according to the wish of many merchants, to maintain the agio at two per cent., in order to prevent the deposit of coins with a view to speculation. On April 24, 1790, the Rotterdam Wisselbank was, however, persuaded by Amsterdam brokers to bring its bank money agio nearer to the Amsterdam rate, and to fix it at one and one-half per cent. In the meantime the Amsterdam agio had gone down to one and one-fourth per cent. On June 14, 1790, the agio was again equalized with the Amsterdam agio. The Rotterdam Bank, however, intended to keep the bank money at least at par with the current money. In the meantime the use of bank money and of courant-rekening was omitted because of the depressed state of trade. In 1800 there were not a dozen of private persons having accounts in current money. The balances of the Bank steadily sank from 544,000 guilders in 1800 to 237,000 in 1805. Then the cashiers made large deposits, so that the balance increased to 1,294,000 guilders in 1809; but in the following year the cashiers ceased to make use of the services of the Bank. In 1812 the balance was 108,000 guilders, and then the Bank gradually ceased to exist, showing that the Wisselbanken were no longer adapted to the needs of the time.

## THE MIDDELBURG BANK.

The Middelburg Wisselbank, as we have seen, had taken its own course by openly adopting the system of lending on stocks in the second part of the eighteenth century. Therefore, it was not affected by the difficulties of the Amsterdam Bank after 1789. But it could not escape the influence of contemporary disaster, and it was this very system of making loans on stock that became fatal. By the shrinkage of the value of the stocks held in pledge, the Bank, in 1794, was obliged to suspend payment, and it was for a long time reduced to stagnation.

In consequence of a petition of some account-holders, the Bank was reorganized by decree of the Government of the Batavian Republic on November 11, 1802, supplemented by a decree of December 30, 1805. Past transactions had, however, first to be settled, and then the reorganized Bank was opened on January 6, 1806. Now, as before, the Bank was named "Wisselbank," but had certain differences of organization and method. The Bank had to receive coin on deposit and to give loans, "so as to serve the best advantage of the people, combined with a full security for account-holders" (Art. 1). As to the first matter, it was ordered that everybody could

deposit coin, and could use it at any time either by drawing it out or by transferring it to others by assignation. The amount drawn or transferred had, however, to be at least 150 guilders (Art. 11). Clipped coins were not received by the Bank. Coins smaller than half a zeeuwsche, rycksdælder, or a guilder were received only up to an amount equal to 10 per cent. of the sum deposited (Art. 15). The account-holder who ordered a transfer for more than was credited to his account was obliged to pay three per cent. of the whole assigned sum, for the benefit of the Bank (Art. 12). The deposits could not be attached (Art. 16). On opening an account with the Bank, three guilders three stivers had to be paid (Art. 10). All merchant bills payable at Middelburg had to be paid at the Wisselbank, under penalty of three per cent. fine (Art. 13). Here we have again a trade in bank money, without any difference between heavy bank money and current coin.

With regard to the business of lending, article nineteen ordered that only on the following coins and stocks loans might be given: (1) Foreign gold and silver coin and gold or silver bars, calculated at five per cent. below their intrinsic value; (2) public funds belonging to the national debt, calculated at least at ten per cent. below the current quotation. For all loans, bills of exchange payable in six months had to be given (Art. 20). If the market value of the stocks deposited sank considerably, the Bank could demand the making good of the security (Art. 21). It was not allowed to give credit on receipts, to lend without sufficient security, or at an interest lower than that fixed, or to give credit for an amount higher than the deposits. The Bank commissioners were not obliged to obey any contradictory order of the city government (Art. 23). Loans on stocks, specie, and bullion the Bank commissioners were allowed to give only to people they knew. Brokers, clerks, or captains could receive loans only on account of their constituents, after being specially authorized by a written request of the latter (Art. 18).

The money for these loans had to be taken from the deposited coin. The proposal for a loan had to be addressed to the controllers, who decided if it might be given, and to what amount of the value of the security, at what rate of interest, and in what proportion to the bullion of the Bank (Art. 17). A fifth part of the net profit was set aside for a reserve fund (Art. 26). The Bank was a city establishment (Art. 1), and the city guaranteed the Bank (Art. 27), whose affairs it had to direct, according to the decrees of 1802 and 1805, receiving three-fifths of the net profits (Art. 26). By article twenty-nine the Government was empowered to change the existing regulations, in spite of the power of the city authorities over the Bank.

## A NOVEL SYSTEM OF CONTROL.

The new method of administration had evidently been planned with the intention of establishing an independent control over the management of the Bank. The conduct of the business was placed in the hands of four sworn commissioners, appointed by the city (Arts. 2 and 28). At least one of the commissioners had to be a respectable merchant having an account at the Bank. The commissioners were not allowed to be at the same time members of the city administration (Art. 3). Each commissioner had to find two good guarantors for 2000 Flemish pounds,\* equal to 12,000 guilders, and every year the security had to be renewed (Art. 4). Each commissioner was to receive

500 guilders a year and five per cent. of the net profits (Arts. 5 and 26). The commissioners were personally responsible for their administration and for “the accurate and secure keeping of the Bank treasure and the deposited securities for loans” (Art. 24, decree of December 30, 1805). The commissioners had to make a report every year, in January, before the opening of the Bank. This statement had to be examined by a committee composed of members of the Town Council and the Board of Control (Art. 25).

Five controllers had to supervise the management of the commissioners. Three of the controllers were selected for life from respectable merchants who had an account at the Bank. A fourth controller had to be a member of the Town Council, and was appointed by an appointee of the Council itself. The fifth was appointed by the Exchequer. The two latter officers could be removed at any time (Arts. 6 and 9). The controllers had to be sworn (Art. 28). They had to watch with great care over the loans of the Bank. At least once a month the controllers had to meet, in order to receive reports on the amount of bullion of the Bank and on the loans (Art. 22). Later on, one director and four commissioners were charged with the Bank management.† The commissioners were appointed by the Town Council; two of them were members of the Council, two were merchants.

On foreign coins and on the Dutch public funds loans were made, mostly at four per cent., for from one to six months. The order concerning the payment of bills of exchange at the Bank was in course of time disregarded. The secret conduct of affairs which had characterized the former Wisselbanken still survived.

## A LATE SURVIVAL BUT FINAL COLLAPSE.

The political events of 1830 (the French Revolution and the separation of Belgium) obliged the Bank to suspend payments. The Bank was reopened on April 9, 1830; and Mees says, in 1838, “Since that time the Bank seems to have prospered. Communications by letter made to me from Middelburg state that in 1838 and later on the Bank was simply a cash office, at which one had an account current, and without charge deposited and transferred money, but without receiving interest. The Bank made money by loans on stocks and merchandise, for which a part of the deposits were used. One director and several commissioners, all appointed by the Town Council, managed the Bank. In the later period of its existence, three commissioners were appointed, who yearly received 500 guilders. Besides these, there were two bookkeepers and one cashier.”

Bank notes were nearly unknown in Middelburg after 1838. The means of payment were almost exclusively silver coin, and this fact was very profitable to the Bank.

Everybody who turned over money to any amount worth mentioning had an account with the Bank; nearly all larger payments were made by transfers or cheques. Business was restricted to the transactions of Middelburg merchants. The importance of the Bank decreased when the Amsterdam cashiers and bankers began to pay interest on accounts current. Many merchants opened an account current in Amsterdam, and the balances of the Middelburg Bank were considerably reduced.

The Bank got into a very depressed state; it could not lend much, as the balance on hand was small, and it hardly could cover expenses. The establishment of an agency of the Netherlands Bank at Middelburg accelerated the fall of the Bank. This agency was no rival in the loan market, because in 1864 the Middelburg Bank was then unable to lend any considerable sum; but when it became possible to accept bank notes as means of payment, the services of the Wisselbank were no longer required. For some years the Bank remained in a state of stagnation; and some doubts arose, and not without reason, as to whether the Bank was sound enough to meet a demand for the balances at any time. By resolution of the Town Council, on December 27, 1878, the last of the former deposit banks was closed, after having existed for two and a half centuries.

[\[Back to Table of Contents\]](#)

## CHAPTER II.

### PERIOD FROM 1814.

#### MODERN DUTCH BANKING.

#### THE BANK NOTE SYSTEM.

*Early Substitutes for Bank Notes—Origin and Growth of the Bank of the Netherlands—History of the Colonial Banks of Java and Surinam.*

OUR inquiry into the development of Dutch Banking before 1814 has shown that the principles upon which are founded the operation of the banks of to-day as establishments for giving credit were in those days unknown. The character of banks of deposit and circulation (*giro*) had not been officially given up by the already mentioned city banks. Only in the loans on specie and bullion in Rotterdam and Amsterdam, and still more in the loans on stocks in Middelburg, do we find a glimmering of the idea that a bank serves the public interest if it uses part of the means intrusted to its keeping in giving credit to the productive classes. The private cashiers had\* even in the eighteenth century not only done a loaning business, but also discounted bills of exchange and given credit in blank. The city banks, however, had not made so much progress.

It may be presumed that the Netherlands would have adopted earlier the modern principles of banking if Great Britain, at that time growing very rapidly in power, had not repressed Dutch trade more and more, and if the effects of war, after 1780, had not seriously injured the country. The East India Company had been ruined at this time, the Dutch colonies were devastated, and for the greater part lost.

The Bavarian Republic (constituted in 1795) was not able to protect their small country from the results of the disturbed times. The kingdom of Holland (constituted in 1806) was drawn into the wars of Napoleon, the country was severely shaken and its trade was ruined by the “continental system.”

It was first by the treaties of 1814 and 1815 that the basis was furnished for a term of more favorable development. King William I. of Orange anxiously sought to promote the national welfare, but a long time was required to restore the commerce, so important for the Netherlands, because of the adverse conditions of the times.

Since the middle of the nineteenth century, the country has made considerable progress. From 1847 till 1871 the yearly average commerce showed an increase (for every quinquennial period), as follows:

Total import from	276,000,000 to 629,000,000 guilders.
Special* import from	184,000,000 to 493,000,000 guilders.
Total export from	215,000,000 to 524,000,000 guilders.
Special† export from	132,000,000 to 392,000,000 guilders.
Transit export from	86,000,000 to 132,000,000 guilders.
*l. e., entries for immediate consumption and withdrawals from warehouse for consumption.	
†l. e., exports of domestic merchandise.	

From 1872 till 1891, the yearly average for each quinquennial period was increased:

Total import from	6,793,000 to 14,076,000 kilog.
Total export from	3,269,000 to 7,753,000 kilog.
Transit (without reload'g) from	600,000 to 2,203,000 kilog.
Special import* from	681,000 to 1,262,000 guilders.
Special† export from	516,000 to 1,086,000 guilders.

## EARLY SUBSTITUTES FOR BANK NOTES.

Trade and banking being always closely connected, it was natural that Dutch banking should become of great importance in the nineteenth century, and should be adapted to the modern system of credit. The first and most important step in this direction was made in 1814 by King William, who introduced the bank note system. We have seen that before this time this very important instrument of modern credit was not desired.

If the Dutch merchants wished to have paper credits, they could get them in other ways. It was therefore unnecessary to copy the bank note system adopted a long time before in England. Thus the men of those times reasoned.

The private cashiers supplied, in the eighteenth century, the wants of the merchants. It is supposed that the number of cashiers in Amsterdam alone was more than fifty in the seventh decade of the eighteenth century. The cashiers promoted a considerable intercourse between the merchants, and issued paper which circulated in the commercial towns. Of this paper, the *kassiers promessin* and the *kassiers quitantien* were the most important elements.

The *kassiers promesse* was a promise of payment, given by the cashier, answering to our promissory note. The *kassiers quitantie* was an assignation drawn on the cashier. It is true that these papers were only an imperfect substitute for bank notes. Besides these, the bank money of the *Wisselbanken* and the book credit by the private cashiers served as currency. The book credits were very serviceable on account of the cashiers clearing system.

In 1795 the attempt was made for the first time to introduce bank bills, but in a very imperfect form. The province of Holland resolved on May 12, 1795, to establish a general provincial lombard house (*Bank van Beleening*), in order to obviate the difficulty of negotiating the provincial loan of March 4, 1794, a difficulty arising from



the scarcity of money at that time. The Bank van Beleening was to do business from July 1, 1795, to July 1, 1798. It made advances at a rate of interest of four per cent. on certain stocks, movables, and realty up to eighty per cent. of their value.

The advances were not paid in hard cash, but in *beleen bank geld* (*i. e.*, loan bank money), and were entered in the account of the Exchequer as the contribution of the debtor to the provincial loan. A receipt was given to the debtor for the amount, and the receipt was transferable to a very limited extent. The *beleen bank geld* bore interest at three per cent. and could not be reclaimed in specie. These receipts cannot be considered bank notes in the modern sense of the word, but they offered a safe investment to capitalists.

## FOUNDING OF THE BANK OF THE NETHERLANDS.

To facilitate a new loan, the Government proposed to Parliament on December 28, 1798, to establish a *nationale beleen, discompto, en deposito bank* (a national loan, discount, and deposit bank); the proposal, however, was not discussed. But the *beleen bank* of 1795 did not suspend operations in 1798. Vissering\* says that in 1802 the liquidation of the bank established in 1795 was resolved upon, and that in 1807 King Lewis put an end to it.

More important than the scheme of this bank, which never was of much consequence, was the bill of May 21, 1802, by which the Government, having in view the example of the Bank of England, proposed to establish on July 1, 1802, for the following twenty-five years, a similar bank, under the name of "Algemeene Bataafsche Beleen, Discompto, en Deposito Bank (General Batavian Loan, Discount, and Deposit Bank). The parliamentary committee in its report of July 29, 1803, objected to this proposal, especially to the bank notes, which the committee regarded as dangerous, and the bank was not established.

King William reverted, however, to this plan, and issued, by decree of March 25, 1814, precise regulations for the *Nederlandsche Bank* (*i. e.*, Netherlands Bank), which was chartered for the following twenty-five years as a joint-stock bank, with the privilege of issuing notes.

In the introduction to the decree, attention is particularly drawn to the necessity of raising commerce from the state of depression caused by the unfavorable circumstances of the times, and of increasing the circulation. Experience has conclusively shown the importance of these measures. At that time, however, the Government was more far-sighted than the merchants, who did not avail themselves of the services of the Bank, and considered their use as indicating a dubious condition of solvency. The subscription of the capital, fixed at 5,000,000 guilders, met with much passive opposition from suspicious capitalists. At the end of the first year, only 2,400,000 guilders had been subscribed, of which 1,000,000 was the gift of the Government. In the second working year, the whole capital was subscribed. But it was not till many years afterward that the Bank was fully appreciated by the Dutch merchants.

## THE JAVA BANK.

In the kingdom of the Netherlands the Netherlands Bank remained the sole bank of issue, while in the Dutch colonies two note banks existed. The more important of them is the Java Bank at Batavia, exclusively privileged to issue bank notes in the Dutch East Indies.

The early history of this bank begins in 1746. On August 26th of that year, the establishment of a joint-stock company at Batavia, named "Bank van Leening" (*i. e.*, loan office), had been decided upon. It had to make advances on gold, silver, jewels, merchandise, linen, furniture, etc. The capital of the Bank was divided into 300 shares of 1000 ryksdaelders each; the Government had subscribed for 200, and the public for 100 shares. The Bank was opened on December 1, 1746, but had so little business that it lent its capital at interest to the Government, in order to employ it profitably. Very early in its history the transformation of this bank into an exchange bank had been sanctioned. In 1752, in fact an exchange bank was established, and in the same year amalgamated with the Bank van Leening, under the style of "Bank en Bank van Leening" (*i. e.*, bank and loan office). This institution took up the operations of the Dutch deposit banks, combined with the granting of loans on merchandise. Besides this, the Bank issued a sort of paper currency.

For his money the depositor received a certificate, called a bank bill. These bank bills, issued to the depositor's order and indorsable, could at any time be exchanged for hard cash. In consequence of the great variety in the circulating coins, the bank bills were often and readily used as substitutes for money. The general state of affairs in the Dutch East Indies, however, was unfavorable to such a great establishment, and the Bank could not get into full working order. At the same time that the Amsterdam Bank went through its fatal crisis, the bank at Batavia also was ruined. In 1790, a deficiency, reaching the amount of 63,000 ryksdaelders, had been discovered, of which the directors could not give a satisfactory explanation. The Bank was dissolved on April 5, 1794.

The loan office (Bank van Leening) was continued, first as a dependent, but after 1809 as an independent institution. The English Government, which, from 1811, was in possession of Java, empowered the Bank van Leening to issue bank bills; but this measure met with no success. The payment of the bank bills was made impossible in consequence of the scarcity of ready money, and the plan of redemption by colonial goods, offered instead, proved entirely unacceptable. In 1817, this establishment passed into the hands of the Dutch Government and then ceased to exist. The bank bills still in circulation had to be presented for payment before June 18, 1818.\*

Five years later, the merchants petitioned for the establishment of a private bank on the island of Java, and on July 16, 1823, the draft of a decree concerning the establishment of a Nederlandsche-Oostindische Bank† was submitted to the committee of the Batavian Exchange. Nevertheless, four years more passed before the plan was carried into execution. By a decree of December 11, 1827, the new note bank was opened under the style of "Javasche Bank" (Java Bank), and organized according to the model of the Netherlands Bank. The Java Bank did not at first find



much support from the public. Its capital was fixed at 4,000,000 guilders (8000 shares of 500 guilders), and the Bank was to begin business as soon as 2000 shares had been subscribed. On January 24, 1828, this condition was fulfilled.<sup>‡</sup> The placing of the remaining shares met with many difficulties, although the Government tried to induce the officers to subscribe. It was not before the year 1831-32 that 2,000,000 guilders had been subscribed, and for a long time no increase took place.

## THE SURINAM BANK.

The third bank of issue, the Surinam Bank, had been established at Surinam, in 1829, as a note bank. It was described as a private bank, but in reality was a Government undertaking. The Bank gave credit too freely to planters and very soon was ruined.

By royal decree of May 19, 1864, the now existing Surinam Bank was established as a joint-stock company, and was empowered for the following twenty-five years to issue bank notes in Dutch Guiana (Surinam). The capital of this bank was at first 1,000,000 guilders. The head board of directors is at Amsterdam, while there is a local board at Paramaribo, the capital of the colony. The Surinam Bank is not of the same importance as the other two note banks, and may therefore be more briefly dealt with.

[\[Back to Table of Contents\]](#)

## CHAPTER III.

### PERIOD 1814-1863.

#### THE NETHERLANDS BANK.

##### SECTION I.

##### ITS LEGAL POSITION, ORGANIZATION, AND OBJECTS.

*Decrees of 1814, 1838, and 1852 Concerning the Capital, Administration, Privileges, and Operations of the Bank—Lack of Provision for Publicity—Other Defects in the Decrees—Relations of the Bank to the Government—The Succession of Orders for the Maximum Note Issue and Their Metallic Reserve from 1847.*

THE period of time which we propose to treat in this section does not readily lend itself to division into shorter periods. On superficial examination it is true such a division would seem advisable, as within the first fifty years of the Bank's existence some very important changes took place, such as the renewal of the Bank's charter, a repeated increase of capital, and the adoption of greater publicity in its dealings. But these considerations are all outweighed by the fact that until the end of 1863 the Bank was a purely local (*i. e.*, Amsterdam) institution, while in 1864 it extended its operations and became a national Dutch institution. Before speaking about the working of the Bank in its first fifty years, it is necessary to explain its legal position, its organization, and its objects.

The Bank's affairs were first regulated by the decree of King William I., of March 25, 1814, which to a great extent is identical with the already mentioned draft bill of 1802. The Bank's charter was renewed by royal decree of August 21, 1838. The two decrees have but few differences.

The Bank was a joint-stock company. In 1814 (Art. 7), its capital was fixed at 5,000,000 guilders (divided into 5000 registered shares of 1000 guilders each); in 1838 (Art. 6), at 10,000,000 guilders—an amount of capital which really existed from 1819. The shares were transferred by a special note entered in the shareholders' register in presence of the Bank's directors (1814, Arts. 9 and 10; 1838, Arts. 8 and 9). Selling shares for future delivery was, in 1814, forbidden (Art. 11). In 1838, the interdict was not renewed.

##### THE METHOD OF MANAGEMENT.

The management of the Bank was in the hands of a president, five directors, and a secretary. The president and the secretary were appointed by the King as permanent

members (1814, Art. 49; 1838, Art. 40). According to the decree of 1814 (Arts. 49-51), the King had to appoint for the first time two of the five directors. The other three were selected by the King from six persons nominated by the Bank commissioners, together with the president and the two directors already appointed by the King. Under the decree of 1838 the King appointed for the first time all the five directors. In later years the King had to appoint five directors out of the ten persons nominated by the commissioners together with the directors (1814, Art. 52; 1838, Art. 41).

The decree of 1814 (Art. 47) required that the directors should be shareholders of the Bank, that they should live in Holland, and be at least for six months registered as holders of ten shares of the Bank stock. By the decree of 1838 these requirements were repeated, and it was further prescribed that each director should acquire another five shares before entering on his functions. By the royal decree of June 9, 1852, it was ordered that each director on assuming his functions must be the registered holder of fifteen shares. He was obliged to keep these fifteen shares during his term of office. Every six months (1814, Art. 48), and later on, every year (1838, Art. 39), one director had to resign, who at first was designated by lot and later by seniority. The retiring director could be re-elected.

The president and the directors were obliged to have their domicile in Amsterdam. Only on urgent danger and by a special royal order were they allowed to change their residence (1814, Art. 38; 1838, Art. 29). The president, the directors, and the secretary received a share in the profits, specially fixed by the King (1814, Art. 40; 1838, Art. 32). The president and the directors were sworn before entering on their functions (1814, Art. 42; 1838, Art. 33). They had to be guided by legal and reglementary orders, and in conformity with special instructions given by the King (1814, Art. 39; 1838, Art. 30). They were not responsible for any loss resulting from their licensed operations (1814, Art. 41; 1838, Art. 32).

The whole body of the shareholders was represented by a committee of fifty of the largest of their number. At the end of the first year these fifty had to elect, by an absolute majority, six shareholders to act as commissioners, and they had to fill all vacancies in the same way (1814, Art. 53; 1838, Art. 42).

These commissioners had to be registered holders of six (from 1838-78) shares at first, on the day they were elected, and later for the last six months. Every year, the third part of the commissioners had to retire, but they could be re-elected.

It was the duty of the commissioners to examine the balance-sheet, which had to be submitted to them at the end of every year. The bookkeepers and the cashiers had to confirm by oath the correctness of the balance-sheet. If everything was in order, the commissioners had to liberate the president and the directors from their responsibility. The commissioners had also to declare the dividend according to the reports of the president and the directors (1814, Art. 55; 1838, Art. 44).

Amsterdam was the seat of the Bank, but the president and the directors were allowed to extend the Bank's operations to Rotterdam, Dordrecht, and all the other principal

towns of Holland, either by special correspondents or by delegates. The decree of 1838 (Art. 34) provided for the establishment in Rotterdam of a branch (*bij-bank*), and the president and the directors had to make to the King proposals to this effect within three months after the decree came into force.

## THE BANK'S MONOPOLY OF NOTE ISSUES.

The Bank, in 1814 and 1838, being chartered for twenty-five years, enjoyed many privileges. First of all, article three of the decrees of 1814 and 1838 must be mentioned. This article says that during the time the Bank is chartered, no other institution shall be allowed to issue bank notes. The Bank, therefore, had a monopoly of note issues. Its other privileges were also exclusive.

A great number of such favors were granted to the Netherlands Bank by decree of March 25, 1814. In the introductory notes to this decree it is expressly stated: [\\*](#) “Qu’une telle institution mérite sous tous les rapports d’être protégée par des prérogatives extraordinaires.”

Total exemption from taxes was assured by article fifty-nine to the capital, the shares, the profits, and the dividends. Article sixty exempted “toutes quittances, récépissés ou billets de banque, à émettre par la Direction de la Banque, ainsi que toutes autres assignations ou effets comptables, les livres et les registres” from stamp duty and registry duty (*droit d’enregistrement*), “afin de favoriser cette institution et la rendre plus utile et plus profitable au public.” Article sixty-one ordered that the greater part of the account current balances could not be attached by legal process. Article sixty-three urgently recommended to the civil and military authorities, especially to the Amsterdam Town Council, “the protection and the security of the Bank as well as the defence of its privileges and preferences.” Article twenty-seven exempted the loan deeds from all taxes, with the exception of the stamp duty. Each shareholder also enjoyed special privileges. In case of increase of capital, the shareholders had the first claim to subscribe for new shares (Art. 14). In regard to loans and discounts, they had precedence over the non-shareholders, up to the amount of their holdings of stock (Art. 16). The shares could be seized only in case of the execution of a valid judgment, or on the failure of the holder (Art. 18). They were to be taxed at their nominal value for the succession duty as well as for all other duties and taxes (Art. 19).

## THE BANK'S FUNCTIONS, PRIVILEGES, AND RESTRICTIONS.

Most of these privileges—except the monopoly of the issue of bank notes—were not renewed by the decree of August 21, 1838, and the few which remained were: (1) The right of precedence of shareholders in the subscription to new shares in case of increase of capital (Art. 12); (2) the exemption of loan deeds from registry duty (Art. 20); (3) the exemption of receipts, quittances, assignations, bank notes, and books of the Bank from stamp and registry duties (Art. 48); (4) the special obligation of the

civil and military authorities, especially of the Amsterdam Town Council, to protect the Bank (Art. 50).

The orders concerning the operations of the Bank most conclusively show progress as compared with the organization of the former Wisselbanken, though a certain reticence, especially in the decree of 1814, is still observable. The decree of March 25, 1814, fixed the scope of the Bank's activity in the following way: The Bank could (1) discount bills of exchange (Art. 20, No. 1); (2) grant loans on stocks and merchandise (Art. 20, No. 2). Loans could be granted on security of entries in the Dutch Great Ledger and on certificates thereof having the visa of the Great Ledger affixed, on home stocks, and on merchandise lying in Holland (Art. 23). Loans on the shares of the Bank (Art. 17), on real property, on ships, and on foreign stocks were not allowed (Art. 25). Loans were granted up to the amount which the directors deemed advisable and for a period not exceeding three months (Art. 23); they had to be confirmed by a notarial deed (Art. 26), which was only subject to stamp duty (Art. 27). The rate of interest fixed was, at the outside, at five per cent. per annum (Art. 24). (3) The Bank could buy and sell specie and bullion and have it coined and recoin (Arts. 20 and 28). (4) It could receive on account current money of the Government or public authorities (Art. 20).

The Bank was not allowed (1) to buy, to barter, or to acquire any merchandise or stocks (Art. 21), except unredeemed pledges, the buying of which appeared necessary to prevent losses (Art. 22); (2) to take part either directly or indirectly in any home or foreign trade (except the trade in specie and bullion), nor in any shipping, fishing, manufacturing, insurance, commercial, agricultural, or other enterprise (Art. 21); (3) to acquire real estate not necessary for its own business.

The Bank made payments in cash or in bank notes. We find bank notes of 1000, 500, 300, 200, 100, 80, 60, 40, and 25 guilders (Art. 29). At any time, except Sundays and holidays, the Bank had to redeem notes in cash if it were demanded (Art. 30). The holder of a bank note had to be considered its legitimate owner, and payment could not be refused to him. In case of suspicion or on a written request of the owner of lost or stolen bank notes, the Bank could have the note receipted and signed by the holder (Art. 31). The total amount of notes to be issued was to be regulated by the Bank's actual capital and funds, inclusive of all loans granted, of discounts, and of specie and bullion on hand, but exclusive of the current account balances (Art. 32). The maximum amount of notes to be issued on that basis was at first fixed by the King, who also later on, from time to time, fixed the maximum according to the suggestion of the president and the directors.

The decree of 1838 (Art. 14) contained only the following changes: Discounting was no more limited to bills of exchange; the Bank could discount other commercial paper, registered and issued to order, if provided with two or more satisfactory signatures (Art. 15). The securities on which loans could be made was now extended so as to include foreign public funds negotiated in Holland and quoted at the Amsterdam Exchange (Art. 18). The rate of interest was no more limited, and loans were contracted in accordance with the rules given by the Netherlands Code of Civil Law (Art. 20). On accounts current, the money not only of the Government and other

public authorities, but of private individuals, could be received (Art. 15). At last, loans on foreign coins and on bullion at a reduced rate of interest were permitted as a new branch of business (Art. 15, No. 5).

By royal decree of January 9, 1852, loans were allowed on all foreign stocks, obligations, bills of debt, and shares, exclusive of all bonds issued by those banks and other private companies, societies, or corporations which were neither established in Holland nor in the Dutch colonies.

By the same decree the Bank was allowed to invest its reserve fund in Dutch public funds, in mortgages, and in shares of the Bank—the interest and dividends on these being reckoned in the general revenue. The Bank's shares could only be acquired for this purpose if they were to be had at or under the value of the last balance.

In 1852, also, the early injunctions of secrecy relative to the Bank's transactions were withdrawn. According to the modern way of looking at things, a well-established bank has nothing to fear from publicity. Holland had in the eighteenth century bitter experience of the disadvantages of secrecy concerning bank operations. The decree of March 25, 1814, nevertheless, had ordered, in article fifty-eight, the strictest secrecy concerning bank operations, and especially concerning discounts, loans, current accounts, and the number of shares held by a shareholder. In the beginning of 1838, merchants did not seem to hold essentially different views. On inquiry by the Government, the Amsterdam Chamber of Commerce, on February 20, 1838, expressed the opinion that the shareholders should receive a report on the Bank's operations at the end of every year. But the Chamber considered other publications concerning the Bank injurious. The publication of the notes in circulation to the cash on hand at the Bank might "influence in a disadvantageous manner the confidence of the holders of the notes." The decree of 1838 (Art. 47) did not even permit of the Bank's operations being communicated to the shareholders, but enacted article fifty-six of the decree of 1814.

## INCREASED PUBLICITY OF OPERATIONS.

The Bank directors themselves finally procured the alteration of this decree. At the meeting of April 7, 1851, the directors declared themselves to the effect that it would be desirable to make a few communications to the public concerning the position of the Bank, in order to increase the Bank's sphere of action. The Bank commissioners strongly opposed this suggestion, but later on most of them changed their opinion. In a report to the King on April 27, 1852, a change of article forty-seven was proposed, with the approval of the commissioners, only one commissioner having dissented and resigned.\* The Government acceded to this recommendation, and decreed, on June 9, 1852, that the board of directors should publish on the first of every month, in the "Staats Courant" (*i. e.*, State advertiser), the amount of bank notes in circulation, of current account balances, and of specie and bullion on hand. Besides this, the amount of capital and of the reserve funds had to be announced, together with the dividend. Further publications were left to the board of directors after first consulting the commissioners. For the rest, strict secrecy was still the rule.

By this decree at least publicity as to the chief features of the Bank's business was made possible, and information in regard to the preceding years was shortly obtainable in the "Staatkundig en staathuishoudkundig jaarboekje" (*i. e.*, statistical annual) of 1852, published by the former secretary and later president of the Bank, W. C. Mees. This publication was continued and completed by Moltzer, "Bijdrage tot de geschiedenis der Nederlandsche Bank in cijfers" (contributions to the history of the Netherlands Bank in figures). Detailed yearly reports have been given only since 1864. Another mistake, which certainly injured the Bank's business, was the exclusion of loans on foreign stocks, as decreed in 1814. This mistake, as already shown, was partly corrected in 1838 and 1852. The original restrictions on the discounting of bills of exchange and on accounts current of public means, also were a blunder, and unduly limited the Bank's operations.

## THE BANK AND THE GOVERNMENT.

Certain weak points are further to be found in the position of the Bank toward the Government. It was natural that the Government should reserve to itself a certain influence over the Bank, to which so many privileges had been given; but the sacrifice thus effected of the entire independence of the Bank may one day prove to have been a costly one.

The influence of the Government first showed itself in regard to the appointment of officers. Furthermore, the Government had some influence as an owner of shares. By the decree of 1814 (Art. 8), the Government decided to subscribe for 500 shares, and reserved to itself 500 shares more, equal to one-fifth of the nominal capital. In fact, the Government became the owner of 1000 shares.\* By decree of March 31, 1847, this partnership between the Bank and the Government was terminated. The Government, moreover, reserved to itself, by the decrees of 1814 and 1838, article one-half, the right of revocation of the Bank's privileges. It is true that for this a petition signed by three-fourths of the shareholders was necessary, and that without such a petition the revocation of the charter was possible only if the Bank should transgress the legal and reglementary orders.

But the ambiguous wording of every decree made it always possible to use pressure on a non-complaisant board of directors. So far as I know, this has not been done in regard to the Netherlands Bank. The Java Bank, however, has felt the sting of such a possibility, as we shall see later on.

## LIMITS OF THE BANK'S INDEPENDENCE.

According to the decree of 1814 (Art. 62), the Bank's charter could be changed by a special law in accordance with the national interests and with the condition of the Bank's prosperity. But the shareholders' privileges, the directors' liberty of action, and the free employment of the Bank's funds were not to be infringed. If circumstances or the Bank's operations should make it necessary, the authorities were entitled to order the reduction of the reserve fund, or even the entire dissolution of the Bank. Before this dissolution, however, the board of directors had to deliver their opinion. At that time the kingdom was still sovereign, and consequently had the entire

legislative power. The constitution of August 24, 1815, made the Netherlands a constitutional monarchy, and the dangers of these orders were very much lessened. In 1838 (Art. 49), it was declared that changes in the Bank's regulations could be effected only on the motion of the directors and commissioners or in agreement with them.

With respect to the increase of capital, the Bank was not independent. As a rule (1814, Art. 12; 1838, Art. 8), an increase of capital was ordered only on the request of the board of directors and the commissioners; but the decrees of 1814 (Art. 13) and 1838 (Art. 11) reserved the right of increasing the capital even without such a request to the King if he found it to be for the national interest. By this means it was possible that the Bank should be forced to increase its capital, while the state of its business did not demand it. The capital could, however, not be increased over twenty million guilders (1838, Art. 11). There was a further element of danger in the fact that it rested with the Government to fix the maximum amount of the note issue on the request of the president and the directors. The principal danger here lay in the possibility of the Government's opinion not coinciding with the experienced judgment of the management. The Government might occasionally prohibit at the wrong time the increase of the maximum petitioned for, but so far as known to me, this has not happened in the Netherlands. At first the demand for bank notes was not great, and it was not before 1847 that a maximum was fixed.

The prohibition of giving blank credits in current accounts must, on the other hand, be considered a mainstay for the Bank's independence. Vissering (page 38) attaches special importance to this order and holds the opinion that it ought to be written in large letters in every bank charter.

## THE AMOUNT OF NOTE ISSUES.

Respecting the issue and covering of bank notes, the decrees of 1814 (Arts. 32 and 33) and 1838 (Arts. 25 and 26) were not at all specific. The amount of the notes to be issued was to be regulated by the Bank's actual capital and funds, inclusive of all loans granted, of discounts, and of specie and bullion on hand, but exclusive of current account balances (1814, Art. 32; 1838, Art. 25). This regulation was, according to Vissering (page 6), taken word for word from the bill of 1802, mentioned before. In this order, hardly anything was clear. It was not obvious whether the share capital, the loans granted, the discounts, and the specie and bullion on hand, together, or the three latter only, should form the limit which should fix the proportion between the bank notes and the Bank's funds.

A fixed rule for the management of the Bank was thus wanting. The Government might, nevertheless, have cleared away these difficulties by fixing a maximum for note issues, but this it did not do for three decades.

It was in 1847 that the first regulation was issued concerning the note maximum. The Minister of Finance (who perhaps had been startled by the experiences of the Java Bank) asked the board of directors on July 7, 1847, to report on the state of affairs. They were chiefly requested to examine whether the fixing of an absolute maximum



of bank notes or a certain proportion between this maximum and the stock of bullion was preferable. The board of directors recommended on August 2, 1847, the fixing of the maximum note issue at three times the share capital, plus reserves (then 17,250,000 guilders), *i. e.*, at fifty-one millions.

The Government considered this proposal for regulating the maximum according to the Bank's funds as risky, and recommended instead the fixing of the maximum at two and a half to three times the amount of bullion on hand, after deducting the current account balances, but not to go beyond fifty-one million guilders.

## EXPANDING THE CIRCULATION.

The board of directors pronounced against this proposal, because of the changes in current account balances (August 31, 1847). The Minister of Finance on September 11th yielded so far as to declare it sufficiently safe if the maximum was fixed at two and a half times the value of bullion, plus the current account balances. Besides this, the note issue was not to exceed fifty-one million guilders.

The board of directors by verbal negotiation succeeded in convincing the Government of the fact that the Bank needed greater liberty of action. A royal decree on October 5, 1847, ordered the maximum to be fixed at fifty-two million guilders, but the board of directors was advised to take into consideration the state of the cash and the bullion reserves, while observing the *general rule* that 250 guilders in notes had to be covered by at least 100 guilders in specie or bullion. This was a cash security of forty per cent., and may have answered the requirements of the times. Considerable receipts of silver at the Bank, resulting from the demonetization of gold (by the law of November 26, 1847), and an increase in the circulation of bank notes, were the reason why the board of directors, on October 18, 1848, petitioned for permission to issue bank notes for more than fifty-two million guilders, while keeping a metallic security of forty per cent.

The amount in excess was to be fully covered by bullion. The Minister of Finance opposed this petition, and the board of directors renewed their request on February 8, 1849, because the circulating amount of bank notes very nearly approached the maximum. The Bank changed its proposal on February 13, 1849, in consequence of the Minister's hesitation in the matter, and only demanded that the issue of bank notes fully covered should not exceed the fixed maximum by more than twenty millions. On February 15, 1849, a royal decree raised the maximum note issue to seventy-two million guilders, the first fifty-two millions of which had to be covered by forty per cent. and the remaining twenty millions fully by specie and bullion on hand.

Soon another change became necessary. After prolonged negotiations the Government had made arrangements with the Bank on October 22, 1849, so that the latter was to exchange all gold and silver coins, which had to be demonetized according to the currency reform of 1847, for new silver coins or for "muntbiljetten."<sup>\*</sup> The Bank was to keep these old coins from the day of their withdrawal from circulation until the Minister of Finance should dispose of them in another way. In default of this disposal, the Bank had to advance to the Government twenty-four million guilders at the rate of

interest of two per cent. for the five and ten guilder pieces received, and a further thirty millions in case the gold coins should be withdrawn from circulation before the issue of “muntbiljetten.” In order to carry out this agreement (the later supplements to which have been passed over), the board of directors, on October 5, 1849, petitioned the Government to increase the maximum of bank notes by fifty-four million guilders, *i. e.*, to 126 millions. This request was partly complied with on October 18, 1849. The maximum was fixed by the Government at 122 million guilders; for the first fifty-two millions, a metallic security of forty per cent., and for the remaining seventy millions a full metallic security was ordered. In accordance with the agreement mentioned above, the mortgaged bullion was to be reckoned in the stock of specie and bullion.

In 1855 a further raising of the maximum took place, occasioned by the increased demand for credit which preceded the crisis of 1857. The Bank considered itself at this time hampered by the prescribed maximum of note issue, and petitioned on October 13, 1855, for entire abolition at a fixed limit. The board of directors thought it sufficient to order that all bank notes exceeding a certain amount should be fully covered by bullion. The Minister of Finance believed that the abolition of the maximum could only be effected by the publication of a decree of amendment of the already published decree in the “Staatsblad,” and doubted whether this publicity would answer the Bank’s wishes. He therefore wanted to give the Bank an opportunity for fixing a maximum, so as to settle the question without publicity. The board of directors preferred this secret arrangement, and did not see any danger in fixing a maximum if only it was sufficiently high. The Bank therefore proposed to the Minister on October 25, 1855, to fix the maximum at 150 million guilders. Two days later, on October 27, 1855, the maximum was raised by royal decree to 150 million guilders. The first fifty millions to be covered by forty per cent., the following fifty millions by sixty per cent., and the remainder entirely by specie and bullion.

The crisis of 1857 obliged the Bank, which feared that the balances from current accounts would quickly diminish, to demand on October 16th that the first one hundred millions only should be covered by forty per cent. A royal decree of October 23, 1857, sanctioned this.\* No further modifications were made till 1863, when the Bank’s affairs were newly regulated. In all decrees since 1847, the original principle that the Government had to fix the maximum issue of bank notes had been formally adhered to. How detrimental this could become, we shall see in the case of the Java Bank. In Holland the danger was averted because the Government followed the experienced judgment of the Bank management, and this fact is equally honorable to both parties.

The strict secrecy of these decrees does not seem justified to us now, but they at any rate established a firm basis for the note issue, which had been wanting in the first three decades.

## SECTION II.

### WORKING ARRANGEMENTS OF THE BANK.

*Discount and Loan Methods—Movement of Capital and Reserves—Development of Accounts Current Business—Progress of the Note Circulation—Growth of Dividends.*

AS already stated, the passive business of the Bank during the first fifty years consisted of the deposit account business and the issue of bank notes. Opposed to these transactions, by which the Bank became debtor, stands the active business, by which it became creditor, such as discounting and making loans on stocks and merchandise, and from 1838 loans on foreign coin and bullion. To this was added the trade in coined and uncoined precious metal, and the employment of the license for having the latter coined. No sufficient figures for these branches of business are at my disposal; and for ascertaining the extent of the discount and loan business, material is also wanting. The amount of the latter two was at first probably not large. The narrow limits which had been placed on the discount and loan business in the beginning were abolished in 1838 and 1852. Besides this, the Bank had, in its early days, to fight against prejudice. The Amsterdam merchants still frequently preferred a cash business, and the private bankers and cashiers certainly did not try to assist the Bank. Neither was the general state of trade favorable to any considerable development of discounting and loan granting.

At first the Bank kept the loan rate very high. The decree of 1814 (Art. 24) had fixed the interest at a maximum of five per cent., and during the first years the Bank seems to have considered this rate an average one. The loan rate on merchandise remained at five per cent. till the end of 1828, and in the beginning of 1829 only, it fell to four per cent. For loans on stocks, the rate of five per cent. remained until the middle of 1819, while the discount rate was, from the beginning, subject to greater fluctuations.

Otto Hübner ("Die Banken," Leipzig, 1854, volume ii, page 475) quotes the loan and discount rates from 1814 to March, 1853, and by kind information from the management of the Netherlands Bank, I have been enabled to supplement these figures up to the end of 1863, as follows:

*Discount and Interest Rates.*

YEARS.	DISCOUNT FOR		RATE OF INTEREST FOR LOANS ON	
		Bills of Exchange.	Other Commercial Paper.	Merchandise. Stocks.
	Per Cent.	Per Cent.	Per Cent.	Per Ct.
1814—	4		5	5
1815—Sept	3		5	5
1816—	3		5	5
1817—Mch	4		5	5
July	5		5	5
Dec	4¼		5	5
1818—Jan	4		5	5
Sept	3½		5	5
Nov	5		5	5
1819—Feb	4½		5	5
Mch	4		5	5
April	3½		5	5
July	3½		5	4
Sept	3		5	4
1823—Oct	5		5	5
Dec	4		5	4
1824—Jan	4		5	5
April	3		5	4
1825—Nov	5		5	5
1826—Mch	4		5	5
Aug	3½		5	4
1828—Feb	2½		5	4
Mch	1½		5	4
Sept	1½		5	3
1829—Jan	2½		4	3
Aug	2		4	3
1830—Aug	3		5	4-5
Sept 13	4		5	5
Sept 30	5		5	5
Dec	4		5	5
1831—Jan	3		5	5
1832—May	3		5	4
Aug	2		5	4
1833—April	2		4	3
1836—Mch	2½		4	3½
May	3		4½	4

	Sept	4		5	5
	Sept	5		5	5
1837—	July	4		5	5
	July	3½		4½	4
	Dec	3		4½	4
1838—	Jan	2½		4	3½
	Dec	2½		4	4
1839—	Feb	3		4½	4½
	Mch	3½		5	5
	Aug	4	4½	4½	4
	Aug	5	5½	5½	5½
1840—	Jan	3½	4	5	4½
	April	3	3½	5	4
	July	2½	3	4½	2½
	Nov	3	3½	4½	4½
1841—	Feb	3	3½	4½	4
1842—	April	2½	3	4	3½
1844—	June	2½	3	4	3
1845—	Aug	3	3½	4	3
	Sept	3	3½	4½	4
	Oct	3½	4	4½	4
	Oct	4½	5	5	4½
	Nov	5	5½	5½	5
	Nov	5½	6	6	5½
	Dec	5½	6	6	6
1846—	Feb	5	5½	6	6
	April	4	5	5½	5
1847—	April	4	5	5	4½
	Nov	5	6	6	5½
1848—	Jan	4	5	5	4½
	Mch	5	6	6	5½
	Mch	5	6	6	6
	May	4	5	5½	5
	July	3	4	5½	5
1849—	Feb	2½	3½	4	3
1850—	Mch	2	3	3	2½
1853—	Oct 26	2½	3½	3½	3
	Nov 14	3	4	4	3½
1855—	Oct 15	3½	4½	4	3½
	Oct 29	4	4½	4½	4
1856—	Sept 22	4½	5	5	4½

	Oct 16	5	5½	5
	Dec 8	5½	6	5½
1857—	Jan 26	5	5½	5
	Mch 2	4½	5	4½
	Mch 24	4	4½	4
	Aug 4	4½	5	4½
	Sept 15	5	5½	5
	Oct 7	5½	6	5½
	Oct 14	6	6½	6
	Nov 11	7	7½	6
1858—	Jan 1	6	7	6
	Jan 19	5	6	5½
	Feb 1	4½	5½	5
	Feb 12	4	5	4½
	April 1	3½	4½	4
	Sept 23	3½	4	3½
	Dec 15	3	3½	3
1861—	Dec 2	3½	4	3½
	Dec 9	4	4½	4
1862—	Jan 21	3½	4	3½
	May 2	4	4½	4
	July 28	3½	4	3½
	Oct 30	4	4½	4
1863—	Feb 12	3½	4	3½
	Aug 10	3	3½	3
	Oct 31	3½	4	3½
	Nov 6	4	4½	4
	Nov 13	4½	5	4½
	Dec 5	5	5½	5
1864—	June 21	4½	5	5

## HOW THE RATE OF INTEREST VARIED.

The movement is not quite even. The Bank had to defend its stock of bullion by raising either its loan rate on merchandise or on stocks, or its discount rate, and with all this no fixed system apparently ruled the relations of the different rates. Repeatedly all three stood at five per cent.; for instance, in July, 1817, in November, 1819, in October, 1823, in November, 1825, on September 30, 1830, in September, 1836. Since that time, however, this has not happened again. The influence of unusually critical periods can very easily be gleaned from these figures. The year 1817 is first remarkable. The discount, which, according to the principles of that time, was the only movable rate, soon equaled the loan rate; from three per cent. it rose to five per cent. Owing to a famine in Western Europe in 1816 and 1817, large speculations in grain were conducted, and we may presume that in consequence of this the Bank was more frequently used for discounting. The stock of bullion, that had been 10,030,000 florins on March 31, 1815, sank to 6,660,000 guilders on March 31, 1816, and to 5,130,000 guilders on March 31, 1817. The balances from current accounts at the same dates were, respectively, 10,860,000, 7,960,000, and 8,750,000 guilders. It may be assumed that the Bank raised the discount rate to prevent a too considerable decrease of its bullion, as it then possessed only very limited resources.

In 1818, a quick rise from three and a half to five per cent. of the rate of discount for bills of exchange repeated itself, but in 1819 the discount rate was again reduced. It cannot be ascertained whether the after effect of events or the influence of the still unfavorable conditions of trade in Europe must here be taken into consideration. At all events, the Bank had closed the working year 1817-18 with only 5,190,000 guilders balances from current accounts, which meant a large decrease as compared with the preceding year, and its stock of bullion had not increased beyond 6,760,000 guilders. Its whole working capital\* on March 31, 1818, was only 8,540,000 guilders; and with such narrow means prudence was urgently required.

It is striking that during 1819 the discount rate retained a downward tendency. An anonymous pamphlet,<sup>†</sup> published in 1836 in Amsterdam, named “Verhandeling over eene opte righten Handelsbank” (*i. e.*, discussion on the establishment of a commercial bank) reproached the Netherlands Bank with having been obliged to contract its discounting in 1819, and even with having stopped it.

The year 1819, in fact, disturbed trade in the northern provinces very much, as the Government introduced duties on important articles, such as coffee and sugar, in order to relieve the financial pressure. But the figures mentioned do not justify the reproach so far as discounting is concerned; and Van Hall especially points to its continuance. With regard to loans on stocks, the reproach can have no better foundation, as the loan rate was reduced to four per cent. in the month of July; and the interest for loans on merchandise remaining at five per cent. does not justify it either. The rates of September, 1819 (three per cent. for discounting bills of exchange, four per cent. for loans on stocks, and five per cent. for loans on merchandise), remained unchanged for several years.

A remarkable upward tendency set in in October, 1823. The discount on bills of exchange and the loan rate on stocks was raised again to five per cent. In December, 1823, they were reduced to four per cent., but in January, 1824, the rate for loans on stocks again rose to the maximum of five per cent., while discount remained at four per cent. We may assume that especially large loans on stocks were demanded from the Bank in connection with the active speculations in England. In April, 1824, both rates were reduced by one per cent. In November, 1825, they were both again raised to five per cent. The cause of this renewed rise is probably to be found in the endeavors of the Bank to restrict the mania for speculation. The state of trade became so critical at that time that the outbreak of a crisis in England was feared.

## THE BANK AS A REGULATOR.

Before the year came to an end the crisis really occurred, and by fairly taking into consideration the above figures, we must acknowledge that the Netherlands Bank much sooner sounded alarm than the Bank of England. The latter raised, on December 17, 1827—only after the crisis occurred—its discount from four per cent. to five per cent., which it should rather have done before.

After the crisis, the rates went down again in 1828 to such a low price as had never been known before. In this manner the business world had credit made easy during very critical times, and this certainly contributed to make the consequences of the crisis less felt.

In 1830, new difficulties arose. The revolution in Brussels on August 25, 1830, which led to the separation of Belgium from Holland, could not be without influence on the operations of the Bank. In August, the rate of interest on loans on merchandise rose by one per cent. (to five per cent.), on loans on stocks first to 4 per cent., then to five per cent., the discount from two to three per cent. For the loan rate a further rise was barred; but the rate of discount rose on September 13th to four per cent., and on September 30th to five per cent. This rapid upward tendency must doubtlessly be attributed to the political disturbances which led to the separation of Belgium.

The English speculative crisis also shows itself in the loan and discount rates. In March, 1836, the Netherlands Bank raised the discount and the loan rate on stocks each by one-half per cent. (to two and one-half and three and one-half per cent. respectively). In April the Bank of England began to restrict its note issue in view of the exorbitant speculation, and the Netherlands Bank raised its rates by one-half per cent. (to three and four per cent). The rate on loans on merchandise was also raised from four to four and one-half per cent. The Bank of England was obliged in July to raise the discount rate from three to four and four and one-half per cent. In August they raised it even to five per cent. The Netherlands Bank followed in September, 1836, with a quick raising of discount and loan rates to five per cent.

For a short times rates went down, but in 1839 a new and rapid upward movement took place, which was undoubtedly influenced by events in England. Bad crop prospects had in 1838 caused embarrassment to the Bank of England. This increased in the beginning of 1839, because reckless speculation brought with it a want of



money. The stock of bullion in the Bank of England reached a dangerously low amount in April, 1839, and quickly the discount was raised in London from three and one-half to five, five and one-half, and in August even to six per cent. The Netherlands Bank now being no more bound to a maximum of five per cent. for rates on loans, for the first time, in August, 1839, availed itself of its greater freedom and at once raised the loan rate on merchandise from four and one-half to five and one-half per cent.; for loans on stocks from four to five and one-half per cent., and the discount from four to five per cent.

The failure of the potato crop in 1845 and 1846 caused, after a few years of quiet business, a speculation in grain in England. At the same time large railway speculations were current. Therefore, credit was largely made use of; but the Bank of England again neglected to restrain this movement by raising the discount in due time, and still kept, in the beginning of 1847, the discount rate at three per cent. It was only on January 16, 1847, that the London discount was raised to three and one-half per cent. After this time it rose to unusually high rates, viz., on October 23, 1847, to eight per cent.

This time again the Netherlands Bank had long before sounded alarm. In September, 1845, it began to raise the interest on loans on merchandise to four and one-half per cent., and on stocks to four per cent. In October, 1845, also the raising of the discount began. Toward the end of 1845 the two former had reached six per cent., the latter five and one-half per cent.—rates, till then, unknown at the Netherlands Bank. In 1846, a slight weakening set in. Loan rates, however, remained still so high as to discourage speculation. In November, 1847, interest again rose to six per cent. and five and one-half per cent., and discount to five per cent. Vissering rightly points the greater uniformity in the movement of these rates in contrast to the sudden fluctuations of those of the Bank of England.

## INTERNATIONAL MONETARY CONDITIONS.

In January, 1848, the Netherlands Bank began to reduce the rates of interest and of discount. But the revolutionary movements necessitated an interruption in March; loan rates rose again to six per cent. and discount to five per cent. From May, 1848, they slowly fell. On March 8, 1850, the interest stood at three per cent. for loans on merchandise, two and one-half per cent. on stocks, two per cent. for discounting bills, three per cent. for discounting other securities, which rates were maintained for several years.

Large speculations and the Crimean War led to an international crisis in 1857. Even in 1855 financial matters were greatly strained, and the discount rate of the Bank of France, in October, 1855, quickly rose to six per cent. At the Bank of England interest stood as follows: On September 1, 1855, four per cent.; on September 15th, four and one-half per cent.; on September 29th, five per cent.; on October 6th, five and one-half per cent.; on October 20th, six and seven per cent. A slight fall in these rates could be perceived in England, as well as everywhere else, in 1856, but it was not of long duration. The discount rate of the Bank of England often changed, and rose on November 5, 1857, to nine per cent.; on November 9, 1857, even to ten per cent.

The Bank of Prussia (Berlin) was not quite so impetuous, though it reached, on the 7th of November, 1857, a rate of seven and one-half per cent.

At the Bank of France the rates of interest in 1856 and in the first half of 1857 fluctuated between five and six per cent. Then, however, it rose by leaps and bounds; on October 13, 1857, to six and one-half per cent.; on October 20th, to seven and one-half per cent.; on November 11th, to eight per cent. on first-rate thirty-days' bills; nine per cent. on first-rate sixty-days' bills; ten per cent. on first-rate ninety-days' bills.

At this period great difficulties in procuring money were also experienced in Vienna, Hamburg, Copenhagen, and Stockholm. Even if speculation in Holland had not been more active than usual, the Bank would have been obliged to raise its discount in order not to be deprived, directly or indirectly, of its then very considerable stock of bullion by foreign countries. This bullion, consisting mainly of deposits made by the Treasury, being in very advantageous proportion to its engagements, enabled the Bank, even in the hardest times, to keep its rates lower than in other places, and to prevent such violent fluctuations as those of the Bank of England.

Discount rates were three and one-half, four, and four and one-half per cent. in 1855 and in the first half of 1856. In October, 1856, discount rose to five per cent., and in December of that year to five and one-half per cent. The fact that in September, 1856, foreign bills, which only served to procure money for speculative purposes, were not admitted to discount, proves that the main object was to keep the bullion from going abroad. In January, 1857, discount dropped to five per cent., in March to four and one-half and four per cent., while in London an advance to six and one-half per cent. became necessary. From the month of August a new upward movement began. In October, when in all other places discount rose to six and one-half, seven, and eight per cent., the Netherlands Bank went to only five and one-half and six per cent. On 11th of November, 1857, a further advance to seven per cent. for bills (to seven and one-half per cent. for other securities) had to be made, a rate which the Netherlands Bank had never reached before, and which occurred only twice since, viz., on the 14th of October, 1864, and on the 3d of July, 1866. But this rate was still inferior to that reached by the other chief banks. On November 11, 1857, discount stood at ten per cent. at the Bank of England, and eight, nine, or ten per cent., according to the due date, at the Bank of France, and seven and one-half per cent. at the Bank of Prussia. The Netherlands Bank thus materially lessened the effect of the difficult position on the Amsterdam business world, and met its credit necessities as much as possible. When Wirth (*"Geschichte der Handelskrisen"*—History of Commercial Crises—folio 389, Frankfurt-on-the-Main, 1890, Fourth Edition), says: "*Switzerland, Holland, and Belgium, together with the South of Germany, were the most spared of all cisalpine countries,*" the Netherlands Bank may claim great credit for this fact. Not every case, of course, could be relieved by it, but it was a great triumph that the financial tempest which shook the civilized world did so little harm in the Netherlands.

Things soon assumed a quieter aspect, and in the last years of the period in question rates of interest and discount kept at a moderate elevation.

The difficulties prevailing in France and in England during the year 1863 had only a slight effect on the Netherlands Bank. Discount did not rise above five per cent., which rate was reached on December 5, 1863.

## THE LOAN AND THE DISCOUNT RATE.

In the whole movement which has been under review, it is remarkable that the interest on loans on merchandise or stocks never rose above six per cent., not even on November 11, 1857, when the discount on bills had to be raised to seven per cent., and that on other securities to seven and one-half per cent. Since 1839, the maximum interest established by the decree of 1814 had ceased to exist. Before July, 1837, it had frequently happened that the loan rate and the discount rate were equal; but this was exceptional. As a rule, the discount rate kept from one-half to one per cent. below the loan rate. From July, 1837—*i. e.*, during two decades—no deviation from this system had taken place. It may be assumed that during the year 1857 great demands were made on the ready-money stock of the Bank, not only in discounts, but also for loans, and especially loans on stocks. Notwithstanding all this, however, the discount rate was materially higher than the loan rate, which circumstance can be explained by the fact that in spite of the abolition of the maximum interest rate introduced in 1814, a maximum still higher by one per cent. existed. The usury law of September 3, 1807, which did not apply to discounting, but which was applicable to loans against securities, had forbidden an interest charge higher than six per cent. on commercial business. Till then the Bank had had no cause to feel restricted in its operations, and only the events of 1857 showed the disadvantage of a fixed maximum interest. The Bank management, which, after the shaping of its discount policy, carefully examined the course of events, tried to avoid the consequences by lowering the loan limit and by shortening its duration. On October 21, 1857, it proposed to the Minister of Finance the revocation of the law in question, and renewed its request on November 12, 1857, pointing out at the same time that a refusal might compel it to discontinue the granting of loans altogether. On December 22, 1857, a law in response to this appeal was promulgated.

Of the other operations of the Bank during the years 1814-15 to 1862-63, Vissering has given a review which shows its standing at the end of every fiscal year, *i. e.*, on March 31st. For the year 1863-64 I have been able to supply the figures after communicating with the management of the Netherlands Bank.

From the data thus obtained, the table on page 248 has been compiled, the sums being expressed in millions of guilders.

For the better understanding of this table, I must add that the share capital of the Netherlands Bank in 1814-15 amounted to 2,445,000 florins; in 1815-16, to 4,105,000 florins; in 1816-17, to 5,000,000 florins. By royal decree of March 27, 1819, an increase to 10,000,000 guilders was sanctioned, and a royal decree of April 7, 1840, raised the share capital to 15,000,000 guilders. The new shares were placed on an equal footing with the old ones, only the new shares had to be taken up with a premium of from five to fifteen per cent., in order to compensate for the reserves accumulated by the holders of the old shares.

No stipulation for the accumulation of a reserve fund, however, was expressed in the decrees of 1814 and 1838. The Dutch code of commerce left it to the rules of joint-stock companies to prescribe the formation of a reserve fund. But the Netherlands Bank had, according to the foregoing table, already begun, in its second year, 1815-16, to accumulate a reserve. The reserve fund on March 31, 1816, amounted to one per cent., and on March 31, 1819, to five per cent. of the share capital. Through the premium of five per cent. at which the new shares were issued in the latter year, the reserve fund was increased to 500,000 guilders, again representing five per cent. of the share capital at that period. Nothing was added to the reserve until the middle of the second decade, when further sums were thus applied. The reserve fund rose till 1829, stood a little lower from 1830 to 1832, and then increased again, first slowly, but later very rapidly, toward the end of the thirties. By the addition to the share capital in 1840, when the new shares were sold with a fifteen per cent. premium, the reserve fund reached 2,250,000 guilders—*i. e.*, fifteen per cent. of the increased capital—and it remained unchanged till 1852. In 1853 a small increase took place, but this was counterbalanced by a considerable decrease in the ensuing year. Later on, the reserve fund increased again, without, however, reaching the full amount of fifteen per cent. of the share capital. In any case, the fund amounted to amply more than ten per cent. of the capital, and this was enough to dispense with the necessity for a further reserve.

YEARS.	Capital and Reserves.	Current Account Balances.	Notes in Circulation.	Total of Cols. 2-4.	Specie and Bullion on Hand.	Working Capital—Difference Between Cols. 5 & 6.	Dividend in Per Cent. on the Share Capital.
1.	2.	3.	4.	5.	6.	7.	8.
1815	2.44	10.86	1.8	15.1	10.03	4.98	<u>*</u> 5.84
1816	5.05	7.96	3.72	16.73	6.66	10.07	<u>†</u> 6.0
1817	5.06	8.75	5.34	19.15	5.13	14.02	<u>‡</u> 6.0
1818	5.11	5.19	5.0	15.3	6.76	8.54	7.0
1819	5.25	5.84	5.81	16.85	6.54	10.31	10.39
1820	10.5	6.78	8.74	25.02	15.27	9.75	4.0
1821	10.5	6.1	13.43	30.03	17.26	12.68	3.5
1822	10.5	5.33	10.54	26.37	12.16	14.21	4.0
1823	10.5	4.85	14.24	29.59	16.08	13.51	5.0
1824	10.5	15.34	20.22	46.06	22.97	23.09	6.5
1825	10.5	13.21	14.46	38.17	20.0	18.17	6.5
1826	10.5	4.12	12.24	26.86	8.38	18.48	7.0
1827	10.55	5.24	12.26	28.05	13.81	14.24	6.6
1828	10.57	9.75	14.48	34.8	24.19	10.61	5.0
1829	10.57	5.86	19.64	36.07	20.72	15.35	3.5
1830	10.55	5.12	26.07	41.74	19.85	21.89	4.3
1831	10.55	4.45	14.21	29.21	14.26	14.95	6.0
1832	10.55	22.06	14.15	46.76	30.26	16.5	6.8
1833	10.69	25.7	20.37	56.76	41.56	15.2	5.5
1834	10.7	19.49	23.34	53.53	40.86	12.67	4.2
1835	10.7	17.1	24.27	52.07	25.74	26.33	4.7
1836	10.7	13.97	22.5	47.17	20.35	26.82	5.4
1837	10.77	12.82	20.63	44.22	17.19	25.03	8.0
1838	10.92	14.69	26.15	51.76	29.75	22.01	8.0
1839	11.1	16.15	24.31	51.56	21.20	30.36	7.3
1840	11.2	14.46	23.77	49.43	22.50	26.93	8.8
1841	17.25	11.01	30.59	59.21	59.09	30.12	7.4
1842	17.25	7.75	27.29	52.29	27.63	24.66	6.5
1843	17.25	6.45	28.75	52.45	30.29	22.16	5.4
1844	17.25	10.9	34.36	62.51	33.61	28.9	5.4
1845	17.25	19.75	37.05	74.05	43.03	31.02	6.0
1846	17.25	9.2	32.35	58.8	37.04	21.76	7.3
1847	17.25	7.87	32.4	57.52	30.79	26.73	9.0
1848	17.25	7.72	37.31	62.28	35.9	26.38	6.5
1849	17.25	14.4	44.48	76.13	66.03	10.1	5.4

\*On 2445 shares of 1000 guilders each.

†On 4105 shares of 1000 guilders each.

‡On 5000 shares of 1000 guilders each.

1850	17.25	16.67	48.70	82.62	71.13	11.49	3.5
1851	17.25	20.60	50.89	88.74	72.06	16.68	3.0
1852	17.25	24.78	67.36	109.39	93.38	16.01	3.0
1853	17.26	26.72	77.51	121.49	101.33	20.16	3.0
1854	16.92	22.29	93.8	133.01	100.28	32.73	5.6
1855	17.19	15.93	92.56	125.68	102.77	22.91	5.6
1856	17.22	14.68	91.21	123.11	75.08	48.03	9.8
1857	17.24	9.18	80.77	107.19	70.09	37.10	15.2
1858	17.23	11.08	76.05	104.36	70.4	33.96	13.5
1859	17.24	30.29	86.84	134.37	107.0	27.37	8.5
1860	17.23	22.43	98.5	138.16	99.86	38.30	8.5
1861	17.23	29.14	103.6	149.97	104.46	45.51	8.8
1862	17.23	29.33	94.66	141.22	85.46	55.76	11.3
1863	17.23	48.68	99.39	165.3	114.15	51.15	16.3
1864	17.25	39.84	105.3	162.39	91.79	70.60	16.5

\*On 2445 shares of 1000 guilders each.

†On 4105 shares of 1000 guilders each.

‡On 5000 shares of 1000 guilders each.

The table also shows the passive operations of the Bank (*i. e.*, the current account and note issue business) on the one hand, and the stock of specie and bullion on the other. Vissering ascertains, after the method adopted by Mees in the “*Staatkundig en staathuishoudkundig jaarboekje*” (statistical annual) of 1852, by placing the sum of the share capital, the reserves, the current account balances, and the notes in circulation on the one side, and the specie and bullion on hand on the other, the working capital—that is, the capital with which the Bank aided commerce.

The amount of this capital being ascertained on the last day of each working year, of course shows the effect of temporary influences, but the chief features of its development stand out sufficiently clear.

## ACCOUNTS CURRENT OPERATIONS.

It is striking how the balance from current accounts varies. It amounted, for instance, on March 31st:

1815 to 10,860,000 florins.  
1823 to 4,850,000 florins.  
1824 to 15,340,000 florins.  
1826 to 4,120,000 florins.  
1828 to 9,750,000 florins.  
1831 to 4,450,000 florins.  
1833 to 25,700,000 florins.  
1843 to 6,450,000 florins.  
1845 to 19,750,000 florins.  
1848 to 7,720,000 florins.  
1853 to 26,720,000 florins.  
1857 to 9,180,000 florins.  
1859 to 30,290,000 florins.  
1860 to 22,430,000 florins.  
1863 to 48,680,000 florins.

The variation is partly explained by the fact that for a long period the Bank was very little used as a place of deposit by the business world. According to the decree of the year 1814, private deposits were altogether excluded, as only money of the Government and other public authorities could be taken into current account. But even after account current business with private individuals had been allowed, in 1838, it was still the Government itself, the city of Amsterdam, and the *Nederlandsche Handels Maatschappij*,” founded in 1824,\* that chiefly availed themselves of the services of the Bank for purposes of deposit. The amounts which flowed into the Bank from these sources, or which were withdrawn from it by them, varied very much, and a stable average could have been secured only if the business world generally had regularly availed itself of the Bank’s accounts current. This, however, hardly happened during the first fifty years of the Bank’s existence. The Bank had omitted to found branches, although it had the right to do so ever since its foundation. Even the strict injunction in the decree of August 21, 1838 (Art. 34), to found a branch (*bij-bank*), at Rotterdam had not been obeyed, and the Government had not remonstrated. In the earlier decades this omission is easily explained by the current account business being restricted to funds of the Government or other public authorities, by the general economic condition, and by the fact that out of Amsterdam still less inclination for using the Bank was to be found than in Amsterdam itself.

During the last years of our period circumstances became more favorable, but the Bank management of those times did not possess the amount of courage needed to found special branch establishments at other places. Thus the city of Amsterdam remained nearly the exclusive sphere of the Bank’s business, except for the circulation of its notes. In this city, also the current account business with private individuals had presumably increased since the fifties, but without being able to counteract the preponderating influence of the current account balance of the Bank’s three chief clients. The managers of the Bank themselves stated, in their report of the 16th of October, 1837, that their balances from current accounts were mostly composed of deposits from the Treasury and the *Handels Maatschappij*. The great

changes in the amount of those balances compelled the Bank to all the greater precautions, as no definite arrangement for covering them had been made in the orders of 1814 and 1838, and the Bank used to demand full cover for the balances in bank notes.

Notwithstanding the striking differences from year to year, the current account balances for an extended period show an increase, at first slow, but afterward more rapid. The yearly average amounted in—

1815-24 to 7,700,000 florins	= 100
1825-34 to 11,500,000 florins	= 149
1835-44 to 12,500,000 florins	= 162
1845-54 to 17,000,000 florins	= 221
1855-64 to 25,100,000 florins	= 325

## NOTE CIRCULATION.

The circulation of bank notes kept at a very moderate volume during the first years. The business world used the bank notes very little as a cash substitute. The small inclination of the Dutch business world to use the bank notes as a substitute for hard cash was easily explained by the state of monetary affairs prevailing in the beginning of the Bank's existence.

The fixing of a uniform monetary system for the north and south provinces united in one State in 1814 had even to be undertaken. In the southern provinces French coins were used, besides the older native ones, while in the north guilders circulated as the chief coin, partly in a very "clipped and worn" state, but, for the most part, of full weight. The silver guilder contained 200 azen (9 grammes and 613 milligrammes) of fine silver. The law of the 28th of September, 1816, prescribed the silver guilder as the monetary unit, containing 9.613 grammes of silver, and weighing altogether 10.766 grammes of the fineness of 893/1000. Besides this silver legal tender, a golden tenguilder piece was introduced as another standard coin, weighing 140 azen (6.729 grammes), and with a fineness of 9/10. This was based on a silver ratio of 1 to 15.87. For private account, the coinage of silver one and three guilder pieces only was allowed, while the gold coins were struck solely for account of the State. As trade coins, the coining of which was exclusively reserved for private account, the following pieces were current: the silver ducat, the silver rider, and the gold ducat, which were respectively accepted by the offices of the Exchequer for 2.50, 3.15, and 5.5 guilders. In the southern provinces francs had to be taken in private transactions, as well as in the offices of the Exchequer, at the exchange of 47¼ cents. This exchange would have been correct if the silver guilder had contained only 9.5238 grammes of fine silver, but as it really contained 9.613 grammes, it was profitable to have silver guilders melted into francs; and this was frequently done. Silver guilders were sent to the French mint, there melted down and recoined into francs, after which they were reimported into the Netherlands.



There was the further circumstance that gold had been valued above the market rate in the calculation of the ten-florin pieces. (In France the silver ratio was 1:15½.) Moreover, the Government had a great amount of these gold coins struck, so that silver guilders were now discarded by trade to a great extent. Thus gold became the chief legal tender of commerce.

But this made the use of bank notes unnecessary, and they were, therefore, but little circulated. The critical conditions in the years 1817 and 1818 evidently did not occasion a marked increase in the issue of bank notes. In the year 1823-24 there was, however, a considerable increase of the notes in circulation, which amounted to 20,220,000 on the 31st of March, 1824. As already stated, the movement in the loan rate points to the fact that at this period, in connection with the speculative movement in England, considerable loans on stocks had been granted.

## DECLINE IN THE PAPER CIRCULATION.

The following years again show a marked decrease in the note circulation, and this can be explained by the condition of the currency. The law of the 25th of February, 1825, and the royal order of the 13th of May, 1825, declared that francs should not enjoy any longer the rate of exchange fixed in 1816. After this they were not worth more than 46¾ cents, and the temptation to have silver guilders recoined into francs no longer existed. Meanwhile, however, the coining of gold pieces had been greatly extended. The Maatschappij ter Bevordering van de Nationale Nijverheid (Society for the Encouragement of National Industry), founded at Brussels in 1822, had received a license for coining gold in 1823, and as the society could realize great profits from this business, it made extensive use of its privilege. Thus, in 1825, sixty million florins' worth of gold coins were brought into circulation. For this reason the silver guilder did not now come into general use. It still was profitable to melt the florins down and then to sell the silver for gold, as a too advantageous ratio had been adopted; and there being plenty of gold available, this operation took place very frequently.

On December 22, 1825, another law was promulgated according to which the variety of coins was increased by a gold five-guilder piece, the fineness of which was 9/10. But this did not tend to facilitate the employment of bank notes as a cash substitute. Slowly only at first, but more quickly in the years 1828-29 and 1829-30, did the number of notes in circulation grow. The revolution of 1830 and the separation of Belgium had an unfavorable effect on the note circulation, a very considerable part of its area having thus been lost. Our table shows a decrease of 26,070,000 florins on March 31, 1830, and one of 14,290,000 and 14,150,000 guilders respectively at the end of the two ensuing working years. From then the amount kept higher, but without reaching any considerable proportions.

In 1836, as the movements of the loan and discount rates show, enlarged demands for credit had to be satisfied, and the Bank had sufficient bullion on hand to meet them by an increased note issue. It cannot, however, be gleaned from our table that the Bank had made any use of this means. There was a similar state of things in 1839, but the

amount of notes in circulation only once exceeded twenty-five million florins from 1832-33 to 1839-40, and that was at the end of the fiscal year 1837-38.

## CHANGES IN THE COINAGE.

Changes in the currency continued to exercise an unfavorable influence during this period. The Dutch gold coins were further minted on the basis of 1:15.87, while on the London bullion market the average from 1831 to 1840 was 1:15.75. In 1836 the Government appointed a committee which in its report of November 23, 1836,<sup>\*</sup> adverted unfavorably to the fact that 133,000,000 guilders' worth of gold had been coined from 1816 to 1830, and recommended a more limited circulation of gold. The committee explained the impossibility of keeping the silver florin in circulation by the introduction of bimetallism. They recommended monometallism, and the majority were for a silver standard, while P. C. G. Poelman, afterward Mint-Master of the Netherlands, advocated the following of the English example by accepting a gold standard. The chairman of the committee, however, stated that he did not share the fear of bimetallism, and that he considered the wrong basis accepted in 1816 as the cause of the unsatisfactory state of the currency.

The councillors and general masters of the mint were then asked to examine the committee's statements, and in their report of February 4, 1837, they said that they considered the principle of monometallism, viz., the gold standard, as the more desirable one, since the rate of exchange for bills was totally dependent upon gold.

The Government, however, stuck to bimetallism, and their bill, not introduced before 1839, found the approval of Parliament. The result was the law of March 22, 1839, which kept gold and silver coins as legal tenders. The silver guilder was to contain 945/1000 of fine silver and must weigh ten grammes, *i. e.*, its contents of fine silver were reduced from 9.613 grammes to 9.45 grammes. At the same time silver two and a half florin pieces were introduced instead of the former three-florin pieces. This measure was intended to bring the gold and silver standard of the Dutch currency into harmony with the relation existing in the open market. In reality, a ratio of 1 to 15.604 resulted from this law. What did this transformation mean for the note circulation? Up to the year 1839, 141,500,000 guilders' worth of gold had been coined, which continued to serve as a means of currency. The coinage of silver under the new law made but very slow progress, although the market ratio between the two metals was such as to make silver coinage profitable for the Government. The ratio was: 1 to 15.62 in 1840, 1 to 15.70 in 1841, 1 to 15.87 in 1842, and 1 to 15.93 in 1843. Notwithstanding this, the Government had very few coins melted down, because it had not got sufficient means in hand for carrying out the reform, and of the few millions coined according to the new law, the greater part stood to the account of the Netherlands Bank and the Handels Maatschappij, and was sent to the East Indies. Gold coins, of which there was over 140,000,000 guilders' worth for a population not exceeding 2,860,000 (on January 1, 1840), still constituted the measure of prices, even if not as exclusively as before. The note circulation, therefore, still kept within moderate limits, and from 1840 fluctuated around thirty millions; but an increase, in comparison with former times, was perceptible. The critical years 1845-48 on the whole show an increased note circulation, so far as can be seen from the final amounts

of the several fiscal years. In 1845 the note circulation had temporarily reached forty million florins, and the board of directors had thereupon demanded a larger margin for the note issue (fifty-one million guilders) when the question of the maximum issue came up in 1847. The maximum was then fixed at fifty-two million florins on October 5, 1847, at seventy-two millions on February 15, 1849, and at 122 millions on October 18, 1849, as already stated.

The final figures of the different years show a considerable increase in the note circulation, which had reached 93,800,000 on March 31, 1854. The amount of bullion on hand also showed a marked advance at that period, although the general state of trade was not such as to explain the necessity for an increased note circulation. The revolutionary movement of 1848 had damped the spirit of enterprise, unemployed capital accumulated everywhere in Europe, and this abundance of money was bound to limit credit operations. With the Netherlands Bank this was particularly marked in the decline of the discount and loan business, and the yearly average of the sums thus employed was only 14,727,000 guilders in 1848-49, and 12,299,000 guilders in 1849-50, as against 25,742,000 florins in 1842-43, and 33,243,000 florins in 1844-45. I quote these figures from the paper of N. P. van den Berg, to which I have frequently referred. The increased note circulation can partly be explained by the greater publicity introduced into the Bank's operations since 1852, but the lasting effects of the currency reform carried out meanwhile were of still greater influence. This subject requires a further short explanation.

## DIFFICULTIES OF RECOINAGE.

The law of March 22, 1839, which had made provision for the recoinage of the silver florins into lighter weight had not been carried into effect for want of means, as already stated. Then a law of May 22, 1845, placed more than six million florins at the disposal of the Government for carrying out the currency reform. This sum had to be raised chiefly from the revenue of the Crown domains and by selling the 1000 shares of the Netherlands Bank belonging to the Government. A further law of December 18, 1845, empowered the Government to withdraw from circulation all coins struck before the decree of September 28, 1816, and to issue for this purpose "muntbiljetten," at a minimum value of one guilder each. For every 100 guilders in such "biljetten," 945 grammes fine silver or 60.56 grammes fine gold in new coins or in coining-material had to be deposited in the Bank. The muntbiljetten were to circulate till December 31, 1847, as legal tender, but were not redeemable. On December 27, 1845, the issue of ten million guilders in muntbiljetten was ordered, and now the putting out of circulation of the old coins was vigorously taken in hand. On March 2, March 9, May 7, and November 9, 1846, the issue of a further five millions, each time, was ordered, so that altogether thirty million guilders were in circulation in muntbiljetten. In 1846, forty-four millions, and in 1847, 15,700,000 guilders of the old coins were called in.

After these preparations, the Government submitted a bill on March 25, 1847, which proposed the transition to the silver standard. The resulting law of November 26, 1847, adopted, in article two, as a legal tender, the guilder, the ryksdaelder (= 2½ guilders), and the half-guilder piece, besides which there still appeared, according to

article five, as *coumaercial*, the golden ducat and the golden William. The guilder represented the monetary unit; it was to weigh 10 grammes and contain 9.45 grammes fine silver. In the same proportion, the rycksdaelder and the half-guilder-piece had to be struck (Arts. 6-8). As to the negotiepenningen, the golden William was to weigh 6.729 grammes and contain 6.056 grammes fine gold; the fineness was thus 9/10. The golden ducat was to weigh 3.494 grammes and contain 3.434½ grammes fine gold (thus the fineness was 983/1000). (Arts. 13 and 15.)

According to article eighteen, everybody was to be allowed to have gold commercial coins and silver legal tender struck at the public mints; but according to article twenty, the commercial coins had not the legal-tender quality. It had to be settled before December 31, 1850, what should be done with the existing gold five and ten guilder pieces. Until this regulation, these gold coins remained a legal tender (Art. 23). On the same day it was settled that till December 31, 1848, a maximum amount of twenty-one million guilders in muntbiljetten might remain in circulation. The muntbiljetten had indeed somewhat limited the circulation of bank notes, but their issue had been only a provisional measure.

The monetary law of November 26, 1847, at first led to a heavy purchase of silver by the Bank; its stock of bullion was thereby greatly increased, and this made a more considerable note circulation possible. In the beginning of 1849 the circulation of bank notes approached the maximum amount of that time (fifty-two million guilders), and the Bank, on February 15, 1849, as already mentioned, was therefore empowered to issue a further twenty million guilders in bank notes fully covered.

In the same year the Government began to make proposals for the final disposal of the gold five and ten guilder pieces. Accordingly, on September 17, 1849, a law was proclaimed which ordered the entire demonetization of these coins. It was left to the Government to fix the date when they should cease to be a legal tender. To carry out these drastic measures—more than 170 million guilders' worth of such coins had been struck—the Government was to be allowed to issue up to thirty million florins in muntbiljetten, of no smaller denominations than ten florins each, which should be covered by deposits in gold coin.

Before the promulgation of this law, the Government had secured the help of the Netherlands Bank. The maximum note issue was raised on October 18, 1849, to 122 million guilders, the first fifty-two millions of which had to be covered to the extent of forty per cent., and the remainder had to have a full metallic security. According to the request of the board of directors, the Government ordered, on June 9, 1850, that the gold five and ten guilder pieces should cease to be legal tenders by June 23, 1850. The exchange was to be effected from June 17th to 22d, and on the 24th only 49,790,000 guilders had been changed, as the silver ratio was 1:15.7, and the exchange, therefore, did not seem very favorable. According to the law of March 22, 1839, the gold ten and five guilder pieces had been struck at a ratio of 1:15.604. The Bank began at once to sell the gold, so that it never had all the exchanged gold coins on hand at once. On March 31, 1851, the Bank had only 17,250,000 guilders' worth of gold, which was sold within three months. The consequence of this was, that the Government had to borrow only six million guilders for three months from the Bank,

instead of fifty-four million guilders, which it had reserved to itself in the law of October 22, 1849.

## A NEW OPENING FOR THE BANK'S NOTES.

The note circulation in 1850 did not, therefore, reach the amount which the Bank had expected to require. But the increased maximum did not prove a disadvantage, because the fact that nearly fifty million guilders in gold coin had been taken out of circulation and had been replaced by the heavier and less handy silver money, made the bank notes more desirable. The transition to a silver standard was also favorable to the precious metal—or rather silver—trade of the Bank, that had been neglected for some ten years. In fact, Amsterdam now became an important silver market; the importance of which was still further increased by the speculation in silver, which received an impetus in the fluctuations of the ratio between gold and silver in the market as against the fixed legal ratio in bimetallic countries. From October, 1852, the Bank paid 104.65 guilders, plus one-half per cent. brokerage, for one kilogramme of fine silver, and resold at a favorable price what it did not get coined. The above-mentioned price of 104.70 guilders, including brokerage, was comparatively high.

If the Bank had had to pay the complete seignorage when it had silver coined, it would not have received more than 104.76 guilders for one kilogramme fine silver after the reduction of the seignorage in 1852. But as the Bank was able to supply the mint with any amount of silver it wanted, the latter was satisfied with a small seignorage, and the Bank was thus enabled to do a profitable trade in the white metal. In this it found an important aid to the employment of its notes. The Bank being at any time able to exchange the silver currency for Dutch standard money, it always had means to redeem its notes in legal tender.

The considerable weight of silver was, besides, bound to ensure a greater popularity to the paper currency. For this reason, large amounts of the thirty million florins' worth of muntbiljetten issued by the law of September 17, 1849, remained in circulation, notwithstanding the increased note circulation. From June 1, 1851, the muntbiljetten were again exchanged for cash; but on October 21st\* of that year only 16,893,160 guilders' worth of them had been redeemed, while over thirteen millions were still in circulation. This slow reflux of muntbiljetten occasioned the law of April 28, 1852, which fixed the amount of muntbiljetten to be issued at ten million guilders, in denominations of 10, 50, and 100 florins.

An unsalable and not negotiable entry of two and a half per cent. stock in the Great Ledger was to form “a fund to secure the redemption of the debt bearing no interest” (*i. e.*, the muntbiljetten) in the custody of the Netherlands Bank. By this fund the Bank was covered, and could therefore be trusted with the task of exchanging the muntbiljetten for standard coin at any time. The biljetten had to be provided with the stamp or visa of the Bank, which in this way signified its guarantee.

## EXPANSION OF THE NOTE CIRCULATION.

All this very considerably increased the note circulation, and the final amount at the end of each fiscal year was:

1846 32,350,000 guilders.  
1847 32,400,000 guilders.  
1849 37,310,000 guilders.  
1850 44,480,000 guilders.  
1851 50,890,000 guilders.  
1852 67,360,000 guilders.  
1853 77,510,000 guilders.  
1854 93,800,000 guilders.

which means an increase of 190 per cent. within eight years. On October 27, 1855, a maximum of 150 million florins for the note issue was granted to the Bank, which had really desired the total abolition of a maximum.

The metallic reserve was to be forty per cent. for the first and sixty per cent. for the second fifty millions, while the last third was to be fully covered. The increased demand for credit since 1855, especially in the autumn of 1857, rendered desirable an increase of the means to satisfy this want, and, as there could be no relying upon the uniformity in the sum of the current deposit balances, a metallic security of forty per cent. for the second fifty million florins had already been declared sufficient on October 21, 1857. This helped the Bank to satisfy the demands for credit; and, thanks to its far-sighted note and discount policy, no hitch in the granting of credit occurred, even in the most critical times of the crisis of 1857. The total amounts of the note circulation during the years from 1857 to 1859 were smaller than in the preceding years, but they soon rose very considerably.

The bank notes had become a very important element in the Dutch currency in the beginning of the fifties, and the sixth decade of our century closed with a note circulation of about 100 million guilders in a population of about 3,300,000 souls. The amounts of silver legal tender coined were:\*

	1840-50.	1851-60.
2½-florin pieces	86,040,000 guilders.	81,550,000 guilders.
1-florin pieces	35,380,000 guilders.	30,450,000 guilders.
½-florin pieces	2,570,000 guilders.	10,910,000 guilders.
Total	123,990,000 guilders.	122,910,000 guilders.

## THE BANK'S METALLIC RESERVE.

From 1842 to 1860, silver coins to the value of 98,600,000 guilders had been exported to the Dutch East Indies, where the currency was regulated, like that of the mother country, by the law of May 1, 1854. Part of the coins also lay in the Bank's cellars,

but the figures necessary to ascertain the amount of silver standard coins circulating in the Netherlands are not accessible. The amount must have been very considerable, and to it must be added 10,000,000 guilders' worth of muntbiljetten. It may be assumed that, including bank notes and muntbiljetten, currency to the value of about 200,000,000 guilders was in circulation besides that held by the Bank.\* About half of the circulating medium consisted of bank notes, which is a very remarkable sign of the popularity the bank notes had meanwhile been able to secure. The vigilance which the Bank management exercised in retaining a sufficient metallic reserve against the notes in circulation, and the balances on current accounts, did, undoubtedly, greatly contribute to this success.

The amounts of the different forms of currency were as follows, taking the average of a period of ten years, according to final figures at the end of each fiscal year (in millions of florins):

YEARS.	Account current balances.	Notes in Circulation.	Total.	Metallic Reserve.	Percentage of notes to current account balances.
1815-24	7.7	8.9	16.6	11.9	71.7 per cent.
1825-34	11.5	17.1	28.6	23.4	81.8 per cent.
1835-44	12.5	26.3	38.8	25.7	66.2 per cent.
1845-54	17.0	52.2	69.2	65.1	94.1 per cent.
1855-64	25.06	92.89	117.9	92.1	78.1 per cent.

Circumstances so favorable as those above indicated excluded all danger of a hitch in the redemption of bank notes or in the repayment of current account balances.

## THE BANK'S PROFITS.

To the shareholders, the first fifty years of the Bank's working proved very profitable. They were obliged to be satisfied with a dividend of three per cent. in 1851, 1852, and 1853; of three and a half per cent. in 1821, 1829, and 1850, and of four per cent. in 1820 and 1822; but except in these years the dividends always amounted to more than four per cent.; and the fifties were especially profitable. The average yearly dividend on each share of 1000 guilders amounted to:

58.23 guilders = 5.82 per cent., 1815-24.

55.4 guilders = 5.54 per cent., 1825-34.

66.9 guilders = 6.69 per cent., 1835-44.

52.3 guilders = 5.23 per cent., 1845-54.

114.0 guilders = 11.4 per cent., 1855-64.

Altogether, 3468.30 guilders have been paid in dividends on each share within the first fifty years; that is, three and a half times the amount paid up. This means an average dividend of 6.94 per cent. during the first half-century of the Bank's existence.

Classifying the different periods according to the increasing amount of capital, we find the following development:

YEARS.	Capital.	Dividend Paid.	Average Amount of Dividend per Year in per cent. on the Capital.
	GUILDERS.	GUILDERS.	
1814-15	2,445,000	142,788	5.84
1815-16	4,105,000	246,300	6.00
1816-17—1818-19	5,000,000	1,169,500	7.8
1819-20—1839-40	10,000,000	12,060,000	5.74
1840-41—1863-64	15,000,000	28,650,000	7.96

Thus, within the first fifty years 42,270,000 florins of dividend have been paid to the shareholders.



[\[Back to Table of Contents\]](#)

## CHAPTER IV.

### THE NETHERLANDS BANK, 1864 TO 1895.

#### SECTION I.

##### NEW LEGAL STATUS OF THE BANK.

*Origin of the Bank Act of December 22, 1863—Supplement to the Bank Act—The Statute of 1864—Decree of April, 1864, prescribing the Reserve—Decree of May 18, 1864, concerning Branch Banks and Agencies—The Act of June 8, 1869, as to the Bank Building—The Act of July 24, 1871, relating to the Government Collections—Law of May 25, 1880 (Service of the Rykspostspaarbank: Government postal savings-bank)—Bank Act of August 7, 1888, amending the Act of 1863—The Statute of December 27, 1888—Deduction of the Patent Tax in the calculation of the Net Profits—Presidents of the Bank since 1864.*

THE charter of the Netherlands Bank expired at the end of the fiscal year 1863-64. There was considerable difference of opinion as to whether a prolongation should be granted, and, if so, with what changes of constitution. These differences were freely ventilated in pamphlets and other publications. The chief points of discussion were, whether it should be a Government or a private bank, whether it should be centralized or not, and whether it should be privileged or have free competition.

Violent animadversions on the Bank management as hitherto conducted were not wanting. It was complained that the shareholders had received very large profits, without rendering adequate services to the Government in return for their monopoly and other privileges. The Bank was reproached with not having paid interest on the large Treasury deposits, with having granted credit arbitrarily, and with not having met the public demands for credit, by keeping the rate of interest at an arbitrary figure. The non-establishment of the branch bank in Rotterdam, decreed in 1838, and the non-existence of agencies and other offices in the provinces, were severely censured.\*

In Parliament the conflict was renewed. The Government had brought in a bill on June 9, 1863, but it was not discussed at that session. On September 27, 1863, *i. e.*, half a year before the expiration of the Bank's charter, the bill was again introduced. The Government took the view that the monopoly of the Bank should continue under certain conditions, but that the possibility of its dissolution should be kept in view. The parliamentary debates, which began on November 13, 1863, reopened the whole range of controversy. The Government was blamed for not having secured sufficient service from the Bank. It was claimed that the Bank should undertake without remuneration the business of the Treasury in the provinces, and should also pay the interest of the public debt. The exemption of bank notes from stamp duty, the long

term for which the charter was granted, and many other points, met with lively opposition.

## THE GOVERNMENT'S RELATION TO THE BANK.

At last Parliament agreed to the law of December 22, 1863, which brought important changes into the existing scheme of the Bank. Of all its privileges, which had been reduced in 1838, but still existed to an important extent, the Bank retained only the exemption of its notes from stamp duty (Art. 13, No. 4) and the privilege of issuing bank notes. The note monopoly of the Bank was canceled. Article one expressly states that the establishment of other note banks and the circulation of foreign Bank notes could be authorized by a special law. Such a law, however, has never been framed. At the same time, measures were taken to make the bank more dependent upon the Government. The threat that a bill for granting a license to a rival note bank would be submitted to Parliament could be used to exercise pressure on the Bank. Of course it depended upon Parliament whether such a bill should become law. Under these circumstances, the Bank had an important interest in acquiring and keeping the confidence of Parliament by adopting a course of action favorable to the general interests of the country. This was the best protection against rival institutions.

The Government had, moreover, assured more influence to itself in the Bank management. The Government, *i. e.*, the King, had to sanction the organization and the working of the branch bank and the agencies (Art. 5, No. 5). The King, after hearing the board of directors, could order an increase of capital without being bound, as in 1838, to a maximum amount (Art. 6, No. 2). For the investment of the reserves, besides the Dutch public debt, only bonds of mortgage companies, approved by the King, could be used (Art. 9). The Government had no longer to fix a maximum note issue, but merely had to prescribe the proportion of the metallic reserve held against the notes, bank assignments, and current deposit balances (Art. 16). The Government also had the right to determine the form of the weekly returns of the Bank.

With regard to the Bank management, the King had, as before, the right of appointing the president and the secretary, and, for the first time, also the directors. Later on, the King was to surrender the right to co-operate in the appointment of directors (Art. 18). The Government, however, assured to itself a lasting control over the Bank, and for this purpose a royal commissioner was appointed by the King. This commissioner was entitled to be present at all meetings of shareholders or Bank commissioners, with consulting, but not with voting power. When he demanded it, the board of directors had to give him information as to the Bank's operations. The Bank had to pay his salary (Art. 20).

Additional services were also required from the Bank. Not only had it to exercise, as before, the functions of Treasury agent at Amsterdam, without pay, but it might also be required to exercise gratis these functions at Rotterdam or at any other places where agencies were established. The Bank was responsible for this work to the Minister of Finance, and had to render account to the Algemeene Rekenkamer (General Audit Office). Moreover, the Bank might be intrusted with the full Treasury service for the kingdom, according to conditions fixed by law (Art. 10). The Bank

was further legally obliged gratuitously to assist in printing, issuing, and putting out of circulation muntbiljetten as long as their total did not exceed 15,000,000 guilders, and the King had to settle in what manner this should be done.

The Government reserved to itself the right to pay in the one million guilders by which the capital was to be increased, together with the corresponding augmentation of the reserve, and to receive for this 1000 shares, which should be sold by public auction. The profit made on this transaction was to go to the Treasury (Art. 22, No. 7). The Government, however, did not secure for itself a share in the net profits. The Bank management was to consist of a board of directors, composed of a president, five directors, and a secretary. The president and the secretary were to be appointed for seven years by the King, according to a double nomination paper drawn up by the directors and the commissioners. After the first selection, the directors were no longer appointed by the King, but selected by the shareholders from a triple nomination paper prepared by the directors and the commissioners (Arts. 17 and 18). The election by the shareholders with voting power presupposes the holding of a general meeting, something not mentioned in any former decree. The Bank commissioners were retained; but while the decree of 1838 had ordered that a committee of fifty persons holding the greatest number of shares should select six commissioners, article nineteen of the law of 1863 required that fifteen commissioners should be elected by the shareholders having voting power. The former orders declaring what persons could be elected directors or commissioners were not renewed in the new law.

## EXTENSION OF THE BANK'S SPHERE.

The much-complained-of fact that in the first fifty years of its existence the Bank had nowhere established agencies, not even the branch bank in Rotterdam, led to more stringent orders (Art. 5 of the law of 1863). It was declared that by January 1, 1865, at the latest, a branch bank should be established in Rotterdam and agencies and correspondents in other places. In every province there should be at least one agency. The number of correspondents was to be decided by existing wants. The establishment and sphere of action of the branch bank and the agencies needed the royal assent.

The operations of the Bank were limited\* to discount business, loan business, trade in the precious metals, and to the business of receiving deposits. But in details the law allowed greater latitude than before (Art. 7). The following kinds of paper could be discounted: (1) Bills of exchange and other commercial papers with two or more trustworthy signatures. The instruction that other commercial paper must be registered and issued to order was not renewed; but it was added that the time of circulation of such paper should not exceed that "usual in trade." (2) Bills of debt and annuity bonds redeemable or payable in Holland within three months, bonds of home or foreign governments, loans and certificates of private corporations or societies, always under joint guarantee of the discounter. This second group of discountable papers were newly included.

Loans could be granted on: (1) Stocks. In place of the tedious restrictions of 1838 and 1852, stocks were now designated as "public debts and shares and bonds of private

corporations and societies.” Certain foreign private stocks excluded in 1852 were thus admitted now. (2) Movables, merchandise, and commercial products. (3) Coins and bullion; the former restrictions as to foreign coins being left out.

With regard to dealings in the precious metals, there is no radical change to be mentioned.

Speaking of deposit accounts, it may be said that the metallic reserve of their balances, which up to then had not been subject to any special instructions, was now to be fixed by royal decree, according to the suggestion of the board of directors. Besides this, the Bank was empowered to take charge of money and other valuables, according to conditions publicly announced. Here the safe-deposit business is admitted as a new branch. The granting of blank credits, the participation in commercial, industrial, or other undertakings, the purchase or grant of loans on its own shares, the purchase of stocks, goods, and merchandise, and the granting of loans on real estate and ships, were forbidden as heretofore (Art. 8).

The most important modification in the business of note issues was the abolition of the maximum fixed by the King, who had only to settle the percentage of the metallic security on the recommendation of the directors (Art. 16). The amount of the notes issued was no longer fixed by law, only the minimum amount of twenty-five guilders had to be kept up (Art. 12). The notes were payable at the branch bank and the agencies; the latter, however, could delay payment until they had received the coin needed from the central office. The notes remained exempt from stamp duty, and were also receivable at the Treasury in payment of public dues (Art. 13). Article fourteen of the law especially stated that lost or destroyed notes were not to be redeemed by the Bank; formerly nothing was said on this point. For the rest, the former regulations about bank notes were repeated.

The stringent orders concerning the establishment of a branch bank, of agencies, and correspondentships caused the Bank to issue drafts from one Bank office to the order of the other (Art. 15). The King again settled the metallic reserve for these in conformity with a statement of the board of directors (Art. 16).

## THE BANK'S CAPITAL AND RESERVE.

The minimum amount of the Bank capital was raised to sixteen million guilders; a further increase could be ordered only by royal decree, after hearing the board of directors (Art. 6). The formation of a surplus reserve fund was not required. If the Bank wanted to set aside and invest any reserves, only the Dutch public debt and bonds of the mortgage companies, approved by the King, could be used for this purpose (Art. 9); while in 1852, also shares of the Bank had been available for this purpose.

On the score of publicity, the law ordered, in article twenty-one, that every week a statement of the position of the Bank had to be published, in a form sanctioned by the King.

Subject to these provisions, the Netherlands Bank was to be chartered for another twenty-five years (from April 1, 1864) as a bank of issue.

The law marked a considerable step in advance, but in several particulars it still needed improvement. The necessary amendments were first supplied in the statute of March 3, 1864. These amendments, in the first place, referred to the capital stock and the shares. The statute, in article three, limited the increase of capital to twenty-four million guilders. The shares were to be of 1000 guilders each, but could be split into half-shares in the first issue. They were registered, and could be transferred only by a special note entered in the shareholders' register (Arts. 4 and 5).

The right of voting was also regulated by the statute (Art. 6); only Dutchmen, registered as holders of five whole shares for six months, had the right to vote; five shares entitled the holder to one, ten to two votes. For every additional ten shares the holder had one vote more. The maximum number of votes of any one person was six.

## RULES OF MANAGEMENT.

Among the other amendments to the statute was article nineteen, which allowed only Dutchmen enjoying full civil rights, and registered holders of fifteen shares, to be elected directors. Article twenty-six prescribed that at least fifteen commissioners had to be appointed for five years. Every year, on July 1st, three commissioners, who could be re-elected, had to resign. The retiring members were designated first by lot, later on by seniority. Every shareholder entitled to a vote, and in the enjoyment of full civic rights, could become a commissioner (Art. 27). The commissioners had to supervise the dealings of the directors and to examine the annual accounts (Art. 28). They received traveling expenses and daily allowances; and besides this, an annual salary and a share in the profits, if these exceeded five per cent. of the capital. The share of the net profits and the annual salary were divided between the commissioners according to the number of meetings they had attended (Art. 30). The statute also regulated the meetings of the directors together with the commissioners (Arts. 32-34), and the general meetings of the shareholders entitled to vote (Arts. 35-39).

The division of the profits was not provided for in the law. According to article forty-one of the statute, if the net profits should be less than five per cent. of the capital the deficiency must be made up to five per cent. out of the reserve, with the proviso that the reserve was not reduced below fifteen per cent. of the capital. If the net profits should be higher than five per cent., the surplus was to be divided as follows: ten per cent. placed to the reserve fund, five per cent. paid to the directors, and one per cent. to the commissioners; as to the balance, the general meeting decided whether a dividend was to be paid, and how much above five per cent. should go to the shareholders. The statute, it will be observed, declared that a reserve was necessary, and article forty-two ordered that it must be brought up to twenty-five per cent. of the capital. Further supplementary regulations were added to the law of December 22, 1864, by several royal decrees.

On April 16, 1864, an order was issued concerning the metallic reserve against the bank notes, assignments, and deposit account balances. Of the total of these three

amounts, forty per cent. had to be covered by specie and bullion. This was done in order to give the Bank a basis for extending its operations. Furthermore, the board of directors, together with the commissioners, at a meeting on May 18, 1864, framed regulations for the establishment and sphere of action of the branch bank and the agencies. The King sanctioned the same on June 4, 1864. Immediately afterward, on June 8, 1864, a new decree was issued, by which the Bank was deprived of the free use of the public buildings which it had hitherto occupied. The Bank bought these buildings and enlarged them, so that the safe deposit business, which had been permitted by law, could be commenced in 1869.

## COMPOUNDING FOR TREASURY SERVICE.

The Bank charter of 1863 was altered in 1871. The Bank, according to the law of December 22, 1863, article ten, might be intrusted with the entire service of the Treasury. The Bank feared that by the operation of this order it would lose its independence and some of its importance as a credit institution. The Government, on the other hand, desired to save expense. On April 26-28, 1871, the Government and the Bank agreed that the former should give up the above-mentioned right, and that the Bank in return should pay 100,000 guilders every year as a compensation. The general meeting on May 17, 1871, consented to this, and the law of July 24, 1871, sanctioned the agreement.

The Bank acquired a new function by the law of May 25, 1880. It was intrusted with the duty of acting as cashier for the Rykspostspaarbank (Government postal savings-bank) and with the keeping of the cash and securities therein deposited. The duty was to be performed without pay from April 1, 1881.

## THE LATEST EXTENSION OF THE CHARTER.

In the years preceding the expiration of the Bank's charter, dissensions arose as to whether the existence of the Bank should be continued after April 1, 1889, and under what conditions.

This time there was also a sentiment unfavorable to the Bank.\* A radical transformation, nevertheless, did not take place. The law of August 7, 1888, differs from the law of December 22, 1863, in the following points: The Bank is chartered only for the following fifteen years (from April 1, 1889, till March 31, 1904). The King and the Bank have equally the right to give notice of opposition to a further continuation of the Bank's existence two years before the expiration of this period; and in such a case the Bank, on March 31, 1904, ceases to be a bank of issue. Should such a declaration not be made, the charter is to be prolonged for another ten years.

The Government has, in this right of giving notice, a means of exercising strong pressure on the Bank. The note privilege may thus be taken or prolonged without any intervention on the part of Parliament. Another strengthening of the Government's position is effected by article eighteen. According to this article, the King has the power to suspend or to dismiss the president and the secretary of the Bank on the recommendation of a meeting of directors and commissioners. The King, however,

cannot order an increase of the Bank's capital (Art. 6). For this a law is always needed besides the consent of the Bank. The reserve fund has no longer to be invested only in bonds of mortgage companies sanctioned by the King (and in the Netherlands' public debt), but can be invested in all stocks which are approved of by the board of directors and the commissioners, in accordance with the rules laid down in the law itself (Art. 9). The Bank has become independent in both regards. New privileges have not been granted to the Bank by this law, but the continuance of the former privileges (right of issuing notes and exemption of the notes from stamp duty) is conditioned on greater services in return. The Bank is obliged, according to article eleven *b*, to make advances to the Government on current account at the ordinary rate of interest and against a security in Treasury bills, should the Minister of Finance consider this necessary for the temporary relief of the Treasury; but these advances are not allowed to exceed five million guilders at any time. This obligation becomes void when the disposable stock of bullion sinks below ten million guilders. Furthermore, the Bank can by law be forced (Art. 7) to buy bullion offered for sale at mint prices, if the Government should join a bimetallic union, and if in the countries belonging to the union the principal banks of issue should be obliged to do the same. This obligation refers to such standard metals as private persons are allowed to have coined. The Bank is authorized (Art. 11 *b*) to make advances to the Minister of Finance on account current for redeeming muntbiljetten in standard coin.

The capital entered in the Great Ledger as a guarantee for changing muntbiljetten into standard coin serves as security for these advances. This permission becomes void as soon as the Government decides to issue muntbiljetten for more than fifteen million guilders. The obligation of the Bank to assist in printing, issuing, and putting out of circulation muntbiljetten has thus been supplemented.

The Government has also reserved to itself direct financial advantages. The new shares needed for increasing the capital by four million guilders are put at the disposal of the former shareholders in proportion to the shares owned by them up to that time. They have to pay the nominal value and a premium of twenty-five per cent. to the Government. Shares which within three months after the date of this law have not been disposed of will be publicly sold at the Exchange. If they should bring a higher price than their nominal value, twenty-five per cent. of this is to be paid to the Government; the balance of the premium goes to the reserve (Art. 26). If the note privilege should not be renewed on March 31, 1904, and the reserve funds should amount on that date to more than on March 31, 1889, half of the surplus shall be paid to the Government and the other half to the Bank (Art. 25).

The shareholders, in part, subscribed for 3,923,125 guilders' worth of new shares, for which, inclusive of the premium of twenty-five per cent., 4,903,906.25 guilders were paid. A public subscription was opened for the remaining 76,875 guilders, and brought 179,791.40 guilders. The total amount paid was 5,083,697.65 guilders. Of this sum, the Government received one million guilders, the Bank four millions, and 83,697.65 guilders went into the reserve.

More important is the fact that the Government assured to itself, by article twenty-two, a permanent share in the net profits of the Bank. This article requires, in

accordance with the statute of March 3, 1864, that the net profits may be brought up to five per cent. of the capital with the help of the reserve. If the net profits, however, should exceed five per cent. of the capital, five per cent. is to be paid to the shareholders and ten per cent. of the surplus goes into the reserve. Of the then remaining balance, the Government and the Bank each receive one-half, until the share of the Bank, outside of the increase of the reserve, reaches seven per cent. of the capital. If after this a surplus should still remain, the Bank receives one-third and the Government two-thirds. The Government has no claim to the share if another bank is permitted to issue notes, or if the Government should decide on issuing *muntbiljetten* for more than fifteen million guilders. These latter regulations clearly show that the Government's share in the net profits was considered the price for the Bank's note monopoly.

## AN ENLARGED SPHERE OF OPERATIONS.

The Bank's sphere of operations has been extended since 1863 in return for the services rendered to the Government (Arts. 7, 10, and 11 *b*). By article seven, No. 5, a new branch of business has been introduced, viz., the buying and selling of bills of exchange and other commercial paper with two or more trustworthy signatures, payable in foreign countries, and not having a longer time of circulation than is usual in trade. The total amount invested in papers payable in foreign countries is never for more than a fortnight to exceed the disposable stock of bullion.

The other branches of business detailed in the law of 1863 are retained by the Bank Act of 1888. Concerning discount business, however, instead of "bills and other commercial papers," the phrase reads now, "bills, assignments, and *orderbriefjes*," i. e., promissory notes.\* At the same time, it is ordered that these papers are to be admitted to circulation only if their term does not exceed six months.

The law increases the Bank capital to twenty million guilders, and permits further increase of the same by law. The formation of a reserve fund has been made a legal requirement in the new article six *b*. This fund is destined to repair possible losses of capital, and must also be employed to bring up the net profits to five per cent. of the capital.

The investment of the reserve fund has been facilitated. First of all, as before, bonds of the Dutch Government are to be used. Besides these, not only bonds of the mortgage companies, sanctioned by the King, but also other obligations which can daily be negotiated at the Exchange of Amsterdam and other important European commercial towns, are legal forms of investment. The list of these papers must be made up by the board of directors and the commissioners. One-fifth of the capital, also, can be invested in this way (Art. 9). The interest on these stocks is to be included in the profits of the Bank (Art. 23 of the law, according to Art. 43 of the statute of 1864). The possible handing over of a part of the reserve fund to the Government on March 31, 1904, has already been mentioned.



## MODIFIED METHODS OF MANAGEMENT.

Concerning the management of the Bank, but very little has been changed. The first appointment of the five directors by the King provided for by the law of December 22, 1863, has been abolished. There is a new provision that the five directors can be dismissed by the shareholders entitled to vote, at the request of the board of directors and the commissioners, and that the King is entitled to dismiss the president and the secretary in the same manner. The modification of the Bank Act of December 22, 1863, made another amendment necessary. The general meeting of September 12, 1888, called for this purpose, had no legal quorum. On October 1, 1888, another general meeting was held, at which the necessary modifications of and supplements to the statute were adopted. These resolutions received the royal assent on December 27, 1888.

This new statute resembles that of 1864 very closely. The following innovations may be considered as original: A statutory maximum for the increase of capital is no longer prescribed. The shares can be split, when issued for the first time, not only into half-shares, but also into shares representing a quarter or an eighth part of the value (Art. 3). The holder of a corresponding number of parts of shares may receive half a share or a whole one instead (Art. 4). The royal commissioner has, according to article thirty-one, section three, the right to take part in the meetings called by the commissioners for the scrutiny of the balance-sheet.

The calculation of the Government's share in the net profits very soon led to differences of opinion. The Bank reckoned the patent (trade) tax as part of its expenses. Consequently, the Government's share in the profits had to be calculated from the net profits *exclusive* of the trade tax. The Government, however, held the opinion that the trade tax had to be borne entirely by the shareholders—*i. e.*, that the Government's share of the profits was to be calculated from the profits *inclusive* of the tax. The Bank, since 1891, has had to follow this mode of calculation, so much more profitable for the Government.

It should be stated that Dr. W. C. Mees was president of the Bank after 1864. He was replaced, on his death, by Dr. N. G. Pierson. After the latter, on August 20, 1891, was appointed Minister of Finance, Dr. N. P. van den Berg, up till then president of the Java Bank, was made president on September 25, 1891. He still holds this position, so important to the Netherlands.

## SECTION II.

### THE NETHERLANDS BANK, 1864 TO 1895.

#### ITS OPERATIONS.

*Agencies and Correspondents—Exchange—Bank Assignations—Deposit Account Business—The Note System—Stock of Bullion—Dealings in the Precious Metals—Safe Deposits—Working Capital—Advances to the Government—Loans on*

*Stock—Loans on Merchandise—Loans on Specie and Bullion—Discount Policy—Reserves, Profits, and Dividends.*

SINCE 1864, the operations of the Netherlands Bank have been entirely public. Regular weekly returns of discounts, loans, working capital, stock of bullion, notes in circulation, assignments, deposit account balances, etc., make a continuous scrutiny possible. Besides this, from 1864, the Bank has published yearly reports, in which detailed accounts are given of the Bank's business. According to these reports\* all the tables belonging to Chapter II have been arranged.

In this period the Bank has entirely outgrown the restriction of business to Amsterdam. With the help of agencies and correspondents, it has greatly extended its sphere of action. At the end of 1864-65, the Bank had twelve agencies and fifty-six correspondents, besides the branch bank at Rotterdam. On March 31, 1868, the number of agencies was thirteen, on March 31, 1893, fourteen, and on March 31, 1894, fifteen. Since 1890, besides these, four other sub-agencies have existed, the number of which decreased in 1894-95 to three. The number of correspondents has grown more rapidly still. Since 1867, three classes of correspondents have been formed, the number of which has varied, as shown in the following table:

On March 31.	First Class.	Second Class.	Third Class.	Total.
1868	10	6	40	56
1869	12	6	40	58
1870	12	7	38	57
1871	12	8	37	57
1875	12	9	36	57
1879	27	6	34	67
1884	27	7	32	66
1885	28	7	31	66
1887	28	7	30	65
1888	28	7	29	64
1889	29	8	27	64
1890	42	23	11	76
1891	47	19	10	76
1893	46	19	9	74
1894	47	17	9	73
1895	48	15	10	73

In 1889-90, besides these, an exchange office was opened. Bills on all these places\* are discountable; the *plaatsverlies*, i. e., collection fees, of one-eighth per cent. being charged when the bills are payable at places where only Bank correspondents are to be found. It is possible to discount and to receive loans on security and bank assignments at all places where agencies, sub-agencies, and correspondents of classes one and two exist. On March 31, 1895, there were eighty-three such places. Only the fifteen agencies and the three sub-agencies, besides Amsterdam and Rotterdam, offer an opportunity for open deposits and for account current transactions, as well as for

buying and selling standard metals. Closed deposits are received only at the head office of the Bank, by the branch bank, and by the agency at the Hague. Facilities for exchange exist at eighty-four places, only correspondents belonging to class three being excepted. By exchange is meant the exchanging of bank bills for cash or other bills, and *vice ver sâ*. According to the yearly reports at these places, these exchanges were as follows (expressed in thousands of guilders):

YEARS.	BANK NOTES TO BE EXCHANGED FOR		Coins to be Exchanged for Bank Notes.	Total.
	Coin.	Other Bank Notes.		
1865-66	11,300.5	37,202.97	10,287.0	58,790.5
1866-67	11,157.4	46,313.2	12,579.2	70,049.8
1867-68	23,133.0	89,808.9	17,772.3	130,714.1
1868-69	26,955.7	106,757.1	16,567.4	150,280.1
1869-70	29,394.4	117,675.5	20,498.8	167,568.7
1870-71	32,467.9	120,402.6	18,971.5	171,841.96
1871-72	31,992.7	132,787.2	22,716.0	187,495.9
1872-73	48,081.4	137,339.8	24,153.9	209,575.2
1873-74	34,242.2	140,066.97	29,377.8	203,686.97
1874-75	34,098.7	138,399.17	27,695.1	200,193.5
1875-76	42,255.7	146,980.95	32,250.9	221,487.5
1876-77	43,309.6	151,074.9	35,484.5	229,868.96
1877-78	40,130.2	159,957.5	30,834.4	230,922.1
1878-79	38,938.9	155,864.3	31,532.4	226,335.5
1879-80	42,406.8	159,309.98	32,254.5	234,025.3
1880-81	44,337.9	168,434.1	32,801.2	245,573.2
1881-82	51,049.7	175,251.0	34,532.0	260,832.8
1882-83	52,555.2	179,020.4	36,040.7	267,616.2
1883-84	53,526.3	191,000.4	37,731.9	282,258.6
1884-85	51,657.9	187,789.2	35,714.6	275,161.7
1885-86	10,601.1	184,064.1	36,802.5	271,467.6
1886-87	52,374.9	182,651.8	35,605.1	270,631.8
1887-88	50,635.3	186,784.3	35,190.3	272,609.9
1888-89	61,871.99	198,865.4	35,793.2	296,530.6
1889-90	56,338.3	205,641.4	37,843.8	299,822.5
1890-91	64,614.2	211,155.99	44,347.1	320,117.3
1891-92	69,677.6	226,363.8	49,236.6	345,277.9
1892-93	68,934.9	234,081.5	50,499.99	353,516.4
1893-94	74,497.1	240,160.5	49,882.8	364,540.4
1894-95	71,856.7	248,703.3	53,458.1	374,018.1

According to this, the exchange business has, since 1865, increased to nearly six and a half times its former value. The exchanges, reckoned by individual average, were as follows:

1865-66 about 17.3 guilders.  
1869-70 about 46.5 guilders.  
1875-76 about 58.3 guilders.  
1879-80 about 58.5 guilders.  
1885-86 about 63.1 guilders.  
1889-90 about 66.6 guilders.  
1894-95 about 77.9 guilders.

It is remarkable how small a part the exchange of bank notes into coin holds in proportion to the total transactions. This shows how great an importance bank notes have acquired as a circulating medium. By decree of December 22, 1863, the Bank was, as has already been mentioned, empowered to issue "bank assignments." These assignments, or drafts, of one Bank office on another (with the exception of third class correspondents) were drawn to order and intended to facilitate cash transactions between the different offices. The bank assignments were first published in the weekly return on November 28, 1864, representing a value of 5,734.04 guilders. The numerical development of the bank assignments in circulation has been as follows:

YEARS. At the Beginning of the Year. At the End of the Year. Yearly Average.

GUILDERS.	GUILDERS.	GUILDERS.
1864-65 5,734.04	7,820.67	
1865-66 7,820.67	11,890.81	6,159.0
1866-67 11,890.81	407.30	6,923.0
1867-68 407.30	9,339.14	5,518.0
1868-69 9,339.14	6,615.87	5,816.0
1869-70 6,615.87	7,770.25	4,030.0
1870-71 7,770.25	1,618.14	5,230.0
1871-72 1,618.14	1,029.64	4,236.0
1872-73 1,029.64	5,843.38	4,915.0
1873-74 5,843.38	3,500.00	4,280.0
1874-75 3,500.00		707.0
1875-76		387.0
1876-77	616.00	322.0
1877-78 616.00		225.0
1878-79	930.62	482.0
1879-80 939.62	161.15	217.0
1880-81 161.15		475.0
1881-82		677.0
1882-83	408,020.52	118,366.0
1883-84 408,020.52	803,711.72	530,106.0
1884-85 803,711.72	819,308.04	597,426.0
1885-86 819,308.04	1,205,097.68	609,693.0
1886-87 1,205,097.68	843,939.56	693,799.0
1887-88 843,939.56	725,825.62	742,577.0
1888-89 725,825.62	914,909.71	769,897.0
1889-90 914,909.71	825,479.63	762,796.0
1890-91 825,479.63	1,144,779.11	758,329.0
1891-92 1,144,779.11	1,202,879.21	751,491.0
1892-93 1,202,879.21	930,850.32	769,532.0
1893-94 930,850.32	1,222,722.06	839,077.0
1894-95 1,222,722.06	2,121,441.94	933,408.0

These figures show that the circulation of bank assignments up to 1873-74 made no progress, and from that year become very small.

## INCREASED USE OF BANK REMITTANCES.

It was not before 1882-83 that any increased use worth mentioning occurred in this method of transmitting money. The cause of the limited development up to 1881-82 is to be found in the fact that the commission was too high. The heavy expense is less due to the bankers' demand (in 1864, fixed at one-fourth of one per cent.) than to the high stamp duty to which the bank drafts were subjected. The stamp law of October 3,

1843, required a revenue stamp (five cents for every one hundred guilders) to be paid. The reports of the Bank from the beginning lay stress upon the fact that the assignments would find no favor if the revenue stamp was not replaced by a small fixed stamp. During the winter of 1864-65, the Government submitted a bill according to which the assignments were to be subjected to a fixed duty of five cents, without regard to the amount. But the bill was withdrawn, and the difficulty remained.

In order to facilitate the use of the Bank offices by the public for cash remittances, the following mode of procedure was tried in the beginning of 1874. If one had to send money from one place to another, he placed the amount in the nearest Bank office, with a request to pay it to a certain person at another specified Bank office. The depositor signed a receipt, by which he declared that he had received the amount at the other Bank office by the intervention of the person to whom the money had to be paid. On returning the receipt, the person authorized to receive the money could get it at the other Bank office. The receipts, bearing a modest commission of twenty-one cents, had to be delivered within ten days after their issue (Art. 222 of the Code of Commerce).

The result of this measure was a large decrease of bank assignments from 1874-75. The receipts, the amount of which was included in the deposit account balances in the weekly statements, were used as follows:

1874-75 349 times, with 1,890,000 guilders.

1875-76 374 times, with 1,830,000 guilders.

1877-78 471 times with 1,490,000 guilders.

The use of receipts, it will be seen, was more considerable than that of bank assignments, but still very limited. The whole proceeding was inconvenient, but in this way only could the use of the revenue stamp be avoided. In order to facilitate the process, the Bank, from December 1, 1878, charged no commission to discounters and borrowers if they wanted to dispose by receipt of the amount belonging to them, or of a part of it, at another Bank office. For others, the fee was reduced to fifty cents, without regard to the amount. This tax included the fixed duty of twenty-one cents.

The effect of these measures was, in 1878-79 the sum which was disposed of by receipt rose to 32,600,000 guilders; 26,200,000 of which belong to the four months December to March.

The amount rose in 1879-80 to 103,210,000 guilders; in 1880-81, to 127,800,000 guilders; and in 1881-82, to 147,630,000 guilders.

These figures show the need that existed for improved facilities for the transmission of money.

From January 1, 1883, the revenue stamp on the bank assignments was replaced by a fixed stamp of five cents. The use of receipts was now stopped, and the use of cheaper and more convenient bank assignments quickly increased. The time of circulation of bank assignments was fixed at eight days; after eight days they could be exchanged

only at the office whence they were issued. The tax for every assignation, without regard to the amount, was fixed at thirty cents (including the stamp duty). Assignations on correspondents of the first class might not exceed 5000 guilders to one person and on one day.

The effect of these facilities was at once perceptible, as the circulation of assignations increased considerably. The total circulation (annual average) rose from 677 guilders in 1881-82, to 118,366 guilders in 1882-83. In 1894-95 it exceeded 900,000 guilders. The sums transmitted by assignations of the Bank or its offices also show the influence of the abolition of the revenue stamp. Referring to the annual report of 1882-83, we find that from April 1 to December 31, 1882, only 27,058 guilders have been so paid, while from January 1, 1883, to March 31, 1883, the amount was 35,072,997 guilders. If we add to this the receipts issued between April 1 and December 31, 1882 (119,770,000 guilders), we find 154,900,000 guilders as the grand total of assignations and receipts issued. The Bank offices issued assignations as follows:

IN	Number of Assignations Issued.	Amount in Guilders.
1883-84	12,170	158,190,000
1884-85	14,648	169,170,000
1885-86	16,538	169,900,000
1886-87	18,980	190,390,000
1887-88	20,525	206,500,000
1888-89	22,345	211,700,000
1889-90	23,588	196,050,000
1890-91	26,313	196,970,000
1891-92	28,582	198,810,000
1892-93	29,232	189,050,000
1893-94	31,271	201,680,000
1894-95	33,816	224,960,000

## DEPOSIT ACCOUNT BALANCES.

This whole movement clearly proves how unwise tax legislation may interfere with trade. From the figures given, it will be seen that not only commerce, but the Treasury also, was benefited by the change. Bank assignations do not count as a general and stable currency, since their term of circulation is very short. In a small measure, however, they help to lessen the need for metallic currency. The same can be said of the deposit account business, the development of which is shown in the following table:

*Deposit Account Balances (from 1889-90 (a) of the Government, (b) of Other Depositors).*

YEARS. (WORKING YEARS.)	At the Beginning of the Year. Guilders.	At the End of the Year (according to the Balance- sheet). Guilders.	Annual Average. Guilders.	MAXIMUM. Date. Guilders.	MINIMUM. Date. Guilders.
1864-65	39,838,916	28,782,040	33,595,287	Dec. 16, 1864. 40,716,873	June 19, 1864. 26,902,313
1865-66	28,782,040	35,912,153	34,206,186	Dec. 22, 1865. 49,738,038	July 17, 1865. 24,178,896
1866-67	35,912,153	35,974,312	33,183,940	June 9, 1866. 37,672,201	April 6, 1866. 30,734,229
1867-68	35,974,312	25,909,715	28,842,932	May 23, 1867. 38,673,540	Mar. 27, 1868. 23,123,383
1868-69	25,909,715	25,220,375	23,233,651	Dec. 24, 1868. 30,278,228	Oct. 23, 1868. 14,802,686
1869-70	25,220,375	28,690,813	24,847,940	July 10, 1869. 30,822,793	April 2, 1869. 19,658,798
1870-71	28,690,813	31,767,638	28,496,285	Dec. 30, 1870. 35,461,763	April 7, 1870. 23,393,591
1871-72	31,767,678	28,796,436	31,035,164	Dec. 27, 1871. 40,998,092	Mar. 29, 1872. 25,955,025
1872-73	28,796,436	35,651,535	34,778,684	Dec. 31, 1872. 48,340,870	April 23, 1872. 22,019,586
1873-74	35,651,535	31,167,453	29,460,914	June 9, 1873. 40,321,657	Oct. 9, 1873. 19,183,781
1874-75	31,167,453	52,298,613	40,671,042	Dec. 28, 1874. 53,823,875	April 3, 1874. 27,586,703
1875-76	52,298,613	56,206,788	49,433,043	Dec. 31, 1875. 62,438,837	Oct. 7, 1875. 40,181,463



			June	Mar.
1876-77	56,206,788 28,740,761	43,908,013 10,	59,827,473 19,	23,311,443
		1876.	1877.	
		May	Oct.	
1877-78	28,740,761 16,563,790	15,576,906 16,	26,581,217 5,	6,960,291
		1877.	1877.	
		Dec.	April	
1878-79	16,563,790 39,385,155	32,192,245 14,	46,850,839 19,	7,599,799
		1878.	1878.	
		June	Feb.	
1879-80	39,385,155 23,276,961	28,814,262 16,	43,454,361 27,	16,181,854
		1879.	1880.	
		June	Feb.	
1880-81	23,276,961 18,059,825	19,360,429 26,	29,139,557 24,	11,001,259
		1880.	1881.	
		June	Mar.	
1881-82	18,059,825 5,816,291	11,749,337 18,	26,672,277 8,	1,963,482
		1881.	1882.	
		Oct.	Jan.	
1882-83	5,816,291 6,147,571	4,774,737 27,	18,167,798 29,	673,900
		1882.	1883.	
		May	Nov.	
1883-84	6,147,571 6,468,577	9,577,131 9,	27,659,552 7,	1,294,543
		1883.	1883.	
		Jan.	Nov.	
1884-85	6,468,577 13,095,069	8,659,312 3,	19,645,168 14,	3,144,902
		1885.	1884.	
		May	April	
1885-86	13,095,069 19,004,003	18,446,270 23,	25,574,576 17,	13,139,469
		1885.	1885.	
		July	April	
1886-87	19,004,003 21,118,331	21,366,010 1,	32,509,061 7,	14,721,960
		1886.	1887.	
		Dec.	April	
1887-88	21,118,331 29,439,358	24,862,577 31,	36,345,757 8,	14,176,873
		1887.	1887.	
		June	Mar.	
1888-89	29,439,358 17,513,803	21,948,950 23,	28,757,437 1,	13,103,858
		1888.	1889.	
		{ a	Dec.	May
1889-90	{ 17,513,803 16,755,138	14,494,329 28,	28,474,389 1,	6,300,077
		1889.	1889.	
		{ b	June	Mar
		3,147,224 18,	6,388,171 31,	963,051
		1889.	1890.	

1890-91	{ 16,755,138	5,286,697	{ a 9,952,241	Sept. 27, 24,406,213 1890.	Jan. 26, 91,569 1891.
			{ b 3,385,230	Oct. 17, 26,358,572 1890.	May 8, 762,021 1890.
1891-92	{ 5,286,697	13,081,603	{ a 2,616,937	June 22, 16,087,775 1891.	Nov. 16, 362,924 1891.
			{ b 3,848,022	July 29, 9,124,384 1891.	April 30, 1,068,925 1891.
1892-93	{ 13,081,603	9,906,794	{ a 7,796,171	Dec. 27, 15,867,982 1892.	June 25, 7,755,080 1892.
			{ b 3,499,095	July 20, 2,106,017 1892.	April 30, 716,649 1892.
1893-94	{ 9,906,784	7,442,509	{ a 4,584,580	Dec. 23, 14,562,894 1893.	July 13, 98,990 1893.
			{ b 3,435,849	Mar. 10, 5,816,492 1894.	Nov. 17, 14,967 1893.
1894-95	{ 7,442,509	7,790,739	{ a 824,042	Jan. 2, 6,274,030 1895.	Nov. 17, 54,291 1894.
			{ b 5,046,140	June 4, 9,697,628 1894.	April 30, 1,622,509 1894.

This table shows the remarkable fact that since 1864-65 the deposit account business has not increased, but rather has had a tendency to diminish. The totals of the single years were highest in the first five decades of the Bank's existence; in 1862-63 with 48,680,000 guilders. In 1874-75 and 1875-76 only, this amount was exceeded, with 52,300,000 and 56,200,000 guilders respectively; otherwise the balance always remained below forty million guilders. The annual average figures are highest in 1874-75, 1875-76, and 1876-77, with 40,700,000, 49,400,000, and 43,900,000 guilders respectively. Later, they are always lower than in 1874-75. The great changes from year to year are also remarkable. The reason for both must be found in the fact that private individuals did not open deposit accounts, and therefore the elements of an equalization or of steady development were wanting. It was the money of public departments, and especially that of the Government, which was transferred to the Bank's current accounts. From 1889-90 the amount of the Government balance on deposit is separately stated in the reports. We see from this that the Government balances are, as a rule, higher than any other. Only in 1891-92 and 1894-95 were they lower. The great fluctuations are principally caused by the balances of the

Government. The following figures show some of these: the balance of the Government falling from 24,400,000 guilders on September 27, 1870, to 91,569 guilders November 26, 1890, and from 16,100,000 guilders on June 22, 1891, to 362,924 guilders on November 16, 1891. These fluctuations make the use of the uncovered sixty per cent. of the deposit balances difficult for the Bank. For the benefit of the Government, the most important depositor, the arrangement was made in 1883-84 that the Treasury agents, at places where Bank offices exist, might deposit under certain conditions their superfluous funds with these Bank offices; but this did not cause a steadier movement of the deposit business.

## CHARGES ON PRIVATE DEPOSITS.

The public at large was deterred by many causes from opening accounts. First, it was very cumbersome that deposit accounts could be opened only in Amsterdam and at the branch bank in Rotterdam. It is true that the holders of such an account, if they lived in a district of a Bank office outside of Amsterdam or Rotterdam, could pay and dispose of money at the office; but this was only a makeshift, since the account was not kept there. On January 1, 1889, the opening of deposit accounts was allowed to the Bank offices, but not to the correspondents. An application in writing is sufficient for this purpose. One can also have independent deposit accounts at several Bank offices. Payments must be made by the customer himself, or by another party for his account, either in cash or in stocks or other paper payable at the Bank offices. For account-holders, the Bank also undertakes to cash securities not payable at its offices. Notwithstanding these facilities, the account deposits of private individuals did not greatly increase. This may be explained by the fact that the Bank not only paid no interest for the deposited money, but claimed a commission for handling it. On all payments, one-half per cent. commission has to be paid. No commission was charged by the Bank either on entering to the credit of the depositor, on transfers from the account of someone else, or on amounts the depositor had to claim from the Bank from discounts on loans. For cashing drafts not payable at the Bank, a collection fee of one-half per cent. is charged, which must amount to at least five cents for a coupon and to twenty-five cents for any other security. If the paper to be cashed is not payable at the place where the account is kept, an extra fee (*plaatsverlies*) is charged according to a fixed tariff. Drafts payable in Amsterdam and Rotterdam only are free of *plaatsverlies*. One can dispose, without charge, of the balance, if the disposal is made by a transfer to the office where the account is kept, or by demanding the transfer to be made to another depositor. A commission of one-tenth of one per cent., at least ten cents per draft, has to be paid if one draws by other means than bank assignments on the office keeping the account, and a commission of one-eighth per cent. (at least 1.5 guilders, is charged for a transfer by wire in favor of the account of another person.

Since January 1, 1889, it has been permissible to have a debit balance on one's account as a depositor; *i. e.*, one may receive cash advances on current account against security. For the debit balance, interest must be paid. On making transfers to cover the debit balance, the usual commission on payments (one-half per cent.) has to be paid. At this commission many merchants took umbrage, and since April 1, 1894, the commission on payments to cover debit balances has been abolished. It has

already been mentioned that the Bank was obliged by law of August 7, 1888, article eleven, to make cash advances to the Government on current account on its depositing Treasury bills as security. This privilege has not been much used. The annual average has been as follows:

1889-90 553,417 guilders.

1890-91 676,205 guilders.

1891-92 1,051,399 guilders.

1892-93 1,270,923 guilders.

1893-94 1,523,342 guilders.

1894-95 1,219,345 guilders.

## THE VOLUME OF NOTE ISSUES.

The following table shows the development which has taken place in that most important branch of the Bank's business—the issue of notes:

*Bank Notes in Circulation.*

YEARS.	In the Beginning of the Year. Guilders.	At the End of the Year. Guilders.	Annual Average. Guilders.	MAXIMUM. Date. Guilders.	MINIMUM. Date. Guilders.
				May 1864.	Dec. 1864.
1864-65	105,302,160	103,109,925	104,859,994	4, 119,854,470	27, 97,425,705
				Oct. 1865.	Mar. 1866.
1865-66	103,109,925	102,261,475	112,540,987	13, 122,698,015	19, 102,143,000
				Jan. 1867.	April 1866.
1866-67	102,261,475	111,130,935	108,943,540	5, 117,273,695	3, 102,044,690
				Jan. 1868.	April 1867.
1867-68	111,130,935	117,245,900	119,282,260	6, 126,113,995	1, 111,297,805
				Nov. 1868.	April 1868.
1868-69	117,245,900	133,658,080	135,667,575	28, 148,478,900	1, 117,667,575
				May 1869.	Mar. 1870.
1869-70	133,658,080	126,191,895	131,656,347	15, 141,114,060	30, 125,264,425
				July 1870.	April 1870.
1870-71	126,191,895	145,339,470	142,687,597	27, 160,227,685	1, 125,721,525
				Feb. 1872.	April 1871.
1871-72	145,379,470	173,946,215	167,755,419	1, 199,355,975	1, 145,911,250
				May 1872.	Mar. 1873.
1872-73	173,946,215	155,322,150	165,021,060	18, 175,178,830	25, 154,939,475
				Nov. 1873.	April 1873.
1873-74	155,929,740	168,288,300	166,411,461	15, 176,972,285	1, 155,929,740
				Jan. 1875.	Mar. 1875.
1874-75	168,288,300	168,662,780	175,340,677	18, 184,614,535	30, 167,518,760
				Jan. 1876.	April 1875.
1875-76	168,844,660	177,047,240	183,693,149	7, 196,582,325	1, 168,844,660
				Nov. 1876.	April 1876.
1876-77	177,694,880	187,960,290	187,271,117	3, 198,512,345	1, 177,694,880

			May		April	
1877-78	187,960,290	190,996,640	199,511,554	9, 209,387,475	3, 187,789,050	
			1877.		1877.	
			May		Mar.	
1878-79	190,996,640	173,648,780	188,288,663	3, 201,700,345	25, 173,279,385	
			1878.		1879.	
			Nov.		April	
1879-80	174,845,195	189,606,945	190,767,515	7, 199,430,590	1, 174,845,195	
			1879.		1879.	
			Jan.		Sept.	
1880-81	189,606,945	187,357,975	194,404,868	14, 205,382,725	27, 183,610,380	
			1881.		1880.	
			May		Mar.	
1881-82	187,357,975	174,782,010	194,961,419	13, 212,968,655	22, 173,618,680	
			1881.		1882.	
			Nov.		Mar.	
1882-83	174,782,010	177,106,255	185,804,825	3, 196,476,985	29, 174,819,530	
			1882.		1883.	
			May		June	
1883-84	177,106,255	179,511,860	186,209,300	2, 197,559,310	25, 178,304,270	
			1883.		1883.	
			May		April	
1884-85	179,462,705	185,534,190	192,268,292	16, 204,625,785	1, 179,462,705	
			1884.		1884.	
			Jan.		Sept.	
1885-86	185,534,190	198,014,290	193,796,500	14, 206,641,500	28, 183,370,335	
			1886.		1885.	
			Jan.		Mar.	
1886-87	198,014,290	194,627,585	204,415,953	11, 217,754,475	24, 192,296,745	
			1887.		1887.	
			May		Dec.	
1887-88	194,627,585	193,435,790	197,565,389	5, 208,423,330	12, 192,460,725	
			1887.		1887.	
			May		April	
1888-89	193,435,790	204,368,785	207,061,192	9, 219,626,925	3, 194,393,425	
			1888.		1888.	
			Jan.		June	
1889-90	204,368,785	208,449,530	212,481,799	14, 223,931,520	22, 202,855,250	
			1890.		1889.	
			Oct.		Mar.	
1890-91	208,449,530	194,680,405	208,355,624	18, 224,758,265	24, 191,979,105	
			1890.		1891.	
			July		Mar.	
1891-92	194,680,405	189,125,010	198,448,517	31, 209,813,665	24, 185,955,030	
			1891.		1892.	

			Jan.		June	
1892-93	189,125,010	193,451,955	194,246,714	16, 204,142,155	25, 185,269,030	
			1893.		1892.	
			Jan.		Sept.	
1893-94	193,451,955	200,028,990	197,516,678	12, 210,768,260	25, 183,491,940	
			1894.		1893.	
			May		Sept.	
1894-95	200,028,990	203,682,845	205,872,277	2, 216,555,425	24, 195,411,635	
			1894.		1894.	

By the law of December 22, 1863, the Bank had been freed from the restriction concerning a maximum note issue. The decree of April 16, 1864, required that the Bank had only to take care that forty per cent. of the total amount of bank notes, bank assignments, and account current balances had a metallic security. For the rest, it could expand the note issue according to its requirements. But the demand for bank notes did not depend upon the Bank in this matter; it had to submit to commercial conditions, and especially to the demand for paper currency by the people.

It was impossible, of course, to exceed these limits permanently, as the notes could be presented at any time to be exchanged for coin at the Bank offices, and the surplus of notes issued could flow back to the Bank. The credit of the Bank, which could be kept up only by a continuous maintenance of its payments, was the basis of the steady circulation of its notes. There was never any arrest of the process of redemption, and when, after the outbreak of the Franco-German War in 1870, an increased return flow of notes took place at several offices, the payments went on without interruption and the temporary anxiety soon passed.

During several years the general condition of trade was very propitious for the circulation of bank notes, the volume of which, with a few exceptions, since 1864, shows a steady upward movement. We find, for instance, an increased note circulation in 1868-69 and 1871-72, because the public kept the money, in order to have it ready at their disposal. The periods of increased demand for credit also promote the circulation of bank notes. More important still are the circumstances which permanently favored this circulation. As such we must first mention the creation of many cashing offices by the establishment of the Bank agencies and sub-agencies. The Bank reports lay stress on the fact that the branch offices did a great deal to increase the note circulation. The small use made of cheques\* in Holland also served the same purpose. Then we must take the monetary system into consideration, and together with this, the Bank's extensive trade in the precious metals, payments for which were always made in notes.

## THE QUESTION OF A MONETARY STANDARD.

The monetary system requires a further brief survey. Since the monetary law of November 26, 1847, and the law of April 28, 1852, the currency of Holland† consisted of silver coins and muntbiljetten. The muntbiljetten could be issued only up to ten million guilders, and thus could not injure the note circulation. The silver coins

also helped to bring into favor the more convenient and handier bank notes. These advantageous conditions remained operative during the sixties and in the beginning of the seventies. The price of silver in London fluctuated but little, and therefore the exchange rate of Amsterdam on London did not change much. According to an official statement of the Dutch Government published in 1875, we find the following conditions:

YEARS.	London Silver Price Per Ounce. PENCE.	Silver Ratio.	Amsterdam Rate of Exchange on London. £1 GUILDERS.
1861	6013/16	1:15.51	11.89
1862	61 <sup>3</sup> / <sub>8</sub>	1:15.36	11.76
1863	615/16	1:15.38	11.79 <sup>5</sup>
1864	617/16	1:15.35	11.82
1865	61	1:15.46	11.85 <sup>5</sup>
1866	613/16	1:15.41	11.80 <sup>5</sup>
1867	609/16	1:15.57	11.86 <sup>5</sup>
1868	607/16	1:15.60	11.90 <sup>5</sup>
1869	607/16	1:15.60	11.99 <sup>5</sup>
1870	60 <sup>1</sup> / <sub>2</sub>	1:15.59	11.87
1871	60 <sup>1</sup> / <sub>2</sub>	1:15.59	11.90 <sup>5</sup>

The increasing production of silver and Germany's endeavor to adopt the gold standard caused great alarm in Holland. The Netherlands Bank declared in the winter of 1871-72, on a Government inquiry, that Holland would probably be compelled to adopt the gold standard as a result of the German currency reform.\*

The Government, on October 30, 1872, appointed a committee of five members—of which the then Bank president, Dr. W. C. Mees, was one—to examine the question. The committee,† in 1872, issued a report pronouncing the transition to a gold standard to be indispensable for Holland, in case Germany should make it. The coining of gold ten-guilder pieces (of 6.0966 grammes fine gold) was recommended as a temporary measure. Several years, nevertheless, elapsed before the Government and Parliament could come to an agreement with regard to this highly drastic measure.

The depreciation of silver, and consequently the advance of the rate of exchange, progressed. The monthly average of the Amsterdam rate of exchange on London, per pound sterling, was as follows:



In January, 1872	11.85 <sup>5</sup> guilders.
February, 1872	11.92 guilders.
March, 1872	12. guilders.
April, 1872	12.02 guilders.
May, 1872	12.05 <sup>5</sup> guilders.
June, 1872	12.08 <sup>5</sup> guilders.
July, 1872	12.08 guilders.
August, 1872	12.07 <sup>5</sup> guilders.
Sept., 1872	12.05 guilders.
In Oct., 1872	12.08 guilders.
Nov., 1872	12.10 guilders.
Dec., 1872	12.05 guilders.
January, 1873	11.98 guilders.
Feb., 1873	12.02 guilders.
March, 1873	12.04 <sup>5</sup> guilders.
April, 1873	12.03 guilders.
May, 1873	12.02 guilders.

In Holland, no one had seriously to fear the depreciation of the silver standard coins, more than 140 million guilders' worth of which had been struck. The Government was therefore empowered by the law of May 21, 1873, to restrict the silver coinage till November 1, 1873, or to stop it entirely. In pursuance of a royal decree of May 27, 1873, silver coinage was discontinued until August 1, 1873. The term was further prolonged till November 1, 1873, and by the law of October 26, 1873, till February 1, 1874; still later, May 1, 1874, was fixed as the term. All this time the Bank had many difficulties to overcome from not being allowed to strike either silver or gold coins. Neither the Government nor Parliament made haste with the currency reform. The committee above mentioned had already, on June 26, 1873, recommended the adoption of the gold standard. It was on October 28, 1873, that a bill to this effect was first submitted to Parliament, and on March 2, 1874, the second chamber came to a decision in the matter. Parliament considered it advantageous for the present to stick to the silver standard, and the bill was withdrawn.

After May 1, 1874, silver coinage was allowed again; but on December 3, 1874, a new law was promulgated forbidding silver coinage until July 1, 1875; and to put this law into execution the royal decrees of December 11, 1874, and of March 16, 1875, again prohibited silver coinage, without, however, permitting gold coinage.

The London price of silver, which, from 1861 to 1870, had stood at an average of 60 15/16d. per ounce, meanwhile fell more and more, and in May, 1875, stood at 55 1/2d. The state of the Dutch currency had become unbearable. Experts, and among them the Netherlands Bank, were of this opinion. On April 17, 1875, the Government submitted a bill to Parliament, which, in spite of much opposition, was passed with but few amendments. This law of June 6, 1875, only aimed at a provisional regulation, as it had to be revised before January, 1877 (Art. 7). According to article

one, the gold ten-florin piece was added to the silver standard coins, as defined by the law of November 26, 1847.

The new gold standard coin weighed 6.72 grammes, and contained 6.048 grammes fine gold; the standard fineness was thus nine-tenths (Arts. 2 and 3). Everybody was free to have gold ten-guilder pieces struck (Art. 5); the coinage of silver standard coins until January 1, 1877, could be done only for account of the State (Art. 7).

On May 9, 1876, a new bill was submitted to Parliament for finally introducing a gold standard, but it was never passed. The prohibition of free silver coinage was, however, extended till January 1, 1878, by the Act of December 30, 1876, and by the Act of December 9, 1877, for an unlimited period until further decision.

## COIN FOR CIRCULATION AND EXPORT.

Further legislative measures were not taken before April 27, 1884, although the dangers of the unsettled condition of the currency became every day more evident by the continuous depreciation of silver. The Minister of Finance was empowered to recoin twenty-five million guilders into ryksdaelders (2½ guilders each), and to sell them for bar silver. At the same time, the Government was permitted to issue a further five million guilders in muntbiljetten. The competition which the new muntbiljetten presented to the bank notes was of no apparent consequence, as the tables of bank note circulation do not show any decrease after 1884. The adoption of gold coins (1875) might have affected the note circulation. The coinage, which to a very great extent was done for account of the Bank, was, however, not so extensive as to displace the notes to any extent as a circulating medium. The gold coinage was as follows: 1875, 41,100,000 guilders; 1876, 15,800,000 guilders; 1877, 11,080,000 guilders; 1879, 5,810,000 guilders; 1880, 500,000 guilders. Total, 74,300,000 guilders.

From 1881 to 1890, 4,030,000 guilders were coined, and from 1891 to 1894, none. The entire gold coinage has been 78,330,000 guilders. Gold coins were exported to the colonies and sent abroad (according to the "Jaarcijfers"), as follows: In 1875-80, 1,676,590 guilders; 1881-90, 48,998,220 guilders; 1891-94, 15,050 guilders. Total, 50,689,860 guilders.

From abroad and from the colonies, 19,941,000 guilders were returned between 1875 and 1894. On the whole, 30,748,860 guilders were sent abroad and to the colonies up to 1894; 78,330,000 guilders only having been minted, not more than 47,580,000 remained in Holland in 1894. A great amount was constantly kept in the coffers of the Netherlands Bank. The following table, taken from the Bank's reports, gives the changes in the reserve:

*Gold and Silver Coins in Holland (in Thousands of Guilders).*

On Dec. 31.	DUTCH SILVER AND SMALL COIN.			DUTCH GOLD COINS.		
	Total.	At the Netherlands Bank.	Outside the Netherlands Bank.	Total.	At the Netherlands Bank.	Outside the Netherlands Bank.
1880	155.817	85.059	70.758	72.897	40.976	31.921
1881	157.447	89.005	68.442	50.247	18.376	31.871
1882	161.225	92.123	69.102	35.562	5.495	30.067
1883	161.151	93.407	67.744	47.192	18.861	28.331
1884	158.679	93.177	65.502	46.764	19.682	27.082
1885	159.963	96.464	65.499	47.247	22.852	24.395
1886	160.265	98.027	62.238	47.288	23.084	24.204
1887	160.184	98.469	61.715	47.289	23.191	24.098
1888	150.252	89.915	60.337	47.595	23.158	24.437
1889	133.685	72.700	60.985	47.598	23.232	24.366
1890	126.160	65.616	60.544	47.594	23.339	24.255
1891	136.490	78.841	57.649	47.591	23.535	24.056
1892	140.692	85.160	55.532	47.589	23.816	23.773
1893	142.483	84.330	58.153	47.581	23.987	23.594
1894	141.610	82.722	58.888	47.581	23.910	23.671

The total amount of currency in Holland, outside of the Netherlands Bank, according to the “Jaarcijfers,” was as follows (in thousands of guilders):

On January 1.	Silver Coin.	Gold Coin.	Total of Gold and Silver Coin.	Muntbiljetten (Paper money).	Bank Notes.	Total.
1866	90.799		90.799	8.270	107.137	206.206
1871	93.111		93.111	7.977	147.844	248.932
1876	89.919	16.428	106.347	6.980	189.228	302.555
1881	70.758	31.921	102.679	6.525	197.975	307.179
1882	68.442	31.871	100.313	7.927	195.545	303.785
1883	67.202	30.066	97.268	9.669	189.139	296.076
1884	67.746	28.330	96.076	9.672	190.040	295.788
1885	65.505	27.114	92.619	9.837	196.712	299.168
1886	63.499	24.395	87.894	9.762	197.341	294.997
1887	62.238	24.204	86.442	14.071	213.130	313.643
1888	61.715	24.098	85.803	12.283	200.608	299.244
1889	60.337	24.437	84.774	11.737	207.233	303.744
1890	60.985	24.366	85.351	11.577	213.810	310.738
1891	60.544	24.255	84.799	14.486	204.940	303.225
1892	57.649	24.056	81.704	14.750	203.288	299.743
1893	53.995	23.773	77.768	13.960	197.547	289.275
1894	58.153	23.594	81.747	14.347	201.809	297.903
1895	58.888	23.671	82.559	14.534	202.943	300.036

According to these figures, the coin circulation shows a tendency to decrease after 1876. On January 1, 1885, the total amount of coin in circulation very nearly tallied with the total of 1871. Since that year the amount has decreased very considerably. The total of gold coins circulating outside of the Bank has, since 1886, remained very stable, probably because there was but little gold coinage from 1881, and later on it was stopped entirely. In this way, trade had at its disposal as metallic currency a small amount of gold coins and a greater amount of silver coins, which were steadily losing value. Paper money existed only in very small amounts. Consequently, nothing remained but to fill the void with bank notes.

## THE NOTE CIRCULATION.

This, evidently, has been done to a great extent. Of the whole amount of the circulating medium on January 1st, bank notes represented the following value:

1866 about 52 per cent.  
1871 about 59 per cent.  
1876 about 62 per cent.  
1881 about 64 per cent.  
1886 about 67 per cent.  
1891 about 67.6 per cent.  
1895 about 67.6 per cent.

In the beginning of our period, about half, and at the end of it, more than two-thirds, of the entire volume of the currency was furnished by bank notes. This increasing employment of notes was facilitated by the minimum denomination of the notes being very small. Trade principally demanded small notes, although it was more convenient for the Bank to issue large ones. The Bank issued and still issues notes of 25, 40, 60, 80, 100, 200, 300, 500, and 1000 guilders each. Bank notes for 500 guilders and 80 guilders are not much liked, and are very little used, while notes for 60, 40, and especially for 25 guilders, have become very popular.

The following table, based upon the yearly reports of the Netherlands Bank, gives a statement of the amount and number of notes of each denomination outstanding on March 31st, for a series of years:

ON MARCH 31.	FOR 1000 GUILDERS.		FOR 500 GUILDERS.		FOR 300 GUILDERS.		FOR 200 GUILDERS.		FOR 100 GUILDERS.		FOR 50
	Number.	1000 Guilders.	Number.	1000 Guilders.	Number.	1000 Guilders.	Number.	1000 Guilders.	Number.	1000 Guilders.	Number.
1864	28,137	28,137.0	15	7.5	62,274	18,682.2	96,893	19,378.6	196,503	19,650.3	47
1865	27,493	27,493.0	14	7.0	53,584	16,075.2	86,842	17,368.4	204,532	20,453.2	46
1866	20,859	20,859.0	14	7.0	51,118	15,335.4	83,727	16,745.4	226,384	22,638.4	44
1867	25,252	25,252.0	14	7.0	50,734	15,220.2	81,629	16,325.8	241,816	24,181.6	42
1868	25,008	25,008.0	14	7.0	54,713	16,413.9	84,967	16,993.4	257,302	25,730.2	42
1869	32,754	32,754.0	12	6.0	60,445	18,133.5	91,969	18,393.8	273,486	27,348.6	40
1870	27,384	27,384.0	12	6.0	52,360	15,708.0	83,080	16,616.0	273,994	27,399.4	37
1871	36,284	36,284.0	12	6.0	60,837	18,251.1	91,052	18,210.4	293,754	29,375.4	37
1872	57,864	57,864.0	12	6.0	65,340	19,602.0	94,326	18,865.2	317,046	31,704.6	37
1873	34,401	34,401.0	12	6.0	64,998	19,499.4	94,419	18,883.8	332,198	33,218.9	37
1874	41,296	41,296.0	12	6.0	68,659	20,597.7	97,866	19,573.2	352,019	35,201.9	37
1875	37,386	37,386.0	12	6.0	69,586	20,875.8	100,510	20,102.0	365,730	36,573.0	37
1876	40,527	40,527.0	12	6.0	76,061	22,818.3	107,516	21,503.2	380,567	38,056.7	37
1877	48,921	48,921.0	12	6.0	78,394	23,518.2	108,716	21,743.2	391,901	39,190.1	37
1878	52,027	52,027.0	12	6.0	78,598	23,579.4	108,846	21,769.2	393,524	39,352.4	36
1879	41,800	41,800.0	12	6.0	69,910	20,973.0	98,273	19,654.6	376,811	37,681.1	36
1880	54,318	54,318.0	12	6.0	73,210	21,963.0	101,815	20,363.0	383,847	38,384.7	36
1881	49,385	49,385.0	12	6.0	71,145	21,343.5	100,165	20,033.0	394,368	39,436.8	36
1882	41,160	41,160.0	12	6.0	65,554	19,666.2	92,771	18,554.2	388,352	38,835.2	36
1883	41,068	41,068.0	12	6.0	63,700	19,110.0	91,443	18,288.6	401,116	40,111.6	36
1884	41,034	41,034.0	12	6.0	63,541	19,062.3	94,580	18,916.0	399,698	39,919.8	36
1885	44,533	44,533.0	12	6.0	63,261	18,978.3	93,303	18,660.6	405,429	40,542.9	35
1886	52,904	52,904.0	12	6.0	65,447	19,634.1	94,908	18,981.6	415,899	41,589.9	35
1887	49,399	49,399.0	12	6.0	65,667	19,700.1	95,147	19,029.4	413,218	41,321.8	35
1888	48,182	48,182.0	12	6.0	62,992	18,897.6	91,135	18,227.0	413,456	41,345.6	35
1889	54,732	54,732.0	12	6.0	66,243	19,872.9	95,659	19,131.8	426,828	42,682.8	17
1890	49,696	49,696.0	12	6.0	69,300	20,790.0	101,409	20,281.8	459,515	45,951.5	17
1891	45,048	45,048.0	12	6.0	63,582	19,074.6	92,506	18,501.2	435,122	43,512.2	17
1892	45,352	45,352.0	12	6.0	60,246	18,073.8	86,375	17,275.0	424,941	42,494.1	17
1893	45,852	45,852.0	12	6.0	62,095	18,628.5	88,877	17,775.4	428,545	42,854.5	17
1894	47,331	47,331.0	12	6.0	61,563	18,468.9	88,362	17,672.4	417,536	41,753.6	17
1895	52,258	52,258.0	12	6.0	59,478	17,843.4	85,189	17,037.8	417,164	41,716.4	17

This shows clearly how much more the small notes have been used than the larger. The number of 25-guilder notes is especially large. The amount of notes in circulation for 500, 300, 200, and 80 guilders has decreased as compared with 1864. The others have increased. The figures for 1864 and 1895 show the following proportion:

1864. 1895.

100 186 for notes of 1000 guilders each.

100 212 for notes of 100 guilders each.

100 337 for notes of 60 guilders each.

100 376 for notes of 40 guilders each.

100 456 for notes of 25 guilders each.

It is significant that the increase grows in proportion to the smaller value represented by the notes. The Bank reports for 1864-65 and 1865-66 call bank notes from 1000 to 100 guilders large notes, and the others small ones. Adopting the same system for later years, we find the following movement:

*Bank Note Circulation in Groups, according to their Value.*

On March 31.	BANK NOTES OF 1000-100 GULDERS EACH.			BANK NOTES OF 80-25 GULDERS EACH.		
	Number of Notes.	Value in Guilders.	Per Cent. of the Total Value.	Number of Notes.	Value in Guilders.	Per Cent. of the Total Value.
1864	383,222	85,855,600	81.5	510,086	19,446,560	18.5
1865	372,465	81,396,800	78.94	569,556	21,713,125	21.06
1866	382,102	75,585,200	73.91	700,932	26,676,275	26.09
1867	399,445	80,986,600	72.88	784,937	30,144,335	27.12
1868	422,004	84,152,500	71.77	862,521	33,093,400	28.23
1869	458,666	96,635,900	72.3	958,088	37,022,180	27.70
1870	436,830	87,113,470	69.03	1,013,257	39,078,420	30.97
1871	481,939	102,126,900	70.27	1,121,681	43,212,570	29.73
1872	534,888	128,041,800	73.62	1,192,634	45,904,415	26.38
1873	526,028	106,010,000	68.25	1,284,443	49,312,150	31.75
1874	559,852	116,674,800	69.33	1,343,468	51,613,500	30.67
1875	573,224	114,942,700	68.15	1,401,394	53,719,980	31.85
1876	604,683	122,911,200	69.42	1,408,462	54,136,040	30.58
1877	627,944	133,378,500	70.96	1,417,235	54,581,790	29.04
1878	633,007	136,734,000	71.59	1,405,644	54,262,640	28.41
1879	586,806	120,114,700	69.17	1,382,409	53,534,080	30.83
1880	613,202	135,284,700	71.35	1,406,747	54,322,245	28.65
1881	615,075	130,204,300	69.50	1,480,681	57,153,675	30.50
1882	587,849	128,221,600	67.63	1,473,060	56,560,410	32.73
1883	597,339	118,584,200	66.96	1,527,125	58,522,055	33.04
1884	598,865	118,988,100	66.30	1,585,409	60,523,760	33.70
1885	606,538	122,720,800	66.14	1,654,359	62,813,390	33.86
1886	629,170	133,115,600	67.23	1,721,095	64,898,690	32.77
1887	623,443	129,456,300	66.52	1,736,514	65,171,285	33.48
1888	615,777	126,658,200	65.48	1,794,624	66,777,590	34.52
1889	643,474	136,425,500	65.75	1,833,617	67,943,285	33.25
1890	679,934	136,725,300	65.59	1,928,792	71,724,230	34.41
1891	636,270	126,142,000	64.79	1,856,300	68,538,405	35.21
1892	616,926	123,200,090	65.14	1,796,289	65,924,110	34.86
1893	625,381	125,116,400	64.68	1,870,564	68,335,555	35.32
1894	614,804	125,231,900	62.61	2,046,810	74,797,070	37.39
1895	614,101	128,861,600	63.27	2,057,652	74,821,245	36.73

According to this table, the absolute number of large bank notes reached its maximum in 1890; but the total amount has increased in comparison with the sixties in spite of several recessions. The figures for 1864 and 1895 are as 100:160. The respective importance of these notes has, nevertheless, been diminishing. The value of large notes in 1864 was 81.5 per cent. of all circulating bank notes, and in 1895 only 63.27 per cent. The total number of small notes issued has risen from 1864 to 1895 in the



proportion of 100:403. Their respective value in proportion to the total has at the same time also increased from 18.5 per cent. to 36.73 per cent.; *i. e.*, it has been doubled.

Bank bills, bank assignments, and deposit account balances must be covered by coin and bullion to the extent of 40 per cent. The Bank has always followed this rule, as is shown by the following table:

TOTAL METALLIC SECURITY IN SPECIE AND BULLION (IN MILLIONS OF GUILDERS).					STOCK OF SPECIE AND BULLION AT THE DISPOSAL OF THE BANK (IN MILLIONS OF GUILDERS).				
YEARS.	MAXIMUM.		MINIMUM.		Yearly	MAXIMUM.		MINIMUM.	
	Date.	Amount.	Date.	Amount.	Average.	Date.	Amount.	Date.	Amount.
1864-65	1.4.64	91.8	3.10.64	70.0	81.6			3.11.64	16.62
1865-66	29.6.65	100.9	5.3.66	76.1	87.3				
1866-67	30.3.67	95.1	4.7.66	69.6	77.9	30.3.67	37.3	7.7.66	13.1
1867-68	13.5.67	95.4	4.1.68	84.9	90.6	25.4.67	37.1	4.1.68	23.7
1868-69	6.8.68	111.5	18.4.68	89.1	105.9		50.1		31.6
1869-70	1.4.69	102.8	13.11.69	75.4	84.2	1.4.69	40.4	13.11.69	12.0
1870-71	31.3.71	110.8	2.9.70	82.8	94.5	31.3.71	41.0	6.8.70	10.6
1871-72	2.2.72	171.8	3.4.71	111.1	137.4	12.3.72	80.0	1.4.71	41.0
1872-73	2.4.72	158.0	11.1.73	110.3	130.3	25.4.72	78.2	8.1.73	26.3
1873-74	30.3.74	130.1	9.10.73	94.7	108.2	25.3.74	53.1	13.11.73	14.9
1874-75	26.3.75	139.7	7.4.74	129.8	134.8	30.3.75	53.0	18.1.75	42.9
1875-76	1.10.75	161.0	4.5.75	136.0	151.4	27.9.75	72.5	15.5.75	41.4
1876-77	23.6.76	162.3	27.2.77	147.6	156.0	5.8.76	70.4	1.2.77	55.6
1877-78	1.6.77	153.8	11.3.78	123.9	140.6	3.4.77	68.3	15.1.78	37.7
1878-79	26.2.79	124.3	13.5.78	114.0	118.3	2.4.78	42.5	13.7.78	21.6
1879-80	31.3.80	160.3	10.4.79	121.5	149.3	31.3.80	76.9	10.4.79	36.7
1880-81	30.7.80	162.7	31.3.81	135.6	150.2	26.8.80	78.2	2.11.80	51.4
1881-82	30.6.81	140.8	18.2.82	97.8	119.9	1.4.81	54.6	4.11.81	21.7
1882-83	28.6.82	114.6	13.1.83	97.3	105.5	21.6.82	39.8	6.1.83	16.8
1883-84	1.6.83	142.4	2.4.83	112.4	125.3	25.6.83	60.2	5.1.84	35.4
1884-85	5.6.84	139.7	5.4.84	118.3	129.0	26.6.84	59.8	3.1.85	32.7
1885-86	31.3.86	164.3	4.4.85	130.4	142.6	30.3.86	77.2	4.4.85	48.8
1886-87	15.7.86	178.9	12.3.87	156.6	170.3	26.8.86	79.7	12.2.87	66.3
1887-88	29.6.87	161.4	5.11.87	145.1	153.2	23.6.87	74.0	7.1.88	51.4
1888-89	30.5.88	165.6	30.3.89	144.7	157.1	30.8.88	75.3	5.1.89	55.0
1889-90	28.6.89	146.9	8.3.90	124.8	137.7	2.4.89	56.9	4.1.90	33.2
1890-91	19.6.90	129.5	10.12.90	103.4	119.3	27.3.91	39.3	22.11.90	14.5
1891-92	10.8.91	123.6	9.5.91	113.6	117.0	30.3.92	39.9	13.5.91	28.8
1892-93	11.8.92	127.3	24.5.92	117.8	123.1	30.8.92	46.7	14.5.92	33.4
1893-94	31.3.94	137.4	9.10.93	111.3	122.9	30.3.94	54.9	14.10.93	32.0
1894-95	22.6.94	139.1	10.11.94	129.7	135.0	19.9.94	54.7	5.1.95	43.0

The Bank's metallic stock was so abundant the whole time that it considerably exceeded the amount prescribed. The stock of bullion on hand—*i. e.*, at the disposal of the Bank—which best shows the Bank's unemployed power, certainly went down considerably on some days. The smallest figures are:

On November 3, 1864 16,620,000 guilders.

On July 7, 1866 13,100,000 guilders.

On November 13, 1869 12,000,000 guilders.

On August 6, 1870 10,600,000 guilders.

On November 13, 1873 14,900,000 guilders.

On January 6, 1883 16,800,000 guilders.

On November 22, 1890 14,500,000 guilders.

These minimum figures all coincide with critical times. But even in such times the available power of the Bank was still great enough not only to exclude any fears, but also to make possible the liberal allowance of credit.

## DEALINGS IN BULLION.

The development of the trade in the precious metals exercised great influence on the Bank's metallic funds. This trade is altogether remarkable. The period of thirty years in question has the closest connections with the development of the currency reform, and may be divided into a silver and a gold era. The silver era ended in 1874-75, if we leave aside a later sale in 1876-77. The gold era commenced with the year 1871-72. Prior to this, very small quantities only were bought or sold, as the table on opposite page will show.

We have already seen that the Bank, after 1852, bought fine silver at a price of 104.65 guilders per kilogramme. This price, rendered possible by reducing the seigniorage in favor of the Bank, kept at an unvarying figure until the silver purchases had been entirely stopped. A more elastic price would have been more favorable to the Bank. It might often have bought silver at a lower price if it had entered the silver market on the footing of other purchasers.

The Bank principally tried to hinder the export of Dutch coin at the time of an increase in exchange, whereby Holland would have lost the coining charges. Nearly all silver coming to Holland flowed into the Bank. For one kilogramme fine silver in coin, 104.82 guilders were paid by the mint, but the interest for the time of coining was lost. Gerritsen (page 138) calculates this loss of interest at 0.18 guilders, so that private individuals obtained only 104.64 guilders for one kilogramme fine silver if they gave it to the mint to be coined. At the Bank, one received 104.65 guilders without having to submit to any loss of time; consequently, it was more advantageous to sell the silver to the Bank. The result was that most of the coining was done for the Bank's account. It could thereby prevent unnecessary coinage, and keep the rest of the purchased silver in the shape of bars and foreign coin. In case of a rise in the rate of exchange, there was thus always a reserve of silver in bars and foreign coin ready for export. This fact generally confined the fluctuations of the exchange rate within

narrow limits. The Bank itself had the advantage of being paid 104.70 guilders per kilogramme fine silver when sent for coining, and it could sell at a higher price in case of greater demand for silver. On the whole, the price did not exceed 105.82 guilders, as it was more advantageous for the merchants to export Dutch coin when its value rose above the sum stated. It was only when an increasing discount rate and increasing silver prices abroad coincided that the price for selling was raised above this limit. In the autumn of 1865, for instance, the sale price at times was 106.05 guilders.

YEARS.	FINE SILVER, IN KILOGRAMMES.			FINE GOLD, IN KILOGRAMMES.		
	Bought.	Sold.	Coined.	Bought.	Sold.	Coined.
1864-65	228,260	51,665	128,748	64		
1865-66	61,803	143,050	93,080		64	
1866-67	355,025	52,745	90,819	1,713	941	
1867-68	86,268	10,647	114,559		771.2	
1868-69	256,817	71,477	105,328	1.2		
1869-70	99,771	135,122	114,450		5.4	
1870-71	449,775	44,982	158,054			
1871-72	451,458	150,679	211,750	17,277	37	
1872-73	62	229,744	346,283		0.614	
1873-74		18,774	4,772	17,406	152	
1874-75		67	239,363	50	46	
1875-76				9,389	2,240	22,930
1876-77		22,056		1,967	483	
1877-78				802	13,676	
1878-79				483	3,169	
1879-80				21,193	2,791	187
1880-81				1,257	20,493	
1881-82				3,247	6,840	
1882-83				9,678	4,120	
1883-84				13,759	16,488.5	
1884-85				17,455	10,890	
1885-86				17,469	811	
1886-87				8,798	13,776	
1887-88				6,116	7,859	
1888-89				8,683	5,233	
1889-90				3,711	6,541	
1890-91				10,914	14,390	
1891-92				3,786	11,458	
1892-93				613	738	
1893-94				14,357	6,025	
1894-95				4,005	4,402	

The great sales of silver in 1866-67 and 1868-69 must be traced to the fact that the exchange rate on London, in consequence of the distrust of English stocks, had gone down so considerably as to make an importation of silver profitable.

## SILVER PURCHASES AND COINAGE.

The amounts of silver purchased by the Bank were especially large in 1870-71 and 1871-72. This was caused by the payment of the French war indemnity to Germany. Very little more than 500 million francs were paid in hard cash. For the remainder, instruments of credit, especially bills on foreign countries, were employed. Among the latter there also were 250 million francs in bills on Holland. This occasioned a great export of silver from France to Holland. On the other hand, the Bank's silver sales became very extensive because Holland paid these bills to Germany for the most part in silver.

The extensive silver coinage after 1870 must partly be attributed to these causes. The report for 1872-73 lays stress on the great exports of Dutch coin to France and Germany which took place at this time. But this alone does not suffice to explain the exceptionally great silver sales and the extensive silver coinage in 1872-73. Here the condition of the silver market and the state of the Dutch currency compelled some consideration. The depreciation of silver and the approaching necessity for gold coinage in Holland induced the Bank to discontinue its silver purchases.

In 1871-72 the Bank began buying a considerable quantity of gold, and in 1873-74 it continued buying. It tried also to hurry the sales of its silver. In 1873-74 not so much silver was sold, in order not to make the credit market still more contracted than it was already. At the same time, the Bank had to fear that silver coinage would be prohibited in consequence of the approaching currency reform. It therefore had so many silver coins struck that when the apprehended prohibition came into force it had a stock of coin large enough to cover current liabilities. In 1872-73, 346,283 kilogrammes of silver were coined for account of the Bank.

The next year brought the prohibition expected for some time. Gold coinage had not yet been allowed, but silver coinage had been prohibited on May 27, 1873, and remained so till May 1, 1874, and that during a time when, in consequence of the crisis, large claims were made on the Bank. From May 1, 1874, silver coinage was again authorized; but it could be foreseen that new prohibitions would be made, as it also happened in fact in 1874. The Bank made good use of the temporary permission, and it had 239,363 kilogrammes of silver coined. In this manner it utilized the greatest part of its silver without loss. Only 22,056 kilogrammes remained, and were sold at a loss in 1876. Up to 1873 the silver trade had always yielded a large profit. After 1875-76, however, the Bank's trade in precious metals became limited to gold, and since 1875 it pays for the yellow metal 1645 guilders per kilogramme. The Bank wanted to keep this price as a fixed rate, in order to be able to make the rate of exchange on gold countries steady, as it had formerly done with its silver trade, and to prevent the export of Dutch gold coin. When the discount rate rose much, the Bank sold gold in bars or foreign coin at a moderate price. For this purpose it always had to have a considerable stock of gold. But the Bank still could use silver coins up to as

high an amount as was necessary for covering its current liabilities, for in Holland silver coin still was a legal tender.

The price of 1645 guilders for one kilogramme of gold proved too low. If private individuals had gold coined, they received 1653.44 guilders,\* less the coining charge of 5.55, = 1647.89 guilders for one kilogramme. In many cases this was preferred, and the Bank therefore raised the price it paid in 1879 to 1647 guilders, and in 1881 to 1648 guilders. This higher price sent nearly all imported gold into the Bank, so that coining for private individuals ceased. The Bank could regulate the gold coinage, and found therein a means to keep a large amount of bank notes in circulation. The purchase price has been kept, since 1881, at 1648 guilders. But for English sovereigns the price was raised on May 24, 1887, to 1650 guilders. Bar gold the Bank sold, and sells still, at 1653 guilders. Whoever wants to buy gold for export, therefore, gets it 0.44 guilder per kilogramme cheaper than Dutch coin. The Bank itself sells for five guilders per kilogramme above cost price. In the Bank report of 1875-76 it was stated that the gold trade would yield less profit than the silver trade. This has proved correct in the main. In 1875-76, the profit was higher than ever before or since. That was caused by the uncertainty of monetary matters in 1873-74, when large sums were written off from the Bank's metallic stock, while, according to the monetary law of June 6, 1875, a higher valuation was possible.

## THE SAFE DEPOSIT BUSINESS.

In 1869 a new branch of business was established, namely, the safe deposit business. It had already been authorized in the law of December 22, 1863, but only after the Bank building had been finished, in 1869, could the Bank begin this new business—limited in the beginning to “closed deposits,” *i. e.*, to taking charge of sealed parcels of a maximum weight of 50 kilogrammes and not larger than 0.7 metre high, 0.7 metre long, and 0.5 metre broad. Since December 1, 1888, there have been admitted “open deposits” also; *i. e.*, stocks loose or unpacked. At the same time, the Bank undertook to hand over the interest and dividend warrants and the stock certificates to the depositor or to his attorney, but not oftener than four times a year. Since March 1, 1887, the depositor can have the coupons of the deposited stocks cashed through the medium of the Bank. In this case the depositor receives the net amount of the coupon, less a commission of one-fourth per cent. in an assignation to his order. The Bank also communicates to the depositor, but without liability, when some of his stocks have been drawn. In 1890, this was amended so that the depositor who intrusted the Bank with the cashing could pay the full amount of the coupons into his account.

The Bank charges a fee for keeping deposits, and in August, 1885, this fee was reduced as follows: For every 1000 guilders in closed deposits: for the half year, 0.25 guilder (at least 2.50 guilders payable in advance); for a month, for the first time, 0.05 guilder (at least one guilder payable in advance); for every following month, 0.05 guilder (at least 1.50 guilders payable in advance).

For open deposits the following fees must be paid in advance, for every 1000 guilders: Per year, 0.75 guilder (at least 7.50 guilders); per half year, 0.50 guilder (at least 5.00 guilders).

In the beginning, only the Bank in Amsterdam took charge of such deposits. In 1881 the Rotterdam branch bank also was allowed to take closed and open deposits. Further, the Bank agents also were authorized to receive stocks in loose parcels and to send them up to the central bank. Since October 1, 1890, closed deposits can also be placed with the agency at the Hague.

The following table shows the development of the safe deposit business:

CLOSED DEPOSITS.						OPEN DEPOSITS.					
AMOUNT AT THE BEGINNING OF THE NEW DEPOSITS. YEAR.						AMOUNT AT THE BEGINNING OF THE NEW DEPOSITS. YEAR.					
YEARS.	Value (in Number of Deposits.	(in Mills. and Thds. of Guilders).	Value (in Number of Deposits.	(in Mills. and Thds. of Guilders).	TAKEN OUT. Number of Deposits.	Value (in Number of Deposits.	(in Mills. and Thds. of Guilders).	Value (in Number of Deposits.	(in Mills. and Thds. of Guilders).	Value (in Number of Deposits.	(in Mills. and Thds. of Guilders).
1869-70			25	1,722.2	11	895.0					
1870-71	14	827.2	66	4,079.4	49	2,695.2					
1871-72	26	2,211.4	68	5,930.95	56	4,895.05					
1872-73	38	3,247.3	85	6,957.50	65	5,200.4					
1873-74	58	5,004.4	143	16,470.8	99	10,251.2					
1874-75	102	11,224.0	214	21,220.6	169	18,720.8					
1875-76	152	13,723.8	225	21,029.7	202	19,727.5					
1876-77	175	15,026.0	275	26,997.2	235	25,089.9					
1877-78	215	16,933.3	334	33,194.3	305	30,778.2					
1878-79	244	20,349.4	293	24,626.7	264	23,700.7					
1879-80	273	21,275.4	337	29,414.9	301	25,512.3					
1880-81	309	25,177.98	409	36,613.7	392	33,523.6					
1881-82	326	28,268.1	381	32,175.9	382	32,452.6	11	367.2			
1882-83	332	28,267.2	372	30,298.3	348	29,071.8	74	3,097.0			
1883-84	356	29,493.7	407	32,901.0	386	33,946.4	139	5,970.2			
1884-85	377	28,448.3	478	39,793.4	433	39,581.9	190	9,248.5	109	10,022.5	
1885-86	422	28,659.8	505	39,656.5	468	35,072.2	253	13,697.4	189	13,060.5	
1886-87	459	33,244.1	682	63,195.6	696	64,952.7	375	21,737.8	198	19,773.5	
1887-88	445	31,487.0	581	54,700.0	569	52,600.0	382	32,250.6	200	14,313.5	
1888-89	457	33,587.0	774	65,648.0	706	64,628.0	585	39,124.6	273	22,848.5	
1889-90	525	34,607.0	820	70,555.4	871	72,857.4	743	48,706.0	300	28,126.5	
1890-91	474	32,305.0	870	79,648.3	787	66,254.0	882	59,340.0	256	30,238.5	
1891-92	557	45,699.0	1,025	84,474.5	948	80,446.0	941	61,643.0	385	38,693.5	
1892-93	634	49,727.8	1,092	96,765.2	1,003	92,672.2	1,101	75,078.2	427	38,203.5	
1893-94	723	53,820.8	1,309	103,588.5	1,310	103,695.0	1,288	85,800.1	397	39,792.5	
1894-95	722	53,714.3	1,409	118,820.9	1,393	117,958.1	1,463	97,314.8	489	46,374.5	

Comment on these figures is superfluous. They show that the safe deposit business of the Bank quickly developed into great importance; that the increase in the amount of closed deposits has only occasionally stopped, and that the open deposits have increased without intermission.

## THE DISCOUNT BUSINESS.

The statements made so far relate only to the passive business of the Netherlands Bank, the advances on current account alone belonging to the active business. Under

the latter head come discounts, loans on merchandise, stocks, and coin; and since 1889, the advances to the Government. The capital employed in the active business is called *opereerend kapitaal*—*i. e.*, working capital—in the Bank reports. The movement of this working capital shows to what extent the Bank has met the wants of trade. In the following table we may trace its development:



YEARS.	MAXIMUM. Date.	Guilders.	MINIMUM. Date.	Guilders.	Annual Average. Guilders.
1864-65	Nov. 4, 1864.	86,768,122	Mar. 27, 1865.	61,038,799	74,642,392
1865-66	Dec. 18, 1865.	95,669,358	June 27, 1865.	59,540,330	76,774,437
1866-67	June 7, 1866.	89,179,258	Mar. 30, 1867.	70,505,736	83,111,517
1867-68	Jan. 7, 1868.	86,338,772	Aug. 13, 1867.	68,585,639	75,683,467
1868-69	Dec. 24, 1868.	80,598,759	Oct. 24, 1868.	58,386,746	70,316,055
1869-70	Nov. 13, 1869.	100,680,716	April 1, 1869.	70,638,141	89,861,917
1870-71	Aug. 6, 1870.	119,657,470	April 5, 1870.	83,173,961	95,209,244
1871-72	May 6, 1871.	91,978,383	Mar. 30, 1872.	60,027,458	79,434,790
1872-73	Jan. 8, 1873.	118,109,030	April 26, 1872.	57,139,679	86,962,427
1873-74	Nov. 12, 1873	125,475,787	Mar. 25, 1874.	82,562,734	106,598,153
1874-75	Jan. 16, 1875.	117,139,650	Sept. 8, 1874.	88,255,903	99,316,328
1875-76	May 11, 1875.	117,480,078	Sept. 27, 1875.	77,439,876	99,611,820
1876-77	Jan. 13, 1877.	105,304,041	Mar. 29, 1877.	76,851,233	92,750,528
1877-78	Jan. 15, 1878.	114,429,996	Aug. 15, 1877.	73,477,725	91,819,401
1878-79	Nov. 7, 1878.	137,038,818	April 1, 1878.	98,523,955	120,245,319
1879-80	May 19, 1879.	118,575,046	Mar. 31, 1880.	66,628,735	88,122,093
1880-81	Jan. 7, 1881.	99,729,330	Aug. 31, 1880.	63,152,173	80,598,426
1881-82	Nov. 4, 1881.	122,861,642	April 1, 1881.	84,729,492	104,165,180
1882-83	Jan. 6, 1883.	123,133,724	Mar. 29, 1883.	86,459,997	103,337,730
1883-84	Jan. 5, 1884.	104,396,718	June 25, 1883.	78,735,434	88,612,860
1884-85	Jan. 3, 1885.	115,435,599	Sept. 19, 1884.	71,697,842	89,648,559

1885-86	May 9, 1885.	104,751,527	Mar. 31, 1886.	70,267,324	87,205,093
1886-87	Jan. 7, 1887.	93,612,098	Sept. 7, 1886.	58,915,656	72,624,372
1887-88	Jan. 7, 1888.	108,483,330	Aug. 30, 1887.	71,408,836	86,531,359
1888-89	Nov. 6, 1888.	104,974,341	Sept. 5, 1888.	74,756,789	89,365,304
1889-90	Jan. 3, 1890.	133,512,278	April 2, 1889.	89,598,222	108,946,876
1890-91	Nov. 21, 1890.	140,640,430	Mar. 10, 1891.	97,511,473	120,387,945
1891-92	May 2, 1891.	117,499,199	Sept. 17, 1891.	88,600,213	104,069,350
1892-93	Nov. 11, 1892.	109,970,674	Sept. 23, 1892.	86,213,053	98,629,471
1893-94	May 3, 1893.	109,576,014	Mar. 27, 1894.	85,528,331	98,747,503
1894-95	Jan. 4, 1895	104,055,875	Oct. 1, 1894.	84,496,869	92,690,900

To appreciate the importance of these figures, some explanation is needed. In critical years the maximum working capital and the maximum discount and loan rate nearly always occurred on the same days. In 1873 this appears very clearly. On November 12, 1873, the discount rate was six and a half per cent. The working capital rose on the same date to 125,500,000 guilders; an amount which had been reached for the first time, and later on has been surpassed only three times, namely, on November 7, 1878, on January 3, 1890, and on November 21, 1890. In 1870 and 1890 the maximum of the working capital was reached only a day after the highest discount rate had been fixed (August 5, 1870, six per cent., and November 20, 1890, four and a half per cent.). In other instances a somewhat greater but still limited lapse of time lay between the reaching of the two maxima which alternatively preceded each other. Some characteristic dates are:

#### Maximum of Discount and Loan Rate. Maximum of Working Capital.

1864	November 14.	1864	November 4.
1866	January 6.	1865	December 18.
1866	July 3.	1866	June 7.
1872	November 13.	1873	January 1.
1882	January 30.	1881	November 4.
1882	December 13.	1883	January 6.

## LOANS ON SECURITIES.

The advances made to the Government since 1889 are of no great importance in relation to the working capital, they were granted only in three years, viz. (in annual average): 1891-92, 916,861 guilders; 1893-94, 37,882 guilders; 1894-95, 1,166,822 guilders. We saw in the table of current accounts that the advances made on them are

not of any great importance either. Of much greater consequence, however, are the loans, among which those on stocks are the most considerable. The law of December 22, 1863, permitted the granting of loans on many foreign stocks, which, up to then, had not been accepted as collateral. Speculation soon made use of this permission. Many people speculated in foreign stocks without possessing enough money of their own, and therefore had to try and get money by loans on these stocks. The Bank tried to check this by keeping the rate of interest for loans on foreign stocks higher than on Dutch stocks. This difference has been retained since December 13, 1865, till now. Then the Bank entirely excluded certain foreign stocks from its loan list, and published a yearly specification of foreign stocks on which loans were granted. These could be taken as security for loans by the Bank offices without previous inquiry on the part of the board of directors. For foreign stocks the maximum amount of the loan also was reduced. According to the regulations now in force, a margin of thirty per cent. is stipulated for foreign, and of twenty-five per cent. for home stocks. In certain cases the margin can be enlarged. For some home stocks the margin is only twenty per cent. The value of the securities on which loans are to be granted is, as a rule, fixed by the quotation on the Exchange. If such a quotation does not exist, the board of directors has to fix the value. The minimum of a loan on stocks is, for the most part, 2000 guilders.

The amounts of the loans on stocks outstanding at a given time have been as follows:

YEARS.	At Beginning of Year.	Average.	Maximum.	Minimum.
GUILDERS. GUILDERS. GUILDERS. GUILDERS.				
1864-65	18,221,700	23,312,511	30,490,015	18,160,100
1865-66	20,058,370	27,292,527	36,001,610	19,216,370
1866-67	25,035,785	23,598,747	26,803,370	20,567,080
1867-68	22,939,660	25,241,839	28,333,000	22,598,000
1868-69	22,935,045	24,476,332	27,142,340	21,997,670
1869-70	26,314,475	28,793,556	32,814,055	23,629,155
1870-71	24,048,875	26,705,574	33,334,348	22,916,115
1871-72	23,225,671	24,477,263	27,861,075	21,715,965
1872-73	21,588,565	27,167,228	32,447,465	21,160,995
1873-74	26,340,240	24,452,976	28,508,580	18,476,915
1874-75	18,545,215	20,410,683	22,362,230	18,449,915
1875-76	21,866,505	22,687,736	25,792,350	19,917,180
1876-77	25,792,350	30,980,177	34,277,840	25,792,350
1877-78	32,173,000	36,703,436	42,026,890	32,058,690
1878-79	42,026,890	46,779,824	50,920,315	42,026,890
1879-80	44,265,110	34,694,095	44,303,810	29,478,850
1880-81	29,800,546	34,598,898	39,750,444	29,651,935
1881-82	39,424,130	41,168,668	45,124,380	37,797,960
1882-83	40,005,155	35,343,172	42,453,305	28,563,555
1883-84	28,658,355	35,393,364	38,245,105	28,212,005
1884-85	34,658,055	37,105,442	45,383,870	32,594,090
1885-86	32,712,590	35,069,353	40,537,770	30,708,430
1886-87	30,764,130	31,526,352	36,358,245	28,876,595
1887-88	33,416,065	37,098,409	41,443,015	33,382,665
1888-89	38,103,215	33,592,758	39,191,215	29,944,715
1889-90	29,907,755	36,186,834	43,923,055	28,132,205
1890-91	43,566,005	46,918,002	56,378,585	34,991,105
1891-92	35,533,705	35,260,409	40,946,360	29,584,635
1892-93	38,634,441	36,613,232	43,527,991	31,863,190
1893-94	33,057,940	38,031,711	44,047,595	28,193,785
1894-95	28,250,385	32,222,260	36,407,310	28,214,485

Altogether, considerable amounts are in question here. The safe investments, especially in Dutch stocks, play the chief part. Loans on fancy stocks are not worth mentioning; for example, in 1881-82, although in that year a speculating mania in American railway shares set in, loans on these securities were only 3.69 per cent. of all loans on stocks. From 1876-77 the average amount of loans stands higher than before. Gerritsen (page 127) attributes this fact to the changes made in 1874, which rendered the registration of the loan deeds unnecessary, and permitted the tacit prolongation of existing contracts for another three months. Further, the revenue stamp was replaced by a fixed stamp of 0.25 guilder.

## LOANS ON MERCHANDISE.

The minimum amount of loans on merchandise is also fixed at 2000 guilders. The margin is settled for tin at twenty per cent.; for sugar and American calico, at twenty-five per cent.; for arrack, rum, and petroleum, at thirty-five per cent.; for other merchandise, at thirty per cent.

The application for a loan on merchandise has to be accompanied by an insurance policy against damage, and a valuation by a broker accredited by the Bank. In case of a falling market, and every three months certainly, a new valuation has to be handed in by the borrower. The merchandise is either stored by the Bank (*i. e.*, the Bank takes the keys of the depository into its own keeping) or it intrusts a third person with it. The Bank has several times had to complain of losses resulting from the storing by a third person.

The loans on merchandise were, from 1869 to 1878 and from 1884 to 1887, considerably higher than at other times; but they have, nevertheless, never attained any noteworthy importance. The highest figure was, according to the yearly average, in 1872-73—the year before the crisis—9,240,000 guilders. Of the amount outstanding on any single day, the maximum, 12,450,000 guilders, is found on February 23, 1876; which fact has, very likely, a close connection with the generally strained circumstances of that time. The second largest figure, *i. e.*, 11,900,000 guilders, falls on August 25, 1870, after the outbreak of the Franco-German War. At this juncture merchants must have been in great need of advances against their goods, the rate of interest being six and a half per cent. from July 27, 1870.

Further particulars can be found in the following table. The loans outstanding at the beginning of each of the last thirty years were as follows:

Beginning of Year	Loans. Guilders.	Yearly Average. Guilders.	MAXIMUM. Date.	Guilders.	MINIMUM. Date.	Guilders.
1864-65	6,787,373	6,064,036	21.1. 1865.	7,023,945	24.8. 1804.	5,246,310
1865-66	5,896,925	6,189,779		7,182,570		5,193,870
1866-67	6,632,038	6,692,703		8,120,819		5,606,196
1867-68	6,329,925	5,997,682		6,905,504		5,459,013
1868-69	6,343,955	5,739,111		6,371,555		5,305,605
1860-70	5,482,630	7,518,639	24.1. 1870.	9,519,225	21.4. 1869.	4,994,393
1870-71	8,486,770	8,782,876	25.8. 1870.	11,901,134	9. 3. 1871.	7,248,185
1871-72	7,881,915	7,737,379	29.3. 1872.	9,310,280	28.11.1871.	6,540,240
1872-73	9,289,380	9,243,780	3. 6. 1872.	10,616,600	4. 3. 1873.	7,907,971
1873-74	8,128,150	8,673,040	2. 8. 1873.	10,020,070	5. 2. 1874.	7,508,165
1874-75	8,408,740	9,186,593	23.10.1874.	9,872,495	22.4. 1874.	8,270,190
1875-76	9,177,315	8,994,993	23.2. 1876.	12,454,242	30.8. 1875.	5,969,230
1876-77	11,792,010	8,481,535	1. 4. 1876.	11,792,010	23.12.1876.	6,027,305
1877-78	6,800,405	7,301,696	27.3. 1878.	8,924,185	25.10.1877.	5,980,690
1878-79	8,819,615	7,766,738	2. 4. 1878.	8,945,615	8.10. 1878.	7,064,180
1879-80	7,361,125	5,782,068	3. 4. 1879.	7,448,925	6.11. 1879.	4,269,315
1880-81	6,278,285	5,311,403	10.4. 1880.	6,542,485	28.9. 1880.	4,202,630
1881-82	5,695,565	4,519,724	1. 4. 1881.	5,765,265	29.9. 1881.	3,541,260
1882-83	4,603,130	4,323,402	15.4. 1882.	5,082,649	31.10.1882.	3,810,650
1883-84	4,002,020	5,312,390	31.3. 1884.	7,890,685	26.9. 1883.	3,683,650
1884-85	7,890,685	7,615,067	5. 2. 1885.	9,524,525	1.11. 1884.	5,933,775
1885-86	9,073,645	7,623,807	11.1. 1885.	9,309,645	31.3. 1886.	6,186,625
1886-87	6,186,625	5,086,864	31.3. 1887.	7,267,360	4.12. 1886.	3,744,030
1887-88	7,267,360	8,454,522	17.10.1887.	10,075,560	31.3. 1888.	5,946,490
1888-89	5,946,490	3,635,886	3. 4. 1888.	5,894,090	26.10.1888.	2,411,150
1889-90	3,083,905	3,022,653	25.1. 1890.	5,264,180	8. 8. 1889.	1,631,140
1890-91	4,656,850	3,599,681	28.5. 1890.	4,875,480	18.10.1890.	2,443,825
1891-92	4,551,050	4,486,494	16.1. 1892.	6,427,010	24.9. 1891.	2,904,110
1892-93	5,982,435	3,461,425	2. 4. 1892.	6,103,515	11.11.1892.	2,020,105
1893-94	2,188,375	4,391,502	2. 1. 1894.	7,022,062	4. 1. 1893.	2,260,675
1894-95	5,603,775	5,057,554	21.1. 1895.	7,297,175	18.9. 1894.	3,513,425

## LOANS ON SPECIE AND BULLION.

Loans on specie and bullion are of much less importance than the above. Such loans on foreign coins and on gold and silver bars were, as a rule, made only to money-changers, although other persons also were entitled to do that business.

According to the report for 1874-75 (page 9), and for 1875-76 (page 9), the cause for increased activity in this business at that time is to be found in the tendency "to stop the rapid decline of the rate of exchange." The rate of interest has always been one per

cent. on such loans. On settling a debt within the first two months, one-eighth per cent. a month is charged. The value of the security is calculated at the following rates: One kilogramme fine gold = 1500 guilders; one sovereign = 11.0 guilders; one twenty-franc piece = 8.70 guilders; one twenty-mark piece = 10.75 guilders; one kilogramme fine silver = 75.0 guilders. The minimum of such loans is 1000 guilders.

The general course of these loans, which does not call for special remark, is shown in the following table of the amounts outstanding on the security of specie and bullion at the beginning of each year:

Beginning of Year	Amount. Guilders.	Yearly Average. Guilders.	MAXIMUM. Date.	Guilders.	MINIMUM. Date.	Guilders.
1864-65	90,000	181,738	Jan. 6, 1865.	285,125	June 30, 1864.	86,500
1865-66	252,700	103,689		255,300		43,500
1866-67	72,400	233,145		408,950		71,900
1867-68	403,800	251,360		437,650		164,500
1868-69	230,800	146,258				
1869-70	77,700	68,365	Feb. 4. 1870.	105,400	July 2, 1869.	37,900
1870-71	78,100	158,852	Nov. 5, 1870.	277,700	July 27, 1870.	61,300
1871-72	166,500	237,072	Nov. 20, 1871.	286,300	April 1, 1871.	164,300
1872-73	173,800	76,582	April 9, 1872.	189,300	July 18, 1872.	21,100
1873-74	65,700	115,725	Feb. 9, 1874.	225,300	June 11, 1873.	18,600
1874-75	197,200	410,463	Mar. 31, 1875.	3,506,300	July 28, 1874.	146,600
1875-76	3,506,300	1,271,682	June 1, 1875.	4,385,600	Feb. 17, 1876.	68,200
1876-77	92,600	128,045	Feb. 21, 1877.	213,300	July 11, 1876.	51,600
1877-78	199,700	149,029	May 1, 1877.	276,600	Dec. 31, 1877.	85,300
1878-79	111,500	108,272	Mar. 31, 1875.	151,150	Oct. 10, 1878.	86,800
1879-80	151,150	189,152	July 4, 1879.	243,150	April 3, 1879.	47,550
1880-81	175,600	155,945	May 10, 1880.	183,000	Mar 28, 1881.	130,600
1881-82	132,600	169,808	June 15, 1881.	208,700	April 20, 1881.	130,900
1882-83	164,300	185,769	May 20, 1882.	256,120	Nv. 25, Dc. 29, '82.	142,000
1883-84	187,100	163,490	May 16-31, '83.	243,300	Mar. 28-31, '84.	108,300
1884-85	108,300	103,882	Mar. 31, 1885.	154,800	Dec. 2, 1884.	74,100
1885-86	154,800	117,883	May 13, 1885.	172,000	Oct. 13, 1885.	93,100
1886-87	112,300	92,510	June 1, 1886.	148,800	Mar. 9, 1887.	46,000



1887-88	46,000	77,845	July 2, 1887.	161,500	Oct. 19, 1887.	32,200
1888-89	32,900	68,448	July 31, 1888.	123,800	Sept. 1, 1888.	29,100
1889-90	39,600	48,636	July 20, 1889.	116,900	Feb. 12, 1890.	2,000
1890-91	2,000	10,573	Dec. 20, 1890.	24,700	May 13, 1890.	1,000
1891-92	20,200	12,918	June 11, 1891.	23,000	Mar. 2, 1892.	1,100
1892-93	6,500	10,509	Feb. 23, 1893.	21,900	June 8, 1892.	2,000
1893-94	7,700	22,924	Nov. 21, 1893.	57,900	May 5, 1893.	1,000
1894-95	38,400	5,349	April 2, 1894.	38,400	Sept 29, 1894.	1,100

This much must still be added about *loans in general*. Applications for loans, to which all persons or firms in Holland are entitled, must be presented written on a specially printed form. Loans are contracted for three months, but are prolonged if neither party gives notice. In case of a prolongation, interest has to be paid according to the rate in force on the day prior to the original due date. A reduction of interest taking place on the due date will apply to the prolonged loan. The interest has to be paid after the expiration of the three months. The repaying of a loan by installments is permitted in round sums of not less than 100 guilders each.

Besides these “customary loans,” “short loans” have also been allowed since July 1, 1886; these can be paid back after eight days, plus an interest for the time of their currency, but for not less than eight days. Their conversion into “customary loans” is permitted. For the “short loans” a special higher rate of interest is fixed, which, however, does not differ according to the class of the security. The “short loans” are granted on home and foreign stocks and on merchandise. Much use has always been made of the permission to prolong loans. Especially since the middle of the seventies, the prolongations have been very numerous. The following figures show the details:

*Loans on Stocks, Merchandise, and the Precious Metals (in Millions and Thousands of Dollars)*

YEARS.	ON STOCKS.			ON MERCHANDISE.			ON SPECIE AND BULLION.		
	Newly Granted.	Prolongated.	Redeemed.	Newly Granted.	Prolongated.	Redeemed.	Newly Granted.	Prolongated.	Redeemed.
1865-66	36,681.5		31,704.1	6,520.15		5,872.84	209.1		449.4
1866-67	33,289.6	73,913.2	35,385.7	7,120.00	22,069.1	7,402.13	974.5	418.7	643.1
1867-68	26,290.25	84,077.96	26,294.86	6,404.37	19,874.07	6,390.34	466.3	645.35	639.3
1868-69	25,079.00	82,166.65	21,699.57	6,543.40	18,569.61	7,404.72	126.6	455.95	279.7
1869-70	30,234.65	93,275.88	32,500.25	13,477.90	22,776.94	10,473.76	258.0	124.50	257.6
1870-71	32,980.70	82,657.88	33,803.90	11,088.40	28,860.28	11,693.24	564.6	314.10	476.2
1871-72	27,393.00	79,203.13	29,030.10	11,299.45	23,018.67	9,891.98	423.8	708.10	416.5
1872-73	32,134.70	87,604.91	27,383.02	12,996.30	29,789.40	14,127.53	234.5	145.30	342.6
1873-74	23,691.30	80,225.32	31,486.32	14,800.57	25,683.69	14,519.98	528.7	210.50	397.2
1874-75	21,226.15	68,068.13	17,904.86	11,427.75	29,930.06	10,659.17	3,769.4	664.7	460.3
1875-76	23,901.20	75,869.40	19,975.35	14,270.70	27,678.50	11,700.52	1,318.9	2,408.8	4,732.1
1876-77	32,385.80	103,241.25	26,005.06	9,611.20	27,862.43	14,602.80	372.5	313.4	265.4
1877-78	38,054.50	124,916.61	28,200.70	12,126.70	23,197.07	10,107.49	226.6	414.5	314.8
1878-79	41,007.60	162,293.38	38,769.38	9,339.20	24,946.63	10,797.69	177.1	304.05	137.4
1879-80	28,447.47	115,899.96	42,912.13	8,722.50	18,223.19	9,805.34	221.1	610.60	196.6
1880-81	37,643.35	116,264.35	28,019.77	8,451.1	15,966.47	9,033.82	91.8	497.10	134.8
1881-82	40,763.32	136,335.51	40,182.30	6,520.3	14,132.63	7,612.73	202.4	536.85	170.7
1882-83	38,065.60	117,798.19	49,385.40	8,032.00	12,435.86	8,633.11	226.52	561.10	203.7
1883-84	50,887.18	111,939.51	44,914.48	12,368.3	13,930.71	8,479.63	83.40	574.00	162.2
1884-85	45,151.30	124,008.61	47,096.76	11,088.7	23,685.79	9,905.74	155.70	323.70	109.2
1885-86	36,703.40	116,794.45	38,651.86	8,516.35	24,690.20	11,403.37	104.80	365.50	147.3
1886-87	39,275.50	104,852.21	36,623.56	10,396.10	15,008.48	9,315.36	74.00	301.70	140.3
1887-88	57,602.95	122,395.27	52,915.80	17,295.70	23,482.24	18,616.57	134.40	231.30	147.5
1888-89	43,380.60	109,478.44	51,578.06	6,196.60	10,551.73	9,059.18	131.30	202.50	124.6
1889-90	56,692.80	113,342.43	43,034.55	7,864.60	6,693.11	7,291.65	142.70	79.60	180.3
1890-91	64,383.75	144,135.95	72,416.05	8,860.85	9,465.45	8,966.65	29.70	32.20	11.50
1891-92	51,066.30	111,941.10	47,965.56	10,601.10	11,574.62	9,169.71	27.10	32.90	40.80
1892-93	40,667.65	123,892.17	46,244.15	5,346.28	9,895.72	9,140.34	27.90	25.40	26.70
1893-94	66,408.75	114,676.72	71,216.30	12,315.37	11,026.45	8,899.97	78.10	45.80	47.40
1894-95	46,116.70	101,519.44	42,778.99	8,430.85	14,695.60	8,327.95	25.50	8.80	59.10

## THE DISCOUNT BUSINESS.

In the Bank's active operations the first place belongs to the *discount business*, which, since 1864, has been considerably extended. According to the regulations now in force, only individuals or firms in Holland, who are known to the Bank, can claim the privilege of discount. They must have a "general admittance," which is given on application to the board of directors, and can have discount at one place only at a time.

Applications for discount are handed in on white forms for accepted bills, on blue forms for promissory notes, and on red forms for assignments and unaccepted bills.

For bills drawn on the place of discount, or between Amsterdam and Rotterdam, discount is charged for at least ten days, and for bills on other places having branch offices, for at least fifteen days. Besides the discount, the discounters have to pay one-eighth per cent. *plaatsverlies* for bills drawn on places provided with correspondents only. The notes offered for discount have to bear the signature of a person or firm established in Holland or in the Dutch colonies, besides the discounter's own signature. Bills drawn on Holland must be payable at an agency or at a Bank correspondent's office. The longest period of circulation is three and a half months after discounting for promissory notes and domestic bills; three months after discounting for bills drawn from Europe on America; six months after acceptance for bills from China, Sumatra, British East India, and Australia; six months after date for bills from the Dutch East Indies. Since October 1, 1885, bills drawn by the agents of commercial and credit institutions in the Dutch East Indies on their Dutch offices are admitted for discount only if their due date is not later than fourteen days after sight or two months after date. This restriction was caused by the credit crisis of 1884 in the Dutch East Indies, but does not refer to bills of the *Nederlandsche Handels Maatschappij*.

For promissory notes the discount is kept at a higher rate than for bills. Domestic bills with more than three months currency are subject to the same rate as promissory notes. For acknowledgments of debt and annuity bonds admitted to circulation in 1864, the term is three months at the utmost.

The following table will show the progress and extent of the discount business:

YEARS.	BILLS AND OTHER COMMERCIAL PAPER.			DEBT AND ANNUITY BONDS.		TOTAL.	AVERAGE OF DISCOUNTED	
	Number.	Bills with Three Signatures.	Other Commercial Paper.	Government Acceptances.	Number.	Amount.	Amount.	Time Circ.
		GUILDERS.	GUILDERS.	GUILDERS.		GUILDERS.	GUILDERS.	
1864-65	64,615					238,615,603	3,693	68
1865-66	71,057	160,938,469	81,323,315		111	10,591	242,272,375	3,409
1866-67	77,719	186,764,124	96,446,344		42	18,676	283,229,144	3,642
1867-68	75,414	144,555,345	97,424,191		388	170,937	242,150,473	3,195
1868-69	76,221	121,758,798	89,286,506		22	10,896	211,056,200	2,768
1869-70	98,373	195,282,050	101,978,240		9	23,814	297,284,104	3,022
1870-71	108,427	215,455,620	112,163,815		42	27,074	327,646,510	3,021
1871-72	90,163	146,490,118	109,272,222		16	5,740	255,768,080	2,836
1872-73	98,284	192,971,515	113,250,513		80	8,678	306,230,707	3,115
1873-74	119,871	306,556,404	119,718,501		5	2,045	426,278,950	3,556
1874-75	118,405	306,731,735	110,573,740		21	17,097	417,322,573	3,524
1875-76	113,147	285,675,312	109,725,812		224	125,350	395,526,475	3,495
1876-77	108,022	198,631,643	119,094,913		87	117,155	317,843,711	2,941
1877-78	103,344	171,827,059	121,924,432		15	9,705	293,761,196	2,842
1878-79	124,029	260,927,949	140,589,415		103	55,068	401,572,432	3,237
1879-80	102,544	166,208,731	118,939,867		206	79,025	285,227,623	2,781
1880-81	106,994	175,625,848	110,782,877		76	145,507	286,554,233	2,676
1881-82	120,232	207,315,144	122,901,938	34,770,624	112	63,112	365,050,818	3,036
1882-83	114,317	159,855,180	121,206,696	98,172,865	43	45,105	379,279,846	3,317
1883-84	112,996	177,455,099	122,032,909	35,399,638	68	160,251	335,647,898	2,969
1884-85	106,651	166,373,207	111,179,514	8,652,774	84	43,230	286,248,725	2,684
1885-86	107,670	139,867,432	115,304,148		87	134,507	255,306,088	2,371
1886-87	96,659	119,975,567	101,126,215		758	536,298	221,638,080	2,287
1887-88	110,689	143,390,121	114,516,629		139	117,219	258,023,970	2,330
1888-89	105,101	220,529,022	97,865,717		350	183,825	318,578,565	3,021
1889-90	{ <i>a</i>	111,036	132,981,934	108,146,827	{ 666	428,694	241,557,455	2,172
	{ <i>*b</i>	14,538	152,546,745		{		152,546,745	
							<i>a</i> 394,104,200	
1890-91	{ <i>a</i>	123,309	174,275,277	130,415,758	{ 551	388,967	305,080,002	2,470
	{ <i>b</i>		111,550,854		{		111,550,854	
	11,215						<i>a</i> 416,630,856	

*\*Since 1889-90, a indicates bills payable at home, and b bills payable abroad. The average of bills discounted number of applications for discount refer only to group a.*

1891-92	{ a	125,596	157,847,478	134,671,103	{	1,731	1,231,578	293,750,159	2,329	53
	{	b	9,514	104,798,718	{			104,798,718		
								a	398,548,877	
1892-93	{ a	107,717	101,020,392	113,454,679	{	147	126,445	214,601,576	1,992	60
	{	b			{			116,976,487		
		10,831	116,976,487					a	331,578,002	
1893-94	{ a	108,696	104,358,327	117,992,880	{	124	30,069	222,381,276	2,046	59
	{	b	9,026	94,550,479	{			94,550,479		
								a	316,931,756	
1894-95	{ a	88,759	68,050,541	93,087,194	{	703	331,159	161,468,894	1,819	65
	{	b			{			120,341,892		
		11,279	120,341,892					a	281,810,786	

\*Since 1889-90, *a* indicates bills payable at home, and *b* bills payable abroad. The average of bills discounted number of applications for discount refer only to group *a*.

So far as this movement is connected with the Bank's general discount policy, it will be discussed later on.

By way of explanation, it is particularly necessary to mention the Government acceptances for the better comprehension of the share which these have in the general volume of discounts. The discount rate for these acceptances was reduced by one per cent. below the discount rate for bills on February 9, 1881, and this rendered a more extensive use of the Bank's resources possible. After October 31, 1882, the difference was fixed at one-half per cent. On July 30, 1883, these special privileges for the Government acceptances were entirely abolished and the discount rate was made equal to the bill rate. The reason for this is to be found in the course of the Government. In July, 1883, having large means at its disposal in consequence of a State loan just floated, the Government decided to offer to the holders of bills it had accepted, discount for account of the State at the rate of two and a half per cent.—*i. e.*, one-half per cent. below the rate usually demanded by the Bank. According to the yearly report of 1883-84, page 6, this caused gold exports, which the Bank considered undesirable. It therefore raised its discount for Government acceptances and thereby caused the Government to do the same, and very soon afterward discounting for Government account ceased. The explanation of this state of things is as follows: The Government had commenced in 1881 to take up the floating debt, not as hitherto, in the shape of Treasury bills, but of Treasury promissory notes. The Bank discounted these notes at the reduced rate of Government acceptances, and consequently, nearly all Treasury notes flowed into the Bank. The raising of the discount rate for Government acceptances to some degree turned away from the Bank the current of Treasury promissory notes. Up to April 1, 1882, seven million guilders, and up to March 31, 1883, forty-five millions' worth of such, had been issued, and in the course

of 1883 further sums were added. But the Bank did not intend to concentrate its resources on these notes, as the result must be to limit the facilities it could offer to others. It therefore abstained from re-establishing a moderate discount rate for Government acceptances, and thus it happened that the Treasury's promissory notes were mostly used outside the Bank as a temporary investment.

## DECLINE IN VOLUME OF DISCOUNTS.

In 1885 a great decline in the volume of discounts may be perceived. In order to check to some degree the decrease in the working capital, the Bank, in the winter of 1885-86, discounted, not only as it had hitherto done, bills chiefly payable in Holland, but also many bills payable abroad, the discounters in the latter case always being, however, Dutch firms. The redemption of these bills had to be effected at least seven days before the due date. For amounts of a certain importance only first-rate bills were admitted. The discount rate for such bills was kept low to assimilate it to foreign rates. The discounters had the right to withdraw their bills at any time, but the Bank had to be paid the discount for at least one month.

The discounting of bills payable abroad has since that time not only been continued, but it has also become very extensive. Since 1889-90 the amounts of these discounts have been given in the reports of the Bank.

The Bank having been empowered by the law of August 7, 1888, to buy bills payable abroad after April 1, 1889, endeavored from the middle of January, 1889, to collect a stock of such bills in its portfolio. It was therefore decided, in the second half of January, 1889, to continue the discounting of such bills. If they were, however, due later than April 15, 1889, the Bank was not to permit their withdrawal by the discounter, but was to take them into its own possession, allowing for one pound sterling, 12.08 guilders; for 100 francs, 47.9 guilders, and—as had been decided in March, 1889—for 100 marks, 59.08 guilders. Bills payable abroad since that time form a great part of the Bank's bill portfolio, as is shown in table on page 308, which at the same time indicates the simultaneously outstanding items of the discount business and the proportion of discounts to the working capital.

It must be remembered that bills payable abroad may not exceed the available stock of bullion for more than a fortnight. By the law of August 7, 1888, the Bank was obliged to lessen the number of bills payable abroad as soon as the demand for credit, or the export of standard metal, or the redemption of bank notes threatened to diminish the available stock of bullion. Foreign bills render the same services as gold as soon as the Dutch exchange becomes unfavorable. The Bank then sells great amounts of such bills in order to realize on them; a proceeding of which we find many evidences in the annual reports. Discounting of bills of debt and annuity bonds never has been of much consequence. The maximum was 1,200,000 guilders in 1891-92; the figures for the other years do not nearly come up to this amount.

Here we must add that according to the Bank report of 1890-91, credit paper of notaries was also among the discounts. Formerly such paper was often discounted, but its amount was very small, and the Bank expected that this branch of business would

come to an end. The Bank believed such a mixing up of banking and notary trade disadvantageous, and as in later reports no further mention is made of the subject, we must assume that the expectations of the Bank were fulfilled.

## FLUCTUATION OF THE RATE OF DISCOUNT.

For the appreciation of the Bank's discount policy, we must not confine ourselves to the examination of the facts above cited, but must also consider the changes in the discount and loan rates, which have been, since December 5, 1863, as shown on page 309.

*Contents of the Discount Portfolio.*

YEARS.	At Beginning of Year, Guilders.	Yearly Total Guilders.	MAXIMUM. Date.	MINIMUM. Guilders. Date. Guilders.
1864-65	45,283,888	45,084,107	4.11.64	54,658,272 27.3.65 34,320,801
1865-66	35,496,489	43,188,442	4.12.65	53,288,524 27.6.65 33,753,790
1866-67	46,530,909	52,586,922	15.5.66	59,896,453 30.3.66 40,848,926
1867-68	40,857,925	44,192,566	7.1.68	52,592,552 13.8.67 38,282,996
1868-69	40,112,316	39,954,354	21.12.68	48,685,262 24.10.68 28,939,345
1869-70	38,192,620	53,481,357	13.11.69	65,059,326 1.4.69 38,192,620
1870-71	50,446,641	59,561,942	5.8.70	75,334,919 1.4.70 50,446,641
1871-72	52,744,519	46,983,079	6.5.71	60,881,403 30.3.72 28,975,713
1872-73	28,975,713	50,474,837	8.1.73	77,484,294 19.6.72 25,941,568
12.11.[Editor:				
1873-74	61,335,699	73,356,412	illegible number]3	91,864,722 25.3.74 56,068,654
1874-75	59,686,521	69,308,589	16.1.75	84,964,165 26.6.74 59,397,671
1875-76	62,835,684	66,657,409	11.5.75	81,358,533 28.3.76 50,709,209
1876-77	52,254,564	53,160,771	13.1.77	64,861,496 29.3.77 37,699,188
1877-78	38,714,761	47,665,240	17.11.77	66,654,824 15.8.77 31,716,305
1878-79	47,115,487	65,590,485	13.7.78	79,227,106 1.4.78 47,115,487
1879-80	54,516,146	48,056,778	19.5.79	68,363,881 31.3.80 30,374,309
1880-81	30,374,309	40,532,180	2.11.80	56,773,150 31.8.80 26,955,831
1881-82	39,412,233	58,306,980	4.11.81	73,541,652 1.9.81 39,412,233
1882-83	53,538,890	63,485,387	6.1.83	81,286,314 22.6.82 51,027,852
1883-84	59,086,981	47,743,616	7.4.83	61,289,308 25.6.83 38,123,979
1884-85	47,135,000	44,824,168	10.1.85	61,265,894 19.9.84 29,658,317
1885-86	48,258,278	44,394,050	13.1.86	55,786,291 29.3.86 33,023,091
1886-87	33,071,004	35,918,646	4.1.87	51,920,512 27.8.86 25,388,044
1887-88	34,014,989	40,900,583	31.12.87	58,354,834 29.8.87 28,196,529
1888-89	39,278,468	52,068,212	22.1.89	67,572,279 25.4.88 37,907,710
1889-90	{ a26,677,713*	35,688,026	4.1.90	52,575,079 19.7.89 25,754,799
	{ b31,379,774	33,447,310	27.9.89	38,341,578 19.3.90 25,276,176
1890-91	{ a37,099,858	49,073,118	22.11.90	72,271,102 31.3.91 35,682,463
	{ b26,361,619	20,110,366	2.7.90	28,791,773 9.1.91 7,495,162
1891-92	{ a35,682,463	42,606,128	7.11.91	35,049,100 21.8.91 34,112,377
	{ b25,000,000	19,735,141	30.6.91	28,699,860 30.9.91 10,310,806
1892-93	{ a36,567,723	35,656,473	5.11.92	45,786,952 31.8.92 28,645,688
	{ b17,200,000	21,616,909	9.3.93	29,283,839 15.4.92 15,858,817
1893-94	{ a29,453,673	36,174,553	7.11.93	44,998,597 28.3.94 26,157,141
	{ b28,813,119	18,565,589	28.4.93	29,555,778 14.9.93 7,809,237
1894-95	{ a26,783,188	28,981,410	5.1.95	36,656,902 28.4.94 24,367,308
	{ b24,798,629	24,038,160	21.4.94	25,471,745 27.9.94 19,278,963

\*a, Bills payable in Holland; b, bills payable abroad.



These fluctuations result from a combination of different circumstances, the detailed examination of which is not possible within the limits of this treatise. I can discuss here only the critical times, which are always of the greatest interest, because in such times we can see whether the Bank is equal to its responsibilities.

The Netherlands Bank has had opportunities enough to prove equal to hard times. In the autumn of 1864, we find a great rise in rates, which by October 14th had reached seven per cent. for all discounts and loans. For more than six weeks this rate was maintained. A very lively trade and an extensive speculation in foreign securities (especially American stocks) prevailed at this time. Large demands were made on the Bank, the working capital of which rose on November 4, 1864, to 86,770,000 guilders. Loans on stocks and merchandise reached an unusually high amount and the discounts increased considerably, while on November 3, 1864, the disposable stock of bullion went down to 16,620,000 guilders. Even on this, it is true, large credit operations would still have been possible, but the Bank foresaw (although already much silver had been exported) a large Government demand for silver, for export to the Dutch East Indies; and foresaw, also, a coming crisis, as already many merchants needed credit to meet their current liabilities. Agencies soon had to be established, and these also might bring increased claims on the Bank. Moreover, the Dutch money market stood in close relation to the foreign markets. There the discount rates rose considerably. The monthly average in London during June was six and a half per cent.; in August, eight per cent.; in September, nine per cent. In France, discount rose to eight per cent., and it reached seven per cent. in Berlin on October 6, 1864. The Bank feared that if it did not follow this movement to some extent, it would soon be deprived of its cash on hand for the benefit of foreign countries. Nothing, therefore, remained but to raise the discount and loan rate. But the rise did not assume the proportions it did in England and France. The Bank satisfied all legitimate demands for credit as well as it could, but also tried to prevent hazardous operations. The chief means used by the Bank for this purpose were, besides the raising of discount and loan rates, a reduction of the loan limit on foreign stocks and a refusal of loans on certain foreign securities, and of the discount of bonds supplying the wants of speculators for cash.

DISCOUNT ON RATE OF LOANS ON						DISCOUNT ON RATE OF LOANS ON					
DATE.	Bills	Promis'ry Notes.	Stocks	Merchandise.	Specie.	DATE.	Bills.	Promis'ry Notes.	Home Stocks.	Foreign Stocks.	M
	Per Cent.	Per C	Per Cent.	Per Cent.	Per Cent.		Per Cent.	Per C	Per C	Per C	Per
Dec. 5, 1863	5	5½	5	5½	1	April 29, 1869	3	3½	4	4½	4
June 21, 1864	4½	5	5	5½	1	May 13, 1869	3½	4	4½	5	4½
Sept. 1, 1864	5	5½	5	5½	1	Sept. 23, 1869	4	4½	5	5½	5
Sept. 13, 1864	5½	6	5½	6	1	Oct. 12, 1869	4½	5	5½	6	5½
Sept. 29, 1864	6	6½	6	6½	1	Nov. 4, 1869	5	5½	5½	6	5½
Oct. 7, 1864	6½	7	6½	6½	1	Feb. 16, 1870	4½	5	5	5½	5
Oct. 14, 1864	7	7	7	7	1	Mar. 1, 1870	4	4½	4½	5	4½
Nov. 30, 1864	6½	6½	6½	6½	1	Apr. 12, 1870	3½	4	4½	5	4½
Dec. 23, 1864	6	6½	6½	6½	1	June 24, 1870	3	3½	4	4½	4
Dec. 31, 1864	5½	6	6	6	1	July 18, 1870	4	4½	5	5½	5
Jan. 11, 1865	5	5½	5½	5½	1	July 20, 1870	5	5½	6	6½	6
Jan. 27, 1865	4½	5	5	5	1	July 27, 1870	5½	6	6½	7	6½
Feb. 18, 1865	4	4½	4½	4½	1	Aug. 5, 1870	6	6½	6½	7	6½

Mar. 24, 1865	3½	4	4		4	1	Sept. 2, 1870	5½	6	6	6½	6
							Sept. 19, 1870	5	5½	6	6½	6
June 8, 1865	3	3½	3		3½	1	Sept. 30, 1870	4½	5	5½	6	5½
Sept. 29, 1865	3½	4	3½		4	1	Oct. 11, 1870	4	4½	5	5½	5
Oct. 7, 1865	4	4½	4½		4½	1	Oct. 26, 1870	4	4½	4½	5	4½
Oct. 31, 1865	4½	5	5		5	1	Feb. 15, 1871	3½	4	4	4½	4
Nov. 4, 1865	5	5½	5½		5½	1	June 6, 1871	3	3½	3½	4	3½
Nov. 10, 1865	5½	6	6		6	1	June 5, 1872	2½	3½	3½	4	3½
Nov. 17, 1865	6	6½	6½		6½	1	Sept. 24, 1872	3	3½	3½	4	3½
							Oct. 2, 1872	3½	4	4	4½	4
							Oct. 16, 1872	4	4½	4½	5	4½
							Nov. 5, 1872	4½	5	5	5½	5
							Nov. 13, 1872	5	5½	5½	6	5½
							Jan. 28, 1873	4½	5	5	5½	5
Dec. 13, 1865	6	6	6½	7	6½	1	Feb. 12, 1873	4	4½	4½	5	4½

Home. Foreign.

Jan. 6, 1866	6½	7	7	7½	6½	1	May 6, 1873	4½	5	5	5½	5
Feb. 20, 1866	6	6½	6½	7	6	1	May 20, 1873	5	5½	5	5½	5
Mar. 16, 1866	5½	6	6½	7	5½	1	Nov. 4, 1873	6	6	5	5½	5
May 4, 1866	6	6½	6½	7	6	1	Nov. 12, 1873	6½	6½	5½	6	5½
May 10, 1866	6½	7	6½	7	6	1	Nov. 25, 1873	6	6	5	5½	5
July 3, 1866	7	7½	6½	7½	7	1	Dec. 3, 1873	5½	6	5	5½	5
Aug. 9, 1866	6½	7	7	7	6½	1	Dec. 10, 1873	5	5½	5	5½	5
Aug. 17, 1866	6	6½	6½	6½	6	1	Jan. 17, 1874	4½	5	4½	5	4½
Sept. 26, 1866	5½	6	6	6	5½	1	Feb. 3, 1874	4	4½	4	4½	4
Oct. 23, 1866	5	5½	5½	5½	5	1	Feb. 17, 1874	3½	4	3½	4	3½
Dec. 21, 1866	4½	5	4½	5	4½	1	Aug. 26, 1875	3	3½	3	3½	3
Jan. 3, 1867	4	4½	4	4½	4	1	Aug. 10, 1878	3	3½	3	4	3
Feb. 5, 1867	3½	4	4	4½	4	1	May 2, 1878	3½	4	3½	4½	3½
Mar. 13, 1867	3	3½	3½	4	3½	1	Oct. 9, 1878	4	4½	4	5	4
June 18, 1867	2½	3	3½	4	3½	1	Feb. 5, 1879	3½	4	4	5	4

Oct. 22, 1867	3	3 1/2	3 1/2	4	3 1/2	1	May 28, 1879	3	3 1/2	3 1/2	4 1/2	3 1/2
Nov. 8, 1867	3 1/2	4	4	4 1/2	4	1	Jan. 27, 1880	3	3 1/2	3	4	3 1/2
Feb. 1, 1868	3	3 1/2	3 1/6	4	3 1/2	1						
Mar. 25, 1868	[Editor: illegible 1 number]		[Editor: illegible 4 number]		3 1/2	1						
Apr. 20, 1869	3	3 1/2	3 1/2	4	3 1/2	1						

## THE CRISIS OF 1866.

At the end of 1865 the tension diminished. In the first half of 1865 all rates were largely reduced, as the stock of bullion rose. On June 8, 1865, interest had fallen to three and three and a half per cent. Although silver and credit were again both in increased demand, the Bank did not raise the interest, as its stock of bullion was still sufficient. On September 29, 1865, when the disposable bullion sank below thirty million guilders, the upward tendency reasserted itself. Once again a brisk demand for credit developed, stimulated by extensive speculation. The Bank being especially averse to the latter, it raised the loan rate on stocks more quickly than the discount rate, and from December 13, 1865, it asked more interest for loans on foreign stocks than on those of domestic origin. The traffic in merchandise was also very brisk, and therefore made large claims on the Bank's resources. At the end of the year the political situation became more critical, and symptoms of a crisis in England could clearly be seen. The working capital of the Bank rose on December 18, 1865, to 95,700,000 guilders. It was obliged on January 6, 1866, to raise the discount rate to six and a half and seven per cent., the rate for loans on stocks to seven per cent. for home, and seven and a half for foreign securities, whilst the rate of loans on merchandise remained, as on November 17, 1865, at six and a half per cent. This difference in rates shows clearly what the Bank intended. First of all, it must be made difficult to obtain advances on foreign paper, in which the largest speculations were made; and promissory notes should also be subject to a higher rate, as these were often used to procure money for gambling purposes. It was regrettable, but unavoidable, that this measure should also be hard on promissory notes originating in legitimate business, but it was difficult to make any distinction. Loans on merchandise and bill discount were, however, to be treated more considerately. They got off rather better than in England, where the London discount rate in January, 1866, was eight per cent., or than in Germany, where the Berlin discount rate—which had already, on October 10, 1865, been fixed at seven per cent.—was not reduced before February 22, 1866. The first months of 1866 did not bring any material reduction in the rates, because the state of affairs continued to be very alarming for the greater part of the

year. In England, the crisis came nearer and nearer, and on May 11, 1866, it set in, and for the third time caused the Bank Act of 1844 to be suspended, while the London discount rate remained at ten per cent. during three months. In Berlin, the discount rose on May 11th to nine per cent.\*

It was not possible that the English crisis and the Austro-Prussian war should be without any effect on the credit market of other countries. The Netherlands Bank not only had to face large and increasing demands on the part of the Dutch business world, but five and a half million guilders of silver had gone to Germany, and the Government had claimed two million guilders silver for export to the Dutch East Indies. On May 4th, the Bank began to raise its rates. In the beginning of July, the difficulties reached their climax. On July 3d, the promissory notes discount rate and the loan rate on foreign stocks had to be raised to seven and a half per cent., the bill discount and loan rate on merchandise to seven per cent., and so they remained until August 9th. The loan rate for home stocks on July 3d still remained six and a half per cent., and was raised for a short time, on August 9th, to seven per cent., while the other rates were reduced by one-half per cent. on the same day.

It is very suggestive that on June 7, 1866, the amount of the working capital had risen to 89,200,000 guilders, while the available stock of bullion sank on July 7, 1866, to its minimum, viz., 13,100,000 guilders. The 1866-67 report lays stress upon the fact that the proportion of the stock of bullion to the liabilities had never before been so unfavorable. Notwithstanding, fifty per cent. of all notes, assignments, and current account balances had a metallic security. No stagnation occurred, therefore, and though the year had been fatal to many people, and the annual average of discounts had been higher than at any other time from 1864 to 1895, Holland had nevertheless been spared a real crisis. The years 1864 to 1866 brought hard trials for the Bank, the new charter of which had just come into force; but the Bank conquered these difficulties and satisfied all just demands for credit.

## A TRANSITION PERIOD.

From June 21, 1864, to the end of 1866, the discount rate had changed thirty-two times; but a quieter period followed, during which discount was reduced to two and a half per cent. This happened in the summer of 1867 and the spring of 1868. The years 1869 and 1870 again brought a lively demand for credit. Loans (on stocks and merchandise) and discounts increased considerably. The annual average of working capital rose in 1869-70 to 89,860,000, and in 1870-71 to 95,200,000 guilders. The maximum amounts were reached on November 13, 1869 (100,680,000 guilders) and on August 6, 1870 (119,660,000 guilders). On these days the disposable stock of bullion had decreased to 12,000,000 and 10,600,000 guilders respectively. In 1870, the influence of the outbreak of the Franco-German War became manifest. In both years it was necessary to raise the discount and loan rates. The maximum rates were, on November 4, 1869, and on August 5, 1870, five and six per cent. respectively for bill discount; the rate for promissory notes discount and the loan rates on merchandise and home stocks still were one-half per cent. higher, while the loan rate on foreign stocks was one per cent. higher. Then the rates gradually sank again to two and a half per cent. for bill discount, on June 5, 1872, in spite of the briskness of trade, which

might be expected to have its natural effect on the Bank. The contrary occurred. Discounts especially decreased in 1871-72 by about seventy million guilders as compared with the preceding year, because the large amount of unemployed capital seeking investment rendered it possible for credit operations to be effected to a great extent outside the Netherlands Bank.

The growing speculation developed in 1872 led to much larger operations of the Bank. In Holland especially, speculation in North American railway shares was very lively. The Bank tried to put a stop to this by raising the discount and loan rates, but speculators found liberal assistance elsewhere. In May, 1873, the crisis set in at Vienna. The Netherlands Bank then raised the discount rate first to four and a half per cent., later on to five per cent., and retained this rate, even when on June 9th the crisis in Vienna reached its climax. In Berlin, the discount rose on May 3d to six per cent.; in London, the average in May was five and a fourth, in June, six and a fourth per cent. But in autumn, 1873, the Netherlands Bank had to feel the reaction of the crisis in New York, in consequence of the Dutch speculation in American stocks; and this time the raising of discount to six and a half per cent. could not be avoided, more particularly as the deplorable state of the currency increased the difficulties of the situation. It is remarkable that at this time the discount rates for bills and promissory notes were equal to and even higher than the loan rate on foreign stocks. The Bank had so many applications that it had to employ the most vigorous measures of defence. Discounts amounted to 426,300,000 guilders, a sum that has never been reached since, and which is 120 millions above that reached in the year before. On November 12, 1873, the working capital was 125,500,000 guilders, which has been surpassed only three times. The discount portfolio, on November 12, 1873, contained the very large amount of 91,860,000 guilders. The disposable bullion in stock on November 13, 1873, had dwindled to 14,900,000 guilders. Gradually the discount and loan rates fell again, and on August 26, 1875, the lowest rates were reached, and they did not change for several years.

May and October, 1878, again brought a rise, but it remained within narrow limits. This rise was primarily caused by the floating of a large Government loan that led to an increase in the credit operations of the Bank. There must also be taken into account the temporary improvement in trade which occurred at that time, and which led to a considerable increase of discounting, surpassing the amount of the previous year by 107 million guilders.

## TEN YEARS OF CHANGEFUL CONDITIONS.

A new upward movement took place between October, 1881, and January, 1882, the maximum reached being five per cent. for bills on January 30, 1882. The year 1881-82 showed, abroad, an increased demand for credit, which could not remain without reaction upon Holland. Then, many Government acceptances and Treasury promissory notes were presented for discount, as mentioned above, and American railway stocks were briskly speculated in. Discounts rose seventy-nine millions above the amount of the preceding year. On November 4, 1881, the discount portfolio contained 73,500,000 guilders; the working capital, altogether, reached 122,860,000 guilders; the disposable bullion on hand was only 21,700,000 guilders; and on

November 8, 1881, loans on stocks amounted to 45,100,000 guilders—conditions which sufficiently justify the moderate advance of the discount and loan rates.

After the decline in May, 1882, a new upward tendency began in September, 1882; but this was not based on a large demand for credit by merchants. The discounts rose, indeed, as compared with the preceding year, from 365 to 379 million guilders; but not less than 98,200,000 guilders of Government acceptances were discounted, against 34,770,000 in the year before; so that discounts for the account of trade sank from 330 to 281 million guilders. Loans (on stocks and merchandise) also declined in comparison with the preceding year. The discount rate rose, nevertheless; and on December 13, 1882, it reached five and a half per cent. for bills and six per cent. for promissory notes. The same rates were asked for loans on home and foreign stocks; and this shows that the Bank had no reason to fear a large run caused by brisk speculations in stocks. The cause of the upward tendency is to be found in the large outflow of gold from the Bank. On August 5, 1882, the Bank still had 22,050,000 guilders in gold; then the stock diminished considerably, and on January 13, 1883, amounted to only 4,960,000 guilders. Till the middle of February, 1883, the stock of gold remained very small, so that the discount rates of December 13, 1882, had to be retained. On March 14, 1883, the downward tendency began, and continued till 1885. From the end of May, 1885, till the middle of October, 1890, the bill discount rate remained at two and a half per cent., the rates for promissory notes and loans on merchandise at three per cent., the interest for loans on home stocks at three per cent., and on foreign stocks three and a half per cent. From June, 1889, to July, 1890, the two latter went down one-half per cent. During this whole time the credit operations of the Bank kept within narrower limits than before, notwithstanding the fact that the discount rate since 1885 had been considerably lower than in other countries. The annual average of the bank rate in the chief banking centres was as follows:

YEARS. Amsterdam. London. Brussels Paris. Berlin.

1885	2.70	2.92	3.45	3.0	4.04
1886	2.5	3.06	2.76	3.0	3.29
1887	2.5	3.88	3.06	3.0	3.40
1888	2.5	3.30	3.27	3.1	3.33
1889	2.5	3.55	3.54	3.1	3.68
1890	2.79	4.52	3.18	3.0	4.54

Several foreign banks, it is true, often discounted at much lower rates than those officially fixed.

The Bank report for 1889-90 treats more fully of the causes for the small range of credit operations. The abundance of money in the market was believed to be the principal cause. The extension rate in Amsterdam had been 3.83 per cent. from 1881-85, but from 1886-88 only 2.8 per cent., and 1889 not more than 2.62 per cent. In these years large speculations were not undertaken on the Amsterdam Exchange. To this must be added the great increase in the Bank funds. The average amount of notes and bank assignments in circulation, and of the current account balances, was, in



1884-85 201,500,000 guilders.  
1885-86 212,800,000 guilders.  
1886-87 226,500,000 guilders.  
1887-88 223,200,000 guilders.  
1888-89 229,800,000 guilders.  
1889-90 230,900,000 guilders.

The Bank, besides, had, according to its habit, not lowered the discount rate in 1886 in spite of the greater influx of precious metal. When the Bank, on May 25, 1885, reduced the discount rate to two and a half per cent., it held forty million guilders in gold and ninety-five millions in silver. In August, 1886, this stock was increased to eighty million guilders in gold and ninety-seven million guilders in silver; but the discount rate was not reduced, so that it had not to be raised when the stock of bullion diminished later on. The provision in the Bank Act of August 7, 1888, according to which bills payable abroad should not exceed the disposable stock of bullion for longer than a fortnight, may also have helped to bring about this state of affairs.

The report for 1888-89 had also mentioned as further causes of the lessened demand for discount, the increase in deposits at different credit institutions, the possibility of getting capital for undertakings in the East Indies by issuing obligations instead of bills, and the quicker methods of turning over capital. Besides this, the Bank had since October 1, 1885, limited the discounting of bills drawn from the Dutch East Indies on Holland.

## THE CRISIS OF 1890.

These conditions changed after the middle of 1890. Loans on stocks had considerably increased in consequence of the reduction of interest to two and a half per cent. and three per cent. on June 11, 1889. Speculation had also revived abroad. Chiefly in Berlin and London an extensive agiotage had developed, and part of it was undertaken in rather hazardous paper. The Bank of England, in order to give a warning, had already in the beginning of 1890 raised its discount rate to six per cent., while the German Reichsbank, in March, 1890, had essayed to remove the danger by the extension of credit. In the Argentine the business horizon was overspread with heavy clouds, and in July, 1890, came a crisis, the gold premium rising to 320 per cent. in Buenos Ayres.

The Netherlands Bank took note of all these signs of the times. On July 9, 1890, it began, although it had large means at its disposal, to raise the rate for loans on stocks and to reduce its portfolio of foreign paper. But in the autumn more forcible measures had to be adopted, as a great outflow of gold took place, caused by the Government's paying off in cash the shareholders of the Dutch-Rhine Railway, who mostly lived abroad. Another cause was the condition of Baring Brothers & Co., who were largely interested in the Argentine loans, and who were kept from total collapse only by the energetic aid of the Bank of England and of the Bank of France. When the Bank's disposable stock of bullion reached its lowest amount (14,500,000 guilders, on November 22, 1890), and its outstanding capital approached the maximum

(140,600,000 guilders on November 21, 1890), the Netherlands Bank was forced to raise the bill discount to four and a half per cent., the discount on promissory notes and the loan rate for Dutch stocks and for merchandise to five per cent., the loan rate for foreign stocks to five and a half per cent., and the rate of interest for short loans and advances on current accounts to six per cent.

Not before January 21, 1891, however, did a reduction in the rate again take place—*i. e.*, when the amount of the capital outstanding had gone down to 109 million guilders, and gold again flowed into the Bank. The operations of the Bank show clearly enough that everything possible was done to meet the demands for credit. Loans on stocks had, since October 18, 1890, increased to 56,400,000 guilders, the highest amount ever reached by the Bank. The yearly average of loans on stocks (46,900,000 guilders) also exceeded the average of all the other years. The discounts increased to 416,600,000 guilders, which amount was exceeded only in 1873 and 1874.

## THE DIFFICULTIES OF 1893.

After several years of calm, in which the discount rate again stood at two and a half per cent. for a prolonged period, the summer of 1893 brought new difficulties. The crisis which had occurred in Australia caused serious embarrassment in London, and several banks collapsed. In connection with this, the Bank's foreign portfolio and the disposable stock of bullion were so much taken up by May that a general raising of the loan and discount rates by one-half per cent. was necessitated. In June, the Indian mints were closed to silver coinage. Furthermore, the outflow of gold from the Treasury of the United States caused a temporary crisis. These two facts made the state of things in London worse, while in Holland a new speculation began in American stocks, which caused a great demand for foreign bills. The foreign banks protected their stock of gold by raising the discount rates, and the Amsterdam exchange rate on London went beyond the gold-exporting point. The Netherlands Bank was thus forced to protect its stock of gold by raising the discount rate three times in August (on the 7th, 14th, and 21st). On August 21, 1893, the bill discount and the loan rate on home stocks had been raised to five per cent., the discount rate for promissory notes, and the rate of interest for loans on foreign stocks to five per cent. By this means only, the outflow of gold was stopped; but not before the latter half of October did gold begin to return, making the reason apparent why the Bank kept these high rates from August 21 till November 13, 1893. After this a quick reduction took place, which was stopped when bill discounts had reached two and a half per cent.

In order to complete the preceding explanation concerning the Bank's discount policy, the average rate for the different fiscal years is given in the following table:

YEARS.	DISCOUNT FOR Bills. Per Cent.	Promissory Notes. Per Cent.	LOANS ON Inland Stocks. Per Cent.	Foreign Stocks Per Cent.	Goods. Per Cent.
1864-65	5.20	5.61	5.44	5.44	5.70
1865-66	4.41	4.91	4.76	4.94 <sup>5</sup>	4.79 <sup>5</sup>
1866-67	5.31	5.81	5.48 <sup>5</sup>	5.98 <sup>5</sup>	5.31
1867-68	2.93 <sup>5</sup>	3.43 <sup>5</sup>	3.61	4.11 <sup>5</sup>	3.61 <sup>5</sup>
1868-69	2.50	3.0	3.50	4.0	3.50
1869-70	4.01	4.51	4.79 <sup>5</sup>	5.29 <sup>5</sup>	4.79 <sup>5</sup>
1870-71	4.1	4.6	4.80 <sup>8</sup>	5.3	4.80 <sup>8</sup>
1871-72	3.09	3.59	3.59	4.09	3.59
1872-73	3.56	4.21 <sup>6</sup>	4.21 <sup>6</sup>	4.71 <sup>6</sup>	4.21 <sup>6</sup>
1873-74	4.75	5.21	4.73	5.23	4.73
1874-75	3.5	4.0	3.5	4.0	3.5
1875-76	3.2	3.7	3.2	3.7	3.2
1876-77	3.0	3.5	3.0	3.5	3.0
1877-78	3.0	3.5	3.0	3.5	3.0
1878-79	3.62	4.12	3.69	4.68	3.69
1879-80	3.07	8.57	3.48	4.48	3.48
1880-81	3.0	3.5	3.0	4.0	3.0
1881-82	3.72	4.22	3.71	4.71	3.71
1882-83	4.63	5.13	4.16	4.91	3.97
1883-84	3.64 <sup>4</sup>	4.14 <sup>4</sup>	3.6	4.14 <sup>6</sup>	3.30 <sup>8</sup>
1884-85	3.05 <sup>8</sup>	3.55 <sup>8</sup>	3.13 <sup>5</sup>	3.63 <sup>5</sup>	3.17 <sup>6</sup>
1885-86	2.58	3.08	3.0	3.5	3.08
1886-87	2.5	3.0	3.0	3.5	3.0
1887-88	2.5	3.0	3.0	3.5	3.0
1888-89	2.5	3.0	3.0	3.5	3.0
1889-90	2.5	3.0	2.6	3.09	3.0
1890-91	3.02	3.52	3.38	3.88	3.38
1891-92	3.0	3.5	3.17	3.67	3.17
1892-93	2.57	3.07	2.97	3.47	2.97
1893-94	3.48	3.98	3.57	4.07	3.34
1894-95	2.50	3.0	2.50	3.0	3.0

Government acceptances since February 9, 1881:

1880-81 2.0 per cent.  
1881-82 2.98 per cent.  
1882-83 3.84 per cent.  
1883-84 3.14<sup>4</sup> per cent.

Short loans since July 7, 1886:

1886-87 4 per cent.  
1887-88 4 per cent.  
1888-89 4 per cent.  
1889-90 4 per cent.  
1890-91 4.52 per cent.  
1891-92 4.17 per cent.  
1892-93 3.97 per cent.  
1893-94 4.57 per cent.  
1894-95 3.50 per cent.

Advances on accounts current since January 1, 1889:

1888-89 4 per cent.  
1889-90 4 per cent.  
1890-91 4.52 per cent.  
1891-92 4.17 per cent.  
1892-93 3.97 per cent.  
1893-94 4.57 per cent.  
1894-95 4.0 per cent.

The critical years are clearly indicated in this table. The yearly average in other banks being calculated for the calendar year, the Amsterdam average bill discount rate is also calculated as follows for the calendar years after 1872:

1872 at 3.22 per cent.  
1873 at 4.84 per cent.  
1874 at 3.63 per cent.  
1875 at 3.32 per cent.  
1876 at 3.0 per cent.  
1877 at 3.0 per cent.  
1878 at 3.45 per cent.  
1879 at 3.17 per cent.  
1880 at 3.0 per cent.  
1881 at 3.27 per cent.  
1882 at 4.49 per cent.  
1883 at 4.12 per cent.  
1884 at 3.18 per cent.  
1885 at 2.7 per cent.  
1886 at 2.5 per cent.  
1887 at 2.5 per cent.  
1888 at 2.5 per cent.  
1889 at 2.5 per cent.  
1890 at 2.79 per cent.  
1891 at 3.12 per cent.  
1892 at 3.12 per cent.  
1893 at 3.4 per cent.  
1894 at 2.58 per cent.

Little more is left to be added concerning the development of the Netherlands Bank. In the following table the most important of the annual balance-sheets are summarized:

YEARS.	IN MILLIONS AND THOUSANDS OF GUILDERS.					GROSS PROFIT, IN MILLIONS AND THOUSANDS OF GUILDERS.				
	Capital.	Reserve Fund.	Bank Notes in Circulation.	Bank Assignations in Circulation.	Account Current Balances.	<i>a</i> , Stock of Bullion. <i>b</i> , Cash on Hand.	Profit on Discounting.	Profit on Foreign Bills.	Profit on Granted Loans.	P o S
1865	16,000.0	2,641.5	103,304.9	7.8	28,782.0	{ <i>a</i> 63,364.1 } { <i>b</i> 26,315.8 }	2,559.3		1,804.3	
1866	16,000.0	2,835.4	102,261.5	11.98	35,912.2	{ <i>a</i> 45,762.4 } { <i>b</i> 33,298.1 }	2,014.4		1,580.2	
1867	16,000.0	3,011.7	111,130.9	0.41	35,974.3	{ <i>a</i> 68,779.9 } { <i>b</i> 28,324.1 }	3,167.5		1,807.2	
1868	16,000.0	3,165.8	117,245.9	9.34	25,909.7	{ <i>a</i> 63,471.2 } { <i>b</i> 28,704.2 }	1,477.5		1,235.4	
1869	16,000.0	3,344.3	133,658.1	6.61	25,220.4	{ <i>a</i> 72,794.6 } { <i>b</i> 33,717.2 }	1,158.2		1,155.4	
1870	16,000.0	3,625.6	126,191.9	7.77	28,690.8	{ <i>a</i> 55,003.0 } { <i>b</i> 36,115.3 }	2,248.1		1,787.6	

\*Additional profits on loans with insufficient security.

\*Profits first put down to the loss account, but paid later on.

†Additional profits on loans with insufficient security.

‡Sundries.

						{ a 80,843.97 }		{ + 9.0* }
1871	16,000.03,849.7	145,339.5	1.62	31,767.6		{ b 32,366.6 }	2,655.0	{ 1,852.5 }
						{ a 118,138.22 }		
1872	16,000.04,000.0	173,946.2	1.03	28,796.4		{ b 43,054.40 }	1,679.8	1,278.2
						{ a 57,822.44 }		
1873	16,000.04,012.6	155,322.15	5.84	35,651.5		{ b 34,534.09 }	2,057.2	1,600.7
						{ a 83,383.05 }		
1874	16,000.04,103.1	168,288.3	3.50	31,167.45		{ b 49,716.95 }	3,779.4	1,703.9
						{ a 58,300.4 }		
1875	16,000.04,235.8	168,662.8		52,298.6		{ b 84,314.6 }	2,649.5	1,117.65
						{ a 32,799.3 }		
1876	16,000.04,249.96	177,047.2		56,206.8		{ b 129,741.1 }	2,380.3	1,117.8

\*Additional profits on loans with insufficient security.

\*Profits first put down to the loss account, but paid later on.

†Additional profits on loans with insufficient security.

‡Sundries.

						{ a 33,259.3 }		
1877	16,000.04,290.2	187,960.3	0.62	28,740.76	{ b	1,793.6 123,901.95 }	1,287.2	
						{ a 12,062.6 }		
1878	16,000.04,273.2	190,996.6		16,563.8	{ b	1,624.75 115,794.2 }	1,434.66	
						{ a 7,639.9 }		
1879	16,000.04,293.86	173,648.8	0.93	39,385.15	{ b	2,569.44 118,880.96 }	2,180.8	
						{ a 37,653.44 }		
1880	16,000.04,360.29	189,606.94	0.16	23,276.96	{ b	1,728.02 126,952.00 }	1,607.5	
						{ a 5,963.1 }		
1881	16,000.04,374.9	187,357.97		18,059.82	{ b	1,367.93 133,191.8 }	1,333.71	
						{ a 43.9 }		
1882	16,000.04,412.1	174,782.0		5,816.3	{ b	2,162.2 102,147.8 }	1,749.2	
						{ a 9,206.4 }		
1883	16,000.04,366.1	177,106.25	408.02	6,147.6	{ b	2,944.7 102,761.4 }	1,890.1	

\*Additional profits on loans with insufficient security.

\*Profits first put  
down to the loss  
account, but  
paid later on.

†Additional  
profits on loans  
with insufficient  
security.

‡Sundries.



						{ a 4,706.2 }			
1884	16,000.04,378.3	179,511.86	803.71	6,468.6		{ b 2,021.6 }		1,604.3	
						114,718.3 }			
						{ a 15,528.7 }			
1885	16,000.04,430.2	185,534.2	819.3	13,095.1		{ b 1,566.7 }		1,484.6	
						114,880.4 }			
						{ a 42,989.9 }			
1886	16,000.04,560.9	198,014.3	1,205.1	19,004.0		{ b 1,339.5 }		1,375.8	
						122,447.3 }			
						{ a 34,784.97 }			
1887	16,000.04,575.7	194,627.6	843.9	21,118.3		{ b 1,009.95 }		1,166.7	
						124,290.79 }			
						{ a 31,911.0 }			
1888	16,000.04,602.2	193,435.8	725.8	29,439.4		{ b 1,152.98 }		1,445.4	
						125,980.9 }			
						{ a 37,600.9 }			
1889	16,000.04,708.4	204,368.8	914.9	17,513.8		{ b 1,282.3 }		1,190.8	
						110,814.3 }			
						{ 86.9 }			
						{ a 32,932.9 }			
1890	20,000.05,000.0	208,449.5	825.5	16,755.1		{ b 1,022.2 }	786.8	1,113.8	2
						96,773.9 }			

\*Additional profits on loans with insufficient security.

\*Profits first put down to the loss account, but paid later on.

†Additional profits on loans with insufficient security.

‡Sundries.

1891	20,000.0	5,000.0	194,680.4	1,144.8	5,286.7	{ a 27,217.8 } { b 91,716.7 } { a 14,753.5 } { b 106,527.99 } { a 14,366.6 } { b 110,899.1 } { a 28,111.9 } { b 109,616.4 } { a 27,456.1 } { b 109,583.6 }	1,643.3	567.2	1,693.9	2
1892	20,000.0	5,010.4	189,125.0	1,202.9	13,081.6		1,459.0	450.2	1,359.7	2
1893	20,000.0	5,236.1	193,451.95	930.85	9,906.8		1,089.6	261.55	1,278.2	2
1894	20,000.0	5,356.9	200,028.99	1,222.7	7,442.5		1,436.2	442.5	1,546.4	3
1895	20,000.0	5,580.4	203,682.8	2,121.4	7,790.7		851.6	218.9	1,032.2	3

\*Additional profits on loans with insufficient security.

\*Profits first put down to the loss account, but paid later on.

†Additional profits on loans with insufficient security.

‡Sundries.

## RESERVE, EARNINGS, AND DIVIDENDS.

This table shows that the reserve fund in 1872 had already reached twenty-five per cent. of the share capital, but was further increased later on. It was only in 1877-78 and 1882-83 that the reserve fund sustained a small reduction. When by the Act of August 7, 1888, the capital was augmented to twenty million guilders and the reserve fund was required to be one-fourth of the share capital, only 291,600 guilders were needed in order to complete the amount of five million guilders fixed by this law. Since 1891-92, the reserve fund has exceeded the legal limit, and on March 31, 1895, it had reached nearly twenty-eight per cent.

The gross earnings vary considerably. They are principally from discounts and loans. The proceeds of the reserve fund are no longer specially mentioned after 1889, being included in the profits on stocks. One-fifth of the share capital may also, since 1889, be invested in stocks.

The dividends for the shareholders have been much lower since 1889-90 than before, in consequence of the Government receiving a considerable share of the profits. The shareholders have, however, nothing to complain of. The yearly average of dividends paid on every 1000 guilders is:

1864-65—1868-69 17.46 per cent.  
1869-70—1873-74 21.44 per cent.  
1874-75—1878-79 19.93 per cent.  
1879-80—1883-84 19.00 per cent.  
1884-85—1888-89 12.95 per cent.  
1889-90—1894-95 8.18 per cent.

In the first fifty years of the Bank's existence the dividends were much smaller. The great rise from 1864-65 was occasioned by the extension of the Bank's sphere of action, the establishment of branch offices, and the changes which time had brought with it.

According to the amount of the capital, the following periods may be distinguished:

YEARS.	Capital.	Dividends.	Dividends.
	GUILDERS.	GUILDERS.	PER CENT.
1864-65—1888-89	16,000,000	62,256,000	15.56
1889-90—1894-95	20,000,000	9,820,000	8.18

Altogether, from 1864-65—1894-95, *i. e.*, during thirty-one years, 72,076,000 guilders have been paid as dividends to the shareholders, against 42,270,000 guilders during the fifty years from 1814 to 1863. The number of persons enjoying these dividends was, at the beginning of the second period, about 2000, and at the end of it about 3800. The following table shows the changes in the number of shareholders as well as the transactions in the Bank's shares during the different working years. According to the annual reports, the number of shareholders of the Netherlands Bank was, in the following years:

On March 31.	With less than 5 Shares.	With 5-9 Shares.	With 10-19 Shares.	With 20-29 Shares.	With 30-39 Shares.	With 40-49 Shares.	With 50 and more Shares.	Total.	IN THE WORKING YEAR CHANGED HANDS.							
									Shares.		Transfers between living persons.					
											Whole.	Half.				
1865	1177	408	220	104	48	20	50	2036								
1866	1174	397	229	95	49	22	42	2008	1067½		382					
										Whole.	Half.					
1867	1170	406	217	94	48	23	44	2002	614	11	272	5				
1868	1225	381	236	88	48	17	43	2038	1042		409					
1869	1195	346	245	89	43	19	40	1977	856	15	285	7				
1870	1248	404	228	90	42	18	41	2071	699	16	307	6				
1871	1230	329	215	89	47	18	39	1967	664	18	233	3				
1872	1420	414	241	99	44	18	36	2272	952	18	278	3				
1873	1472	415	236	95	46	17	35	2316	844	24	256	10				
1874	1530	420	249	91	43	15	35	2383	790	9	332	3				
1875	1603	428	261	84	45	12	34	2467	893	23	543	15				
1876	1652	443	259	78	46	10	36	2524	727	13	270	7				
1877	1725	436	270	76	44	10	34	2597	1051	11	429	9				
1878	1777	433	267	78	42	10	34	2641	816	12	410	3				
1879	1850	451	257	72	46	11	34	2721	1148	11	484	6				
1880	1944	458	245	71	40	14	32	2804	993	26	482	5				
1881	1990	468	249	69	38	14	30	2858	1824	14	1237	5				
1882	2006	467	254	73	39	13	29	2881	1158	9	706	6				
1883	2016	493	255	76	36	15	26	2917	978	21	467	7				
1884	2084	492	253	76	32	12	28	2977	1093	11	470	8				
1885	2110	490	250	74	27	11	30	2992	1076	10	549	6				
1886	2162	473	267	72	26	12	33	3045	1169	11	455	8				
1887	2175	500	256	71	24	11	33	3070	1010	9	369	5				
1888	2251	486	264	69	24	13	30	3137	1128	15	606	7				
1889	2198	483	266	62	22	15	28	3074	1700	14	1134	10				
									1-1	½	¼	⅛	1-1	½	¼	⅛
1890	2172	703	310	95	32	15	40	3367	2249	297	418	33	1243	234	375	32
1891	2181	685	325	101	29	16	39	3376	1487	73	84	11	657	35	33	5
1892	2285	680	333	100	33	14	36	3481	975	42	45	2	431	18	18	
1893	2381	684	335	97	28	14	37	3576	1168	41	33	1	515	17	16	
1894	2479	679	328	98	30	14	37	3665	1236	54	29	1	576	30	13	
1895	2603	691	336	88	27	13	34	3792	1205	49	45	8	526	14	9	2

With regard to dealings in the shares, it must be repeated that according to the regulation of 1864 the splitting of shares into half-shares, and by the Bank Act of 1888 into half, quarter, and eighth shares, was permitted. The capital was split on March 31, as follows:

	Into 1-1 ½	¼	⅛ shares.
1890	19,170	1,076	1,123 90
1891	19,209	1,023	1,078 80
1892	19,251	979	1,001 74
1893	19,257	971	993 74
1894	19,266	956	987 74
1895	19,283	930	972 72

A gradual fusion of these part shares into whole shares is clearly perceptible in the above table.

The number of shareholders with less than five shares has in the period from 1864-65—1887-88 increased from 1177 to 2251. In 1888-89 it was reduced to 2198, and in 1889-90 to 2172, but since then it has continually risen till it has reached 2603. This movement indicates a reduction of the number of shareholders entitled to vote, as the voting power can only be acquired by possession of five shares.

[\[Back to Table of Contents\]](#)

## CHAPTER V.

### BANKS OF ISSUE IN THE DUTCH COLONIES.

#### SECTION I.

##### THE JAVA BANK.

*I.—Period preceding the Currency Reform of 1854—Bank Charter of 1827—State of the Currency—Issue of Copper Notes by the Bank, 1832—Bank Charter of 1837—Dearth of Silver in the Bank Coffers, 1836-1839—Crisis of the Bank, 1841—New Restriction, 1845—Receipt System, 1846—Bank Charter of 1848.*

*II.—Period from the Currency Reform in 1854 to the Abolition of the Fixed Maximum of Bank Notes, 1875—Adoption of the Silver Standard, 1854—Maximum of Note Issue, 1854 and 1856—Bank Charter of 1859—Insufficiency of the Note Maximum, 1861, 1862, and 1866—Bank Charter of 1870—Fixed Limit to the Note Circulation of 1874, and its Abolition in 1875.*

*III.—Period after the Abolition of the Note Maximum in 1875—Large Assistance by Credit, 1876—Adoption of the Gold Standard in 1877—Bank Charter of 1880—Credit Crisis of 1884—Decrease of the Bank's Operations up to 1890—Bank Charter of 1891—Latest Development of the Bank's Operations.*

THE Java Bank was established in 1827, and began its operations in 1828. The original Bank charter expired toward the end of 1837, but continued in force, first, until the end of March, 1838. It was further extended until March 31, 1848, with several modifications, by the decree of July 17, 1837. By decrees of March 3, 1848, March 28, 1858, November 22, 1859, March 6, 1870, March 25, 1880, December 13, 1880, and February 11, 1891, the Bank's charter was extended until the following dates: March 31, 1858, 1860, 1870, 1880, 1881, 1891, and 1906.

Dr. N. P. van den Berg not long ago published in the "Encyclopædie van Nederlandsche-Indie" a table showing the general development of the Java Bank from 1828-29 to 1893-94. I give this table below, with a few changes for 1891-92—1893-94, and with supplementary dates for 1894-95, in order to render a review possible:

YEARS.	Share Capital.	AVERAGE WORKING CAPITAL. Discount and Loans Granted.	Mortgages and Stocks.	Losses by Working.	Dividends in Per Cent. of the Capital.	Average Discount <sup>†</sup> Rate. Per Cent.
	GUILDERS.	GUILDERS.		GUILDERS.		
1828-29	1,305,500	697,000			0.37	9
1829-30	1,418,500	2,547,000			10.14	9
1830-31	1,539,500	3,485,000			12	9
1831-32	2,000,000	4,109,000			12	9
1832-33	2,000,000	5,605,000			18	9
1833-34	2,000,000	5,978,000			20	9
1834-35	2,000,000	6,965,000			27	9
1835-36	2,000,000	7,343,000			30	9
1836-37	2,000,000	8,271,000			32	9
1837-38	2,000,000	8,583,000			33	9
1838-39	2,000,000	8,645,000			26	9
1839-40	2,000,000	7,403,000			16.4	9
1840-41	2,000,000	7,372,000			9	9
1841-42	2,000,000	7,506,000		963,500	0	9
1842-43	1,114,744	5,904,000		773,400	0	9
1843-44	1,415,247	4,796,000		0	0	8.5
1844-45	1,202,494	5,013,000		405,200	0	6
1845-46	1,476,875	4,957,000		18,900	0	6.5
1846-47	1,732,403	4,490,000		25,000	0	6.5
1847-48	1,732,403	3,590,000		134,000	0	9
1848-49	1,835,424	2,449,000		15,000	1.1	9
1849-50	1,927,500	2,380,000		1,400	3.95	8.88
1850-51	1,927,500	3,130,000			4.9	7.5
1851-52	1,927,500	3,863,000			7.25	7.5
1852-53	2,000,000	4,702,000			9.75	7.5
1853-54	2,000,000	4,383,000	264,000	1,000	7.7	7.5
1854-55	2,000,000	3,717,000	341,000	200	6.1	7.4
1855-56	2,000,000	3,702,000	403,000	600	8	6.3
1856-57	2,000,000	4,776,000	483,000		14.73	7.73
1857-58	2,000,000	5,581,000	630,000		14.86	8.66
1858-59	2,000,000	5,708,000	779,000	3,800	13.58	7.88
1859-60	2,000,000	6,113,000	906,000	400	23.61	7.5
1860-61	4,000,000	7,572,000	964,000	5,500	13	7.5
1861-62	4,000,000	9,467,000	965,000	14,100	19	8.43
1862-63	4,000,000	9,478,000	917,000	177,300	12.5	9

<sup>†</sup>Including advances on current accounts.

\*Van den Berg gives for these years: 1891-92, 12,814,000 guilders; 1892-93, 17,917,000 guilders, and 1893-94, 16,546,000 guilders.

1863-64	6,000,000	8,914,000	966,000	46,200	10	8.03
1864-65	6,000,000	9,209,000	1,400,000	51,300	7.5	7.62
1865-66	6,000,000	10,218,000	1,425,000	26,900	10	7.42
1866-67	6,000,000	13,766,000	1,430,000	51,000	17	9.13
1867-68	6,000,000	14,302,000	1,350,000	46,600	16	8.25
1868-69	6,000,000	11,766,000	1,310,000	117,000	9	6.24
1869-70	6,000,000	9,968,000	1,340,000	20,300	7.5	5.42
1870-71	6,000,000	9,511,000	1,423,000	80,100	7.47	5.95
1871-72	6,000,000	10,116,000	1,196,000	44,300	7.2	5.83
1872-73	6,000,000	10,568,000	1,842,000	12,800	9	6
1873-74	6,000,000	11,760,000	1,629,000	20,100	9.5	5.93
1874-75	6,000,000	11,760,000	1,968,000		12.5	6.82
1875-76	6,000,000	14,010,000	2,152,000	40,500	13.6	7.08
1876-77	6,000,000	14,619,000	2,091,000	7,300	13.3	6.99
1877-78	6,000,000	11,952,000	2,293,000	259,400	6	5
1878-79	6,000,000	11,431,000	2,349,000	27,200	8	5.35
1879-80	6,000,000	14,242,000	2,358,000	1,600	9.5	5.97
1880-81	6,000,000	12,394,000	2,399,000		9	6
1881-82	6,000,000	12,940,000	3,016,000	3,300	9	6
1882-83	6,000,000	13,239,000	3,461,000		9.5	6
1883-84	6,000,000	16,699,000	3,464,000	10,400	12.5	6.52
1884-85	6,000,000	17,049,000	3,448,000	59,900	13	6.74
1885-86	6,000,000	12,762,000	3,662,000	198,700	7.75	6.37
1886-87	6,000,000	8,949,000	3,498,000	1,400	6	4.68
1887-88	6,000,000	9,956,000	3,285,000	52,600	6	4.50
1888-89	6,000,000	10,047,000	3,500,000	2,500	6	5
1889-90	6,000,000	6,334,000	3,437,000		2.8	5
1890-91	6,000,000	9,056,000	3,512,000	3,100	3.3	4
1891-92	6,000,000	12,756,000*	5,724,000	1,200	7	4
1892-93	6,000,000	17,712,000*	6,391,000	400	9	5.42
1893-94	6,000,000	15,779,000*	6,428,000	257,000	8	5.28
1894-95	6,000,000	12,606,000	6,623,000	6,935	8.7	5.37

†Including advances on current accounts.

\*Van den Berg gives for these years: 1891-92, 12,814,000 guilders; 1892-93, 17,917,000 guilders, and 1893-94, 16,546,000 guilders.

The difference is explained by the fact that Van den Berg has included the extensions in Holland in these figures. These statements supplement the Bank's report for 1894-95, pages 12 and 13. The years 1854 and 1875 mark important turning-points in the history of the Java Bank; the former, because in that year the deplorable state of the currency in the Dutch East Indies had been repaired, and the latter, because a fixed maximum of note issue was then abolished.



## THE BANK'S SPHERE OF ACTION.

A charter, very much like the one given to the Netherlands Bank, had been issued for the Java Bank in the first period of its existence. The sphere of action was, however, made much wider. The Bank's operations were to include (1) the discount of bills of exchange and assignments (also those issued by public auction offices established at Java); (2) the grant of loans on stocks, the precious metals, jewels, and merchandise; (3) the trade in gold and silver; (4) deposit account business with the Treasury or other public authorities or private individuals; (5) the exchange of money and current coin for bank paper; (6) the keeping of foreign coins, which had to be returned after deducting a moderate rate of interest for the Bank, and on which, in the books of the Bank, a credit could be opened for a small commission; (7) the keeping of sums of 100 guilders or more, on which the depositor was to receive interest; (8) the granting of interest-bearing credits of at least 200 and not more than 1000 guilders, on security, to any Dutch inhabitant of good standing, who may dispose of these sums by assignments.

The Bank administration had to consist of a perpetual president, three directors, and one perpetual secretary. The Governor-General could increase the number of directors at the request of the Bank. The directors had to be elected every year at a general meeting of shareholders with voting power. For preparing the balance-sheet and declaring the dividend, a committee of seven shareholders, entitled to vote, had to be elected by the general meeting. The directors received a yearly salary of 4000 guilders, which was stopped in 1837. According to an official ruling of December 11, 1827, the Bank shares, which the Government had also tried to favor by pressing them on public servants, were recognized as a means of investment of trust funds.

The value of the bank notes was to be 1000, 500, 300, 200, 100, 50, 25 guilders, smaller notes being allowed should the Bank consider their issue desirable; but during the first period no small notes were emitted. The bank notes were received as legal tender at all Treasury offices in Java and Madura as long as the Bank fulfilled its pledges in regard to their redemption.\* On the other hand, the Indian Government was not to issue paper money under whatever form or name. Falsification of bank notes was ranked as false coining, but repeatedly took place.

No rule concerning the reserve against the notes existed at any time, nor did the Bank management set up any standard of safety. It desired simply to regulate its note issue according to the amount brought in by the credit operations. With regard to the total note circulation, the decree of December 11, 1827, prescribed that "the total amount of notes to be issued should be regulated by the Bank's own capital, inclusive of all discounts, loans, deposits, bullion, and credits."

The operations of the Bank, which established agencies at Samarang in 1828 and at Soerabaya in 1829, quickly developed during the first years. I have compiled the following table, to supplement that given in the beginning of this chapter, from data contained in D. C. Steijn-Parvé's "Geschiedenis Nanhét Munt en Bankwezen van Nederlandsch-Indie" (History of Currency and Banking in the Dutch East Indies).\*

*Operations of the Java Bank, 1828-40 (in Millions and Thousands of Florins.)*

In the Working Year Ending on the 31st of March.	Notes in Circulation.	Discountings.	Loans Granted.	Advances on Coins and Credit.	Bullion on Hand.	Exchange of Coins and Cash Advances†		Net Profit	Amount Placed to the Reserve Fund.
						The Government.	Private Individuals.		
1829	2,166.77	815.95	222.65	439.83	2,086.73			4.95	2
1830	2,272.16	1,863.21	799.15	921.34	1,171.07			164.20	30.43
1831	3,075.55	1,943.65	1,068.60	606.02	1,608.68			231.01	69.29
1832	4,015.82	3,049.73	1,113.91	580.47	1,807.27			326.72	86.72
1833	4,212.25	4,528.01	979.25	570.48	897.05			466.93	106.94
1834	4,892.60	5,232.12	824.91	480.45	1,180.91		1,283.8	474.54	74.54
1835	5,181.42	6,071.82	923.67	410.78	1,724.50	1,165.0	628.8	569.36	29.36
1836	5,995.47	6,446.38	488.60	404.80	2,675.43	1,590.6	1,278.5	620.72	20.72
1837	6,013.15	7,442.28	474.21	479.06	524.54	1,193.5	1,206.0	656.33	16.33
1838	7,243.97	7,768.29	777.37	578.68	1,853.67	1,926.5	2,078.6	669.03	9.03
1839	7,477.00	7,096.17	333.87	619.81	1,202.52	632.2	1,545.1	561.02	2.92
1840	7,235.15	6,303.77	455.13	395.13	753.96	60.0	8.3	345.50	

†For 1834, the figures comprise both groups; till 1838, the figures refer to calendar years; the figures for 1839 refer to the period from the 1st of January to the 13th of July, 1839; the figures for 1840, to the period from the 13th of July, 1839, to the 31st of March, 1840.

## DUTCH COLONIAL CURRENCY.

The state of the currency helped to develop the operations of the Bank, the former being very defective in the Dutch East Indies. By decree of January 14, 1817, it is true, a national Indian silver guilder, like the then current Dutch florin, had been provided; but at the same time the issue of two million guilders' worth of paper money was sanctioned, and this amount was increased by the decrees of November 6, 1817, January 23, 1821, and March 18, 1822, to three, four, and five millions. The silver florin was ousted by the paper money, but the copper coins came to the front. In the decree of January 14, 1817, it was ordered that neither in making payments nor in receiving them were the officials to make any difference between copper, silver, and paper. An increase in the number of copper coins was ordered by the decrees of April 24, 1818, and June 25, 1818. The decree of the 13th of February, 1826, proclaimed the Dutch guilder, according to the Dutch law of September 28, 1816, to be the true standard coin, and ordered that nobody should be obliged to accept more than ten florins in copper coins; but these, nevertheless, became more and more popular. The withdrawal of 2,015,975 florins in one-florin notes and of 985,950 florins in five-florin notes from circulation rendered copper coins quite indispensable for all payments below ten florins. In 1825, besides, an arrangement had been made with the Nederlandsche Handels Maatschappij that the latter should provide the Indian Government with eight million florins, six million of which should be in copper.

When the Bank started, the chief medium of currency in the country was the copper “duitens” (doits), while the silver guilder had only nominal importance. It is evident that under these circumstances the bank notes, which were, besides, accepted as a legal tender at all public cash offices, should quickly come into favor as a general means of currency. The Bank did not bind itself to any well-defined limits with regard to either the amount or the cover of notes, but by issuing as many notes as the traffic demanded, it could make large “active operations.” It was, however, awkward that the Bank should be obliged to redeem its notes in the precious metals when asked for, as the latter had been nearly totally ousted from circulation in the Dutch East Indies. In 1830, merchants proposed to the Government at Batavia to stop the exchange of bank notes for silver for some time, and the Bank also repeatedly pointed out the difficulties accruing from redemption in silver. The Government, however, rejected such proposals and sought to reduce the silver export by imposing an export duty of four per cent., and by other means.

## CONFLICT BETWEEN THE GOVERNMENT AND THE BANK.

The financial difficulties of the Government of the Dutch East Indies gave rise to some very remarkable measures in 1832. Thus, the Governor, Van den Bosch, had proposed in 1831 that some paper money representing copper should be issued by the Bank, the Government depositing the same amount in copper as security with the Bank. This proposal met with strong opposition in debate in the Indian Council. The Government, nevertheless, entered into negotiations with the Bank. The board of directors, after repeated consultations, refused the proposal on the 25th of May, 1831. The negotiations, however, were continued, and when the Bank stood by its refusal, a royal decree of June 16, 1832, presented to it the alternative of either acquiescing in the issue of three million guilders’ worth of notes against copper security or having its charter revoked. The Bank was compelled to bow to this, and by decree of August 23, 1832, it was proclaimed that the Bank would issue three million guilders’ worth of “copper paper” against a deposit of that metal to the same amount. These were the notes issued:

20,000 of 5	guilders each.
20,000 of 10	guilders each.
20,000 of 25	guilders each.
12,000 of 50	guilders each.
10,000 of 100	guilders each.
500 of 500	guilders each.
350 of 1000	guilders each.

On April 16, 1833, the number of copper notes of 100 florins each was reduced by 2500, and they were replaced by 20,000 of five florins each, 10,000 of ten florins, and, besides, 25,000 of one florin each, were issued. In 1839, the 1000-florin notes were totally withdrawn, those of 500 florins reduced, and the issue of copper notes for 10, 25, 50, and 100 guilders was increased in the same proportion. The total of three million guilders was, however, not exceeded.\*

In order to bring the Bank charter into harmony with this procedure, the right was reserved, in the charter of July 17, 1837, to the Government to issue copper notes through the intermediary of the Bank, if the latter chose to undertake this, or to issue or have them issued in some other way, should circumstances demand it. Hereby the independence of the Bank was considerably curtailed.

In the same decree the Bank was ordered to give ten per cent. of any profit above nine per cent. of the share capital to charities designated by the Governor. This meant a further loss of independence to the Bank; but soon additional demands were to be made upon it. The Director-General of Finance, on July 26, 1839, requested the Bank to place at the disposal of the Government one million guilders of the copper deposited in its vaults. It was resolved to comply with this request on the 27th of July, 1839, and the decision was sanctioned by the Government decree of August 7, 1839. Thus the cover for a great part of the copper notes was withdrawn. On April 11, 1840, the Bank was summoned to give up all the copper deposited by the Government with the exception of that necessary for the redemption of the 500-florin copper notes. For the deficiency in the copper deposit the Bank was to receive a Government bond. The Bank management agreed to this also, but on April 16, 1840, demanded a special and definite order by Government decree to cover its responsibility toward the holders of the copper notes. After some further negotiations on this point, a corresponding secret decree of the Government was issued on the 27th of August, 1840, and the bulk of the security for the copper notes was handed over to the Government. In 1841, the board of directors became somewhat anxious with regard to these dealings, and on the 5th of June, 1841, therefore, they admonished the Government to return the copper deposit taken from the Bank. The Government was annoyed at this, and in its decree of August 23, 1841, called it as "rude as inconvenient" that the board of directors should approach them with such a request during the prevailing bad times. The Bank had to be satisfied with this at first, and after a renewed appeal, only the security was refunded.

The continued large coinings of copper by the Government, according to Steijn-Parvé, are evidenced by the following amounts put into circulation:

1833 368,569 guilders.  
1834 1,101,927 guilders.  
1835 746,650 guilders.  
1836 1,646,000 guilders.  
1837 2,468,580 guilders.  
1838 3,533,580 guilders.  
1839 4,419,471 guilders.  
1840 5,425,855 guilders.  
1841 3,465,828 guilders.  
1842 3,880,027 guilders.

These copper coins were also bound to oust the silver more and more from circulation, and the Bank itself largely contributed thereto by constantly increasing its note issue and by favoring an unhealthy speculation in stocks through liberal grants of

credit. The endeavor to secure big dividends had more weight with the Bank than the endeavor to remain within the limits of prudence.

## INADEQUATE COIN RESERVE.

In 1836, the Bank was really incapable of redeeming its notes. On January 1, 1836, the Bank, with a note circulation of 6,450,000 florins, still held 2,450,000 florins' worth of the precious metals; but on November 23d of that year there were already 7,050,000 florins of bank notes in circulation and only 856,680 florins' worth of the precious metals. The Government, which had 2,500,000 guilders' worth of bank notes on hand, thought this state of affairs so dangerous that it compelled the Bank to accumulate bigger amounts of gold and silver, which, under existing circumstances, was only possible by applying to other countries. The Bank increased its stock of bullion, but also increased its note issue; and thus in 1839 it was again incapable of redeeming its notes. In July, 1839, its entire stock of bullion did not exceed 18,638 florins. The fact that notwithstanding all this the bank notes remained in circulation can only be explained by the deplorable state of the currency, which made the use of bank notes absolutely necessary.

The outflow of silver from the Bank was partly caused by the Government's economic policy. The Government had given to the *Nederlandsche Handels Maatschappij* (*i. e.*, Dutch Trading Company), established in 1824, a commercial monopoly. The chief produce of the island of Java—sugar, coffee, and indigo—had to be delivered to the company, and was to be sold by them. Therefore, a free movement of trade, calculated to bring silver to the Bank, did not exist. Many merchants were also obliged to turn their energies in new directions, and agricultural enterprises were especially used for this purpose. Considerable credits were asked from the Bank for such undertakings, but as it was only very slowly that they became profitable, the credits granted could very frequently not be paid back to the Bank. It accordingly suffered great losses, and in 1841 nearly failed; the whole capital was in peril. The total breakdown, however, was prevented, because in pursuance of a resolution of the general meeting of March 5, 1841, sanctioned by the Government, an extension was granted for most outstanding debts of whose ultimate recovery there was any hope.\* Besides this, from 1841-42 for seven years no dividends were paid, but the earnings were used for making up the deficiency in the share capital and restoring this to the former amount of 2,000,000 guilders, of which, in 1842-43, only 1,110,000 guilders were left. By 1852-53 the capital was re-established.

## THE PROCESS OF RECOVERY.

But this recovery was not effected without hindrance. The Government rendered the accumulation of new stocks of bullion difficult by issuing, in 1842, a further three million guilders in copper, representing paper (without the intervention of the Bank). The Bank itself, by increasing its note issue, prevented the establishment of a safer ratio between the note circulation and the amount of bullion on hand. Up to the beginning of 1844, it had increased its stock of bullion to 2,880,000 guilders, and the amount of bank notes issued to 8,400,000 guilders. There was also the alarming

proposal of the Director-General of Finance, in 1843, to take over the Java Bank for account of the Government, and to transform it into a Government loan and discount bank—a proposal which, however, was not adopted.

Further difficulties happened in 1845, in the beginning of which year the holder of an assignation for 4,598.70 guilders, issued by the Bank agency at Soerabaya, brought an action against the Bank for payment in specie, while the Bank would pay only in notes. That rendered people suspicious with regard to the safety of the Bank, and brought discredit on it. The Bank apprehended a run of note-holders, and demanded the Government's assistance. In order to remove the difficulties, the Bank was forbidden to change its notes for specie during a year, and for this period courts of law were not allowed to take notice of legal claims on the Bank for the redemption of its notes. The Bank, on March 31, 1845, had three million guilders of bullion on hand, while the notes in circulation amounted to 7,986,000 guilders. Unless, therefore, every note-holder was expected to demand coin, there was no real inability to redeem the notes.

Important changes in the currency and the affairs of the Bank took place in the next year. In 1846, the Government began to prepare for the currency reform. On February 4, 1846, it was resolved that the Government should issue *récépissés* of 1, 5, 10, 25, 100, and 500 guilders each, and put out of circulation 120, 600, 1200, 3000, 12,000, 60,000 doits, which should be kept as security for the receipts. The copper notes issued by the Government were to be withdrawn and changed for receipts, so that six guilders in copper notes were considered equal to five guilders in receipts. The receipts could at any time be changed at the public cash offices of the principal places, and were admitted in payment for all public dues. Nobody was obliged to receive in payment more than five guilders in copper coins, and was authorized to demand receipts for the amount in excess. The notes issued by the Java Bank were still received in payment at the public depositories, until March 29, 1846, and could, for a further month later, be exchanged for receipts. In case of such an exchange, the bank notes served as security for the receipts. The total amount of receipts issued was not to exceed the security in copper and bank notes.

On March 26, 1846, the receipts were declared a legal tender for all debts payable in silver. These orders caused an important modification of the Bank charter, because the currency really consisted of copper represented by receipts, and because the Bank's methods had to be modified to suit the principles of this system. On March 26, 1846, therefore, the Bank was authorized to stop the issue of notes payable in silver, and to make its notes redeemable in receipts at Batavia. The total amount of notes to be issued had to be fixed and published by the Government from time to time. The real amount of notes in circulation had to be published every month. As long as the Bank should meet its engagements, and cover its liabilities by its assets, the notes representing receipts were to be accepted for all payments at the public offices.

## NEW BANKING REGULATIONS.

The right of giving credit on a guarantee was taken away from the Bank. It was forbidden to pay dividends as long as the impairment of the capital was not fully

made good. At the same time, it was ordered that at the general meetings a Government commissioner had to be present, empowered to delay decisions till the Governor-General had sanctioned them. The Bank's sphere of action was reduced, in comparison with the orders of 1827, by abolishing some of its operations. Of the original functions, these remained:

1. Discounting bills of exchange and other commercial paper provided with two or more respectable signatures. This left more liberty of action than the Bank charter of 1827.
2. Granting loans on stocks, jewels, precious metals, and merchandise.
3. Trading in gold and silver.
4. Opening deposit accounts to the same extent as in 1827.
5. Keeping foreign coins, which may be delivered after deduction of a moderate rate of interest for the Bank, and on which, in its books, a credit may be opened for a small commission.

New branches of business were the following:

6. The drawing of assignments by the head offices on the agencies, and *vice versa*. The carrying out of commissions intrusted to the Bank by the Government.

In these regulations of 1846 and 1848, the intention of increasing the Government's power over the Bank especially excites surprise. An effective influence of the Government over the Bank was rendered possible by the fact that after 1846 the Government had to fix the maximum note issue, and to make prescription for the metallic reserve held against the notes in circulation. There was the further fact that a Government commissioner was authorized to superintend the general meetings, and that the Bank was obliged to carry out the mandates of the Government.

It must also be mentioned that in 1848 the Bank was obliged to place one-third of its net earnings to the reserves, as long as the reserve fund had not reached fifty per cent. of the share capital. The application of a part of the net profits to charities, however, ceased. As to the investment of the reserves, special directions were given on December 17, 1853, according to which the Bank was allowed to invest the reserves in entries into the Great Ledger, in Dutch East Indian bonds, and in mortgages. After 1848, the Bank, by degrees, got into better condition. Especially was the exorbitant note issue without sufficient metallic security effectually reduced. We find at the end of the following fiscal years the condition of affairs:

1847-48.

1849-50.

Security in coins of 368,485.23 guilders. 350,538.15 guilders.

Security in receipts of 1,456,111.13 guilders. 3,390,742.67 guilders.

And bank notes in circulation:

Representing silver 71,525.00 guilders. 53,000.00 guilders.  
Representing receipts, 4,404,525.00 guilders. 2,703,775.00 guilders.

## REFORMING THE CURRENCY.

We must, however, take into consideration the fact that the security in receipts was of real importance only as long as the credit of the Government was not shaken. A sound basis for the currency system was wanting. The currency consisted of notes representing copper, and of copper coin, which must be considered a very unstable basis for a country's currency. The risk to which the Bank was thus exposed could not be removed until the Dutch East Indian currency was based on the precious metals. It was only by the law of May 1, 1854, that a metallic basis was introduced by adopting the Dutch silver standard according to the Dutch law of November 26, 1847.

The Government did its best to secure for silver the importance to which it was entitled. From 1854 to 1860, the silver specie shipments from Holland to the Dutch East Indies amounted to nearly ninety million guilders. The old copper coins were changed as much as possible for new copper coins, the issue of which was not to exceed ten million guilders. No one was compelled to take in payment copper coins for more than two guilders, nor silver small coins for more than ten guilders. The existing receipts (more than twenty-six million guilders) were changed for silver standard coins. The currency reform upon this basis cost 19,800,000 guilders to the Government. But this sacrifice was not made in vain, because the currency of the Dutch East Indies became decidedly sounder. With the currency reform the Java Bank also entered upon a period of healthier development. The Bank was again able to accumulate a stock of silver, and this all the more so because private enterprise was allowed greater liberty of action.

The Bank's stock of bullion amounted (according to Van den Berg, in the "Encyclopædie van Nederlandsch-Indie") to

1,770,000 guilders on March 31, 1856.  
10,080,000 guilders on March 31, 1862.  
20,845,000 guilders on March 31, 1865.

## THE BANK'S DEVELOPMENT.

The active operations of the Bank increased, with a brief intermission in 1863-64 and 1864-65, up to 1867-68. In the sixties, the Bank established several new agencies, viz.: in 1864 in Padang, in 1865 in Macassar, in 1866 in Cheribon, in 1867 in Soerakarta and Pasoeroean. But in the second period, too, the regular working of the Bank was interrupted several times by the imprudent policy of the Government in fixing the maximum note issue, as was its right since 1846. All the disadvantages which can accrue from an absolute note maximum have been shown in the history of the Java Bank. Before 1859, no limits were fixed with regard to the metallic reserves against the notes in circulation. The Government did not think it advisable to have notes amounting to more than three times the share capital issued. On October 27,



1854, therefore, the maximum was fixed at 5,258,575 guilders, and on July 24, 1856, at 6,000,000 guilders. The new Bank charter of November 22, 1859, repeated the requirement that the Governor-General had to fix the maximum of notes\* to be issued, but it was added that at least three-tenths of the notes had to be covered by legal currency. The Bank, however, was authorized to issue notes, when fully covered by bullion, above the maximum. Further on, the increase of the capital to 4,000,000 guilders was ordered, twenty-five per cent. of which could be invested in mortgages and other safe investment values.

## THE QUESTION OF A MAXIMUM NOTE ISSUE.

The tenor of the new requirements was not unfavorable, but the Government's policy concerning the note maximum and the metallic security for the notes continued to be hurtful to the Bank. The maximum was at first fixed at seven million guilders, and the Government was not willing to sanction a further increase demanded by the Bank before the capital had been raised to four million guilders. After increasing the capital with the help of the reserve fund,\* the note maximum on July 31, 1860, was raised to ten million guilders. But this amount was insufficient, because in the beginning of the sixties the Bank had to respond to a greatly increased demand for credit, which even the raising of the discount rate to eight and nine per cent. could not restrain.

The Bank's active capital (in 1854-55, only 3,700,000 guilders) was increased to 6,110,000 guilders in 1859-60, to 7,570,000 guilders in 1860-61, and to 9,470,000 guilders in 1861-62. In 1861, the Bank ventured to exceed the fixed limit, which brought it a severe reprimand from the Government. The request for permission to raise the maximum made by the Bank in 1861 was not answered before October, 1862. In reality, the disposable amount of bank notes was insufficient, and in the autumn of 1862 the Bank was not able to satisfy demands for credit either from private individuals or from the Government. It was only on October 24, 1862, that the Bank was authorized to issue bank notes up to twelve million guilders, provided a further increase of capital up to six million guilders took place, which was effected in 1863-64. On December 12, 1862, the maximum was raised to fifteen million guilders, but only for a short time. The Bank's active capital (in 1862-63, 9,480,000, and in 1863-64, 8,900,000 guilders) advanced in the next four years to 9,200,000, 10,200,000, 13,770,000, 14,300,000 guilders, respectively. In the beginning of 1866, the state of affairs became very critical again, and the disposable funds of the Bank sank to a very small amount. On December 28, 1866, the bank notes in circulation, the assignments, and the current account balances amounted to 27,838,934 guilders, and the stock of bullion to 17,439,816 guilders; but according to the regulations of that time, only 100,882 guilders were disposable.† Although the discount rate was raised to ten and a half per cent., the demands for credit did not greatly decrease. On June 23, 1866, at last the Government sanctioned a note maximum of eighteen million guilders, and on September 26, 1866, of twenty million guilders.‡

During the next eight years a further increase of the note maximum was unnecessary, because after 1867-68 more moderate demands for credit were made on the Bank. Its active capital amounted in 1868-69 to only 11,766,000 guilders, in 1869-70 to 9,968,000 guilders, and in 1870-71 to 9,510,000 guilders. The yearly average of

discount rates sank from 9.13 per cent. in 1866-67 to 8.25 per cent. in 1867-68; 6.24 per cent. in 1868-69, and 5.42 per cent. in 1869-70; while in 1870-71 a moderate rise to 5.95 per cent. occurred. Part of the demands for credit in that time were turned to the great private credit institutions, which began to operate more and more in the Dutch East Indies. (In consequence of all this, the Bank was not hampered by the restriction of an absolute and not very liberal note maximum.)

## A NEW PLAN OF BANK MANAGEMENT.

In 1870, the Bank's charter was renewed for ten years by decree of March 6, 1870, which changed the organization of the Bank's management, that had not been modified since 1838.\* According to this decree, the board of directors was to consist of the president and two permanent salaried directors, one of whom should act as secretary. These three persons were appointed by the Governor-General from a double nomination paper made out by the board of directors, together with the commissioners, and was binding only in regard to the two directors. The president was appointed for five years, the directors for three years. A permanent board of five commissioners had also to be elected at the general meeting, while before 1870, commissioners had been chosen at every general meeting.

Instead of the Government's commissioner—authorized since 1846 to be present at the general meeting—by the decree of 1870, a permanent Government commissioner, appointed by the Governor-General, was intrusted with the control.

It should also be mentioned that the amount of the reserve fund was again prescribed, and that the Bank was forbidden to invest part of the share capital in mortgages. The Bank having, in 1869-70, invested 1,340,000 guilders in mortgages, was obliged to get rid of these. It succeeded, however, in having this restriction canceled again, and it was allowed to invest the reserve fund and one-third of the share capital in safe stocks and mortgages.

## INCREASING BUSINESS AND NOTE ISSUES.

The Bank's operations increased after 1870. The active capital amounted to 10,116,000 guilders in 1871-72, 10,568,000 guilders in 1872-73, 11,760,000 guilders in 1873-74, and 11,760,000 guilders in 1874-75.

The yearly average discount rate was 5.95 per cent. in 1870-71, 5.83 per cent. in 1871-72, 6 per cent. in 1872-73, 5.93 per cent. in 1873-74, and 6.83 per cent. in 1874-75. The highest rate was in 1870-71—1873-74, 6 per cent.; in 1874-75, 8 per cent.

Under these circumstances, the Bank thought a further increase of the note maximum necessary, and this time the Government, having learned by experience, was ready to comply with the request. On September 8, 1874, the Bank submitted its proposal, and on September 19, 1874, permission was given to increase the note issue to 25,000,000 florins. The Bank had, however, proposed some time before to abolish entirely the note maximum and to treat the cover of the notes and the note circulation according to

the rules laid down for the Netherlands Bank. This was also sanctioned, and the decree of March 18, 1875, abolishing the note maximum, ordered that the total sum of notes in circulation, bank assignments, and current account balances should be covered to the extent of at least forty per cent. by coin or bullion. With this, the latest period of development begins for the Bank, which now shows a much healthier growth than before. The Bank had become free to consult its own interest as well as that of the community at large, and in the next year the advantage of this change was clearly apparent. On the approach of the shipping season, the demands on the Bank's resources grew very fast both in number and amount, but without any difficulty the amount of loans could be increased from 12,800,000 to more than 23,000,000 guilders. The discount rate, it is true, had to be raised to nine per cent., but it stood at that figure for only a short time, the yearly average being 6.99 per cent. as against 7.08 per cent. in 1875-76. During the next year, by law of March 28, 1877, the Dutch monetary law of 1875, together with the gold standard,\* was introduced into the Dutch East Indies. This measure was well calculated to affect adversely the note circulation; gold, however, did not come, to a great extent, into circulation, and thus the bank notes kept their volume unchanged.

Of other outer events, there are first to be noted the establishment of a further agency at Djokjokarta in 1879, and the renewal of the Bank's charter in 1880. On this occasion the part of the capital which could be invested in mortgages and stocks was increased to 3,000,000 guilders, and this brought larger earnings to the Bank. Further, the tenure of office of the directors was extended to five years; but for the rest, the working organization remained as in 1870.

## THE BANK UNDER PRESSURE.

In 1882, the issue of five-florin notes ceased. Soon after, *i. e.*, at the end of 1883 and in 1884, the bank again had an opportunity to show its capacity to meet the requirements of hard times. The credit crisis then existing in the Dutch East Indies led to large demands being made on the Bank. Its discounts amounted to 8,900,000 guilders on the last Wednesday in March, and 14,930,000 guilders on the same day in September. The rate of discount, which had never exceeded six per cent. since 1877-78, temporarily rose to seven per cent. in 1883 and 1884, and the yearly average was 6.52 per cent. in 1883-84, and 6.94 per cent. in 1884-85, as against six per cent. in the three preceding years. The loans granted amounted to 2,800,000 guilders toward the end of April, 1884, to 7,400,000 guilders toward the end of December; and the notes in circulation to 38,350,000 guilders at the end of May, and to 42,740,000 guilders at the end of December. It is remarkable, however, that the discount rates, although they had to be raised, remained considerably lower than in former hard times.

In 1885 and 1886 also, circumstances still necessitated liberal help by credit from the Bank, which could grant this without raising the discount rate too much. Discount fluctuated in 1885-86 between six and seven per cent.; in 1886-87, between four and six per cent. The yearly averages were: 6.37 per cent. in 1885-86, and 4.68 per cent. in 1886-87. After having conquered these difficulties, the dealings of the Bank lost their importance, because the other credit institutions which had to be supported by the

Java Bank in 1884 could now again meet a part of the demands for credit. The active capital of the Java Bank, which had been 17,050,000 guilders in 1884-85, amounted to:

12,760,000 guilders in 1885-85. 10,050,000 guilders in 1888-89.  
8,950,000 guilders in 1886-87. 6,330,000 guilders in 1889-90.  
9,956,000 guilders in 1887-88. 9,056,000 guilders in 1890-91.

The discount rate fluctuated in 1887-88 between four and five per cent., remained unchanged in 1888-89 and 1889-90 at five per cent., while in 1890-91 it was kept at four per cent.

As the Bank had successfully gone through the trial, and the decree of February 11, 1891, renewed the Bank charter, it could safely extend its working sphere by the permission to take up the dealing in foreign bills and to invest a part of its resources in Holland. Besides this, the Bank was given leave to invest its whole share capital in stocks\* and first mortgages on estates in the Dutch East Indies. In mortgages, however, not more than one-third of the capital could be invested. The charter was this time renewed for fifteen years (till March 31, 1906), while up to then the term had always been ten or eleven years. The extension of the banking business to Holland made a standing representation in Europe appear desirable, and in 1891, therefore, an office of the Bank was established in Amsterdam, managed by two agents.

Under the influence of the new decrees, the Bank's operations again increased. In 1892-93, claims on the Bank were so large that the discount rate temporarily rose to seven per cent., while in 1891-92 the rate of four per cent. had been maintained. The discounts were as follows, according to the Java Bank's annual report for 1894-95:

1885-86 35,961,000 florins.  
1886-87 33,640,000 florins.  
1887-88 51,027,000 florins.  
1888-89 47,269,000 florins.  
1889-90 27,428,000 florins.  
1890-91 59,149,000 florins.  
1891-92 59,335,000 florins.  
1892-93 83,047,000 florins.  
1893-94 94,877,000 florins.  
1894-95 71,493,000 florins.

In the ten preceding years, the maximum and minimum discounts were as follows (in thousands of florins):\*

The Maximum.	The Minimum.
1875-76—Sept., 1875 14,125	Mar., 1876 9,396
1876-77—Aug., 1876 14,097	Feb., 1877 9,426
1877-78—Sept., 1877 10,657	Mar., 1878 9,003
1878-79—Nov., 1878 12,959	April, 1878 8,021
1879-80—Nov., 1879 13,082	Mar., 1880 9,629
1880-81—Aug., 1880 10,900	Jan., 1881 7,893
1881-82—July, 1881 11,286	Mar., 1882 7,861
1882-83—Oct., 1882 11,117	May, 1882 7,304
1883-84—Sept., 1883 13,789	Mar., 1884 8,945
1884-85—Nov., 1884 14,933	April, 1884 9,126

Loans amounted to the following sums on the last Wednesday in—

YEARS.	March.	June.	September.	December.
1875	10,170,000	12,030,000	14,120,000	12,140,000
1876	9,390,000	12,460,000	13,580,000	10,160,000
1877	10,090,000	10,530,000	10,660,000	10,030,000
1878	9,000,000	8,410,000	11,960,000	11,330,000
1879	9,490,000	12,310,000	11,610,000	12,290,000
1880	9,630,000	9,330,000	9,870,000	8,540,000
1881	8,770,000	10,840,000	10,380,000	8,440,000
1882	7,860,000	7,640,000	10,620,000	10,370,000
1883	8,490,000	10,360,000	13,790,000	11,530,000
1884	8,940,000	11,110,000	14,930,000	13,810,000
1885	9,860,000	8,260,000	8,020,000	5,950,000
1886	5,140,000	5,640,000	6,570,000	4,920,000
1887	4,970,000	4,780,000	6,410,000	8,490,000
1890	3,670,000	4,020,000	8,790,000	8,920,000
1891	4,740,000	5,220,000	11,190,000	11,910,000
1892	5,760,000	9,100,000	12,540,000	7,320,000

During the three years 1892-93, 1893-94, and 1894-95, the different classes of loans amounted to:

CLASSES.	1892-93.	1893-94.	1894-95.
	FLORINS.	FLORINS.	FLORINS.
On stocks	48,740,000	51,620,000	21,440,000
On imported merchandise	4,680,000	5,240,000	2,660,000
On exported merchandise	16,250,000	15,290,000	14,390,000
On bullion	3,780,000		
Total	73,450,000	72,150,000	38,490,000
Of which, advances in current account	67,580,000	66,560,000	35,970,000

The loan rate in 1894-95 was four and a half per cent. on Indian securities, three and a half per cent. on other securities, four per cent. on gold and exported merchandise, five per cent. on imported merchandise, except mineral oil and rice, loans on which cost only four and a half per cent.

As to bank notes, in 1894-95 five-florin notes were again issued, which had been first introduced in 1866, but had not been put into circulation since 1882. With the Java Bank also, the smaller notes were most in demand.

The following notes were in circulation on March 31st:

Number of Notes of	1893.	1894.	1895.
<i>a</i> 1000-100 guilders each	127,656½	129,805½	140,273½
<i>b</i> 50-5 guilders each	868,324	836,622	903,323
Value of Notes of	1893.	1894.	1895.
	GUILDERS. PER CT.	GUILDERS. PER CT.	GUILDERS. PER CT.
<i>a</i> 1000-100 g'ld's each	29,400,000 65.9	29,700,000 66.87	27,800,000 63.94
<i>b</i> 50-5 guilders each	15,200,000 34.1	14,700,000 33.13	15,700,000 33.06

The note circulation has increased up to the average of 44,000,000 in 1894-95.

Bank assignments were issued from—

	INDIA ON INDIA.		INDIA ON AMSTERDAM		AMSTERDAM ON INDIA.	
YEARS.	Number of Assignations.	Values. Guilders.	Number of Assignations.	Values. Guilders.	Number of Assignations.	Values. Guilders.
1891-92	7,476	31,400,000	3,123	11,800,000	73	400,000
1892-93	7,740	33,400,000	3,687	7,100,000	158	600,000
1893-94	7,779	35,000,000	2,537	3,500,000	195	600,000
1894-95	7,671	34,500,000	3,249	6,900,000	226	1,500,000

The liabilities payable on call, consisting of bank notes, bank assignments, and balances from current accounts,\* and the stock of bullion, amounted to (in guilders, according to the yearly averages):

YEARS.	Liabilities Payable on Call.	Bullion on Hand.	Disposable Bullion in Stock.
1891-92	59,330,000	40,120,000	16,380,000
1892-93	49,810,000	27,700,000	7,650,000
1893-94	49,420,000	29,780,000	10,010,000
1894-95	50,890,000	32,840,000	12,480,000

The Bank's trade in the precious metals, mostly gold, was chiefly in sovereigns and ducats. The Bank sold in—

YEARS. Sovereigns. Ducats.

1887-88	40,214	5,648
1888-89	31,012½	4,433
1889-90	51,218	5,858
1890-91	55,389½	10,476
1891-92	82,081½	10,443
1892-93	70,085	12,425
1893-94	63,877½	14,656
1894-95	64,068½	17,505

As already stated above, the Bank may since 1891 invest its capital (six million guilders) in stocks and not more than one-third in mortgages. On March 31st, this had been done with 5,692,475 florins, of which 1,644,000 florins was in mortgages and 4,048,475 florins in stocks. On the same day, the reserve fund amounted to 1,041,566.88 florins, of which 866,000 had been invested in mortgages and 148,917.5 in stocks. I still have to add that the Government has no share in the net profits, which to a great extent return to Holland. Of the 12,000 shares composing the share capital, the following number was held in Holland, according to the report of 1894-95: 1890, 6735; 1891, 6940; 1892, 7096½; 1893, 7240½; 1894, 7408½, and 1895, 7592. The total number of shareholders on March 31st was: 1890, 1315; 1891, 1304; 1892, 1281; 1893, 1266; 1894, 1337; and 1895, 1383.

## SECTION II.

### THE SURINAM BANK.

*Decree of May 19, 1864—Decrees of June 20, 1869, and May 14, 1871—Difficulties at the Outset—Reorganization in 1877-1878—Decree of June 26, 1889—Decree of November 19, 1890—Tables Showing the Bank's Development from 1871.*

THE object of the Surinam Bank, established in 1864, is to act as a bank of issue in the Dutch West Indies. Its importance not being equal to that of the Java Bank or the Netherlands Bank, only a cursory statement in regard to it is necessary.\*

The Bank was chartered by the decree of May 14, 1864, as the only bank of issue in Surinam for twenty-five years, ending November 9, 1889. Its capital was fixed at one million guilders, divided into 4000 shares of 250 guilders each. The chief board of directors had to be in Amsterdam, and was composed of two directors, elected for five years at the general meeting, with the sanction of the Governor of the colony, according to a double nomination paper made out by the Amsterdam commissioners. At least six commissioners, charged with the supervision of the directors, are elected at the general meeting. The management in Paramaribo is conducted by a local board of directors, composed of a president and a director elected by the Surinam commissioners, with the Governor's sanction. The Surinam commissioners to superintend the management in Paramaribo were appointed by the head board of directors, with the consent of the Amsterdam commissioners. Furthermore, the



Governor had to appoint a colonial commissioner, who was authorized to be present (without voting power) at all meetings of the commissioners.

The Bank was empowered (1) to discount bills and other commercial securities provided with two or more satisfactory signatures and with the usual term of currency; (2) to deal in bills; (3) to grant loans on merchandise handled in Surinam, and on specie and bullion, for three months, and up to two-thirds of the value of the securities; (4) to trade in the precious metals; (5) to open deposit accounts, with or without payment of interest; (6) to discharge financial commissions for Government or private individuals; and (7) to keep money and other valuables.

The Bank was not allowed (1) to give any credit in blank; (2) to take shares in any commercial undertakings; (3) to buy its own shares or to grant loans on them; (4) to buy stocks, merchandise, or movable property; nor (5) to acquire or possess real estate not necessary for the conduct of its own business; (6) to lend money on mortgage or on ships. But it was permitted to invest the reserve fund and 500,000 guilders at the outside in Dutch public funds, or in Surinam obligations, or in bonds of mortgage companies sanctioned by the King.

The notes issued by the Surinam Bank could circulate only in Surinam, and, according to a special royal decree, also in other Dutch colonies. The Bank issued notes of not smaller denominations than ten guilders each, and, with the King's sanction, also of five guilders each. It was the duty of the Paramaribo board of directors to make known the denomination and amount of the notes issued. The notes were admitted in payment at the Government offices in Surinam. When requested by the note-holder, the Bank was obliged to redeem the notes in specie. The holder of a bank note had to be considered its legitimate owner, but in case of suspicion or at the written request of the party interested, the Bank might have the note receipted and signed by the holder.

Bank notes, current account balances, and other liabilities to be met instantly, or due within four months in Surinam, had to be covered by current coin to the amount of one-third of the whole. The permanent amount of metallic security had to be fixed by the King after consulting the chief board of directors. The Surinam Governor, however, was authorized, in case of need, to permit deviations from these regulations, provided the King sanctioned them. Bank notes and other liabilities above three million guilders had to be fully covered by a reserve of current coin. The Bank's bills and notes were exempt from stamp duty, but the Bank was not allowed to claim commission for keeping and paying out money for the colony's account. The Colonial Government, however, had no share in the net profits of the Bank. Supplementary orders were contained in the decree of June 20, 1869, and May 14, 1871. The former authorized the Bank to issue 10,000 bank notes of five guilders each; the latter declared forty per cent. of the total amount of bank notes, current account balances, and other liabilities due within four months, should be covered in specie and standard bullion.

In the first years, the Bank's operations were hampered by many difficulties, caused by the unfavorable state of trade in the colony. Business, therefore, was limited and



profits moderate. Dividends were paid only in 1866 (3½ per cent.), 1867 (3 per cent.), 1868 (4¾ per cent.), 1869 (4 per cent.), 1873 and 1874 (2½ per cent.), and 1877 (3½ per cent.).

## EARLY REORGANIZATION AND RENEWAL OF THE CHARTER.

In 1877, a reorganization of the Bank was decided upon. Its chief purpose was to reduce the share capital to 700,000 guilders (divided into 4000 shares of 175 guilders each), in order to write off the losses. By royal decrees of April 17 and May 27, 1875, these modifications were sanctioned, and since then the Bank's condition has improved by degrees in consonance with the gradual but not uninterruptedly favorable development of the colony.

The Bank's charter expired on November 9, 1889, and was renewed by royal decree of June 26, 1889, for twenty-five years. The new decree shows a few modifications only. The Bank was authorized to invest two-thirds of its capital and reserves in Dutch public funds or Surinam obligations, or in bonds of mortgage companies sanctioned by the King, and one-third in first mortgage on real estate in Surinam. The minimum denomination of the bank notes was fixed at five guilders, the royal sanction for notes below ten guilders being dispensed with. The metallic reserve for bank notes, current account balances, and other liabilities due within four months, was fixed at thirty-three and one-third per cent. For the rest, the former regulations were kept in force. A supplementary order of November 19, 1890, prescribed that the stock of bullion had to be valued by the Governor according to information given by the board of directors in Paramaribo.

The development of the Bank's business from 1871 is shown in the following table:

YEARS.	Capital.	Reserve Fund at End of Year.	Discounts.	BILLS IN PORTFOLIO AT END OF YEAR.		LOANS.		Mortgages at the End of the Year.	TRADE IN BILLS EXCHANGE.	
				Total.	Among them in Paramaribo.	Average.	At the End of the Year.		Bills Drawn by the Board of Directors.	Bills Bought by the Board Directors.
1894	700,0	175,0	2,470,8	679,77	485,99	47,1	34,5	289,4	2,451,5	1,977,0
1893	700,0	175,0	2,411,8	682,86	450,80	36,0	40,8	279,2	2,548,1	2,119,0
1892	700,0	175,0		705,6	481,87		8,8	278,1		
1891	700,0	175,0	2,378,7	621,4	474,4		1,0	259,5	2,347,3	1,351,0
1890	700,0	175,0	2,500,9	612,76	502,95		1,0	170,5	2,363,98	1,424,0
1889	700,0	175,0	2,674,6	679,4	540,3				2,451,76	1,441,0
1888	700,0	175,0	2,[Editor: illegible number]6[Editor: illegible number],46	615,3	497,6				2,371,2	1,377,0
1887	700,0	173,4	2,550,44	540,8	469,7				2,278,9	1,685,0
1886	700,0	171,2	2,892,72	535,2	410,2				2,081,5	1,641,0
1885	700,0	170,7	3,319,2	707,0	583,3				2,357,7	1,420,0
1884	700,0	170,2	2,995,3	708,3	557,3				1,969,0	
1883	700,0	170,2	2,718,0	637,1	543,0				1,578,9	1,326,0
1882	700,0	168,0	2,414,5	676,3	496,4				1,149,5	996,6
1881	700,0	165,9	2,262,7	609,7	439,6				1,298,7	1,261,0
1880	700,0									
1879	700,0	162,7	2,341,3	494,05	443,95				1,096,2	894,6
1878	700,0	162,7	2,420,5	542,5	437,6				1,086,9	800,0
1877	1,000,0		2,316,5	455,5	432,9				1,022,4	883,0
1876	1,000,0		1,978,8	451,7	431,5				784,9	865,3
1875	1,000,0		1,868,3	489,86	444,95				713,9	699,7
1874	1,000,0		1,766,1	459,9	403,6				992,65	939,3
1873	1,000,0								1,148,36	1,346,0
1872	1,000,0		1,880,6	611,2	593,7				643,81	742,66

\*1870, 0 per cent.; 1869, 4 per cent.; 1868, 4¾ per cent.; 1867, 3 per cent.; 1866, 3½ per cent.; 1865, 0 per cent.

1871 1,000,0 3,542,6 523,35 511,1  
 \*1870, 0 per cent.; 1869, 4 per cent.; 1868,  $4\frac{3}{4}$  per cent.; 1867, 3 per cent.; 1866,  $3\frac{1}{2}$  per cent.; 1865, 0 p

It is only after the reorganization in 1878 that the “reserve fund” is stated in the balance-sheets. Before 1878 we find a “fund for doubtful debts” instead, amounting in 1872 to 95,555 guilders, in 1874 to 145,924 guilders, in 1875 to 157,139 guilders, in 1876 to 186,858 guilders, and in 1877 to 194,648 guilders. The reserve fund once formed, the “fund for doubtful debts” is mentioned no more. The reserve fund reached the twenty-five per cent. prescribed by the decree in 1888.

The reports contain no regular information concerning the discount rate. It was reduced for a time in 1872 to seven per cent., in 1890 to eight per cent., and was generally nine per cent. as far as we can ascertain.

[\[Back to Table of Contents\]](#)

## CHAPTER VI.

### “CASHIERS,” JOINT-STOCK BANKS, AND PRIVATE BANKERS.

#### SECTION I.

*Private Cashiers—Joint-Stock Companies for the Cashing Trade—Private Bankers—Joint-Stock Banks.*

THE information at my disposal is not sufficient for a complete history of the development of the other Dutch banks, but the broad lines of their development can be traced.

In the beginning of the nineteenth century, as we have seen, the cashiers were still of great importance. The Dutch Code of Commerce of October 1, 1838, therefore, contains many regulations concerning them. This code says in article seventy-four: “Cashiers are persons who, for a certain allowance or commission, are intrusted with the keeping and paying out of money.” Then, as before, the cashiers undertook professional cash-keeping for others. Besides this, the cashiers gave credit in Rotterdam, even in blank, to a great extent.\* Payments were effected by “cashiers’ papers.” Generally, receipts are given for the sum paid by the cashier, and these receipts take the place of cheques; but assignations also are used.

The Code of Commerce prescribes regulations concerning the “cashiers’ paper and other papers payable to bearer,” in articles 221-229. The signer of such paper, in form of a receipt or of an assignation, is obliged to date the paper and is responsible for payment within ten days after date. Later on, the signer remains responsible if he is not able to prove, and on demand to take an oath, that he has had the amount stated in the paper deposited with the person charged with its payment, within and after these ten days. Though his responsibility may be at an end, the signer is, nevertheless, required to produce proofs which the holder needs to assert his claim against the person obliged to pay. The charges for this collection of proof have to be borne by the holder of the receipt.

Besides the signer, everyone who pays by means of a cashier’s paper is responsible to the holder for three days. In case of the failure of the signer, the cashier is allowed to pay the amount of the paper out of the money intrusted to him, unless the holder of other paper issued by the same bankrupt, or the trustees of his estate, or other parties interested, enter a protest. Should such a protest be made, or should the cashier discontinue the payment of bills drawn on him, then the funds deposited by the bankrupt have to be kept separate in order to satisfy holders of bills issued before the failure.

The cashiers still exist in Holland. The licensing tax was paid in 1860-61 by 80 cashiers,\* in 1878-79 by 216 cashiers, and in 1890-91 by 250 cashiers.

## EVOLUTION OF THE “CASHIER” BUSINESS.

Joint-stock companies also have been founded to transact the cashier business. In 1806, the Associatie-Cassa, in Amsterdam, was established, with a capital of one million guilders. Its main purpose was the “receiving, keeping, and paying out of money and valuables for other persons.” Besides this, the company “discounts bills, invests money by granting loans on personal property and stocks, by making advances on security of goods, stocks, and bills, and trades in specie.” Means for giving credit are procured by the company’s own funds, for increasing which a certain part of the profits is reserved, and by the money intrusted to the bank for this purpose.

The bank is not allowed to give credit in blank, to grant loans on security exceeding its own funds, and to trade in goods or stocks for its own account. The company, which still exists, has done very well. Besides a yearly fixed payment of five per cent., extra dividends of ten per cent. were paid in 1818, 1826, 1828, 1831, 1832, 1834, 1836, 1837, 1840, 1843, 1848, 1859, 1862, 1865, 1871, 1874, 1879, 1881, 1884, 1886, 1888, 1890-94; of twenty per cent. in 1855, and of fifty per cent. in 1852.

Four other companies are still in active business, the principal object of which is the cash trade, viz.: (1) The Ontvang en Betaalkas, in Amsterdam, established in 1813, as a limited liability company, and converted into a joint-stock company in 1874; its capital originally amounted to one million guilders, from 1880 to two million guilders, and from 1888 to three million guilders; (2) Rentecassa, in Amsterdam, established in 1864, with a capital of one million guilders; (3) Kasvereeniging, in Amsterdam, established in 1865, with a capital of five million guilders; and (4) Incassobank, in Amsterdam, established in 1891, with a capital of half a million guilders.

Besides the cashier trade, these companies discount bills of exchange, keep money,\* and give credit on security. The Ontvang en Betaalkas and the Incassobank are also allowed to make advances on guarantee. These banks retain† in ready money such part of the funds intrusted to them as they require for current payments.

The statutes of the Ontvang en Betaalkas and of the Kasvereeniging expressly forbid the granting of loans on bills of lading and on real property. The Rentecassa does not open deposit accounts,‡ and is in direct connection with the Associate-Cassa. The customers of the latter are empowered to transfer their money from their account, totally or partly, without charge, to an account at the Rentecassa and to retransfer it to their account at the Associatie-Cassa.

At the Ontvang en Betaalkas,§ the annual business in 1894 amounted, on cash account, to 244,890,000 guilders; on current accounts, to 237,880,000 guilders.

The average daily balance was, in 1894

On deposit account 2,067,000 guilders.

On discount account 1,238,000 guilders.

On extended credits 1,430,000 guilders.

Advances on security 2,190,000 guilders.

The four companies in question paid the following dividends:

YEARS.	Ontvang en Betaalkas. Per Cent.	Rentecassa. Per Cent.	Kasvereeniging. Per Cent.	Incassobank. Per Ct
1865-66		7.53	7.86	
1866-67		8.9	5.35	
1867-68		8.17	6.0	
1868-69		9.37	5.75	
1869-70		7.57	6.0	
1870-71		7.67	6.0	
1871-72		7.91	7.0	
1872-73		9.21	6.4	
1873-74		7.83	5.75	
1874-75	7.46	10.00	5.6	
1875-76	5.01	9.95	5.5	
1876-77	4.92 <sup>5</sup>	8.23	5.65	
1877-78	5.54 <sup>5</sup>	11.3	6.0	
1878-79	5.81	11.2	6.0	
1879-80	5.52	13.4	6.4	
1880-81	5.40	11.5	7.2	
1881-82	6.00	9.55	7.5	
1882-83	5.70	10.13	6.9	
1883-84	5.07 <sup>5</sup>	13.5	5.35	
1884-85	4.7	11.8	4.9	
1885-86	4.7 <sup>5</sup>	10.1	4.9	
1886-87	4.8	11.7	5.1	
1887-88	4.5	11.32	5.2	
1888-89	4.37 <sup>5</sup>	11.1	5.6	
1889-90	4.8	11.0	6.0	
1890-91	4.6	10.65	6.0	
1891-92	4.37 <sup>5</sup>	12.5	5.45	4.0
1892-93	4.75	11.1	5.55	5.5
1893-94	4.32 <sup>5</sup>	10.65	5.4	5.5
1894-95		12.00		6.0

The joint-stock companies for cash trade—existing in Amsterdam only—must be regarded as banks, because they enter into money transactions as well as credit operations; but the cash trade has to be considered, the principal object, and but a few kinds of credit operations are allowed.

## PRIVATE BANKS.

Besides the cashiers and the notaries doing banking business, a great number of private bankers and joint-stock banks have sprung up. Concerning the private bankers, the data at my disposal are insufficient, there being no regular publication of their operations and their number.

## JOINT-STOCK BANKS.

More information is at my disposal concerning the joint-stock banks, but none referring to the time before the sixties. In the first six decades of the nineteenth century only a few joint-stock banks apparently existed, because in the beginning of the sixties we find a total number of not more than seven joint-stock banks. The Dutch Statistical Society has published a statement on joint-stock companies, from 1861-62 till 1880-81, based upon the trade tax-lists.\* According to this statement, Holland had the following number of joint-stock companies for money and cashier trade, banking operations, administration offices, etc.:

YEARS.	Number of Companies.	Share Capital Paid In.	Dividends
		GUILDERS.	GUILDERS. PER CT.
1861-62 7		17,550,000	516,855 2.94
1862-63 7		17,550,000	736,582 4.19
1863-64 12		24,273,200	1,213,905 5.00
1864-65 15		27,873,200	3,813,375 1.36
1865-66 16		31,810,000	3,985,112 1.25
1866-67 20		45,439,527	5,723,640 12.59
1867-68 22		49,287,205	4,424,997 8.97
1868-69 23		49,575,490	3,165,544 6.38
1869-70 24		50,836,348	4,691,379 9.22
1870-71 24		50,937,692	5,204,421 10.21
1871-72 25		65,981,139	3,861,962 5.85
1872-73 29		67,927,892	4,431,960 6.52
1873-74 32		68,783,554	10,879,582 15.81
1874-75 33		69,707,740	5,484,341 7.86
1875-76 33		69,831,974	5,780,412 8.27
1876-77 33		65,933,747	4,761,434 7.07
1877-78 33		62,365,522	5,650,198 9.05
1878-79 31		61,700,797	6,839,038 11.08
1879-80 33		63,031,185	4,504,006 7.14
1880-81 34		64,904,760	5,491,708 8.46

This table includes the above-mentioned joint-stock companies for the cashier trade, the Netherlands Bank, and the Surinam Bank. The mortgage banks, however, are not included. Joint-stock banks were established (exclusive of mortgage banks):†

YEARS. Number of Banks. Shares Authorized. Shares Issued. Shares Paid In.

		GUILDERS.	GUILDERS.	GUILDERS.
1882	1	200,000	200,000	20,000
1883	3	1,650,000	1,150,000	390,000
1884	4	1,200,000	721,000	329,250
1885	1	100,000	100,000	10,000
1886	3	1,140,000	876,500	64,500*
1887	4	701,000	341,000	86,000
1888	3	2,560,000	710,000	312,500
1889	3	1,100,000	1,100,000	115,000
1890	8	4,165,200	2,088,200	584,400
1891	9	4,475,000	3,187,000	2,894,500
1892	2	4,800,000	2,800,000	2,800,000
1893	5	970,000	643,850	588,850
1894	9	4,194,000	1,194,000	993,100
1895	5	2,660,000	940,000	641,000

\*Concerns only two companies.

These figures show the increasing importance of joint-stock banks.

Joint-stock banks (inclusive of the Netherlands Bank, the Surinam Bank, and the five joint-stock companies for cash trade, but exclusive of mortgage banks) existed in Holland:†

YEARS. Number of Banks. Share Capital Paid In. Average Dividend.

	GUILDERS.	PER CENT.
1883-84 36	60,305,040	70.17
1884-85 39	76,363,000	6.11
1885-86 41	75,343,666	4.98
1886-87 44	71,540,641	5.67
1887-88 48	67,933,141	6.40
1888-89 54	74,290,666	5.95
1889-90 58	75,421,566	5.40
1890-91 62	79,069,891	8.84
1891-92 63	76,058,025	6.45
1892-93 68	79,772,925	5.05
1893-94 73	79,598,600	4.59

From 1861-62 till 1893-94, the number of joint-stock banks has been increased tenfold, and the share capital paid in increased at the same time by more than 350 per cent. It was principally small joint-stock banks that were established during this period.

Deducting the capital of the Netherlands Bank, we find an average capital of



1,050,000 florins in 1865. 1,450,000 florins in 1880.

1,520,000 florins in 1870. 1,480,000 florins in 1885.

1,370,000 florins in 1875. 970,000 florins in 1890.

The average capital of the joint-stock banks established since 1882 is much smaller.

The dividends were very moderate in the first two years, 1864 and 1865. The highest dividend, 15.81 per cent., was reached in 1873. In 1866-67, 12.59 per cent.; in 1878-79, 11.08 per cent. were paid. After 1879-80, the dividend only once (in 1883-84) exceeded ten per cent.

The development of the Dutch joint-stock banks clearly shows a certain tendency toward the formation of special groups, to be described later on.

The following are the only banks with an extensive sphere of action in 1895:

(1) Twentsche Bankvereeniging,\* in Amsterdam, founded in 1861; (2) Rotterdamsche Bank, established in 1863; (3) Amsterdamsche Bank, in 1871; (4) Eindhovensche Bank, in 1872; (5) Gorinchemsche Bank, in 1873; (6) Friesche Handelsbank, at Leeuwarden, in 1873; (7) Wissel en Effectenbank, at Rotterdam, in 1879; (8) Noordbrabantsche Bank, at Hertogenbosch, in 1884; (9) Crediet en Depositobank, Rotterdam, in 1884; (10) Stichtsche Bank, Utrecht, in 1884; (11) Utrechtsche Bankvereeniging, in 1887; (12) Hollandsche Credietbank, Amsterdam, in 1890; (13) Oostersche Discontobank, Amsterdam, in 1890 (in liquidation since the end of 1894); (14) Disconto Maatschappij, Rotterdam, in 1891; (15) Handelsbank, Rotterdam, in 1891; (16) Bank en Handelsvereeniging (voorden, P. F. Berger), Venlo, in 1893; (17) Bank voor Effecten en Wissel, at the Hague, in 1893; (18) Nederlandsch-Indische Crediet en Bankvereeniging, Amsterdam, in 1894; (19) Noorder Bank, Alkmaar, in 1895; (20) Geldersche Bank, Arnhem, in 1895.

## SCOPE OF BUSINESS.

The sphere of action of these banks is such that they have to do bill and banking (partly, also, commission) business in the widest sense of the word. The several branches of the licensed business only are stated in the constitution of the banks numbered 6, 8, 11, 13, 17, and 18.

The Oostersche Discontobank (see No. 13) intends to operate in Eastern Asia, especially in the Straits Settlements. It discounts bills and other commercial paper, and invests money in loans; with the Bank Commissioner's consent, the Bank is allowed to invest disposable funds for a time also in other safe ways, and to receive and to place money on deposit.

The object of the Nederlandsche-Indische Crediet en Bankvereeniging (see No. 18) is to do bill and banking business, to grant loans on produce, merchandise, and stocks, to make advances on security of exported goods, and on account current to lend on mortgage—all in the Dutch East Indies. The Bank is not, however, allowed to trade in

produce and goods, to take shares in exploration companies, or buy its own shares, or to grant loans on them.

The constitution of the Friesche Handelsbank (see No. 6), of the Utrechtsche Bankvereeniging (see No. 11) and of the Bank voor Effecten en Wisselfaken (see No. 17), all of the same tenor, fix the range of operations as follows: (1) Buying, selling, and discounting bills and other commercial paper; (2) buying and selling home and foreign coupons, dividend warrants, coin, and precious metals; (3) making advances on bills of lading and on goods not subject to deterioration; (4) receiving money on deposit; (5) buying stocks on commission; (6) current account business, cashing, and paying out for another's account; (7) administering and keeping money and securities\* for another's account; (8) issuing letters of credit; (9) subscribing to loans for account of third parties.

Furthermore, the Friesche Handelsbank is allowed to give credit and to procure bankers' credit. The by-laws of the Noordbrabantsche Bank and the Utrechtsche Bank mention the making of advances on certain terms. In the by-laws of the Friesche Handelsbank and the Bank voor Effecten en Wisselfaken, we also find the granting of advances on consignments and on bills of lading, and the insurance of specie and bonds, etc. With the latter, these banks go beyond the limits generally observed by banks. The Disconto Maatschappij and the Handelsbank, both in Rotterdam, also undertake insurance business.

The following table gives the principal data in regard to these banks:

*Percentage of Dividends, by Banks in the Netherlands, 18*

NAME OF BANK.	Capital Stock Paid In. FLORINS.	1894.	1893.	1892.	1891.	1890.	1889.	1888.	1887.	1886.	1885.	1884.	1883.	1882.	18
Bank of Rotterdam	5,141,600	6½	7	6?	6½	6¼	6½	6	5	4½	4½	5½	5½	6	5
Bank of Amsterdam	6,000,000	7½	7	7	7½	8½	8	7¼	7	6½	6¾	6	7½	7½	7½
Eindhoven Banking Company	50,000	18.96	14.87	14.78	18.94	15.64	23.88	23.22	19.66	17.52	10.3	11.9	8.9	9.72	8.7
Bank of Gorinchem, or "Gorkum"	300,000			6	6½	6	7½	7	6½	7	7	7	8	8	8
Frisian Trades' Bank	45,250	0	5	3	0	0	5	5	5	5	5	0	6	6	8
Wissel en Effectenbank (Exchange and Security Bank)	1,000,000	5¾	5½	5¼	5½	5¾	7	6¾	6¼	7½	7	6¼	6¼	6	6½
Bank of North Brabant	689,500	6	6.3	6.2	4	6.3	7.5	6.2	6.2	4.5	6	6¼			
Credit and Deposit Bank	106,100	5	5	5	5	5½	5½	5½	6¾	6½	6¼	6			
Stichtsche Bank	79,000	(a)6	6	6	6	6	6	5¼	2½	0	0	0			
"Founders" Bank	(Cash)	(b)6	9.3-5	10½	6	6	6	6	6	6	6	0			
(a) To the shareholders	121,000	(a)1	1	1	1	1	0	¼	0	0	0	0			
(b) To the members	(In stocks)	(b)1	1	1	1	1	1	1	1	1	1	0			
Utrecht Banking Company	100,000	5	3.15	4	6¼	6½	5¼	5	6						
Dutch Credit Bank	125,000		5½	4	4										

\*The tabulated sum is in specie. Besides this, there are limited liability shares to the amount of 1,340,550 314,950 florins unlimited.

\*Dividends of the Bank of Rotterdam, prior to 1872: 1871, 10 per cent.; 1870, 1.6 per cent.; 1869, 0 per cent.; 1867, 5.08 per cent.; 1866, 7.648 per cent.; 1865, 10 per cent.; 1864, 3.6 per cent.

Eastern Discount Bank	100,000	0	0	0	0														
Discount Company	2,500,000	6	5	4	8														
Trades' Bank	40,000																		
Banking and Mercantile Association, formerly P. F. Berger Bank for Securities and Bills of Exchange Dutch and East Indian Credit and Banking Association Northern Bank Bank of Gelderland Twente Bank Association	300,000																		
	89,000																		
	500,000																		
	30,000																		
	60,000																		
	5,531,450*	6 <sup>5</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>8</sub>	6 <sup>7</sup> / <sub>8</sub>	7	7	6 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>4</sub>	6	6	5	5	6 <sup>1</sup> / <sub>2</sub>	8				

\*The tabulated sum is in specie. Besides this, there are limited liability shares to the amount of 1,340,550 314,950 florins unlimited.

\*Dividends of the Bank of Rotterdam, prior to 1872: 1871, 10 per cent.; 1870, 1.6 per cent.; 1869, 0 per cent.; 1867, 5.08 per cent.; 1866, 7.648 per cent.; 1865, 10 per cent.; 1864, 3.6 per cent.

## STOCK CAPITAL AND DIVIDENDS.

The small amount of capital paid in excites surprise. The Dutch Code of Commerce not prescribing a minimum installment on shares, we often find very moderate sums paid in. The share capital is frequently divided into several series, and not seldom only one series is at first subscribed. The Code of Commerce only prescribes that the company's promoters have to take possession of one-fifth of the authorized capital, and that a term has to be fixed up to which all shares have to be subscribed.

A large capital is to be found only in the Disconto Maatschappij, the Twentsche Bankvereniging, the Rotterdamsche Bank, and the Amsterdamsche Bank, the transactions of which are very extensive.

The following are the principal items in the balance-sheet of the Disconto Maatschappij (Discount Company) in Rotterdam:

<i>Liabilities:</i>	On December 31, 1893.	On December 31, 1894.
Deposit account	2,670,000 guilders.	2,710,000 guilders.
Creditors, on account current	1,000,000 guilders.	1,800,000 guilders.
<i>Assets:</i>		
Bills discounted in portfolio	2,220,000 guilders.	2,020,000 guilders.
Debtors, on account current	3,520,000 guilders.	4,260,000 guilders.

The Rotterdamsche Bank (Rotterdam Bank), in the beginning especially intended to operate in the Dutch East Indies, soon exceeded these limits. In the first years, hazardous speculations disturbed the Bank's development and caused many fluctuations of the dividends.

The principal items in the balance-sheets have been as follows:

On December 31st.	LIABILITIES.		ASSETS.	
	Creditors' Bills.	To be Paid on Account Current.	Disposable Stocks.	Debtors on Account Current.
1894	4,240,000	5,160,000	5,740,000	9,100,000
1893	5,300,000	4,020,000	5,270,000	9,710,000
1892	7,450,000	4,450,000	7,350,000	10,140,000
1891	8,160,000	5,190,000	7,350,000	11,790,000
1890	6,390,000	3,580,000	5,870,000	9,830,000

According to the report for 1894, the total transactions were:

	1892.	1893.	1894.
By cash	102,300,000	104,100,000	101,500,000
By home bills	116,200,000	114,100,000	115,400,000
By foreign bills	74,400,000	72,600,000	70,000,000
By stocks, coupons, etc.	9,800,000	6,400,000	5,700,000
By bills to be paid	50,300,000	52,800,000	50,500,000
Grand Total	353,000,000	350,000,000	343,100,000

The sphere of action of the Twentsche Bankvereniging is very extensive, and in consequence of its relations with the cotton manufacture, the Bank also keeps a branch establishment in London.

The following are the principal items in the balance-sheet (in guilders):

<i>Liabilities:</i>	1894.	1893.	1892.	1891.	1890.
Deposits	3,600,000	3,700,000	3,600,000	3,700,000	3,400,000
Current account balances (creditors)	6,300,000	5,900,000	7,300,000	6,400,000	5,500,000
Acceptances	11,400,000	11,000,000	10,100,000	12,100,000	9,900,000
<i>Assets:</i>					
Bills and coupons	6,200,000	6,600,000	6,900,000	5,700,000	6,000,000
Advances on extensions and loans	2,800,000	3,200,000	3,500,000	4,500,000	1,400,000
Advances on security and guarantee	4,600,000	4,600,000	4,400,000	5,100,000	5,000,000
Advances on consignments	2,700,000	2,200,000	2,300,000	2,500,000	2,000,000
Current account balances (debtors)	5,900,000	5,600,000	5,000,000	6,400,000	4,300,000

The Amsterdamsche Bank (Amsterdam Bank), like the Rotterdamsche Bank and the Twentsche Bankvereniging, takes part in syndicates to a great extent. The principal items in the balance-sheet are (in guilders):

<i>Liabilities:</i>	1894.	1893.	1892.	1891.	1890.
Drafts	3,250,000	3,290,000	3,450,000	3,960,000	5,830,000
Deposits	1,650,000	1,630,000	1,960,000	1,900,000	1,780,000
Management of syndicates	1,850,000	?*	?*	?*	?*
General creditors	7,860,000	5,940,000	6,420,000	6,040,000	4,650,000
<i>Assets:</i>					
Cash and cashiers	1,340,000	1,570,000	1,530,000	1,360,000	1,240,000
Bills	4,890,000	4,920,000	5,670,000	6,090,000	6,050,000
Extensions and loans	3,210,000	1,750,000	2,980,000	1,650,000	1,700,000
Stocks	1,310,000	490,000	830,000	630,000	1,020,000
Management of syndicates	1,590,000	?*	?*	?*	?*
Miscellaneous debtors	9,550,000	9,390,000	7,470,000	8,000,000	9,550,000

\*Not stated in the reports.

The other banks are of slight importance compared with those above mentioned.

The dividends in general have been moderate. Only the Eindhovensche Bankvereniging has paid very high dividends—as I suppose, principally in consequence of the small share capital (50,000 guilders paid in), which bears an insignificant proportion to the Bank's transactions.

The current account balances on December 31, 1894, amounted to 504,027.61 guilders, *i. e.*, ten times the amount of the capital; the reserve fund amounted to 50,000 guilders, *i. e.*, to 100 per cent. of the capital, so that nothing further need be added to the reserves. This also facilitates the payment of high dividends.

## SECTION II.

### SPECIAL GROUPS OF BANKS.

#### CREDIT ASSOCIATIONS—MORTGAGE BANKS.

*Credit-Vereenigingen—Mortgage Banks—Other Banks for Assisting Farmers—Companies for Assisting Parishes—Financial Companies.*

I HAVE already said that a tendency to the formation of special groups is found in the Dutch banking world, and this treatise would be incomplete without a brief description of these.

First of all, the crediet-vereenigingen (or credit associations) demand remark. These joint-stock banks are first to be found in 1853, and in a short time became of great importance. The crediet-vereenigingen do the ordinary cashing, depositing, account current, discounting, and partly, also, loan business, of banks. The companies established since 1880 also engage, for the most part, in commission business in stocks. Their characteristic feature is that they have, besides shareholders, *crediet-trekkende leden*, i. e., members enjoying credit, who bring in a certain share of capital and are responsible only up to the amount paid in. Credit is given to these members in blank or against security or guarantee, mostly up to the amount of their contribution to the capital. In some companies they have a share in the net profits. Some of these banks also receive savings. For the advance the member has received, a promissory note, issued to order, and with a term of three or three and one-half months, has to be given to the bank. By discounting such notes at the Netherlands Bank, or some other bank, new means for giving credit are procured. Other means for this purpose are provided by the account current and depositing business and by the funds of the bank itself.

According to written information given by Dr. N. G. Pierson, the crediet-vereenigingen are not exclusively, even not principally, intended to satisfy the demands for credit of the lower classes, but rather to extend credit on a small scale. It can hardly be doubted that a want for these companies existed, and, therefore, they quickly became popular.

The Crediet-Vereeniging, in Amsterdam, established in 1853, was the pioneer company. Later on, the following were founded: In 1865, Het Onderling Crediet, in Rotterdam; in 1866, the Geldersche Crediet-Vereeniging, at Arnhem; in 1868, the Crediet en Deposito Kas, at Utrecht; in 1871, the Dordrechtsche Onderlinge Crediet-Vereeniging, at Dordrecht; in 1872, the Limburgsche Crediet-Vereeniging, at Maastricht; in 1876, the Zuidhollandische Crediet-Vereeniging, in the Hague; in 1880, the Gravenhagsche Crediet-Vereeniging en Deposito Kas, in the Hague; in 1883, the Utrechtsche Credietbank, at Utrecht; in 1887, the Noordhollandische Landbouw-Crediet, at Alkmaar; in 1890, the Utrechtsche Landbouw-Bank, at Utrecht, and the Zuidhollandische Landbouw-Crediet, in the Hague; and in 1894, the Nederlandsche Crediet-Vereeniging, at Utrecht.

The above-mentioned Twentsche Bankvereeniging also conducts a crediet-vereeniging besides its other operations. All these fourteen companies still exist, and their operations are very extensive.

The following statement<sup>\*</sup> shows their condition on December 31, 1894. The totals are in thousands of guilders:



*Condensed Balance-Sheet and Dividends of Thirteen Credit Associations.*

ASSOCIATIONS.	Capital Paid in by Shareholders and Members.	Reserve Fund.	Deposits, Savings, Current Account Balances.	Advances Allowed.	Advances in Reality Granted.
Crediet- Vereeniging, Amsterdam	1,654,8	226,2	3,192,0	10,655,6	6,522,2
Crediet en Deposito Kas, Utrecht	360,4	121,7	1,802,3	2,486,9	1,362,9
Utrechtsche Credietbank	108,3	6,0	322,9	438,7	271,8
Dordrechtsche Onderlinge Crediet- Vereeniging	142,4	50,6	603,2	2,049,4	1,721,2
Het Onderling Crediet, Rotterdam	818,8	124,1	1,156,5	4,087,8	2,247,9
Geldersche Crediet- Vereeniging, Arnhem	1,731,3	523,6	6,509,8	10,313,0	7,793,4
Limburgsche Crediet- Vereeniging, Maastricht	335,5	64,3	931,7	1,749,3	1,300,0
Zuidhollandsche Crediet- Vereeniging, the Hague	702,6	31,4	1,053,0	2,017,2	1,613,9
Graveshagsche Crediet- Vereeniging en Deposito Kas	384,5	39,7	340,4	605,3	526,0
Crediet- Vereeniging der Twentsche Bank, Amsterdam	431,5	534,3		10,469,9	4,423,5
Noordhollandsche Landbouw-Crediet, Alkmaar	362,4	17,5	413,8	1,296,3	1,145,7
Utrrechtsche Landbouw-Bank	264,6	13,1	37,8	506,4	455,9
Zuidhollandsche Landbouw-Crediet, Hague.	230,3	3,0	237,0	805,4	523,8
Total on Dec. 31, 1894; 13 companies	7,526,4	1,755,5	16,600,4	47,481,2	29,908,2

Total on Dec. 31, 1893; 13 companies	7,267,6	1,687,4	15,405,9	45,946,5	29,668,5
Total on Dec. 31, 1892; 13 companies	7,158,0	1,609,0	15,282,0	45,300,0	28,808,0
Total on Dec. 31, 1891; 13 companies	6,831,0	1,547,0	11,022,0	43,088,0	23,818,0
Total on Dec. 31, 1890; 13 companies	6,533,0	1,631,0	9,841,0	41,896,0	24,692,0
Total on Dec. 31, 1889; 11 companies	6,783,0	1,457,0	10,060,0	41,811,0	23,865,0
Total on Dec. 31, 1888; 11 companies	6,287,0	1,425,0	9,998,0	42,385,0	23,920,0
Total on Dec. 31, 1887; 11 companies	6,296,0	1,377,0	9,292,0	42,810,0	25,113,0
Total on Dec. 31, 1886; 10 companies	6,241,0	1,285,0	9,685,0	42,745,0	24,202,0
Total on Dec. 31, 1885; 10 companies	6,255,0	1,226,0	9,616,0	43,597,0	25,286,0
Total on Dec. 31, 1884; 10 companies	6,131,0	1,148,0	9,791,0	43,229,0	24,788,0
Total on Dec. 31, 1883; 10 companies	6,102,0	1,161,0	9,750,0	43,902,0	25,742,0

*Percentage of Dividends Paid by the Credit Ass*

ASSOCIATIONS.	1894.	1893.	1892.	1891.	1890.	1889.	1888.	1887.	1886.	1885.	1884.	1883.	1882.	1881.	1880.
Credit Association, Amsterdam	{ <a href="#">a</a> 6 5¾	5¾	5¾	5¾	5½	5½	5	5½	5	5½	6½	7	7	6½	<a href="#">a</a> 5¾
Mutual Credit, Rotterdam	{ <a href="#">b</a> 4½	4¼	4¼	4¼	4	4	3½	4	3½	4	5	5½	5½	5	<a href="#">b</a> 4¼
Gelderland Credit Association	{ <a href="#">a</a> 11	11	8	10	7	7	6	6	5	6	8	7	7	8½	<a href="#">a</a> 8½
Bureau of Credit & Deposit, Utrecht.	{ <a href="#">b</a> 4½	4½	4	4½	4	4	4	4	4	4½	5	5	5	5	<a href="#">b</a> 5
Dordrecht Mutual Credit Association	<a href="#">a</a> 8	9	8	8½	8¼	8½	7¾	7.2	7.3	7.4	7.4	7.5	7.5	7¼	<a href="#">a</a> 6.85
Limburg Credit Association	{ <a href="#">a</a> 15	14½		13	19½	30	26	26	27	23	22	33	22	10	<a href="#">a</a> 14
South Holland Credit Association	{ <a href="#">b</a> 4	4.3-5		4½	4.7	4½	4½	4½	4½	4½	4½	5¼	6¼	5½	<a href="#">b</a> 5
The Hague Credit Association & Bureau of Deposit	<a href="#">a</a> 9	7	8	6½	7	6	6	7	5	7½	7	7	6	5	<a href="#">a</a> 5
Utrecht Credit Bank	{ <a href="#">a</a> 7½	7½	7½	7½	13	14	15	16	15	12	10	10	10½	9	<a href="#">a</a> 9
North Holland Agricultural Credit	{ <a href="#">b</a> 6¼	6¼	6¼	5	8	9	10	11							<a href="#">b</a>
Utrecht Agricultural Bank	<a href="#">a</a> 3¼	3	3	3			5	6	6½	6½	6½	8	8½	7½	<a href="#">a</a> 7.1
South Holland Agricultural Credit	<a href="#">a</a> 5½	6	6	5½	5	5	5	6½	6	6	5	6½	6½	5	
	<a href="#">a</a> 8½	8½	7½	6	6	5½	5½	5	5	4	3				
	<a href="#">a</a> 4	4	4	4	5	4½	4.3	4							
	<a href="#">a</a> 4.35	4.1-5	4.1-5	4	4										
	<a href="#">a</a> 5	5	5	3											

[a](#) To The shareholders

In the main, the dividends are not low, and in the case of the Crediet en Deposito Kas in Utrecht, even very high in comparison with the small amount of capital paid in.

## MORTGAGE BANKS

The hypotheekbanken, *i. e.*, mortgage banks, form a second special group, which is of great importance in Holland. For this purpose joint-stock banks first appeared in 1861, viz., the National Mortgage Bank (Amsterdam) and the Netherlands Mortgage Bank.\* In 1864, the Rotterdam Mortgage Bank and the Inland Mortgage Bank, in Rotterdam, were established; in 1865, the Netherlands Land Mortgage Bank, in Amsterdam.

Before the beginning of the eighties, the number of mortgage banks† remained small, but from 1882 their number quickly increased, and from 1882 till 1895 twenty-five mortgage banks were founded, and only one of them was dissolved. In the several years there were established‡ the following:

YEARS. Number of Banks Authorized Shares. Issued Shares. Shares Paid In.

		FLORINS.	FLORINS.	FLORINS.
1882	4	3,500,000	1,823,000	350,300
1883	2	6,000,000	2,000,000	200,000
1884				
1885	1	100,000	100,000	10,000
1886				
1887	1	1,000,000	229,000	45,800
1888	1	500,000	500,000	100,000
1889	7	14,000,000	5,021,000	1,384,200
1890	2	500,000	500,000	50,000
1891	3	3,500,000	1,750,000	350,000
1892				
1893	3	4,500,000	1,300,000	310,000
1894				
1895	1	500,000	500,000	105,000

We may assume that the rapid growth of mortgage banks was caused by the fact that the encumbrance of landed property with mortgages increased considerably after the middle of the seventies. According to the “Jaarcijfers,” the amount of registered mortgages was:

AT THE END OF THE YEAR. Number of Mortgages. Value.

		FLORINS.
1866	243,006	455,622,000
1867	246,888	463,092,000
1868	250,727	465,341,000
1869	253,759	479,652,000
1870	257,054	494,199,000
1871	260,298	506,605,000
1872	262,773	524,598,000
1873	266,363	555,757,000
1874	270,195	581,795,000
1875	274,404	624,168,000
1876	280,187	665,062,000
1877	286,861	709,881,000
1878	292,751	747,410,000
1879	320,058	854,099,000
1880	246,525	808,906,000
1881	258,785	871,131,000
1882	267,062	914,307,000
1883	276,515	959,948,000
1884	282,977	983,592,000
1885	289,979	1,010,966,000
1886	293,945	1,030,584,000
1887	297,758	1,047,352,000
1888	301,474	1,060,874,000
1889	303,976	1,074,679,000
1890	306,262	1,097,857,000
1891	310,171	1,119,620,000
1892	314,250	1,139,352,000
1893	318,302	1,162,968,000
1894	321,399	1,192,442,000

The great increase of encumbrance by mortgages presented many prospects of success to banks specially created to satisfy the demands for this form of credit, and the large profits of the existing mortgage banks encouraged capitalists to establish new ones. Their number from 1883 till 1893 increased from ten to thirty-three.

According to authentic information,\* there were:

IN THE YEAR. Mortgage Banks. Share Capital Paid In. Average Dividend.

		GUILDERS.	
1883-84	10	3,670,000	7.82 per cent.
1884-85	11	3,770,000	2.68 per cent.
1885-86	11	3,770,000	4.53 per cent.
1886-87	11	3,880,000	7.12 per cent.
1887-88	13	4,080,000	4.76 per cent.
1888-89	14	4,190,000	6.30 per cent.
1889-90	23	8,900,000	3.68 per cent.
1890-91	26	9,180,000	5.82 per cent.
1891-92	28	9,060,000	6.83 per cent.
1892-93	28	9,160,000	4.82 per cent.
1893-94	33	10,160,000	4.77 per cent.

The average dividends are not excessive, which is principally due to the fact that among the new mortgage banks a few only had a marked success.

The dividends of the Northwestern and Pacific Mortgage Company, however, were very high in several years. This bank, established in Amsterdam in 1889, principally operates in the United States, and in the first four years of its existence yielded eleven and three-quarters, forty-four, thirty-six, and thirty-three per cent., but in 1893 only six per cent., and in 1894 nothing. The other mortgage banks operating abroad could not pay such high dividends. The Oostersche Hypotheekbank, founded in 1888 and operating in East Asia, principally in the Straits Settlements, during half the time of its existence was not able to pay any dividend. The Nederlandsch Zuid Africaansche Hypotheekbank has since its establishment (1889) paid no dividends, and the Pretoria Hypotheek Maatschappij, founded in the same year, only moderate dividends.† The Nederlandsch-Amerikaansche Hypotheekbank, established in 1893, and operating in the United States and in British North America also, has commenced with very moderate profits.

According to the annual publications of A. H. Van Nierop and E. Baak, concerning the Dutch joint-stock companies, the dividends of twenty-eight mortgage banks are stated in the following table:

*Dividends of Mortgage Banks, 1882 to 1894.*

Date of Organization.	NAME OF BANK.	Location.	AUTHORIZED CAPITAL.		SHARES PAID IN. PER CENT. OF DIVIDENDS.						
			Close of Year	Florins.	End of	Florins.	1882.	1883.	1884.	1885.	1886.
1861	National Mortgage Bank*	Amsterdam	1894	1,000,000	1894	250,000	18	19	14	14	14
1864	Rotterdam Mortgage Bank for the Netherlands†	Rotterdam	1894	5,000,000	1894	500,000	13	13	13	13	14
1877	Foreign Mortgage Bank‡	Amsterdam	1894	2,000,000	1894	400,000	11.125	11.375	11.2	11.25	11.75
1882	Amsterdam Mortgage Bank	Amsterdam	1894	1,200,000	1894	241,600	2	3	8	6	9
1882	Arnhem Mortgage Bank for the Netherlands	Arnhem	1894	1,200,000	1894	619,500	1½	4¼	5½	5	4¾
1882	Maastricht Mortgage Bank for the Netherlands	Maastricht	1895	500,000	1895	54,500		4½	5	6	7
1882	Utrecht Mortgage Bank	Utrecht	1894	1,000,000	1894	200,000	2	5	5.51	6¼	6¾
1883	The Hague Mortgage Bank for the Netherlands	The Hague	1894	5,000,000	1894	100,000		2	3½	5	10½
1883	South Holland Mortgage Bank	Rotterdam	1894	1,000,000	1894	100,000			5	6	9¼

\*Dividends of the National Mortgage Bank prior to 1882: 1861, 1¾; 1862, 4; 1863, 5; 1864, 5½; 1865, 6; 1871, 12; 1872, 14; 1873, 17; 1874, 17; 1875, 21; 1876, 21; 1877, 23; 1878, 25; 1879, 27; 1880, 25; 1881, 18.

†Dividends of the Rotterdam Mortgage Bank for the Netherlands, 1865-81: 1865, 5.8; 1866, 5½; 1867, 6; 1872, 21; 1873, 15; 1874, 9½; 1875, 13; 1876, 14; 1877, 18; 1878, 22½; 1879, 17; 1880, 14; 1881, 18.

‡Dividends of the Foreign Mortgage Bank, 1877-81: 1877, 1.75; 1878, 3.75; 1879, 7.75; 1880, 13.5; 1881, 18.

§No returns for the Zeeurosch-Vlaanderen Mortgage Bank.

?For six months.

¶In process of liquidation.

1885	Zeeurosch-Vlaanderen Mortgage Bank§	Hulst	1893	100,000	1893	10,000
1887	Northern Mortgage Bank	Zorgvliet	1894	1,000,000	1894	100,000
1888	Eastern Mortgage Bank	Amsterdam	1894	1,512,000	1894	1,512,000
1889	General Mortgage Bank	Amsterdam	1894	1,000,000	1894	200,800
1889	Batavian Mortgage Bank	Amsterdam	1894	1,000,000	1894	100,000
1889	Company for Mortgage Credit in the Netherlands	The Hague	1894	1,500,000	1894	300,000
1889	Netherlands and South African Mortgage Bank	Amsterdam	1894	2,000,000	1894	850,000
1889	North Holland Mortgage Bank	Alkmaar	1894	500,000	1894	100,000
1889	Northwestern and Pacific Mortgage Bank	Amsterdam	1894	6,000,000	1894	1,366,020
1889	Pretoria Mortgage Company	Amsterdam '93-4	1,000,000	1893-4	200,000	

\*Dividends of the National Mortgage Bank prior to 1882: 1861, 1¾; 1862, 4; 1863, 5; 1864, 5½; 1865, 6; 1871, 12; 1872, 14; 1873, 17; 1874, 17; 1875, 21; 1876, 21; 1877, 23; 1878, 25; 1879, 27; 1880, 25; 1881, 18.

†Dividends of the Rotterdam Mortgage Bank for the Netherlands, 1865-81: 1865, 5.8; 1866, 5½; 1867, 6; 1872, 21; 1873, 15; 1874, 9½; 1875, 13; 1876, 14; 1877, 18; 1878, 22½; 1879, 17; 1880, 14; 1881, 18.

‡Dividends of the Foreign Mortgage Bank, 1877-81: 1877, 1.75; 1878, 3.75; 1879, 7.75; 1880, 13.5; 1881, 18.

§No returns for the Zeeurosch-Vlaanderen Mortgage Bank.

?For six months.

¶In process of liquidation.



1890	Mortgage Bank for the Netherlands	Amsterdam	1894	100,000	1894	10,000
1890	Tilburg Mortgage Bank	Tilburg	1894	400,000	1894	40,000
1891	Frisian-Groningen Mortgage Bank	Groningen	1894	750,000	1894	150,000
1891	Netherlands Mortgage Bank	Veendam	1894	1,000,000	1894	100,000
1891	Haarlem Mortgage Bank	Haarlem	1894	500,000	1894	100,000
1893	Netherlands-American Mortgage Bank	Uithuizen	1894	1,000,000	1894	200,000
1893	Orange-Nassau Mortgage Bank	The Hague	1894	600,000	1894	60,000
1893	Western Mortgage Bank	The Hague	1894	500,000	1894	50,000
1895	Groningen Mortgage Bank	Amsterdam	1895	500,000	1895	105,000

\*Dividends of the National Mortgage Bank prior to 1882: 1861, 1¾; 1862, 4; 1863, 5; 1864, 5½; 1865, 6; 1871, 12; 1872, 14; 1873, 17; 1874, 17; 1875, 21; 1876, 21; 1877, 23; 1878, 25; 1879, 27; 1880, 25; 1881, 18.

†Dividends of the Rotterdam Mortgage Bank for the Netherlands, 1865-81: 1865, 5.8; 1866, 5½; 1867, 6; 1872, 21; 1873, 15; 1874, 9½; 1875, 13; 1876, 14; 1877, 18; 1878, 22½; 1879, 17; 1880, 14; 1881, 18.

‡Dividends of the Foreign Mortgage Bank, 1877-81: 1877, 1.75; 1878, 3.75; 1879, 7.75; 1880, 13.5; 1881, 18.

§No returns for the Zeeurosch-Vlaanderen Mortgage Bank.

?For six months.

¶In process of liquidation.

The figures relating to the amount paid on the stock prove that the mortgage banks work with very small capital. The share capital of these banks must be regarded chiefly as an insurance fund, and therefore may be moderate. The banks giving first mortgages on the best securities run but little risk. They pay the mortgages to the debtor in mortgage bonds issued up to an amount not exceeding the total of the granted loans. This mode of operating and the small amount of share capital do not expose the banks to any risk as long as they avoid dealings which bring with them

liabilities to be met at short notice. The amount of loans on mortgage granted by the greater number of the banks in question is to be found in the “Jaarcijfers,” from which the following figures are taken:

<i>Loans of the Mortgage Banks.</i>					
AT THE END OF	Number of Banks.	Total of Loans on Mortgage.	LOANS ON MORTGAGE GRANTED BY THE		
			Nationale Hypotheekbank.	Rotterdamsche Hypotheekbank voor Nederland.	Hollandsche Hypotheekbank.
		GUILDERS.	GUILDERS.	GUILDERS.	GUILDERS.
1877	3	23,790,000	11,900,000	11,500,000	400,000
1878	3	27,980,000	13,300,000	13,100,000	1,500,000
1879	3	31,900,000	14,600,000	13,900,000	3,300,000
1880	3	37,540,000	15,600,000	15,500,000	6,400,000
1881	3	47,850,000	16,800,000	19,400,000	11,600,000
1882	6	54,030,000	17,900,000	21,200,000	13,100,000
1883	8	63,870,000	19,700,000	23,970,000	14,600,000
1884	9	71,980,000	20,200,000	26,600,000	15,700,000
1885	9	79,080,000	21,100,000	28,400,000	16,700,000
1886	9	85,340,000	21,200,000	29,500,000	17,700,000
1887	10	89,670,000	21,300,000	29,300,000	19,050,000
1888	10	96,400,000	21,030,000	30,500,000	21,060,000
1889	12	104,410,000	21,400,000	30,700,000	23,350,000
1890	15	112,320,000	23,400,000	30,700,000	23,400,000
1891	19	119,390,000	22,600,000	31,850,000	23,600,000
1892	19	130,130,000	23,900,000	32,970,000	23,920,000
1893	20	141,280,000	24,300,000	33,950,000	23,970,000
1894	21	158,330,000	24,400,000	34,920,000	24,260,000

The total amount of loans on mortgage granted by the twenty-one banks is 13.3 per cent. of the amount of all mortgages registered on December 31, 1894, in Holland. The three oldest of the existing mortgage banks reach the highest amount of loans, and have also steadily paid the highest dividends. The Amsterdam mortgage bank nearly comes up to these, and shows on December 31, 1894, loans to the amount of 12,130,000 guilders, while the other banks do not reach 10,000,000 guilders.

## OTHER AGRICULTURAL CREDIT INSTITUTIONS.

Besides these, other banks endeavored to help farmers by credit, but without assuming the character of mortgage banks. We find among such the Beemster Bank, established in 1872,\* the object of which is to meet the farmers' temporary demands for credit and to put out at interest the farmers' money, but without excluding other operations. The same object is aimed at by the Spaar Inleg en Voorschotbank at Eibergen (established in 1880),† and at the Landbouw Crediet Fexel (founded in 1890).‡ The latter's operations are limited to farmers and cattle-breeders. Other particulars

concerning these small banks are not at my disposal, but I imagine that their profits are moderate.

The Beemster Bank, for instance, from 1872 to 1881 has paid an average dividend of two and one-half per cent., and from 1882 to 1892, once fifty, once ten and three-quarters, once ten and one-half, once six and one-half per cent., and five times nothing.

In another way, the Algemeene Waarborg Maatschappij, in Amsterdam (established in 1890), tries to solve the problem. Its object is to procure loans on mortgage, to issue mortgage bonds, and to administer mortgage loans and bonds, and for this purpose it had in 1893 20,000 guilders of capital paid in. Its dividends were, from 1890 till 1893, one, two and one-half, four, and four and one-half per cent. The Nederlandsche Trust Maatschappij, in Amsterdam (established in 1891), seeks, besides other operations, to use its good offices in the granting of mortgage loans; and, further, to protect the interests of creditors on mortgages procured by the bank. Its shares paid up amounted, in 1893, to 25,000 guilders, and its dividends from 1892 till 1894 to 7.62, 7.62, and 6.93 per cent.

The Boskoopsche Spaar, Deposito, en Hulpbank (established in 1890), grants loans on mortgage and other securities, issues mortgage bonds to bearer, collects and discounts commercial paper, takes charge of money, and does a commission business in stocks—all this with 40,000 guilders shares paid in.

The Maatschappij voor Gemeente Crediet, in Amsterdam (established in 1870),<sup>[§](#)</sup> and the Noordbrabantsche Maatschappij voor Gemeente Crediet, at Hertogenbosch (established in 1882),<sup>[2](#)</sup> form another special group. They grant loans to Dutch corporations, and for this purpose issue bonds. The former bank has succeeded, while the latter's profits are very moderate.

## SAVINGS INSTITUTIONS.

A few other banks must be regarded as savings-banks, viz., the Amsterdamsche Voorschotbank (established in 1863), the Spaarbank-Vereeniging, at Zutphen (established in 1866); the Spaar en Voorschotbank, at Groenlo, etc. But it is not within the scope of this treatise to describe the Dutch savings-bank system, highly developed as it is, and these institutions must therefore be passed over.

At last we find a special group of "banks," the object of which is to establish and to promote manufacturing and other enterprises, and to take a share in such enterprises, and, besides this, to conduct bank operations. They must be regarded as financial companies (*crédits mobiliers*) rather than banks.

## FINANCE COMPANIES.

The oldest and most important among them is the Nederlandsche Handels Maatschappij. The sphere of action of this company (established in 1824) embraces the trade in merchandise as well for its own account as on commission; the trade in

money, bills of exchange, and precious metals, as well as all banking transactions; the granting of advances on securities, procuring working capital for and the participation in agricultural, fishing, manufacturing, commercial, shipping, and land transporting enterprises, and the establishment of such enterprises in the Dutch transmarine possessions and colonies.\* The share capital amounted on December 31, 1894, to 35,783,000 guilders. The balance-sheet for the year ending December 31, 1894, shows, for instance:

#### LIABILITIES.

	GUILDERS.
Bills drawn on the company	8,400,000
Foreign creditors	6,100,000
Home creditors	3,400,000

#### ASSETS.

Shares in other enterprises	11,000,000
Foreign debtors	1,100,000
Home debtors	13,700,000
Loans and advances on produce and prolongations on stocks	7,900,000

The dividends fluctuated from 1835 till 1844, from 2 to 8½ per cent.; from 1845 till 1854, from 3 to 8 per cent.; from 1855 till 1864, from 4.3 to 12.9 per cent.; from 1865 till 1874, from 0.3 to 11.5 per cent.; from 1875 till 1884, from 4 to 7 per cent.; from 1885 till 1894, from 2½ to 9 per cent.

Besides the Nederlandsche Handels Maatschappij, five other financial companies are now in existence which also chiefly operate in the Dutch East Indies, viz.: (1) Nederlandsch-Indische Handelsbank, in Amsterdam, established in 1863. The capital—in the beginning, 12,000,000 guilders—is now 7,200,000 guilders. The dividends fluctuated from 1864 till 1874, from 3.7 to 10 per cent.; from 1875 till 1884, from 0 to 12 per cent.; from 1885 till 1894, from 0 to 7½ per cent. (2) Koloniale Bank, in Amsterdam, established in 1881. The authorized capital amounts to 10,000,000 guilders, the paid-up capital to 5,000,000 guilders. The bank has not been successful. The dividends were, in 1881-82, one per cent.; in 1882-83, five per cent; in 1891, four and one-half per cent. for preference shares; in 1892, five per cent. for preference and ordinary shares; in 1893, five per cent. for preference shares, and three and one-half per cent. for ordinary shares. In the other years no dividends were paid. (3) Soerabayasche Bank en Handels-Vereeniging, in Amsterdam, established in 1882 as a limited liability company, since 1892 a joint-stock company. The authorized share capital amounted to 4,000,000 guilders, the paid-up capital at the end of 1894 to 2,000,000 guilders. Seven per cent. dividend was paid in 1892, three per cent. in 1893, and three per cent. in 1894. (4) Finantiecle Maatschappij voor Nijverheids-Ondernemingen, in Amsterdam, established in 1883. The authorized share capital amounts to 1,000,000 guilders. On December 31, 1893, 500,000 guilders' worth of shares had been issued, on which 250,000 guilders were paid up on above date. (5) Crediet en Handels-Vereeniging Banda, in Amsterdam, established in 1886, and operating specially in the Banda Islands. The capital amounts to 1,000,000 guilders. The dividends paid from 1886 to 1894 were: six per cent., eight and one-half per

cent., eight and five-eighths per cent., nine per cent., nine and one-half per cent., ten per cent., ten per cent., ten per cent., and nine per cent. The dividends are high in comparison with the other financial companies.

Finally, in 1888, the Nederlandsche Banken Crediet-Vereeniging voor Zuid Africa, in Amsterdam, was founded, which intends to do business as a financial company in South Africa. The authorized shares of this Bank now amount to 4,800,000 guilders (originally to 2,400,000 guilders), the shares issued to 1,930,800 guilders. The dividends paid from 1888 were: 0 per cent., six per cent., three per cent., four per cent., four per cent., four per cent., and five per cent.

The working of financial companies requires them to deal largely in produce.\* The bank closes a contract with the planter to whom a loan is granted, so that the planter is obliged to assign his crops to the bank. The bank, by selling these crops, gets back the capital advanced.

Means for giving credit in former times were mostly procured by drawing bills on the Dutch offices. After the credit crisis in the Dutch East Indies (in 1884), however, that was no longer done, partly in consequence of the Netherlands Bank's treatment of these bills. Now the necessary funds are chiefly procured by the issue of bonds.

However limited is the information at my disposal for the two last chapters, it is clearly proved that Dutch banking during the nineteenth century has developed far beyond the narrow sphere of former times.

Not only have banks of issue been founded and enabled to work on liberal, sound, and correct principles, but other banks also have developed into real credit banks, and have adapted themselves to various business needs.

Compared to the size of the country, credit institutions must be said to be plentiful in Holland, though this cannot excite surprise when we consider the important rôle which international trade and the wants of the colonies have played in the development of Dutch banking.

A History of Banking

IN

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NEW YORK.

1896.

[\[Back to Table of Contents\]](#)

## BANKING IN THE SCANDINAVIAN NATIONS.

### PART I.

#### BANKING IN DENMARK.

##### CHAPTER I.

##### HISTORY PREVIOUS TO THE NATIONAL BANK.

##### THE COURANTBANK.

ARIGHT understanding of the development of Danish banking requires more or less acquaintance with its earliest origins, whose principal features we shall briefly describe.\* The first Danish bank was founded in 1736, under the name of “Kjöbenhavns Assignations- Vexel- og Laanebank,”† which was generally called the *Courantbank*, or “Circulating Bank.” This was organized by a private joint-stock company, and the capital stock consisted of 1000 shares at 500 rix-dollars each. The Bank issued redeemable notes, which were accepted in payments at all public places of trade. As the directors’ right of issuing notes was unlimited, and as the manner of securing them was undefined, it soon happened that the rapidly rising demand for loans tempted the Bank to issue notes in excess of a judicious amount. As early as 1745 the notes failed to be redeemed, and the Bank, so prosperous at the start, had to resort to the extreme legal expedient of suspending payments. This first suspension of payments lasted only two years. But after 1747 the issue of notes again overstepped prudent bounds, and in 1757 the Bank was again authorized to suspend cash payments “for a short time.” The suspension, in fact, became permanent. Down to that time the smallest denomination of bank notes had been ten rix-dollars; but in 1762 the Bank was empowered to issue notes of one rix-dollar. The result of these arrangements was that the notes of the Courantbank degenerated into a compulsory legal tender, in the form of unredeemable paper currency. The Government had thus been highly helpful to the Bank, and the Bank returned the favor by making a great increase of loans to the State. In 1773 the State’s debt to the Bank was over 5,000,000 rix-dollars; the Bank’s capital stock was 600,000 rix-dollars; the circulation of notes, 5,700,000 rix-dollars, and the coin reserve only 83,500 rix-dollars. The Government then proposed to the Bank’s shareholders that it should buy in their shares, which proposition they accepted. So from 1773 forward, the Courantbank was a State bank. The note issue now rose to extravagant proportions. In 1774 it was 6,500,000 rix-dollars; in 1784, 15,200,000 rix-dollars (about 50,000,000 crowns), and the value of the notes fell to fifteen per cent. below par.

## ATTEMPTS AT CURRENCY REFORM.

The year 1784 marks the beginning of a whole series of reforms in Danish statecraft, and it was also the Government's intention to advise a remedy for the disturbed conditions of banking and currency. It was proposed that the State should cease to draw loans from the Bank, and that the notes should be made redeemable in silver. In order to realize this plan, a new loan was raised, but the outbreak of war in 1788 checked the entire scheme. Nevertheless, one part of the Danish dominion succeeded in reforming the demoralized currency. This was the ducal government of Schleswig-Holstein, which ordered the retirement of Courantbank notes, and the issue of "specie notes" in their stead, as affording better security. These and the new coins were to be the only public legal tender in the two duchies. The specie notes were issued by a new bank, separately organized for the duchies, and located in Altona. Through the raising of a loan payable in the current notes on very favorable terms for creditors, the people were delivered from the old Courant notes. The Specie Bank in Altona, which carried out the reform, was a State bank, managed with great energy and ability. It was authorized to transact a business in loans and discounts; and the discounts should be constantly covered by silver, in the ratio of five to nine, which regulation was strictly enforced.

While the two duchies were thus bravely reforming their currency, the financial situation in other parts of the realm was growing worse. It is true that an attempt was made on similar lines to reorganize the currency in the Danish and Norwegian kingdoms; but the attempt utterly failed. In 1791, a Danish-Norwegian specie bank was established in Copenhagen; and though a private enterprise, it was to be managed on the general plan of the bank in Altona. However, it might exchange specie notes not only for silver, but also for Courantbank notes at their market value. As will be anticipated, the latter provision had exceedingly unfortunate consequences. When the Specie Bank was opened, the Courantbank stopped giving out loans; and its operations should now be limited to the withdrawal and cashing of its own notes, to an annual amount of 750,000 standard rix-dollars. As a matter of fact, this was not done; for the Government, which had control over the issue of bank notes, kept continually putting the Courantbank notes in fresh circulation. That the rate of exchange for paper currency still continued pretty favorable, must be ascribed partly to good market conditions and partly to public ignorance of what was going on in financial and banking circles. But a grave crisis occurred in 1799. The large trade with foreign countries came to a sudden halt, and the demand for currency straightway declined. Things were made infinitely worse by the Government's persistent issue of great quantities of Courant notes, while at the same time it borrowed over one-half of the Specie Bank's coin reserve (in silver). The latter bank then soon became unable to redeem specie notes, which poured in copiously from the public market. So the specie notes began to fall, and the Specie Bank was promptly obliged to stop granting loans. At this point the Specie Bank's utility practically ended, and it simply vegetated and languished until the Government, in 1813, assumed its assets and liabilities and released its shareholders from their commitments.



## A NEW BANK AND WAR FINANCE.

In such circumstances, it was not without reason that the public urged, in 1799, the necessity of having a new credit institution. A concern which was organized under the name of “Deposit Bank” exerted no salutary influence. Quite contrary to the regulations which had been promulgated in 1791 respecting the disposition of Courant notes, these were extensively circulated by the Deposit Bank, both as loans for actual enterprises and in payment of maturing obligations, though not for starting new projects. There was a very naïve ordinance to the effect that the Courant notes which were circulated by the Deposit Bank should bear a special mark by which their later withdrawal might be better controlled. In fact, they never were withdrawn. During such desperate conditions came the war of 1807-14, and in these years the manufacture of bank notes was of the utmost financial service to the Government. Whereas the amount of bank notes in 1807 reached the extraordinary sum of 27,000,000 rix-dollars (about 86,000,000 crowns), by the close of 1812 it had risen to 142,000,000 rix-dollars (about 454,000,000 crowns). The normal rate of exchange was 125 rix-dollars to 100 specie dollars, but under the depreciated currency it was 1760 to 100—that is, a specie dollar, instead of representing one and a quarter rix-dollars, represented from seventeen to eighteen rix-dollars.

## NEW ROYAL BANK AND REPUDIATION.

For the sake of bringing the economic status to its feet again, a decree dated January 5, 1813, provided for the erection of a new “Royal Bank.” At the same time a new currency standard was introduced, under the name of the “Royal Bank standard.” According to this, two rix-dollars should equal one specie dollar. Both the Courantbank, the Specie Bank, and the Deposit Bank were abolished, and the new Royal Bank notes were to circulate alike in the kingdom and in the duchies. However, the most radical feature of the reform was the State’s recourse to a kind of bankruptcy, in that it declared its downright inability to redeem the Courant notes according to their original value. In this connection it must be borne in mind that the Courant notes were mainly in the hands of the people, who had received them at a lower value than was called for by redemption. The bankrupt proposition reduced the Courant notes to one-tenth of their nominal value, and the public debt was correspondingly diminished.

The Royal Bank’s original capital stock was procured by means of an imperative decree, which ordered that the Bank should have first mortgage rights on all real estate, at six per cent. of its value. This first mortgage right should precede all others, and the Bank’s claims or assessments, unless paid in silver by the parties concerned, should bear interest at six and a half per cent. in standard silver. The King, nevertheless, promised to relieve the land-owners of this new burden by granting them a rebatement of taxes, to the extent of five-sixths of the Bank’s assessments. The annual proceeds of the Bank’s assessments were to be applied partly toward the accumulation of a silver reserve, partly toward the retirement of bank notes until the outstanding circulation should be in proper proportion to the demands of trade. The Bank might issue notes to the amount of 46,000,000 rix-dollars, of which 27,000,000

should be applied to the redemption of the older notes; 4,000,000 to a loan fund; and 15,000,000 to a reserve fund for extraordinary State expenses. For this reserve fund there should also be an issue of 10,000,000 rix-dollars in non-redeemable silver bonds; for the interest and extinction of which the Bank should annually expend 600,000 rix-dollars in silver. Finally, the Royal Bank was to pay an annual sum of 350,000 rix-dollars for interest on such bonds as it issued on occasion of redeeming bank notes which circulated in the duchies. The 46,000,000 rix-dollars which the Bank issued in bank notes should circulate in Denmark, Norway, and the duchies. But the latter provinces, whose currency had been essentially reformed by the help of the Specie Bank in Altona, protested against any circulation of bank notes; and the concession was then allowed, that whilst notes should be allowed to circulate, yet silver might be insisted upon in payments (for the ducal countries). At the Peace of Kiel, in 1814, Norway was again separated from Denmark; and the whole issue of notes, except some 8,000,000 rix-dollars already issued in Norway, rested upon Denmark, to the amount of 38,000,000 rix-dollars (76,000,000 crowns). At the start, therefore, the new Royal Bank notes were very unsatisfactory currency. The rate of exchange in 1814 was from 550 to 600 rix-dollars to 100 specie dollars; the par value being 200 rix-dollars to 100 specie. The Royal Bank, as its name implies, was a State institution; but the Government, in order to increase public confidence in the new financial organization, promised that this recent bank should become a private institution, under a national board of trustees. It should operate under their administration, and the surplus which might accrue in course of time, should belong to the shareholders—especially to the mortgaged subscribers, or land-owners. Meanwhile, this promise was of little avail to improve the condition of the depreciated bank notes. Their first real improvement occurred when the war ceased in 1814, and with it the prevailing confusion in all economic spheres.

## NEW NATIONAL BANK.

The pledge of transforming the Royal Bank into a private bank was fulfilled in 1818, by the grant of July 4th, providing that from August 1st of the same year, the Bank should be reorganized under the name of “National Bank,” and on the basis of a private joint-stock company. The National Bank’s capital stock was obtained like that of the Royal Bank; townspeople should contribute to the Bank six per cent. of their property, and this assessment should bear six and a half per cent. annual interest in silver till fully paid. Landed proprietors were to contribute one per cent. of their property; and in addition, they were to pay six and a half per cent. annual interest on five per cent. of their valuation, until all the Royal Bank notes (about 31,000,000 rix-dollars) were redeemed or covered with a corresponding coin reserve in silver. But the interest thus paid should be deducted from the proprietors’ land taxes; or, in other words, the State applied the required amount of these taxes to paying five-sixths of the land-owners’ original dues to the National Bank. By way of compensation, the land-owners should thenceforth be entitled to redeem only one per cent. of their original assessment, and they should likewise become shareholders to only one-sixth of that amount. The remaining five-sixths should be unredeemable on both sides. Forasmuch as the contributors assessed in the duchies were mainly unwilling to engage in this kind of contract with the Bank, they were permitted to pay outright that portion of the bank notes and bonded obligations which fell to the duchies; and so be

released from attachments to the Bank. The total capital stock was nearly 8,000,000 rix-dollars, of which 1,600,000 had devolved upon the duchies. As it was also allowed to supplement the Bank's assessments with cash payments in round sums, in order to realize a proportionate increase of capital stock, and as it later appeared that bank shares were a very profitable sort of property, the amount of stock was soon increased, by such payments, to a total of 13,500,000 rix-dollars (27,000,000 crowns); and this is its present status.

[\[Back to Table of Contents\]](#)

## CHAPTER II.

### THE NATIONAL BANK DURING THE FIRST HALF OF THE NINETEENTH CENTURY.

#### READJUSTMENT OF THE NOTE CIRCULATION.

THE National Bank, whose origin we have traced above, is the leading bank in Denmark. As we have seen, it is a private bank; nor is there any State bank in Denmark. The Bank's administration, composed of four directors, is nevertheless under State supervision. One member of the administrative board is appointed by the Government; the others are chosen by the shareholders, through a committee of fifteen. It devolves upon the Ministry of Justice to see that the Bank statutes are strictly obeyed. The tasks of the new Bank were similar to those of the Royal Bank; especially, it was to restore order to the disturbed financial situation. The National Bank being vested with the monopoly of issuing notes for a period of ninety years (expiring in 1908), undertook the solution of its problem with all energy; but the difficulties were so serious that not until 1838, or after a score of years, did the directors succeed in bringing the bank notes up to par. The notes were not finally redeemable until 1845, when the outstanding issue was reduced to 16,500,000 rix-dollars. This amount was fixed by royal decree as a maximum limit; but as early as 1847, the limit was raised to 20,000,000 rix-dollars. At the same time, it was ruled that the lowest denomination of notes should be five rix-dollars, instead of one rix-dollar, the former lowest denomination. In 1854, the maximum limit of issue was again raised, and fixed at 24,000,000 rix-dollars. This increase was a proper consequence of the increased population and its growing prosperity; whereby there arose a greater demand for circulating media. On occasion of extraordinary demands for currency in 1859, it was ordained that there should be no further specification of a maximum note issue. On the other hand, all notes issued in excess of 13,500,000 rix-dollars should be fully covered in silver. The limit of unprotected notes was enlarged in 1877, when the line was drawn at 15,000,000 rix-dollars; and, as in the previous instances, the motive was a growing business pressure for circulation.

#### FUNDING OF THE BANK'S NOTES.

With reference to the funding of National Bank notes, the following facts deserve notice: In 1840, it was decreed that the realization, or redemption, fund should consist of silver, the same as half the security of the total outstanding issue of notes. At least one-half of this silver reserve should consist of coins current in Denmark; the other half might be made up of bullion and notes of the Hamburg Bank, though the amount of the latter currency should not exceed one-fourth of the total reserve fund. To protect that part of the note issue which was not covered in silver, the Bank should hold good and substantial securities on unencumbered property, to the amount of at least 150 per cent. of the given deficiency; but at no time should there be more than

one-fourth of this amount in direct mortgage bonds on real estate. The war of 1848-49 occasioned considerable changes in the national economy, and it soon became evident that an exclusive silver standard could not be permanently adhered to for covering bank notes. It was therefore provided in 1849, that the Bank should hold a part of its reserve in sterling notes; that is, in a currency based on gold. Such notes, however, should constitute only one-fourth of the total coin reserve. It was furthermore ordained that foreign silver coins might be included in the coin reserve, according to their several values. The issue of notes to the sum of 4,000,000 rix-dollars in 1854 should be fully secured by silver coin, bullion, and good Hamburg or sterling bank notes. These regulations were in force until 1859; but when it was found that they impaired the Bank's effectiveness, by depriving it of a necessary degree of elasticity, it was resolved to do away with one of the two main restrictions which limited the note issue. For the present, indeed, the minimum limit of unprotected notes should be the same as was ordained in 1854; whereas it was otherwise ordained that the limit hitherto prescribed for the total issue of notes should disappear, save that the overplus must be fully secured by coin or bullion. The further concession was granted in 1872, on occasion of Germany's resolution to adopt a gold standard, that gold coin or bullion might be included in the coin reserve, as a substitute for silver bullion and foreign silver coin; provided the ratio of value be  $15\frac{1}{2}$  to 1, and that at least one-half of the coin reserve should still consist of silver.

## THE BANK PUT ON THE GOLD BASIS.

This ordinance made it possible for the Bank to pave the way toward a gold standard, which was formally adopted in 1873, with the following statutory provisions:

The National Bank is authorized to issue as large an amount of bank notes as the demands of trade shall at any time require; provided (1) the Bank shall have in its possession a coin reserve equivalent to any circulation of notes in excess of 27,000,000\* crowns; and this reserve shall at no time fall below three-eighths of the total circulation; (2) to secure that part of the note issue which is not covered by the coin reserve, the Bank shall hold good, substantial, and readily available assets, in the ratio of 150 crowns of assets to every 100 crowns of notes. These assets may include loans on securities, bills of exchange, public stocks and bonds, according to their market quotations, and mortgage bonds for direct loans on real estate; but the latter bonds shall not exceed the amount of 6,000,000 crowns.

The coin reserve shall strictly consist of: (a) Legal current coin according to its nominal value; and, when the issue of notes is 48,000,000 crowns or over, the amount of reserved current coin shall be at least 12,000,000 crowns, or at least one-fourth of the total issue of notes from 48,000,000 crowns upward. (b) Gold in bullion and foreign gold coin. (c) Silver bullion and foreign silver coin; but not to a greater amount than one-third of the coin reserve.

Finally, it was ordained, in 1886, that the National Bank's non-interest-bearing claims on demand, credited with the Bank of Norway and the Royal Bank of Sweden, might be included in the National Bank's coin reserve; provided that the similar accounts of those banks against the National Bank be deducted from the coin reserve. The Bank is

obliged to buy gold of whoever offers it for sale, with the deduction of one-fourth per cent. for costs of coinage.

Having now traced the National Bank's earliest history, and the development of the principles on which it is still conducted, we need not dwell with much circumstance upon its operations in the first half of this century. Until 1846 it was Denmark's only bank, and as its capital stock for the most part consisted of property attachments which had to be gradually redeemed, it was seriously restricted in the exercise of those functions which lay outside the retirement of bank notes and the accumulation of a coin reserve. Only in the third decade of the century did the Bank begin to grant direct loans on real estate, and the sums thus loaned were long kept near the statutory limit. Loans on merchandise were first granted in the forties; but this branch of business never grew to be very extensive. Loans on securities assumed greater proportions, especially as the Bank shares rose in value and became an object of speculation. The discounting of bills increased largely, from the period (midway in the forties) when the national trade had recovered from its prostration at the beginning of the century. The following figures show the total extent of loans, by half-decades, to 1850:

*Loans of the National Bank.*

Silver Rix-dollars. Bank notes, Rix-dollars.

1820	2,260,000	5,200,000
1825	2,350,000	3,040,000
1830	1,260,000	1,870,000
1835	1,730,000	1,430,000
1840	1,510,000	5,950,000
1845	17,680,000	
1850	19,540,000	

[\[Back to Table of Contents\]](#)

## CHAPTER III.

### PRIVATE BANKS.

#### SURVEY OF BANKING SINCE 1850.

### PRIVATE BANKS.

WE have already mentioned that, until 1846, there was only one bank in Denmark, namely, the National Bank; though this had founded two provincial branches in 1837 and 1844. As in relation to the vigorously growing commercial activity, the Bank had acquired ample available means, and yet operated rather sluggishly, on the whole, and so rendered but moderate service to trade; a few private banks were started, from 1846 forward, both in Copenhagen and in the provinces. The first of these private banks was the Discount Bank of Fyen (Fionia, or Funen), founded in 1846; and from 1854 to 1857, thirteen other provincial banks were established. Furthermore, two private banks were opened in Copenhagen in 1857—the Private Bank, and the Private Loan Bank of Copenhagen. The former had an original capital stock of 4,000,000 crowns; the latter, a capital of 1,000,000 crowns. Shortly after these banks were started, the great commercial crisis of 1857 became felt, even in Denmark. The private banks of Copenhagen almost wholly escaped disaster, but many provincial banks incurred heavy losses, from which they recovered only after several years. However, the effects of the crisis were so palpable in the period 1858-69, that people were afraid to engage in fresh operations of banking; and in those years only two new banks were started—the Industrial Bank, in Copenhagen (1862), and a provincial bank (1866). The Industrial Bank was designed to aid mechanics and manufacturers, and, in general, to promote industry. At first, this bank had a very inconsiderable capital stock; but in 1871 the stock was increased to 1,000,000 crowns.

Banking in Denmark took a great stride forward after 1870. An active market in the domain of trade and industry fostered fresh zeal for economic enterprises; occupation was provided for new financial organizations, and the old ones enlarged their business. Early in the seventies, four new banks were started in Copenhagen, namely: the Danish Labor Bank, the Loan Bank of 1873, the Farmers' Bank, and the Commercial Bank. The two first named were of modest scope; and the Danish Labor Bank, as its name imported, had a special object and a limited province. The Loan Bank (*Forskudsbanken*) was at no time an extensive concern as such; and, in 1880, it was reconstructed as a loan and savings company for employees. But the Farmers' and the Commercial Banks soon covered a wide business territory, and they still act a prominent part in the Danish mercantile world, both within and beyond the metropolis. The Farmers' Bank was founded in 1871, though not opened for business till January, 1872. It operated as a mortgage and exchange bank. Its capital stock was 12,000,000 crowns, fully paid in by 1874. Its transactions, as above indicated, were, on the one hand, to develop agricultural credit by granting redeemable and unredeemable loans on real estate, and to transact a general banking business. As a

mortgage bank, it issued mortgage bonds, the amount of which was not to exceed twelve times the capital stock. The Farmers' Bank introduced the Scotch system of loans on personal security, given for one year at a time. This system, however, though adopted by nearly all the Danish banks, has never attained the same importance and complete application in Denmark as in Scotland and Sweden. A savings-bank was instituted as a separate department of the Farmers' Bank, and has gradually grown into considerable magnitude. The Commercial Bank was organized in 1873, with an original capital stock of 16,000,000 crowns; but only 12,000,000 crowns were paid in. Both the Farmers' and the Commercial Banks have started provincial branches.

The Private Bank, mentioned earlier, was founded in 1857, for the purpose of relieving the immediate need of a credit instrument that should be both expeditious and readily available. The National Bank, partly by reason of its peculiar constitution and fundamental object, and partly because of its rather unfortunate administration, was much hindered in its transactions. So it very soon became evident that the Private Bank had been opened at a most opportune time; for its deposits, within half a year from its inauguration, had reached the same amount as the capital stock. Some few years later, the deposits amounted to six times the capital stock, which was then doubled, in 1864. After a further increase, it amounted in 1871 to 12,000,000 crowns. In consequence of the good returns realized by the Bank, the new shares brought 140, or forty per cent. above par; and when the forty per cent. was added to the surplus fund, the latter rose to 2,000,000 crowns; which considerable sum was lost, however, in the following years. In the early seventies, the Bank engaged in various industrial undertakings, with high profits at the start (eleven per cent. in 1871); but certain railway constructions turned out so disastrously that the whole surplus fund, in 1874, was needed to retrieve the losses.

## BANKS OUTSIDE COPENHAGEN.

During these years, not a few banks were founded outside Copenhagen. In addition to eleven branches of the Farmers' and the Commercial Banks in provincial towns, no less than twenty-two independent provincial banks were established from 1870 to 1876. This prosperous period was followed by a very adverse experience for Danish banks midway in the same decade. The Industrial Bank suffered heavily, and was obliged, in 1877, to divert half its capital stock to cover the losses. At the same time, two provincial banks failed; and these events reacted so unfavorably on banking operations, that there was a decided lull in the business of starting new banks. Nevertheless, the National Bank and the Commercial Bank organized a few provincial branches. The decade beginning with 1880 witnessed greater activity in Danish banking. Five provincial banks were founded; and the Farmers' Bank, in Copenhagen, doubled its capital stock (to 24,000,000 crowns, the present amount). Since 1890, some new provincial banks have been opened and some of the old ones have either ceased operating or else joined forces with new banks. To give the exact number of provincial banks in Denmark at present would be difficult, for the reason that many of the Danish financial organizations do both banking and savings-bank business, and it is not always easy to decide under which head to class them. At all events, it would not be correct to put the number so high as fifty. Two new metropolitan banks were started in 1895—the Exchange and Discount Bank of Copenhagen, with a capital



stock of 2,000,000 crowns, and the Retail Traders' Bank, with a capital of 250,000 crowns.

## BANKING ACTIVITY DURING THE LATTER HALF OF THE CENTURY.

We have already shown that the National Bank is the only bank of issue in Denmark. The emission of bank notes has therefore at all times constituted that phase of the Bank's utility which most invites public attention. Let us now consider a few principal features of the National Bank's transactions, in their chronological order. It will be apparent from what has been said of the regulations touching the redemption of bank notes, that the proportion of unprotected notes grows less as the issue of notes increases. In the long course of time, this unprotected portion had best be measured *per capita*. We find it as follows, from 1849 to 1881:

### *Issue of Unprotected Bank Notes, Per Capita of Population.*

1849-60 *circa* 17.5 crowns.

1861-70 *circa* 16.0 crowns.

1871-76 *circa* 14.6 crowns.

1877-81 *circa* 15.3 crowns.

The final increase is due to an exceptional year, 1877; the subsequent issue per individual constantly decreases. On the other hand, the aggregate issue of bank notes has gradually increased considerably. The legal maximum limit of 24,000,000 rix-dollars was repealed in 1859; though, as a matter of fact, it was observed until 1864, and even for several years from this date, it rarely exceeded 24,000,000 rix-dollars. Not till after 1868 was the issue of notes allowed to fluctuate exactly in accordance with the demands of trade; and all in all, it has had an upward course. In 1872, the minimum issue was 54,000,000 crowns; the maximum, 67,000,000 crowns. Thenceforward, the minimum was seldom below 60,000,000 crowns. The average issue, which pretty nearly reflects the annual demand for currency, was as follows, from 1867 to 1894:

### *Average Issue of Bank Notes.*

1867-71 *circa* 50,000,000 crowns.

1872-76 *circa* 64,000,000 crowns.

1877-81 *circa* 69,000,000 crowns.

1882-86 *circa* 73,000,000 crowns.

1887-91 *circa* 78,000,000 crowns.

1892-94 *circa* 82,000,000 crowns.

The most significant portion of the foregoing increase belongs to the period 1872-76, as in those years there was also a general decline in the value of the currency. Making due allowance for fluctuations in current rates of value, we find that the increasing

issue of bank notes has been fairly regular, and in proportion to two motive forces, growth of population and the expansion of trade. We subjoin a table of the amount of notes issued *per capita*:

*Issue of Bank Notes Per Individual.*

1867-71 *circa* 28 crowns.  
 1872-76 *circa* 34 crowns.  
 1877-81 *circa* 35 crowns.  
 1882-86 *circa* 36 crowns.  
 1887-91 *circa* 37 crowns.  
 1892-94 *circa* 38 crowns.

In addition to this upward movement from year to year, we notice a pretty regular variation, from month to month, in any separate year. The monthly maximum occurs about the two pay terms, or in December and June; the amounts then fall, and the monthly minimum generally appears in February and August. We may illustrate by the following table:

*National Bank of Denmark—Circulation by Months.*

MONTHS.	1877-82.		1883-89.		1893.	
	Coin.	Bank Notes.	Coin.	Bank Notes.	Coin.	Bank Notes.
	CROWNS.		CROWNS.		CROWNS.	
January	41,800,000	69,300,000	44,600,000	73,100,000	52,200,000	80,000,000
February	39,800,000	67,600,000	44,700,000	73,100,000	52,500,000	78,000,000
March	39,000,000	67,300,000	44,400,000	72,800,000	53,100,000	78,000,000
April	39,400,000	67,500,000	44,500,000	73,000,000	52,900,000	80,000,000
May	42,400,000	69,200,000	46,700,000	73,300,000	56,400,000	83,000,000
June	43,900,000	72,000,000	52,400,000	78,400,000	59,100,000	87,000,000
July	40,800,000	68,800,000	46,100,000	74,600,000	52,900,000	81,000,000
August	39,100,000	67,600,000	44,100,000	72,600,000	53,200,000	79,000,000
September	40,500,000	68,800,000	45,300,000	74,000,000	53,200,000	81,000,000
October	42,700,000	71,500,000	48,700,000	75,700,000	55,700,000	83,000,000
November	44,400,000	73,200,000	49,900,000	77,700,000	58,000,000	83,000,000
December	47,100,000	76,800,000	53,500,000	82,500,000	61,800,000	88,000,000

The main reason for this monthly variation is that by far the heaviest sums of money are turned over in June and December; while it is also to be considered that the payment of wages and house-rent likewise occurs at regular terms, which somewhat precede the general pay terms. As these periodic increases in the circulation of bank notes are based on a legitimate demand for currency, it is obviously superfluous to increase the coin reserve in the same ratio. But the Bank's charter is explicit on this very point; and so, at every pay term, the Bank is obliged to procure a considerable sum of coin or bullion, which is again sent away when the term has expired.

Let us next consider the National Bank's transactions in borrowing or loans received. At the middle of the century, this part of its business was quite insignificant, and it was conducted from an irrational point of view. A fee was charged for keeping bank accounts; but in 1860 the National Bank began to open current accounts free to all parties, and not alone to the mercantile class. That the bank accounts rapidly grew to considerable volume will appear from the following survey of their average status at the annual settlements:

*National Bank of  
Denmark—Status of  
Bank Accounts at  
Close of Year.*

	CROWNS.
1860-61	4,300,000
1864-65	5,700,000
1870-71	7,220,000
1875-76	8,180,000
1879-80	16,290,000
1884-85	13,440,000
1889-90	8,820,000
1893-94	5,780,000

It will also be seen that the accounts greatly vary in different years. In the same way the total yearly transactions through bank accounts underwent large fluctuations. In 1860-61 the total was 79,000,000 crowns; about 325,000,000 crowns in 1870-71, some 600,000,000 crowns in 1880-81, and 650,000,000 crowns in 1890-91.

The Bank's operations in granting loans have been subject to wide variations, both as to the extent and as to the nature of the loans. We subjoin a comparative statement:

*National Bank of Denmark—Loans and Bills of  
Exchange.*

YEARS.	Loans on Securities.	BILLS OF EXCHANGE.	
		Domestic.	Foreign.
	CROWNS.	CROWNS.	CROWNS.
1857	25,300,000	17,400,000	10,300,000
1860	34,800,000	10,300,000	6,200,000
1870	34,400,000	14,000,000	5,900,000
1880	17,900,000	14,400,000	5,200,000
1890	17,900,000	8,400,000	7,300,000
1894	16,000,000	9,600,000	7,900,000

Here we should bear in mind, however, that the amount held by the Bank in stocks and bonds, as also the amount of its accounts credit in foreign countries, has risen considerably. These items were as follows for the designated years:

YEARS. Stocks and Bonds. Accounts Credit in Foreign Countries.

	CROWNS.	CROWNS.
1876	7,400,000	3,800,000
1880	14,800,000	14,800,000
1890	16,400,000	16,600,000
1894	14,100,000	17,900,000

As to any deductions that may be drawn from the preceding statistics, we shall simply remark that the National Bank, in all its operations, has been very decidedly affected by the continual opening of private banks in Copenhagen and the provinces. A true notion of financial affairs in Denmark may be best obtained by reviewing the activity of all the banks combined; and as a survey of this kind is greatly hindered by the mixed methods formerly used by the provincial banks in balancing their accounts, we shall still principally confine ourselves to the banks of Copenhagen; the more because the latter, by virtue of their magnitude, are absolutely foremost in importance.

*Active Resources of Danish Banks (in Millions of Crowns).*

YEARS.	COPENHAGEN.				PROVINCES.		
	Number of Banks.	Capital Stock and Surplus Fund.	Unredeemed Notes.	Borrowed Capital.	Number of Banks.	Capital Stock and Surplus Fund.	Borrowed Capital.
1860	3	33.8	27	20	14	4.2	
1865	4	39.5	27	17.1	14	4.7	
1870	4	40.2	27	21.2	15	6.3	12.4
1875	6	73.6	27	50.7	33	16.1	33.2
1880	6	73.2	30	75.8	34	<i>Circa</i> 12.2	35.8
1885	6	75	30	91.3	34	<i>Circa</i> 12.5	43
1888	6	88.1	30	118.7	36	<i>Circa</i> 12.6	<i>Circa</i> 50
1890	6	89.3	30	113.1			
1892	6	87.4	30	112.8			
1894	6	87.7	30	152.5			

In connection with the banks of Copenhagen, we should mention two large savings-banks, which partly engage in a general banking business; namely, the Savings-Bank of Copenhagen (*Kjöbenhavns Sparekasse*) and the Beehive (*Bikuben*). Their deposits, from 1870 to 1894, reached the following amounts:

Savings-Bank of Copenhagen Beehive.

	CROWNS.	CROWNS.
December, 1870	15,800,000	16,500,000
December, 1875	31,300,000	20,600,000
December, 1880	52,700,000	25,800,000
December, 1885	57,600,000	31,300,000
December, 1888	91,200,000	37,600,000
December, 1892	87,300,000	40,800,000
December, 1894	98,900,000	46,900,000

We next present a statement of loans and other business for the banks of Copenhagen.

*Operations of Banks of Copenhagen (in Millions of Crowns).*

YEARS.	BILLS OF EXCHANGE.		LOANS ON		Cash Credit.	Sundry Advances (Debtors).	Surplus Fund and Foreign Correspondents.	Cash Balance.
	Danish.	Foreign.	Pledges.	Mortgaged Securities.				
	1.	2.	3.	4.	5.	6.	7.	8.
December, 1876	47.2	8.2	39.5	16.4	11.6	19.2	25.1	5.7
December, 1880	40.3	15.0	31.9	12.7	11.0	18.7	40.6	13.9
December, 1884	61.9	11.6	36.2	13.9	24.5	17.9	31.8	14.4
December, 1888	35.0	12.6	35.2	11.8	18.4	19.9	89.1	19.0
December, 1892	44.0	14.5	32.3	11.0	39.1	17.8	65.3	14.4
December, 1894	47.0	17.3	31.4	11.2	46.8	21.0	84.2	18.7

Perhaps a better and more perspicuous idea of the nature of this banking activity may be gained by combining our data, as follows (grouping columns three, four, five, and six under the single head of loans; and similarly combining columns seven and eight). The sums are stated in millions of crowns.

BILLS OF EXCHANGE AND LOANS.									
YEARS.		Liabilities.		DANISH BILLS.		FOREIGN BILLS.		LOANS.	
				Amount	Per Ct.	Amount	Per Ct.	Amount.	Per Ct.
								Total Amount.	Surplus Fund, Foreign Correspondents, and Cash Balance.
1876	170			47	33	8	5	87	62
1880	182			40	31	15	12	74	57
1884	212			62	37	12	7	93	56
1888	241			35	26	13	10	85	64
1892	239			44	28	15	10	100	62
1894	278			47	28	17	10	110	62
									167 ( <i>sic</i> )
									174
									103

We now add a few remarks on discounts, as these are fixed by the leading Danish bank (the National Bank) for the best bills. In earlier times, the Bank deemed it a matter of the highest importance to keep the rate of discount as steady as possible, so that the course of business should not be disturbed by vacillations in the money market. Not until the beginning of the fifties was the truly rational plan adopted of allowing discounts to vary according to the law of supply and demand. Yet, prior to 1860, there were not many changes in the prevailing rate, which was generally four or five per cent.; but from 1861 to 1870 it was altered forty-six times, and ranged between three and seven per cent. From 1871 to 1880, it was altered forty-eight times, with an upward limit of six and a half per cent. Conditions were steadier from 1881 to 1890, and the rate was changed only twenty-three times, with a maximum of five per cent. Some brisk changes occurred in the early nineties, but the maximum rate did not exceed five per cent. These various alterations may be more fully illustrated by the following table:

*National Bank of Denmark—Rates of Discount.*

YEARS.	Number of Alterations.	Maximum. Per Cent.	Minimum. Per Cent.	Average Rate. Per Cent.
1851-60 (Annual av.)	1.5	7	4	4.71
1861	2	4	3½	3.88
1862	5	4 ½	3	3.55
1863	4	5	3½	3.87
1864	2	5	4½	4.64
1865	5	5½	4	4.35
1866	9	7	4½	5.47
1867	8	5	3½	3.75
1868	1	4½	4	4.06
1869	3	5½	4½	4.86
1870	7	5	3½	4.25
1871	4	4½	3½	4.09
1872	2	4½	4	4.14
1873	8	6	4	4.47
1874	8	5	3½	4.24
1875	6	6	4½	5.24
1876	5	6	4½	5.25
1877	6	6½	4	5.39
1878	4	6½	4	4.41
1879	3	4	3	3.61
1880	2	4	3	3.39
1881	2	3½	3	3.12
1882	2	4½	3½	4.07
1883	2	5	4	4.24
1884	4	5	3½	4.07
1885	5	5	3½	3.85
1886	3	4½	3	3.39
1887	0	3	3	3.00
1888	0	3	3	3.00
1889	2	4	3	3.16
1890	3	4½	3	3.70
1891	5	5	3½	4.00
1892	2	5	3½	3.67
1893	1	4	3½	3.68

To repeat once for all, there is only one bank of issue in Denmark; namely, the National Bank. By the grant of 1818, this was vested with the monopoly of issuing bank notes for a term of ninety years; but apart from this grant, there is no special Bank Act in Denmark, nor any particular legislation concerning bank shares. Every private individual and every jointstock association is, therefore, free to found banks;

except that no such banks are allowed to issue notes. The legal status of Danish banks is thus perfectly simple and unequivocal; since outside the Bank charter of 1818, the principal features of which we have above sketched, there is no general definition of their status whatever.



[\[Back to Table of Contents\]](#)

## PART II.

### BANKING IN SWEDEN.

#### STATE AND PRIVATE BANKS.

#### SEVENTEENTH TO NINETEENTH CENTURIES.

#### PALMSTRUCH'S BANK.

SWEDISH banking has had a somewhat peculiar development, differing in several respects from financial conditions in Denmark and Norway. The Swedish system of *issuing banks* calls for special attention; and in the following sketch we shall dwell particularly on that topic. Sweden was the first country to open a bank of issue. In 1656, John Palmstruch submitted a petition to the Government for authority to organize a loan and credit bank. The Government, which had itself desired to start a bank, but without success, readily granted the petition, conveying to Palmstruch and the Merchants' Guild, whose chief he was, a monopoly for thirty years. The Bank's charter contained the following principal regulations:

#### REGULATIONS OF THE FIRST BANK OF ISSUE.

Loans should be granted only against security; and whether the guaranty were mortgaged property or pledges in hand, the loans should not exceed two-thirds the value of the mortgage or pledge. Loans might not be granted for a longer term than a year and six weeks; and if not paid back within that time, both principal and interest, the mortgage or pledge was to be sold, and any surplus should be paid to the borrower. According to the extent of the loan, interest varied from six to somewhat over ten per cent. a year. Whilst it was intended that loans should be paid before the lapse of the prescribed term (a year and six weeks), yet the Bank was not allowed to realize on the security of lapsed loans, so long as the borrowers duly paid their interest. There were detailed provisions respecting the amount of deposits and charges for transportation, which was not gratuitous. By the original charter, profits should belong to the Bank alone; but subsequent ordinances ruled that the net proceeds should be shared with the Crown, the town of Stockholm, and the Bank, in such proportions that the Bank received only one-fourth of the total net gain. The Government having through these and other dispositions acquired an interest in the Bank, there was appointed a superior inspector, named by the King, for the office of supervising the Bank's directors and making sure that they heeded and executed the royal patent in its practical administration.

## DIFFICULTIES OF THE BANK; RELIEF SOUGHT IN NOTE ISSUES.

Though the opening of the Bank had been hailed with joy by both Government and people, and though it must be said that most of the original regulations for the conduct of its affairs were exceedingly happy and adequate, only a few years passed before it began to lose ground. A whole succession of causes contributed to this deterioration, but we shall enumerate merely the main ones. It has been a fruitless task to ascertain the extent of the original capital stock; though some suppose that Palmstruch and his associates put up no great amount to begin with, and that the entire business may have been carried on almost exclusively with outside means. When we remember that borrowers were authorized to demand that their security should not be realized so long as their interest was duly paid, we shall easily understand that the Bank was placed in a difficult position for procuring ready capital. Then came the very serious time when the value of the standard coin, which was copper, appreciated year by year, with the result that coin flowed out of the Bank faster than the Government could send mint copper in. So, in 1661, the Bank began to issue so-called notes of credit, a form of certificates of deposit. These notes were based on copper, but since the Bank had no coin reserve of its own, the redemption fund really consisted of outside resources, or other people's deposits. The Bank's charter contained no warrant for the issue of such notes, and we may therefore assume that the Government tacitly consented, by way of rewarding the service which the Bank had rendered it by granting State loans without requiring the legal security. During the war with Denmark and Poland, there was a grave scarceness of money in the public treasury, so that we need not be surprised if the Government was tempted to issue its own paper. Such expedients are not unknown in the history of other countries.

## THE NOTES BECOME UNREDEEMABLE.

The Bank had then become a bank of issue; and its intimate relations with the Government were soon destined to draw it into the perils which at all times have threatened such institutions. Before long, the amount of outstanding notes exceeded the available funds, and when this fact became generally known, a panic ensued, which had the immediate effect of depreciating the market value of the notes. A committee of inquiry reached no conclusion which occasioned any positive change in the situation; and in 1664 the Bank was obliged to declare the notes unredeemable. Of course this disaster was highly inconvenient to the Government, which had been no indirect agent in bringing it on, and which sorely needed the Bank's financial support. Sundry expedients were employed to quiet public alarm and raise the depreciated notes. Thus it was promised that the notes should be redeemed, if only the Bank's debtors would pay back their loans; and again and again orders were given that the notes must be received at their full legal value, both between man and man and in public transactions. At the same time, silver currency was introduced, and a definite ratio fixed between silver and the old copper coins. None of these measures availed, however, and popular confidence was still further weakened by accusations lodged against Palmstruch for various irregularities in his management of the Bank's affairs. He was especially accused of having combined the resources of the two banking

departments of loans and bills of exchange, in violation of a prohibition expressly contained in the charter. These charges were followed by a sentence of condemnation.

## CREATION OF THE ROYAL SWEDISH BANK—1668.

Here ceased the activity of the first bank of issue. Its business was transferred to the State bank, founded in 1668, the Rigets Ständers Bank, or Bank of the States of the Kingdom. We shall call this, more briefly, the Royal Swedish Bank; or simply the Royal Bank.

The new bank, in its general methods of business, pretty closely followed the lines marked out by Palmstruch's Bank, and was likewise divided into the two departments of loans and bills of exchange. In the exchange department, anyone who had deposited money might draw on the Bank to the like amount, either personally or by authorized cheques. For the latter accommodation, the Bank charged an extra fee. The loan department received deposits on interest, and loaned them out for terms of six months, or, perchance, a full year, against either pledges in hand or mortgaged security. Not until much later (in 1803) did the Bank begin to grant loans on personal security.

Originally, the Royal Bank was not a bank of issue. With the experience of the Palmstruch credit notes still in view, people were afraid to risk a new system of bank notes. Yet, the possible advantage of such facilities had become obvious, and in 1701 the States Deputies resolved that bank notes might be issued, on condition of precautionary measures against the event of a misuse of the privilege. These were the so-called "transport," or transferable, notes, which were to constitute a separate section of the department of bills. Everyone should be free to deposit, in this section of the Bank, amounts not less than one hundred rix-dollars in silver, and receive a corresponding certificate, to be current only in individual transactions. At the start, however, these transferable notes were not circulated as general bank notes, even in private business, as the law expressly required that they should be passed only by written indorsement.

We find in the "transfer" notes, as well as in the credit notes issued by Palmstruch's Bank, the rudiments of Swedish bank notes; but, manifestly, both the earlier forms were neither more nor less than certificates of deposit. The transfer notes first became real bank notes when the Bank ceased to hold their cash equivalent; and even then they continued for a long time to be strictly regarded as certificates of deposit. The full cash protection of transfer notes soon fell short. The war at the beginning of the eighteenth century brought the State finances into sorriest extremity, and money was taken from the Bank for Government needs. This operation was secret, and no real security was furnished for the borrowed amount. The current coin of Sweden at the beginning of the eighteenth century was still copper, a very bulky sort of currency; so that there was all the greater need for the Bank's transfer notes. There being, moreover, a widespread confidence in the good management of the Bank, we are not surprised that the notes were exchanged at a premium approaching three per cent. In view of all these circumstances, there was no opposition to the Government's resolve that after 1726 the notes should become legal tender.

## LOANS TO THE GOVERNMENT LEAD TO UNCOVERED ISSUES OF NOTES—DISASTROUS DEPRECIATION OF PAPER MONEY.

From this period, loans to the Government grew so extensive that the Bank perceived the necessity of issuing a considerable amount of unprotected notes; and as it had never owned any capital stock, and yet was constantly increasing its business in private loans, the time must surely come when the redemption of notes would have to stop. Authority for this step was obtained through the King's patent, in 1745; in which connection the Bank was also permitted to issue very *small* notes. Originally, the lowest denomination of transfer notes was 100 rix-dollars, in silver; but in 1726 the minimum was lowered to 50 rix-dollars in copper; and in 1745 it was proposed to issue notes of 6 rix-dollars in copper, to be legal tender in private transactions. At first, the unredeemableness of the notes did not materially affect their market rate; and this in spite of the fact that the Bank's debt, at the close of 1745, was thirteen times the amount of its coin reserve. But in the following years, the issue of notes kept steadily increasing, and from the middle of the century their value rapidly declined. In 1765, 208<sup>7</sup> marks in paper were worth only 100 marks in copper. For the moment, indeed, it seemed as though the Bank was to be spared the threatening fate of bankruptcy, as the powerful Government, which took charge of the situation in 1765, immediately discontinued granting loans, and used every device to call in the large amount of outstanding notes. There was even a temporary improvement in their market value; but in the long run, it was impossible to stay the catastrophe. There were new financial demands on the Bank, nor was it feasible to refuse private loans forever. The consequences could be no longer averted. First, there occurred a further depreciation in the notes; and then, for once, King and Estates were unanimous in a matter of legislation, for the sake of definitely regulating the currency. Their plan was called the "realization scheme"; and, in fact, it amounted to bankruptcy. The decree was published in 1776 that only bank notes based on silver should be issued thenceforth, and that the old copper notes should be redeemed by the new transfer notes, at the rate of fifty per cent. of their nominal value. This was the Royal Swedish Bank's first failure; but we shall see that it was not the last, if we follow history sixty years further.

## AFTER THE "REALIZATION SCHEME."

The notes of the Royal Bank were "solvent" until 1810; but in the next succeeding years the process of redemption was so variously hindered that we may virtually account it suspended. In close relation to this fact, we may consider the new kind of circulating medium which was put forth by the Royal Funding Office,\* as organized in 1777. We refer to the Royal bonded notes, or Government bonds, which at first bore interest. The interest, however, soon ceased to be paid, and the Royal bonds are simply to be regarded as paper currency. At first they stood quite high in comparison with the bank notes; but, by 1803, the Bank was ordered to redeem the bonds at two-thirds of their nominal value. This order seriously taxed the Bank's meagre coin reserve; and as at the same time the Exchequer required no small amount of ready

money to defray costs of war, the Bank found itself unable, from 1810, to redeem notes in silver. This insolvency was not formally announced, however, until 1818.

## REORGANIZATION OF THE CURRENCY—CAPITALIZATION OF THE BANK.

There was, nevertheless, an improvement in the Bank's affairs from this time forward. The silver reserve was increased from year to year, so that by 1830 conditions were favorable for a new partial resumption of specie payments and a thorough reorganization of the national currency. The plan was undoubtedly indicative of another failure; but some such compromise was essential to the success of any practical reform. This partial redemption consisted in retiring the notes at 37.5 per cent. of their nominal value. Since 1834, however, the notes of the Royal Swedish Bank have constantly been redeemable, and the means thereof have been supplied in steadily increasing proportions by the Bank's proper coin reserve. As elsewhere stated, the Royal Bank had not originally owned any capital stock; such an acquisition came about by slow degrees. According to the original charter, the annual surplus should be divided between the State budget and the Bank itself. In 1830, the capital stock was fixed at 25,000,000 crowns, of which 5,000,000 should constitute a surplus fund. The appointed capital, however, was not actually realized until 1864; the amount available after the resumption of specie payments in 1834 being only 7,500,000 crowns. In 1893, as a result of repeated enlargements, the capital stock reached 50,000,000 crowns, or double the sum prescribed in 1834. The surplus fund has remained fixed at 5,000,000 crowns.

With reference to the redemption of bank notes, it was ordained in 1830 that the Bank should hold a coin reserve to two-thirds the amount of the notes in circulation. It was not possible to comply with this regulation at once, and as late as 1843, there were outstanding notes to the amount of 35,000,000 crowns, while their protection in coin was only about 12,000,000 crowns. Influenced by the example of England, the authorities now adopted new and more flexible rules on this point; the issue of bank notes should be limited to 20,000,000 Bank rix-dollars (about 30,000,000 crowns) in excess of the coin reserve, and the latter should be at least 10,000,000 crowns. The other protection of the notes might include two months' bills on Hamburg, and three months' bills on other foreign banks. Moreover, the Bank was allowed to contract a foreign debt to the extent of 12,000,000 crowns, guaranteed by the State. These regulations, indeed, were not always satisfactory; and the comparison with circumstances in England was far from being fundamentally true. In the first place, the Swedish Bank had not observed the complete separation, which was prescribed for the Bank of England, between the department of bank notes and ordinary bank business. It was, therefore, continually possible for the Swedish Bank to transgress the statutory limits of issue; and, in fact, this thing did happen in 1873, though not in any considerable measure, and only for a single day. Still, the incident attests the danger of such mixed arrangements.

## VICISSITUDES OF THE BANK CIRCULATION.

Another defect in the regulations of 1845 was the extraordinary latitude given to the term “coin reserve.” That is to say, the Bank might include in its note protection foreign bills of exchange—a liberty which gave rise to a downright evasion of the legal requirements during the commercial crisis of 1857. Not to dwell on the matter at great length, we may summarize it as follows: From June, 1856, till June, 1857, the coin reserve had decreased by forty per cent., or 18,000,000 crowns (the decrease from December, 1856, to June, 1857, being from 52,000,000 crowns to 25,000,000 crowns); and, accordingly, the Bank felt obliged to restrict its operations in discounts and loans. In order, at the same time, to swell its coin reserve and thereby increase the issue of bank notes, it appears that an association of Stockholm merchants actually drew bills of exchange on Swedish merchants in Hamburg; and that the Bank discounted these bills and reckoned them in with the legal coin reserve.

Notwithstanding such manifest irregularities, the statutes long remained unchanged, and the foregoing ordinance respecting the protection of bank notes is still to be found in the Bank Act of 1871. The Act of 1872, however, contains important modifications, to the effect that the coin reserve shall include all the Royal Bank’s gold and silver coin, both Swedish and foreign, as well as gold and silver bullion. Upon the introduction of a gold standard in 1873, there was added a clause directing that the newer silver coin should be estimated at nine-tenths of its nominal value. Furthermore, it was provided that not only gold and silver deposited abroad, but also other funds of the Bank which were credited with foreign banks and commercial houses, might be reckoned in with the coin reserve. The latter provision was again qualified, after 1887, in the sense that the Bank’s foreign credit, apart from gold and silver, might be included in the coin reserve only in so far as it was entered in current accounts.

On another side, it may be remarked that the term “amount of notes” was also construed quite freely, being made to include both bank notes actually in circulation and other matured liabilities, such as moneys payable on demand and the amount of remittances due by post. In regard to the latter item, it was especially prescribed that sums thus due should in no case whatsoever be used for discounts, loans, or credit business. The provisions just mentioned were in force till 1887, when the term “amount of notes” again became restricted to bank notes actually in circulation.

From 1880, the sum of unprotected notes was raised to 35,000,000 crowns, and at the same time the minimum limit of the coin reserve was fixed at 15,000,000 crowns. In 1887, the amount of uncovered notes was further increased to 45,000,000 crowns, with the proviso that that portion of the coin reserve which consisted of gold coin or bullion, together with Scandinavian silver coin, should constitute at least 18,000,000 crowns. The *absolute* minimum limit of the coin reserve is 15,000,000 crowns, but when the amount of unprotected notes exceeds 35,000,000 crowns, the coin reserve shall be increased by at least thirty per cent. of the given excess. For instance, when the amount of uncovered notes reaches 50,000,000 crowns, the coin reserve shall be raised to at least 20,000,000 crowns. As a rule, the Bank seldom utilizes the full rights

of issue, according to the status of its coin reserve at any particular time. The smallest legal denomination of Swedish bank notes is at present five crowns.

## ADMINISTRATION OF THE ROYAL BANK.

The Royal Swedish Bank, as already mentioned, is a State bank, though not directly administered by the Government, but by officers appointed by the Diet. The latter body annually chooses a board of commissioners, the so-called “Bank Committee,” which consists of eight members from each legislative chamber. This committee then exercises a general supervision over the administration of the Bank, and submits to the Diet an annual proposal in regard to the distribution of the surplus fund. The Diet further appoints, every year, seven so-called “bank attorneys,” who choose two of their own number as “deputies,” and these deputies become the actual directors, or executive officers, of the Swedish Bank. One of them especially manages foreign bills of exchange and the other attends to business within the kingdom. Besides the pair of deputies, at least two of the Bank attorneys shall be daily in touch with the Bank’s transactions in discounts and loans; also examining new applications for credit. To this end, the attorneys shall meet once a week and consider measures pertaining to the Bank’s business in general. The Government thus has no influence upon the conduct of the Bank, nor does it even inspect the Bank’s accounts, which likewise belong to the province of the officers appointed by the Diet. In sundry Swedish provincial towns, the Royal Bank has branch houses, the present number of which is twelve.

Note.—The terms “Government” and “Diet” are used as though the latter had no close connection with the former.

## PRIVATE BANKS.

We shall next speak of Swedish private banks, which may be divided into three principal classes, namely: the now abolished provincial banks, which were private joint-stock banks, without the right of issuing notes; the “detached” or private banks proper, which are authorized to issue notes, and the so-called joint-stock banks. The provincial banks were founded about the middle of this century, to satisfy the wants of provincial towns for local facilities of banking. At that time, public sentiment was so largely in favor of a monopoly for the issue of bank notes, to be vested in the Royal Bank alone, that these provincial banks were not empowered to issue notes directly, though they might issue a strictly limited amount of money orders on the Royal Bank, and these orders then circulated just the same as the regular bank notes. Two such provincial banks were opened in 1852; and in the decade following, their number was increased to twenty-two. The monopoly plan of issue was disallowed by the Bank Act of 1864; howbeit, from 1875 the provincial banks altogether vanished from the business world.

## PRIVATE BANKS OF ISSUE.

The right of opening private banks of issue had been granted as far back as 1824, and the first so-called “detached” bank was founded in 1831; though not until after the

royal proclamation of 1846 was the status of the private banks definitely determined. As indicated above, people were generally disposed to reserve the rights of issue in behalf of the centralized Royal Bank; but when the centralizing principle was later abandoned, many of the provincial banks became reorganized as “detached,” or private, banks, and at the same time, new private banks were started. There are no less than twenty-six banks of this class in Sweden at present. The existing regulations concerning private banks of issue rest upon the ordinances or letters patent of 1864 and 1874. We may specify the following provisions:

(a) The Government grants a charter for only ten years at a time, but lapsed charters may be renewed.

(b) The founders of such a bank must be Swedish citizens, and at least thirty in number. They must assume unlimited liability for all the bank’s obligations. In addition to the shareholders with unlimited liability, limited shareholders may be admitted, but only for subscriptions up to one-half the amount subscribed by shareholders with unlimited liability. Consent of the General Assembly is required before unlimited liability shares may be transferred.

(c) The capital stock shall be at least 1,000,000 crowns, to be fully paid in within one year from the opening of the bank. At least ten per cent. of the capital stock must be paid in before the bank is opened, and the remaining ninety per cent. shall be fully secured. Before notes may be issued, sixty per cent. of the capital stock shall be deposited, in the form of sound securities, with the authorities.

There are the following regulations touching the redemption of notes:

(1) The aforesaid sixty per cent. of the capital stock constitutes the so-called “capital stock mortgage,” or hypothecated shares. One half of this amount shall consist of readily available, interest-bearing bonds, and the other half of first mortgage bonds on real estate, within one-half its appraised or insurance value.

(2) The total issue of notes shall at no time exceed the amount of hypothecated shares, plus the surplus fund and the bank’s claims to within fifty per cent. of the capital stock (but only in so far as the bank’s coin reserve in legal gold coin amounts to ten per cent. of the capital stock); plus all the bank’s gold coin on hand at the main office, exceeding ten per cent. of the capital stock; together with its foreign gold coin and bullion. The bank is obliged to redeem its notes in gold.

It will be seen that the principal redemption fund consists of the hypothecated shares, composed of first mortgage bonds and available public securities; whereas the gold redemption fund is mostly subsidiary, and very weak. Notwithstanding that the bank is obliged to redeem its notes in gold, there is no legal necessity for the maintenance of a gold reserve. The fact is, that the Swedish private banks are generally very well supplied with gold; and yet it must be acknowledged that there is a weak point in the system, liable to produce disastrous consequences in times of difficulty.



In the history of Swedish banking, our main interest attaches to the banks of issue, though there are not a few private banks without rights of issuing notes. These are the so-called “Joint-Stock Banks” and “Joint-Stock Credit Associations,” together with the popular co-operative societies, which are not organized on the principle of unlimited liability. There must also be mentioned the Mortgage Bank, founded by the State in 1861, for the purpose of supplying mortgage companies with credit, or means for loans on real estate. This bank negotiates large loans both at home and abroad; and the mortgage companies are obliged to procure their funds through its instrumentality.

To illustrate the extent of the working resources of the Swedish banks, and the volume of their business, we subjoin the following data:

*General Statement of Swedish Banks.*

YEARS.	Capital Stock and Surplus Fund	Uncovered Issue of Bank Notes	Deposits Bank and Bank Accounts	Bills of Exchange	Loans.	Cash Balance.
	CROWNS.	CROWNS.	CROWNS.	CROWNS.	CROWNS.	CROWNS.
1876	121,700,000	67,300,000	245,600,000	123,000,000	91,100,000	86,500,000
1883	140,000,000	64,800,000	314,700,000	200,200,000	132,600,000	83,200,000
1888	143,800,000	73,000,000	368,700,000	197,600,000	169,200,000	67,700,000
1895	177,800,000	50,500,000	343,800,000	237,600,000	246,600,000	75,600,000

[\[Back to Table of Contents\]](#)

## PART III.

### BANKING IN NORWAY.

#### ORIGIN OF THE ROYAL BANK.

PRIMARILY, Norwegian banking started parallel to that of Denmark, since the oldest Norwegian bank was a department of the Danish Royal Bank, founded in 1813, and of which we have elsewhere given a full account. It is true that in 1760, and again in 1770, the question was mooted of establishing a bank for Norway alone; but the matter ended without positive results. In 1814, however, Norway was separated from Denmark, and one of the first projects of the new Government was to reorganize the Norwegian department of the Danish Royal Bank as an independent institution. The Constituent Assembly resolved in 1814 that the total Norwegian circulation (somewhat over 8,000,000 rix-dollars) of Royal Bank notes, together with such assignat notes as were outstanding, should be guaranteed as a public debt. These notes should be taken up by the Royal Norwegian Bank by exchange for new Norwegian Bank notes, at the rate of 375 rix-dollars to 100 silver dollars. Meanwhile, in order to meet the new Government's heavy expenses, it became necessary to issue a large amount of new notes, and the consequence was a marked depreciation of the paper currency. One rix-dollar, instead of being equivalent to thirty-two Norwegian shillings in silver, had fallen to six shillings in silver.

After the whole situation with respect to the State's debt had been subjected to a thorough investigation by the Storting in 1816, it was resolved to undertake a conversion of the debt at the rate of twelve shillings in silver to every nominal rix-dollar. This plan was carried out by the law of 1819, which contained for its main provisions the following stipulations:

#### NORWAY BANK ACT OF 1819.

The law provided that a new bank should be organized, and the requisite means were to be procured partly through voluntary contributions and partly through compulsory assessments on property. Upon the inauguration of the new bank, the Royal Bank should cease to operate, and its unredeemed notes, amounting to 2,000,000 rix-dollars, should be withdrawn and liquidated by a like amount of new taxes. The remaining circulation of 23,000,000 rix-dollars should be redeemed with notes of the new bank at the rate of one rix-dollar to twelve shillings in silver and in the current small coin. Such cash resources as were needed at once should be furnished by new taxes on property and trade. As for the existing liabilities, it was provided that these should be modified, and the different obligations be adjusted according to the time they had to run. When the voluntary contributions were not forthcoming, the compulsory assessments had to be made up to a total of 2,000,000 specie dollars, the sum needed for starting the bank. The bank was opened under the name, "Bank of Norway," and it was authorized to issue notes to twice the amount of its silver

reserve. As it was obliged to effect the gradual redemption of the Royal Bank notes, it naturally acquired the latter's rights in property attachments. [Compare "Banking in Denmark."] By the earliest bank statutes it had been prescribed that from 1819 bank notes should be redeemable in silver; but that ordinance was suspended in 1818, and the notes consequently depreciated from par value in 1818, to the rate of 220 to 100 in 1822. Subject to passing fluctuations, the rate slowly rose again, till in 1841 it got back to par. The silver reserve was augmented year by year through receipts from attached proprietors; and in 1827 it was exceptionally increased through the creation of new shares amounting to 500,000 specie dollars. That the notes, nevertheless, appreciated only slowly was chiefly due to the strange policy of constantly keeping the circulation as large as the law allowed—that is, twice the extent of the silver reserve, without any regard to varying demands of the market.

## NEW CONDITIONS OF REDEMPTION.

The law of 1842 ordained that the Bank should redeem its notes at par, and, at the same time, new regulations were adopted with reference to the terms of redemption. On the basis of the capital stock, which had been raised to 2,500,000 specie dollars (10,000,000 crowns), the Bank might issue notes to the amount of 6,250,000 specie dollars, though this provision was to be merely temporary, in that the Bank should continually buy in silver until the proportion of silver to notes had been brought up to the original status, namely, one to two. Furthermore, in certain various contingencies, the Bank might issue notes to one and a half times, twice, or only once the value of its redemption fund. These regulations have undergone sundry modifications in the course of time; but a detailed account of them would be lacking in general interest. We shall simply add that the present situation is such that, when the Bank has a coin reserve of at least 16,500,000 crowns, the third part of which consisting of claims on Copenhagen, Hamburg, London, and the Swedish Royal Bank, it may issue notes to the amount of nearly 35,000,000 crowns, leaving an uncovered circulation of some 18,500,000 crowns. Any circulation in excess of the legal limit must be fully covered in coin.

The Bank of Norway is governed somewhat like the Swedish Royal Bank. The Storting, or representative body of the nation, elects all the Bank directors, and appoints a large part of the working force. The board of directors is composed of five members on limited terms of appointment. There is also an elective committee of fifteen; and all these higher officers, together with the directors of the twelve branch banks, serve for six years. The supervision of the Bank of Norway's accounts devolves upon a board of auditors chosen by the Storting.

## PRIVATE NON-ISSUING BANKS.

Besides the Bank of Norway, which is the only bank of issue in the kingdom, there are private banks, non-issuing. The first of these was founded at Christiania in 1848, and there are now 35 private banks, for which there is no particular legislation. Most of them have but a small capital stock, and only seven show a capital exceeding 1,000,000 crowns. In 1852, the State opened a mortgage bank, whose province should

be to furnish loans on landed security. The Mortgage Bank does no general banking business. Its capital stock amounts to 11,500,000 crowns. Some smaller mortgage banks have been started within comparatively recent times, all of which are organized as private joint-stock companies.

The resources and business magnitude of the Norwegian banks will appear from the following table:

<i>Norwegian Banks—Resources and Business.</i>				
YEARS.	Capital Stock and Surplus Fund.	Uncovered Circulation of Notes.	Deposits and Bank Accounts.	Bills of Exchange.
	CROWNS.	CROWNS.	CROWNS.	CROWNS.
1885	34,800,000	8,400,000	103,700,000	97,700,000
1888	35,400,000		113,600,000	80,300,000
1890	39,200,000		122,600,000	99,800,000
1892	41,700,000		132,000,000	112,600,000
1893	43,400,000		133,400,000	117,700,000

## SAVINGS-BANKS.

In addition to banks proper, savings-banks play an important part in the financial operations of the three Scandinavian countries. They are generally small institutions, but very numerous; and, as a rule, their activity is not simply confined to savings-bank business. To a wide extent they serve as local banks. The *benevolent* feature, which characterized these banks during the first half of the century, has been only partly retained. In 1894, there were no less than 537 savings-banks in Denmark, and their aggregate resources amounted to 564,000,000 crowns. Of this sum, 93,600,000 crowns appertained to the Savings-Bank for Copenhagen and Suburbs, and 44,400,000 crowns to the Beehive Savings-Bank of Copenhagen. Thirty-three of the Danish savings-banks had available resources exceeding 3,000,000 crowns. In 1893, Sweden had 377 savings-banks, whose resources were 337,000,000 crowns. The number of savings-banks in Norway for 1894 was 367, and their aggregate deposits amounted to 217,000,000 crowns.

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A HISTORY

OF

Banking in Japan;

BY

JUICHI SOYEDA,

secretary and counsellor in the imperial ministry of finance, japan.

NEW YORK.

1896.

[\[Back to Table of Contents\]](#)

## BANKING AND MONEY IN JAPAN.

### PART I.

### THE BANKING SYSTEM.

### CHAPTER I.

### COMMON BANKS.

### SECTION I.

### EARLY METHODS.

NOTHING definite is known about the banking system of the early days of Japan; but it is clear that the system played no important part in affairs, since the insignificance of trade and industry called for no extensive credit arrangements, and the spirit of contempt for business was general. That sentiment was the result of the preference given to agriculture as the sole source of national wealth, and was also encouraged by the reign of feudalism, which was universal. The class of people who were esteemed were the Samurai (vassals), while tradesmen, artisans, and mechanics were held as of little account. Money was regarded as the ugliest of all things; and even to handle it was thought to pollute the hand of the Samurai. Little protection was given to the money-changers, the rate of interest was fixed by strict enactment, and the debtor was the more favored party. By force of so-called Tokusi (merciful laws), after a certain term the creditor was obliged to surrender the right of demanding payment, and often accumulated wealth was made the object of compulsory public contribution. With such a state of things, it is evident that banking could not make much progress, and the business of pawn-lending was done largely in secrecy. Strangely enough, blind men were often engaged in this business. However, even then the system of money-lending was tolerably well developed. In the fifteenth century (1433 ad) an edict was issued which decreed that:

(1) Articles of daily use may be pawned, but the term for wearing apparel is limited to a year, and that for weapons to two years.

(2) The rate of interest must be within fifty per cent.

(3) Those who do the business without sufficient funds shall be punished, and if they abscond, the liability must be borne by the people of the district.

Taking advantage of their not being under the care of the Government, ruffians seem to have often plundered the pawnbrokers, and a law was enacted in 1538 ad to punish

those outlaws. In 1544 ad, the maximum rate of interest was lowered to twenty per cent. against pledges, and to thirty per cent. without pledges. In the famous "Hundred Clauses" of 1790 ad we find:

(1) Pawned goods can be sold after the lapse of eight months.

(2) Those who sell the goods pledged, regardless of the payment of interest within the term, will be heavily punished.

Associations of pawnbrokers were formed to facilitate the exercise of administrative control, and those have been continued to the present time. Indeed, the work done by pawnbrokers is really enormous. Almost in every village, there is one or two of them granting credit to poor people upon various domestic utensils and implements as pledges. Formerly, their places of business were indicated by a peculiar signboard; now they are generally marked out by black curtains hung in the entrance. There are central establishments, which do a large business by repawning for the smaller houses. At present, the term at which the pledge may be sold is six months, to be shortened or prolonged by special contract. In case of the loss of the pledged goods by fire or theft, the pawnbroker loses the money lent, and the owner the goods. Loss by the processes of nature is to be borne by the latter. The rate charged is one per cent. per month for sums below thirty-five cents, four per cent. per month up to one yen; three per cent. for less than five yen; two and a half per cent. for ten yen. By such means, the lack of a proper banking system has been, to a large extent, supplied.

## USURY LAWS.

The enactment of usury laws is very old. In the first year (687 ad) of the reign of the Empress Jito, those who paid back a debt by labor were freed from the obligation to work for the interest. In the fourth year of Emperor Temmu (676 ad), the maximum rate of interest was fixed at one hundred per cent. in the case of ordinary loans, and at fifty per cent. in the case of money lent by the Government. It was also prohibited that the debtor should pay with his labor after the sale of his property had proved insufficient to cover the debt. Many enactments to the same effect were issued subsequently. In 1591 ad, ten merchants in Nava were executed because they not only exacted usurious rates, but traded on a borrowed fund. In 1744 ad, the number of so-called Fudasashi was limited to one hundred and nine, and the rate they could charge was less than fifteen per cent. Fudasashi were originally keepers of a waiting-place in front of the Government storehouse, from which the feudal vassals received their salary, paid mostly in rice. As the disbursement took some time, the vassals delegated to them the right of receipt. Gradually something like a discounting of these "rights" began; the keepers buying the "right" at a discount and getting the payment from the storehouse. This business became very lucrative, and some of the Fudasashi became very wealthy. They went so far as to lend the vassals money, receive their deposits, and borrow from other firms in the same business. The Exchequer lent to them on pledges worth two and a half times the amount of the loan, with interest at five per cent. A regular staff was employed by them, including chief manager, negotiator, rice examiner, list-maker, accountant, writer, receiver, and clerks. But the peculiarity lay

in the fact that the actual manipulation of money was done as a matter of necessity by the head of the firm. The following books were kept by these people:

(1) The big book (Ochio), wherein were written the name, salary, and debts of the customers; (2) the cheque-book (Kitte chio), containing the payments and receipts of money and rice; (3) the rice account (Ki ri mai chio), in which the amount to be claimed from each customer was minutely detailed; (4) the stamp-book (In kan chio), in this the “stamp”<sup>\*</sup> was contained; (5) the salary-book (Ofuchi chio), showing all that related to salary rice; (6) the rice-purchase book (Kome kaichio); (7) the rice-sale book (Kome uri chio); (8) the receipt-book (Uketori kayoicho), and (9) the sign-book (Otegata chio), in which to make entry of receipts as they came in. Beginning about the year 1724 ad, toward the end of the Tokugawa dynasty, this business developed into something like a banking system, and it lasted till the new regime in 1873, when salaries became payable in currency. The wealth of the bankers and the poverty of their customers gave rise to enactments to help the weaker party. Among these was the compulsory surrender of the right for interest and an allowance of the payment of the money due in installments. The maximum rate of interest on loans was fixed in 1724 at fifteen per cent., in 1743 at twenty per cent., in 1745 at eighteen per cent., in 1788 at twelve per cent., and in 1842 at ten per cent.

## BLIND MEN AS LENDERS.

In 1765 ad, a law was passed prohibiting blind men from lending money at usurious rates. It was a custom then for blind men to lend out the funds intrusted to them, and when not paid back, they assembled at the debtor's house, crying aloud night and day till the money was paid, with a premium in the form of Reikin (gratitude money). In 1832, the legal rate was fixed at twelve per cent., and anything above that rate was to be uncollectible. In 1858, blind men were absolutely prohibited from lending money. These laws were evaded, and the actual rate rose as high as sixty per cent., in addition to various exactions under the name of fees or gratitude moneys. So, in 1871, the usury law was abolished and the matter was left entirely to mutual agreement, and the rate, if not specially defined by contract, was, by the law of 1873, fixed at six per cent. But in 1877 the usury law was re-enacted, though its evasion is as common as before. According to this act, the interest is divided into the court and the market rate. The former is six per cent. and the latter twenty per cent. for sums below 100 yen, fifteen per cent. below 1000 yen, and twelve per cent. for upward of 1000 yen. From what has been said, it must be clear that a proper organization of the money market hardly existed. The high rate of interest was caused not only by the lack of credit on the part of the borrowers, but also by the non-existence of instrumentalities to collect and advance loanable capital. The only recourse open to debtors was to borrow the money of the rich merchants, blind men, and pawnbrokers at usurious rates.

## THE GERMS OF REAL BANKING.

Osaka being the commercial centre, and affairs being conducted there on more or less business-like methods, we find that it had the germs of banking long before the adoption of Western institutions. Especially among money-dealers, exchange houses,



and contractors to Daimios, branches of the banking business were conducted in a comparatively comprehensive way. To begin with the system of bill brokerage, we find as far back as the middle of the seventeenth century an Osaka merchant, Tennojiya Gorobei, making use of commercial bills. His example was followed by Kohash Jotoko and Kagiya Rokubei; and among these three money-changers bills circulated freely. In 1660 ad, the Inspector-General, Ishimaru, made a code of rules to govern tradesmen, encouraged the growth of credit among them, and established wholesale houses and the Gold Exchange. The number of money-changers was limited to a guild of ten, who transacted a banking business. These ten were allowed to wear swords, a privilege restricted to the class of Samurai; and under them were twenty-two smaller guilds. Among these guilds, with the ten privileged ones as the centre, bills circulated freely. The kinds of bills were seven in all, which may be thus enumerated:

1. Bills of remittance, which were used mostly between the two capitals, the drawer being the Osaka firms and the drawee those in Yedo (now Tokio).
2. Deposit bills, which were issued by the bankers against their depositor, to be paid to him or his order. In this case, if the drawer failed, the loss came on the last holder, the intermediate person or persons being clear of any liability.
3. Bills of exchange, drawn against the exchange houses by their customers or by other houses. If no previous deposit had been made by the drawer, payment was usually refused; but if the exchange house trusted the drawer, the bill was paid up to a certain amount fixed beforehand. When left unpaid, the demand for payment went back to the drawer. If, in spite of the money being deposited by the drawer, the bill was left unpaid by reason of the failure of the exchange house, the loss was borne by the last holder. If demanded on the day assigned and not paid, the drawer was held responsible, but if presented after date, the holder was responsible.
4. Mutual bills (*Furisashi gami*), which were current among exchange houses only, being issued simply against or with the name of the manager, only the stamp of the drawing houses being affixed. These were settled by 12 m. every day, and even when they were held by an ordinary person, were not payable except at the drawing house.
5. Large bills (*Otegata*), a name given to bills drawn by large firms on the settling days. For instance, if A, having money to be paid by B, owes to C, A draws a bill against the exchange house and hands it to C. If C hands this bill to his exchange house it is placed to his credit. In the first two days of the following month A gets the money from B and pays it into his exchange house. On the third day, the exchange houses settle the account. In case the bill drawn by A is unpaid, the demand goes back until it reaches the drawer, but the exchange houses never bear the loss.
6. Promissory notes, issued, for instance, by a buyer of goods against an exchange house and handed to the seller, who presents them to the house before the date, in order to ask whether it will be paid when due.

7. Storehouse bills issued against goods, mostly rice and sugar, deposited in storehouses, for ten to thirty days; some, however, remained in store as long as three years, and the bill was highly valued, because if by accident the goods in store were lost or damaged, others were put in their place.

The use of these bills gradually increased by the expansion of trade, chiefly owing to the special protection given them by the law. The suits concerning them were treated as exceptional cases (*Naka nuki Saiban*), being tried and decided regardless of ordinary court days. When complaints were made, decision was given at once, and if the fault lay with the exchange houses, they were visited with the penalty of handcuffs and imprisonment. The organization of the exchange houses was as nearly as possible perfect. The ten large ones were called the "parent house" (*Oya rio gaye*), and around them were middle and smaller houses, the smallest being sustained by the next larger till the central house was reached. Usually, against the smaller ones was fixed a limit of credit allowance; and against these credits, bonds or securities, personal and other, were pledged. However, the bill really rested on credit, not much stress being laid on securities. In point of fact, bills were issued far beyond the capacity of these houses; and when they could not pay, the bill was passed on from one holder to the other till it reached and was settled at the parent house. Not only these houses, but every tradesman made use of the bills. Peddlers who came from distant localities gladly received them and the issue rose to an enormous amount, some houses emitting as much as seven-fold the amount of their capital. But as they were payable in *chiogin* *tiogin*, or plated coin silver, when this currency was abolished,\* in 1868, many houses were unable to pay the bills and became bankrupt, only those whose issue had been kept within moderate limits escaping this fate.

## SECTION II.

### THE PRESENT.

#### INSTITUTION OF BANKING PROPER.

THE use of the bills just mentioned being limited mostly to Osaka merchants and the various contractors of each Daimio, belonging, also, for the most part, to one locality, the new era which opened with 1868 made more evident the want of a proper banking system. The Government established Tsushioshi (the Board of Trade) and induced rich merchants to set up companies for trading and bill discounting. Since 1869, discount companies (*Kawnase Kaisha*) had arisen in Tokio, Yokohama, Nügata, Kioto, Osaka, Kobé, Otsu, and Tsuruga. They were under the control of the Board of Trade, and Government paper notes were given to them as a subsidy, and at the same time to give a currency to this paper, which had been discredited, unpopular, and depreciated. Funds were also placed at their disposal, and they were granted the privilege of issuing gold, silver, dollar, and coin certificates. Of these, silver certificates were issued by the Tokio company and those for coin at Osaka and Kioto, in order to remedy the scarcity of fractional currency. But as they were issued with Government paper notes as the basis, they were, in fact, inconvertible. After a year's circulation, however, they were supplemented by the small paper money issued by the

Government, and by the copper coins which gradually appeared in the market. Except in the case of one-yen notes, all gold certificates were convertible; with the silver certificates we shall deal later. A purely artificial creation of the Government, and managed in a way by no means business-like, in nine cases out of ten, these companies failed. When the National Bank Act came into force in 1872, they had no other alternative but to abide by that law or to submit to the process of liquidation. Most of them showed an enormous total of liabilities and losses. The Government, being their originator, was primarily responsible for them. It recognized this by not only giving up its claims for moneys lent, but by freely advancing funds enough to satisfy the claimants against them. Only the Yokohama company was able to transform itself into a national bank, the other eight being all closed. The dissolution was a matter replete with confusion and difficulty. The notes issued by them, to the amount shown below, were found hard to collect, and their affairs were not quite settled till 1876.

NAME.	Date of Examination.	Certificate.	Amount. Yen.
Tokio Company	1873	Gold and Silver.	2,034,210
Osaka Company	1873	Coin.	1,408,034.2
		Gold.	1,853,450
Yokohama Company	1873	Gold.	1,500,000
Kioto Company	1873	Coin.	1,276,313.450
		Gold.	640,000
Otsu Company	1873	Gold.	262,500
Kobé Company	1873	Gold.	500,000
Nügata Company	1874	Gold.	50,000
Tsuruga Company	1873	Gold.	41,000

These failures taught the Government a hard but a salutary lesson. It became henceforth more careful and deliberate in encouraging the rise of companies. Though schemes for banks and other companies were submitted in various parts of the country, they were not readily approved. It was expressly stated in one of the clauses of the Bank Act that: "Those who desire to transact exchange, bill discount, deposit, loan and any other business closely related to banking, must hereafter obtain the permission of the Comptroller of the Currency before they commence business. Banks or companies who are already in business must present reports to the Treasury according to the prescribed form."

## GOVERNMENT SUPERVISION.

As the result of this enactment, the control of these "quasi-banks," which was in the hands of the Bureau of General Affairs, was transferred to the office of the Comptroller of the Currency. There were many cases, however, in which the Government charter was abused by speculators for the purpose of acquiring funds to be devoted to their own use. Many concerns called themselves banks without any legal recognition. The public could not distinguish the regular from the irregular, and general distrust began to prevail. So, in 1872, a notification was issued by the Treasury prohibiting the use of the word "bank," except by those having the

permission of the Treasury. As there was no special law governing these institutions, the grant was given in most cases where no harm was expected to follow. But there were many who used the grant for fraudulent purposes, and not a few surrendered the right even before they did any business. The loss entailed on the public was considerable. An order leaving the provision of proper banking safeguards to mutual agreement was promulgated in 1874. Much inconvenience and confusion resulted. A proposal to formulate a banking law was discussed, but was set aside on the ground that such a measure was premature, since even a general commercial code did not exist. In 1878, the power to permit the organization of banks was delegated to the prefect of each locality. This gave rise to locally divergent practice; in some places the grant being given freely, while in others very strict requirements were insisted on. So, in 1882, an order was issued commanding prefects to ask the opinion of the Treasury before reaching a decision, and to present to the department a draft of the by-laws and regulations of the banks. Also in this year, the quasi-banks were authoritatively defined to be those which make loans, receive deposits, or discount bills. There had thus come into existence the following varieties of banks:

1. Those established with the Government permission. Among these there were two kinds; namely, those having the permission of the Treasury and those directly authorized by the prefect.
2. Those left entirely to the regulation of a mutual contract.
3. Those established without any governmental recognition.

Between these three no clear distinction whatever was made, and they were all equal in the eye of the law. However, there were some limitations, such as:

1. The liability of shareholders was held to be unlimited; this restriction was, however, removed and limited liability recognized, in 1886, for banks whose capital stock exceeded 500,000 yen.
2. The capital must not be less than 10,000 yen.
3. The capital must be paid up at least within a year.
4. The dealing in stocks, shares, and merchandise, which did not properly belong to the banking business, was prohibited.

The receipt of savings, which was allowed till 1884 to ordinary banks, was also prohibited, as was the opening of savings-banks. In 1886, an order was issued commanding banks to report to the Treasury. But in 1890, the commercial code was promulgated, as also the laws concerning banks and savings-banks. It was provided that the whole system should come into simultaneous operation in the beginning of 1891, but by resolution of the Diet, the date was postponed till July 1, 1893. The main features of the banking law will be best understood by a reference to its text.

## THE BANK ACT OF 1890.

Art. I. If any person, corporate or individual, discount negotiable bills, transact exchange, or receive deposits and advance loans at the same time, as a profession, in an open shop, he or it becomes a bank whether so designated or not.

Art. II. Those who want to do a banking business must fix the amount of the capital to be employed, and permission of the Secretary of the Treasury must be obtained through the interposition of the prefect.

Art. III. Banks must present half-yearly reports to the Treasury, through the hands of the prefect.

Art. IV. Banks must make public every half-year, a list of assets and a balance-sheet, in the columns of a newspaper or by some other method of advertising.

Art. V. Banks must not advance as loans or on discount any sum beyond one-tenth of their capital to one customer. Those whose capital is not wholly paid up must not use more than one-tenth of the paid-up capital.

Art. VI. The business hours of the banks are to be between 10 a. m. and 4 p. m., though they may be prolonged at the convenience of the bank.

Art. VII. Banks may be closed on national holidays and feast days, Sundays, and other resting days, according to the custom of each locality. If they desire to close outside of those days, they can do so after notifying the prefect and advertising the fact in newspapers or by other means.

Art. VIII. The Minister of Finance can order the inspection of banks by the prefect or any other officials.

Art. IX. If in violation of article two, banking business is done without due permission, the offender is to be punished according to article 256\* of the Commercial Code.

Art. X. If banks neglect to present the report prescribed in article three or to publish their accounts in pursuance of article four, or if they make fraudulent statements or conceal the truth, the penalty fixed in article 262† of the Commercial Code will be imposed. If the inspection ordered in article eight be refused, article 258‡ of the code is to apply.

Art. XI. This act does not apply to the Bank of Japan, the Yokohama Specie Bank, or the national banks.

## THE SAVINGS-BANK ACT.

Art. I. Those in receipt of savings as deposits are savings-banks. If any bank receive a deposit, whether casual or fixed, which is less than five yen at a time, it will be considered as a savings-bank and must be subject to this act.

Art. II. The savings-bank must be a joint-stock company of not less than 30,000 yen capital.

Art. III. The directors of savings-banks must be subject to unlimited liability, which lasts for a year at least.

Art. IV. Savings-banks must deposit a sum not less than one-half of the paid-up capital in interest-bearing Government bonds as a guarantee for deposits.

Art. V. Savings-banks must not transact any business except in (1) loans; (2) discounting of negotiable instruments; (3) purchase of national or local debt bonds.

Art. VI. When money is to be advanced on loan, the term must be within six months, with national or local debt bonds as securities. In case of discount, it is restricted to bills of exchange and promissory notes, with at least two trustworthy indorsers. Savings-banks cannot buy and sell national or local debt bonds as part of their regular business.

Art. VII. When by-laws are to be modified, the permission of the Minister of Finance must be obtained through the intervention of the prefect.

Art. VIII. Banks desiring to do the business of a savings-bank must obtain authorization from the Minister of Finance through the intervention of the prefect.

Art. IX. If savings-banks violate any provision of this act, a penalty of not less than fifty yen and not more than 500 yen is imposed on the directors. A similar penalty attaches to the doing of a savings-bank business without due authorization.

Art. X. Except as to the points specially covered by this act, the regulations of the Bank Act are applicable to savings-banks also.

In accordance with these laws, orders were issued by the Treasury in May, 1893. Prior to this legislation, many important banks were formed—for instance, the Mitsui Bank, which was established in 1873. But at the time when the national bank scheme found general acceptance, about the year 1879, the organization of common banks came almost to a standstill. But since 1880 a sudden increase of these banks has taken place, the fate of a good many of which has been to be wound up or amalgamated, as shown in table on page 420.

<i>Common Banks.</i>							
NUMBER.			CAPITAL.				
YEAR.	New Institutions.	Closure or Amalgamation.	Total Remain'g	Original Capital.	Added Capital.	Liquidated or Decreased Capital.	Net Remain Capital.
				YEN.	YEN.	YEN.	YEN.
1876	1		1	2,000,000,000			2,000,000,000
1877							
1878							
1879	8		9	1,680,000,000			3,680,000,000
1880	29		38	3,330,000,000			7,010,000,000
1881	47		85	3,607,000,000	220,000,000		10,837,000,000
1882	80	C. 1	164	5,508,000,000	622,000,000	L. 30,000,000	16,937,000,000
1883	35		199	1,520,750,000			18,457,750,000
		{ A. 1 }				{ 750,000,000 }	
1884	20		213	1,276,300,000	270,000,000	L. }	19,025,050,000
		{ C. 5 }				{ 229,000,000 }	
						D. }	
						{ 545,000,000 }	
1885	14	C. 10	217	550,000,000	65,000,000	L. }	18,362,200,000
						{ 732,850,000 }	
						D. }	
						{ 1,030,000,000 }	
1886	11	C. 9	219	1,045,000,000	35,000,000	L. }	17,539,025,000
						{ 873,175,000 }	
						D. }	
						{ 653,925,000 }	
1887	11	C. 12	218	981,000,000	847,000,000	L. }	18,371,385,000
						{ 341,714,000 }	
						D. }	
		{ A. 2 }				{ 830,360,000 }	
1888	25		230	1,919,500,000	246,000,000	L. }	19,216,200,000
		{ C. 11 }				{ 487,325,000 }	
						D. }	
						{ 339,000,000 }	
1889	31	C. 6	255	3,145,000,000	390,000,000	L. }	22,059,975,000
						{ 355,225,000 }	
						D. }	
						{ 411,700,000 }	
1890	24	C. 7	272	3,573,000,000	463,000,000	L. }	25,571,175,000
						{ 113,100,000 }	
						D. }	

1891	31	C.	9	294	1,835,000,000	403,000,000	{ L. 365,500,000 } { D. 382,900,000 }	27,060,775,000
1892	43	C.	13	324	2,532,700,000	463,500,000	{ L. 536,500,000 } { D. 685,700,000 }	28,834,775,000
Total.	410		86		34,503,250,000	4,024,500,000		9,692,975,000

The case of the quasi-banks was not much better, as the following table indicates:



				<i>Quasi-banks.</i>			
NUMBER.				CAPITAL.			
YEARS.	New Banks.	Transformation or Closure.	Number Remaining.	Original Capital.	Increased Capital.	Liquidation or Decrease.	Net Capital Left.
				YEN.	YEN.	YEN.	YEN.
1884	45	C. 3 T. 1 }	741	1,092,152,000	27,200,000	D. 20,000,000 { L. 270,559,000 }	15,227,685,000
1885	20	C. 15 }	745	590,530,000	103,909,000	{ D. 243,583,000 { L. 280,126,000 }	15,407,982,000
1886	24	C. 20 }	749	560,950,000	59,333,000	{ D. 346,835,000 { L. 387,300,000 }	15,401,304,000
1887	10	T. 1 C. 17 }	741	247,500,000	12,000,000	{ D. 155,828,000 { L. 723,345,000 }	15,117,676,000
1888	11	T. 2 C. 39 }	711	222,950,000		{ D. 209,016,860 { L. 482,612,000 }	14,408,264,140
1889	15	T. 4 C. 27 }	695	600,000,000	54,121,000	{ D. 158,770,000 { L. 186,863,000 }	14,421,003,140
1890	18	T. 4 C. 7 }	702	247,000,000	122,980,000	{ D. 91,504,140 { L. 880,290,000 }	14,512,616,000
1891	13	T. 5 C. 30 }	678	261,758,000	63,150,000	{ D. 129,800,000 { L. 208,390,000 }	13,827,434,000
1892	14	T. 2 C. 10 }	680	220,000,000	137,100,000	{ D. 31,500,000 }	13,944,644,000
Total.	170	187		4,042,840,000	579,793,000	4,816,322,000	

With the enactment of these laws in 1893, many unsound companies gave up business or were dissolved, and the number of common and quasi banks suddenly decreased. At the end of 1893 they stood thus:

#### COMMON BANKS.

<i>a</i> Permitted to continue business	518, with a capital of 32,952,216 yen
<i>b</i> Still in quest of a grant	43, with a capital of 1,539,390 yen
<i>c</i> Newly established	40, with a capital of 1,506,890 yen
Total	605, with a capital of 35,998,496 yen

#### SAVINGS-BANKS.

<i>a</i> Permitted to continue business	22, with a capital of 1,010,000 yen
<i>b</i> Still in quest of a grant	2, with a capital of 130,000 yen
<i>c</i> Newly established	with a capital of yen
Total	24, with a capital of 1,140,000 yen

Since then, many banks have been set up in different parts of the country, and bankers began to complain of the restrictive character of these acts. So, in February, 1895, a law was passed which amended the Bank Act and made it much more liberal, abolishing article five and changing the business hours to between 9 a. m. and 3 p. m. Moreover, in March, the Savings Bank Act was greatly modified. Although the liability of directors was made to last two years instead of one, other amendments were on the side of greater liberality. Articles four, five, and six were thus supplemented:

Art. IV. Savings-banks must deposit a sum of not less than one-fourth of their total deposits in national or local debt bonds as a guarantee for the repayment of depositors. If the guarantee is equal to more than one-half of the capital, they may use commercial bills, loan certificates, or shares of companies of good standing.

Art. V. The amount of the deposit to be calculated, in the above article, is that which remains at the end of each half-year.

Art. VI. Depositors have a preferential claim on the securities deposited according to article four.

This liberal policy stimulated the further establishment of banks and savings-banks. Even those who were merely money-lenders found it better to command the force of a banking corporation. Quasi-banks which had given up the business took it up again. Moreover, the general expansion of commerce increased the necessity for credit institutions. In fact, a mania for establishing banks set in, the result of which is shown in the enormous increase of banks and their capital, as set forth in the following table:

<i>Number of Banks.</i>						
BANKS.	1893.		1894.		1895.	
	Number. Capital.		Number. Capital.		Number. Capital.	
		YEN.		YEN.		YEN.
Joint-stock banks	486	26,558,450	584	42,083,990	666	65,855,539
Savings-banks	24	1,140,000	34	1,470,000	89	4,553,000
Partnership banks	15	2,912,400	17	2,977,400	19	3,037,400
Commandite banks	44	3,793,620	58	5,058,090	71	6,764,230
Private banks	59	2,724,020	69	2,658,420	68	3,955,520
Total	628	37,128,490	761	54,277,900	913	84,165,689

## TENDENCY TOWARD CONSOLIDATION.

The fact that there are too many banks, and that some of them have too limited a capital and have a dubious chance of success, is not calculated to cause sanguine expectations of the future. However, by the operation of the law of the survival of the fittest, the soundest will remain. This is an optimistic view. But there are influential men who begin to be impressed with the necessity of consolidating small banks by way of putting an end to the demoralizing kind of competition among them.

Amalgamation, according to the commercial code, is impossible, except one bank is dissolved and the other has an increase of capital, or both are dissolved and a new one is established in their place. In any case, the trouble involved in the process makes it hardly possible to expect that amalgamation will be extensively carried out. If by a special law it were made possible for one to join another without the tedious and complex work of winding up, so long as the absorbing bank assumes the rights and duties of the one absorbed, the hope might be more easy of fulfillment. In this direction nothing can be done unless capital be concentrated and banks made more powerful. Such is the work to be accomplished by bankers, aided by the legislature in the future, and, though the task is by no means an easy one, there can be no question about its imperative necessity. In order to show the volume of ordinary banking transactions for the seven years 1888-94, the following table is inserted:

General Account of Common Banks and Savings-banks.								
YEARS.	Cash Receipts DEPOSITS.		Loans.	DRAFTS.		Bills on Goods.	Bills Discounted.	
	& Payments.	Public.		Private.	Public.			
	YEN.	YEN.		YEN.	YEN.	YEN.	YEN.	
1888	1,535,379,694	5,529,442	14,527,993	28,697,174	31,058,039	71,077,373	8,277,989	23,705,43
1889	1,013,962,549	6,615,947	18,288,497	36,698,170	27,803,970	88,777,821	8,333,704	17,237,56
1890	1,973,090,027	4,502,727	20,836,251	39,537,835	28,912,215	104,518,759	9,817,240	36,335,98
1891	2,008,719,524	3,242,972	21,450,523	40,922,441	22,508,462	97,875,387	11,284,638	42,148,24
1892	2,201,820,981	4,864,467	27,659,515	33,736,165	22,036,779	100,887,704	13,904,584	54,805,90
1893	1,685,216,008	2,807,568	35,618,642	50,149,802	28,259,236	87,628,334	24,241,741	38,121,06
1894	3,794,748,889	63,246,082	504,173,882	254,850,278	64,094,127	193,483,485	40,536,780	102,613,9

[NOTE.—The new Bank Act came into force in July, 1893, and the figures for 1893 are those of the half-December.]

Such being the state of things, many who entertain pessimistic views complain of the want of activity and capacity among our banks, deeming them, as a rule, nothing better than pawnbrokers and usurers who make a profit by lending out at a higher rate of interest than that at which they borrow from the larger banks, such as the Bank of Japan and national banks. Some also fear the coming of a crisis, because of excessive competition and profuse allowance of credit on the part of the banks. But as the law now stands, it is impossible to limit their number or to regulate the details of their management. So, the matter must be left to the discretion and prudence of the public. Much, however, can be and is being done in the way of correction by the Government inspection and publication of bank accounts. As for those organized hereafter, investigation and precaution on the part of the prefect may prevent the consummation of unsound undertakings. As an offset against the bad cases, the increase of banks by lowering the rate of interest tends to benefit the country, which seems to be in need of institutions of credit.

[\[Back to Table of Contents\]](#)

## CHAPTER II.

### THE NATIONAL BANKS.

#### SECTION I.

#### THEIR ORIGIN AND ORGANIZATION.

#### THE OLD BANK ACT.

AT the beginning of the new era (Meiji), the lack of an organized banking system was keenly felt by the people and by the Government, which suffered greatly from the confused state of its depreciated paper currency. In 1870, the Vice-Minister of Finance, Mr. Ito (now Marquis) went to the United States of America to investigate the banking system of that country. One result of this visit was his advice to adopt the system of national banks which he found there. Though some approved of the recommendation, many opposed it on the ground that the system was risky and unsuited to the needs of the country. Its opponents upheld the principle of a full gold reserve, and though the subject was hotly discussed, no practical result was reached. In 1871, a scheme of setting up a bank of issue with 7,000,000 yen capital was considered by the Tokio Chamber of Commerce. But the difficulty of getting the necessary funds frustrated the scheme. On his return in the same year, Mr. Ito urged the necessity and advantage of the American system, and his views were finally adopted. Out of this decision, in November, 1872, came the National Bank Act, being No. 349 of the laws of that year. This law is what is now designated as the old National Bank Act. Under it, banks were allowed to issue notes convertible in gold, holding Government bonds issued for the redemption of Government paper notes as the basis, to sixty per cent. of the capital, which was not to be less than 50,000 yen. This may be described as a compromise between the American and the gold reserve systems, fulfilling at the same time the purpose of redeeming the Government paper notes with the bond, and with this bond as the basis of banking, issuing convertible notes, which were to be finally converted into gold when the time for redemption of these bonds arrived. However, contrary to expectation, this many-sided and ingenious scheme ended in utter failure, and but four banks were formed under the act. Only 1,420,000 yen of bank notes were actually received by them, out of 15,000,000 yen which were printed in New York beforehand. The cause of this failure was the depreciation of paper notes in general, on account of the constant efflux of bullion due to the importation of goods and the over-issue of Government notes, as well as to the fact of the bank notes being immediately convertible into gold.\* This latter facility operated so that the Second National Bank, located in Yokohama, the chief commercial port, could not issue even one yen of its notes. Consequently, the amount of bank notes in actual circulation, which stood at 1,356,979 yen in June, 1874, made a rapid descent to 62,456 yen in 1876, regardless of the exertions of the Government to keep up the volume of the circulation. With such a limited amount of currency and

a very slender total of deposits, the only source of profit for the banks was the interest of six per cent., accruing from the Government bonds, while the market rate of interest was above ten per cent. The four existing banks presented a petition to the Government in March, 1875, to allow their notes to be convertible into Government notes only. This being equivalent to a return to the former state of non-convertibility, the Government hesitated, but in order to give relief to the petitioners, the Government issued its notes, which were inconvertible, to the amount of one-half of the issue of the Bank, a corresponding amount of bank notes being paid into the Exchequer. In 1876, the depreciation of paper money went from bad to worse† and the difficulty still increasing, the banks again petitioned the Government to exchange the remaining half of their notes for Government paper money. To this the Government acceded, and the scheme, so full of promise, fell through.

## THE REVISION OF THE ACT.

It became clear that the result of the over-issue of the Government notes could not be corrected through the national banks, and still more clear that under such a banking system the need of the time could not be supplied. The necessity of revising the Bank Act was therefore demonstrated. There was one more important reason for the revision; and to explain this, we must go back to the issue of a Government loan to the amount of more than 174,000,000 yen to pay off feudal pensioners who gave up their hereditary rights in exchange for Government bonds.‡ How to keep up the price of these bonds, for the benefit of their owners, was a problem which the kind-hearted policy of the Government of that time recognized. An idea entered the head of Count Okuma, the Minister of Finance, which was embodied in the Revised National Bank Act, promulgated by Law No. 106, in August, 1876. According to this act, bank notes of 1, 2, 5, 10, 20, 50, 100, and 500 yen denominations being legal tender except for the payment of customs duty and interest on Government bonds, became convertible into Government paper money instead of into standard gold, and the newly issued pension bonds were used as a basis for these notes. Besides, the amount of the bonds to be deposited in the Treasury by the banks was increased from sixty to eighty per cent. of the capital, and the kind of bonds was made optional so long as it bore four per cent. interest. The most important change consisted in a gold reserve of forty per cent. of the capital (? of the issue) being transformed into a paper money reserve of twenty per cent. of the capital ( $\frac{1}{4}$  of the issue). Thus the American system was at last adopted nearly in its entirety. The idea of metallic conversion was given up, and the fall in price of the bonds was somewhat retarded, the owners of the bonds becoming shareholders of national banks to the extent of seventy per cent. of the whole. This radical change made the banking business remunerative, and many new national banks sprung up, five being organized during 1876, twenty-three in 1877, ninety-eight in 1878, and twenty-seven in 1879, making, in all, 153.

## THE FINAL REVISION OF THE ACT.

The organization of banks became so prevalent that in December, 1877, by Law No. 83, the Bank Act was amended, empowering the Minister of Finance to restrict, on the basis of population and taxation, the total amount of the issue of bank notes, which

was fixed at 40,000,000 yen, as well as the number and capital of the national banks. Though this law was supplemented by a subsequent act, Law No. 5, of 1878, the main features remained the same. With the increase of note circulation, the depreciation of paper, the rise of prices, and the fall in value of Government bonds became more emphatic. In order to remedy these evils, especially to unify the paper currency, the Nippon Ginko (the Bank of Japan) was established in 1882, and a radical revision of the National Bank Act was carried out in 1883 by Law No. 14. The main points of the revision were:

1. The national banks are to cease to have the privilege of issuing notes at the expiration of their term of existence, which is to be after twenty years from the date of their obtaining their charter. After the end of the term they may continue to conduct the banking business simply and solely as a common bank, with the permission of the Secretary of the Treasury.
2. They must redeem their notes within their term of existence as national banks. In order to fulfill this obligation, they must create a fund consisting of the reserve (twenty per cent. of capital) already held by the banks and the annual reserve out of the profits to the amount of two and a half per cent. of the originally prescribed limit for the issue of paper notes. This fund is to be intrusted to the Bank of Japan, which is to purchase Government stocks, and with the accruing interest to redeem bank notes twice a year.

## THE RISE AND FALL.

After the close of the civil war of 1877, the general rise of prices created a brisk state of trade, which reached its climax in 1880 and 1881. But in the latter year, Count Matsukata was placed in control of the Treasury, and his policy was to put the finances of the country on a firm and solid basis. The redemption of paper money was begun, prices and interest fell, trade seemed to be depressed, and many failures ensued. Even first-rate national banks had to take measures of precaution, the weaker ones had to lessen their capital to make good their losses; four national banks became bankrupt, five others being temporarily suspended during a short interval between 1882 and 1883, and ten banks being consolidated with more powerful banks between 1880 and 1885. But in 1886 redemption in specie commenced, and things became more settled, trade began to revive, and railway and other companies sprang into existence. In 1887, trade became active again, speculation in stocks grew apace, and many national banks increased their capital. Since then, nothing remarkable has taken place except a few failures, suspensions, and amalgamations.

## RESTRICTIVE REGULATIONS.

The dividends of national banks are usually greater than those of other banks, because they reap a double benefit by lending out their notes and obtaining the interest on the bonds deposited as security for those notes in the Treasury. Against these special privileges and advantages, they are under the strict surveillance of law and Government control, and are subject to many other restrictions. First of all, they must pay the bank tax fixed at seven-tenths of one per cent. of the original note issue; their

functions are restricted to making loans, receiving deposits, making transfers of money, and discounting bills. Though they can sell and purchase Government bonds, foreign coin, and bullion, as well as exchange coins, these cannot be made their chief business. Transactions in land, buildings, or other property, as well as in shares of joint-stock companies, are prohibited to them, except the property be for their own use, or in case of its falling temporarily into their hands on pledge or mortgage. Though the restriction on the rate of interest, which was fixed at ten per cent. in the Act of 1876, was removed, they have to conform to the Usury Act, and they cannot lend to one customer more than ten per cent. of their capital. Neither against bank notes nor their own stock can they make loans, and of their total deposits they must keep in hand twenty-five per cent. in order to meet a sudden demand. Except on regular holidays, the office must be opened from 9 a. m. to 3 p. m.; a general meeting of stockholders must be held twice a year; and for all important resolutions, Government recognition must be obtained, and monthly as well as half-yearly reports must be submitted to the Treasury. Above all, it is prohibited to national banks to enter into correspondence with foreign banks in or out of the country, or even with banks organized by Japanese citizens and located abroad, without permission of the Treasury. Permission must be requested beforehand for the payment of dividends, for the increase or decrease of capital, for changes in the by-laws of the bank, or for voluntary dissolution. Any speculative undertaking by the banking staff is strictly forbidden, as well as their borrowing from the bank beyond the sum fixed in the by-laws. The control of national banks is vested in the Third Bureau of the Treasury, which sends out its own officials at stated times to examine the actual working of the banks, and which sometimes delegates the power of inspection to the local prefect. The Secretary of the Treasury has the power to suspend the business of a bank in any of the following cases, and he can further order the dissolution of the bank:

1. Violation of the letter or spirit of the Bank Act.
2. Discovery of evidence that the bank cannot pay its debts.
3. A series of loans in excess of the capital.

In the case alike of voluntary winding up and official dissolution, the obligation to redeem the outstanding notes falls on the Government. This is met by selling the Government bonds invested in by the bank, and paying note-holders within a date fixed by departmental notice. These general provisions affect equally all the 133 national banks which now exist, though there are, of course, great differences in their actual working, and in the degree of public confidence which they possess.

## THE EXISTING CONDITION.

The present state of the national banks may best be seen in the following tables, pages 429-435.



*Table I.—National Banks in 1895.*

Number.	No. of Branch Offices.	Date of Charter.	Expiration.	Capital.  YEN.	Original Issue of Notes.  YEN.	Present Amount of Issue.  YEN.	Government Bonds as Basis.  YEN.	AMO Reser Fund  YEN.
1	11	Sept., 1876.	Sept., 1896.	2,250,000	1,200,000,000	182,753,500	807,552,000	377,8
2	4	Nov., 1876.	Nov., 1896.	500,000	400,000,000	78,450,000	305,568,000	125,9
3	4	Dec., 1876.	Nov., 1896.	1,000,000	800,000,000	615,156,000	538,440,000	251,8
4	2	Dec., 1876.	Dec., 1896.	500,000	240,000,000	43,046,500	168,960,000	75,56
5	2	Oct., 1876.	Oct., 1896.	300,000	240,000,000	44,664,500	161,760,000	75,56
6	2	Feb., 1877.	Feb., 1897.	250,000	200,000,000	123,518,500	138,240,000	62,97
7		Feb., 1877.	Feb., 1897.	150,000	112,000,000	45,977,000	78,816,000	35,26
8 {		Feb., 1877.	{ Amalgamated with No. 134 in 1886. }					
9	2	Nov., 1877.	Nov., 1897.	250,000	80,000,000	48,194,000	56,400,000	25,18
10	2	Mar., 1877.	Mar., 1897.	250,000	200,000,000	100,478,000	141,120,000	62,97
11		May, 1877.	May, 1897.	200,000	160,000,000	89,083,500	125,760,000	50,37
12	9	July, 1877.	July, 1897.	500,000	224,000,000	95,060,500	152,806,250	70,53
13	2	May, 1877.	May, 1897.	500,000	400,000,000	225,266,000	269,280,000	125,9
14		July, 1877.	July, 1897.	150,000	80,000,000	17,395,000	53,856,000	25,18
15		May, 1877.	May, 1897.	17,826,100	14,260,880,000	8,313,747,500	9,600,000,000	4,490
16		Aug., 1877.	Aug., 1897.	200,000	80,000,000	45,372,500	56,352,000	25,18
17	2	Sept., 1877.	Sept., 1897.	300,000	160,000,000	93,094,500	107,688,000	50,37
18	3	Nov., 1877.	Nov., 1897.	500,000	200,000,000	101,397,000	138,048,000	62,97
19	2	Oct., 1877.	Oct., 1897.	200,000	120,000,000	54,657,000	81,120,000	37,78

20	3	July, 1877.	July, 1897.	250,000	200,000,000	49,279,000	140,736,000	62,97
21		Nov., 1877.	Nov., 1897.	100,000	80,000,000	19,023,500	57,072,000	25,18
22	2	Oct., 1877.	Oct., 1897.	300,000	232,000,000	185,586,000	163,248,000	73,04
23	2	Oct., 1877.	Oct., 1897.	200,000	144,000,000	104,251,000	101,424,000	45,34
24		Oct., 1877.	Closed in 1882.					
25	1	Dec., 1877.	Dec., 1897.	130,000	104,000,000	88,147,500	73,920,000	32,74
26		Feb., 1878.	Closed in 1883.					
27		Dec., 1877.	Dec., 1897.	300,000	200,000,000	157,647,000	140,688,000	62,97
28 {		Dec., 1877.	{ Amalgamated with No. 35 in 1889. }					
29	2	Jan., 1878.	Jan., 1898.	200,000	80,000,000	72,961,000	56,640,000	25,18
30		Dec., 1877.	Dec., 1897.	350,000	280,000,000	230,145,000	211,200,000	88,16
31 {		Mar., 1878.	{ Amalgamated with No. 148 in 1888. }					
32	2	Jan., 1878.	Jan., 1898.	360,000	288,000,000	254,127,500	198,720,000	90,68
33		Jan., 1878.	Closed in 1892.					
34	2	Mar., 1878.	Mar., 1898.	375,000	200,000,000	182,376,500	143,040,000	62,97
35	5	May, 1878.	May, 1898.	600,000	312,000,000	269,542,500	210,240,000	98,23
36		Feb., 1878.	Feb., 1898.	200,000	80,000,000	72,997,000	56,640,000	25,18
37	1	Oct., 1878.	Oct., 1898.	250,000	120,000,000	109,168,000	90,480,000	37,78
38	1	Oct., 1878.	Oct., 1898.	400,000	184,000,000	169,327,500	127,248,000	57,93
39	1	Sept., 1878.	Sept., 1898.	700,000	280,000,000	254,960,000	188,448,000	88,16
40	4	Sept., 1878.	Sept., 1898.	560,000	120,000,000	109,355,000	84,624,000	37,78

41	2	Sept., 1878.	Sept., 1898.	300,000	160,000,000	145,439,500	112,800,000	50,37
42		Oct., 1878.	Oct., 1898.	250,000	200,000,000	181,968,000	137,808,000	62,97
43	3	Oct., 1878.	Oct., 1898.	300,000	160,000,000	145,995,000	110,400,000	50,37
44 {		July, 1878.	{ Amalgamated with No. 3 in 1882. }					
45		Oct., 1878.	Oct., 1898.	200,000	120,000,000	109,280,000	83,040,000	37,78
46		Feb., 1879.	Feb., 1899.	150,000	40,000,000	36,411,000	30,384,000	12,59
47	3	Oct., 1878.	Oct., 1898.	150,000	76,000,000	69,221,500	51,168,000	23,93
48		Dec., 1878.	Dec., 1898.	100,000	80,000,000	72,608,500	53,856,000	25,18
49		May, 1878.	May, 1898.	400,000	160,000,000	145,702,000	115,296,000	50,37
50		Aug., 1878.	Aug., 1898.	135,000	80,000,000	72,863,500	53,856,000	25,18
51		Sept., 1878.	Sept., 1898.	100,000	80,000,000	72,910,000	56,352,000	25,18
52	1	Sept., 1878.	Sept., 1898.	150,000	80,000,000	73,006,000	57,120,000	25,18
53	3	Dec., 1878.	Dec., 1898.	120,000	64,000,000	58,213,500	45,120,000	20,15
54 {		Sept., 1878.	{ Amalgamated with No. 35 in 1882. }					
55		Sept., 1878.	Dec., 1898.	50,000	40,000,000	36,311,000	28,512,000	12,59
56	1	June, 1878.	June, 1898.	150,000	64,000,000	58,307,500	45,059,250	20,15
57		Oct., 1878.	Oct., 1898.	50,000	40,000,000	36,947,000	27,840,000	12,59
58	3	Oct., 1878.	Oct., 1898.	250,000	136,000,000	123,745,500	96,000,000	41,82
59	4	Dec., 1878.	Dec., 1898.	200,000	160,000,000	145,250,000	112,560,000	50,37
60		Aug., 1878.	Aug., 1898.	250,000	200,000,000	181,638,500	134,880,000	62,97
61	1	Nov., 1878.	Nov., 1898.	200,000	80,000,000	72,786,000	56,880,000	25,18

62	2	Oct., 1878.	Oct., 1898.	100,000	80,000,000	72,804,500	55,152,000	25,18
63	5	Oct., 1878.	Oct., 1898.	150,000	80,000,000	72,868,500	56,352,000	25,18
64	2	June, 1878.	June, 1898.	150,000	120,000,000	106,500,000	82,656,000	37,78
65		Nov., 1878.	Nov., 1898.	100,000	56,000,000	51,008,500	39,456,000	17,63
66	2	Nov., 1878.	Nov., 1898.	180,000	144,000,000	131,215,500	96,960,000	45,34
67	1	Sept., 1878.	Sept., 1898.	160,000	128,000,000	116,276,500	87,216,000	40,30
68	1	Oct., 1878.	Oct., 1898.	160,000	64,000,000	58,227,000	48,288,000	20,15
69		Nov., 1878.	Nov., 1898.	350,000	80,000,000	72,862,000	62,406,000	25,18
70		Nov., 1878.	Nov., 1898.	50,000	40,000,000	36,403,000	27,360,000	12,59
71		Oct., 1878.	Oct., 1898.	125,000	40,000,000	36,293,000	28,224,000	12,59
72	2	Sept., 1878.	Sept., 1898.	150,000	64,000,000	58,269,000	43,200,000	20,15
73	2	Oct., 1878.	Oct., 1898.	140,000	112,000,000	102,036,000	78,826,000	35,26
74	1	July, 1878.	July, 1898.	600,000	320,000,000	291,407,000	215,376,000	100,7
75 {		Nov., 1878.	{ Amalgamated with No. 45 in 1886. }					
76		Oct., 1878.	Oct., 1898.	100,000	56,000,000	51,195,000	38,400,000	17,63
77	4	Nov., 1878.	Nov., 1898.	500,000	200,000,000	182,171,000	134,976,000	62,97
78	2	Oct., 1878.	Oct., 1898.	300,000	64,000,000	58,578,500	47,520,000	20,15
79	1	Oct., 1878.	Oct., 1898.	200,000	80,000,000	72,936,000	59,088,000	25,18
80		Oct., 1878.	Oct., 1898.	100,000	80,000,000	72,722,000	56,352,000	25,18
81	3	Nov., 1878.	Nov., 1898.	300,000	48,000,000	43,556,000	38,880,000	15,11
82	4	Nov., 1878.	Nov., 1898.	200,000	160,000,000	145,759,500	108,000,000	50,37
83		Sept., 1878.	Sept., 1898.	50,000	40,000,000	36,343,000	27,360,000	12,59

84	1	Nov., 1878.	Nov., 1898.	90,000	40,000,000	36,539,000	27,840,000	12,59
85		Nov., 1878.	Nov., 1898.	200,000	160,000,000	145,462,000	114,240,000	50,37
86		Dec., 1878.	Dec., 1898.	80,000	64,000,000	58,490,500	43,200,000	20,15
87	2	Nov., 1878.	Nov., 1898.	125,000	40,000,000	36,629,000	30,192,000	12,59
88		Nov., 1878.	Nov., 1898.	50,000	40,000,000	36,360,000	29,568,000	12,59
89	2	Dec., 1878.	Dec., 1898.	260,000	160,000,000	146,100,000	113,952,000	50,37
90		Oct., 1878.	Oct., 1898.	100,000	80,000,000	72,818,000	54,096,000	25,18
91		Oct., 1878.	Oct., 1898.	50,000	40,000,000	36,588,000	27,360,000	12,59
92		Oct., 1878.	Oct., 1898.	200,000	96,000,000	87,152,000	65,280,000	30,22
93	1	Oct., 1878.	Oct., 1898.	60,000	40,000,000	36,369,500	26,976,000	12,59
94	1	Oct., 1878.	Oct., 1898.	50,000	40,000,000	36,621,000	29,856,000	12,59
95	1	Sept., 1878.	Sept., 1898.	200,000	160,000,000	145,712,000	107,712,000	50,37
96		Nov., 1878.	Nov., 1898.	80,000	40,000,000	36,479,500	29,952,000	12,59
97		Feb., 1879.	Feb., 1899.	90,000	40,000,000	36,714,500	32,160,000	12,59
98		Nov., 1878.	Nov., 1898.	120,000	96,000,000	87,325,500	67,584,000	30,22
99		Jan., 1879.	Jan., 1899.	70,000	40,000,000	36,377,500	30,240,000	12,59
100	4	Aug., 1878.	Aug., 1898.	400,000	160,000,000	146,339,500	112,800,000	50,37
101		Sept., 1878.	Sept., 1898.	55,000	40,000,000	36,231,000	29,856,000	12,59
102	2	Nov., 1878.	Nov., 1898.	50,000	40,000,000	36,450,500	27,552,000	12,59
103	2	Oct., 1878.	Oct., 1898.	80,000	40,000,000	36,594,000	26,976,000	12,59
104		Sept., 1878.	Sept., 1898.	120,000	96,000,000	87,339,000	64,320,000	30,22
105	1	Dec., 1878.	Dec., 1898.	80,000	64,000,000	58,209,000	49,968,000	20,15

106		Feb., 1879.	Feb., 1899.	300,000	240,000,000	219,256,500	177,120,000	75,56
107	1	Sept., 1878.	Sept., 1898.	250,000	40,000,000	36,360,000	27,650,000	12,59
108		Sept., 1878.	Closed in 1883.					
109		Nov., 1878.	Nov., 1898.	60,000	40,000,000	36,337,000	26,976,000	12,59
110	2	Nov., 1878.	Nov., 1898.	600,000	464,000,000	423,363,500	326,400,000	146,0
111	3	Nov., 1878.	Nov., 1898.	300,000	120,000,000	108,866,000	84,537,500	37,78
112		Sept., 1878.	Sept., 1898.	100,000	80,000,000	73,253,000	56,312,500	25,18
113	2	Nov., 1878.	Nov., 1898.	200,000	160,000,000	145,620,500	108,480,000	50,37
114	1	Oct., 1878.	Oct., 1898.	150,000	40,000,000	36,807,500	28,320,000	12,59
115		Dec., 1878.	Dec., 1898.	70,000	56,000,000	51,081,000	42,240,000	17,63
116		Dec., 1878.	Dec., 1898.	150,000	40,000,000	36,575,000	30,336,000	12,59
117		Dec., 1878.	Dec., 1898.	110,000	40,000,000	36,875,000	33,600,000	12,59
118 {		Nov., 1878.	{ Amalgamated with No. 135 in 1880. }					
119	3	Dec., 1878.	Dec., 1898.	1,000,000	240,000,000	218,785,000	183,840,000	75,56
120		Sept., 1878.	Sept., 1898.	100,000	40,000,000	36,232,000	26,976,000	12,59
121		Jan., 1879.	Jan., 1899.	200,000	160,000,000	145,963,500	108,192,000	50,37
122	1	Dec., 1878.	Dec., 1898.	150,000	112,000,000	102,105,000	76,800,000	35,26
123 {		Dec., 1878.	{ Amalgamated with No. 12 in 1884. }					
124 {		Oct., 1878.	{ Amalgamated with No. 35 in 1882. }					
125	2	Dec., 1878.	Dec., 1898.	200,000	64,000,000	58,123,000	45,600,000	20,15

126		Dec., 1878.	Closed in 1882.					
127		Dec., 1878.	Dec., 1898.	150,000	120,000,000	109,449,000	88,992,000	37,78
128		Dec., 1878.	Dec., 1898.	50,000	40,000,000	36,589,000	28,512,000	12,59
129		Dec., 1878.	Dec., 1898.	70,000	56,000,000	51,038,000	41,760,000	17,63
130	5	Dec., 1878.	Dec., 1898.	250,000	120,000,000	109,641,000	80,832,000	37,78
131	{	Jan., 1879.	{ Amalgamated with No. 32 in 1881. }					
132		April, 1879.	April, 1899.	300,000	40,000,000	36,711,500	28,800,000	12,59
133	1	Feb., 1879.	Feb., 1899.	200,000	80,000,000	72,659,000	59,472,000	25,18
134	2	Dec., 1878.	Dec., 1898.	300,000	240,000,000	162,890,500	165,528,000	75,56
135	3	Jan., 1879.	Jan., 1899.	170,000	64,000,000	58,901,000	44,064,000	20,15
136		Feb., 1879.	Feb., 1899.	170,000	136,000,000	123,584,500	96,000,000	42,82
137	1	April, 1879.	April, 1899.	75,000	40,000,000	36,523,000	28,224,000	12,59
138		Feb., 1879.	Feb., 1899.	150,000	32,000,000	29,196,000	24,720,000	10,07
139	2	Feb., 1879.	Feb., 1899.	350,000	80,000,000	72,788,500	57,600,000	25,18
140	{	Mar., 1879.	{ Amalgamated with No. 67 in 1881. }					
141		April, 1879.	April, 1899.	50,000	40,000,000	36,580,500	26,928,000	12,59
142	{	Mar., 1879.	{ Amalgamated with No. 32 in 1881. }					
143	{	Mar., 1879.	{ Amalgamated with No. 30 in 1880. }					
144		May, 1879.	April, 1899.	50,000	40,000,000	36,588,000	29,856,000	12,59

145		April, 1879.	April, 1899.	50,000	40,000,000	36,445,000	29,760,000	12,59
146		April, 1879.	April, 1899.	80,000	64,000,000	58,800,000	44,160,000	20,15
147	5	Aug., 1879.	Aug., 1899.	500,000	320,000,000	293,080,500	216,144,000	100,7
148	1	Mar., 1879.	Mar., 1899.	300,000	160,000,000	145,417,000	113,280,000	50,37
149 {		Aug., 1879.	{ Amalgamated with No. 119 in 1885. }					
150		May, 1879.	May, 1899.	50,000	40,000,000	36,448,500	28,800,000	12,59
151		Aug., 1879.	Aug., 1899.	130,000	52,000,000	47,270,000	35,040,000	16,37
152		Dec., 1879.	Dec., 1899.	50,000	40,000,000	36,373,000	27,648,000	12,59
153 {		Nov., 1879.	{ Amalgamated with No. 111 in 1886. }					
Total	178			48,816,100	31,532,880,000	21,219,719,000	21,688,383,500	9,928



*Table II.—Transactions by National Banks.*

YEARS.	Total Business.	Deposits.	Loans.	Money Transfer Bills.	Bills on Goods.	Ordinary Bills.	Other Bills.
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1877	386,268,847	30,599,422	27,197,347	9,890,325	2,336,505	2,390,203	
1878	730,781,897	71,744,692	58,915,948	25,336,704	5,536,470	7,802,960	
1879	1,310,550,391	223,090,851	93,796,447	49,840,207	8,849,801	8,705,418	
1880	1,663,358,265	317,969,732	147,618,580	92,346,568	11,743,932	13,218,215	2,631,049
1881	2,286,805,133	427,665,843	209,603,481	116,084,384	18,479,225	28,208,926	2,862,924
1882	2,194,123,298	460,954,632	205,271,286	102,970,550	12,221,897	26,132,094	2,943,845
1883	2,086,441,154	399,734,037	174,622,774	88,363,037	9,261,125	25,634,033	2,636,224
1884	2,209,643,350	431,834,031	167,055,275	100,515,655	9,756,794	38,536,382	3,115,415
1885	2,150,826,990	435,165,805	148,133,274	98,550,564	12,876,945	27,883,651	5,557,437
1886	2,552,301,344	521,872,515	161,072,140	110,833,470	20,373,061	43,365,569	9,943,063
1887	2,833,752,672	536,577,813	199,363,029	113,866,511	20,840,227	67,942,433	8,497,797
1888	3,090,281,897	563,006,240	232,987,384	132,657,053	21,569,713	78,386,614	18,759,646
1889	3,483,206,253	597,416,331	279,138,135	149,092,592	25,920,782	99,775,103	28,296,301
1890	3,626,816,696	503,312,238	314,148,443	163,865,423	26,152,669	111,425,607	27,286,120
1891	3,643,744,628	509,572,433	296,691,829	166,742,368	31,206,527	124,468,416	30,342,789
1892	4,402,699,493	641,276,408	318,389,990	182,962,494	36,946,233	158,456,633	45,037,392
1893	5,448,390,122	783,558,976	384,117,103	208,487,836	41,540,979	229,539,293	56,632,667
1894	6,436,636,793	914,326,535	450,819,214	501,887,518	110,125,123	275,353,347	64,684,104

*Table III.—Capital and Profits of National Banks.*

YEARS.	Number of Offices.	Number of Branch Offices.	Capital (a).  YEN.	Notes Issued.  YEN.	Reserve (b).  YEN.	Net Profit.  YEN.	Dividend.  YEN.	Dividend Compared to (a) and (b).  PER CENT.	Dividend Compared to (a).  PER CENT.
1873	1		2,440,000	1,362,210		93,551	54,915	3.83	2.25
1874	4		3,432,000	1,995,000	29,253	346,744	272,044	10.36	8.19
1875	4		3,450,000	1,420,000	62,002	343,891	256,295	9.81	7.43
1876	4		2,350,000	1,744,000	81,599	390,631	289,306	15.79	12.08
1877	26	19	22,986,100	13,352,751	137,080	1,540,600	1,333,183	13.95	11.56
1878	95	39	33,596,063	26,279,006	378,484	3,633,780	2,950,443	13.21	10.84
1879	151	82	40,616,063	34,046,014	881,720	5,613,981	4,619,423	13.97	11.72
1880	151	103	43,041,100	34,426,351	1,665,257	6,593,775	5,443,994	14.97	12.77
1881	148	110	43,886,100	34,396,818	2,716,908	7,394,519	5,900,538	16.06	13.54
1882	143	121	44,206,100	34,385,349	3,786,836	7,558,239	5,973,831	15.89	13.69
1883	141	122	44,386,100	34,275,735	4,259,590	6,569,120	5,576,631	13.69	12.76
1884	140	124	44,536,100	31,015,942	4,620,631	6,061,943	5,166,515	12.65	11.92
1885	139	119	44,456,100	30,273,195	5,050,216	6,033,627	5,142,006	12.43	11.78
1886	136	122	44,416,100	29,457,049	5,706,696	5,967,760	4,901,775	12.15	11.13
1887	136	134	45,838,851	28,566,735	6,016,153	6,518,324	4,941,545	12.92	11.08
1888	135	149	46,877,639	27,645,771	7,741,923	8,005,448	4,907,250	15.09	11.24
1889	134	149	45,171,100	26,710,268	9,600,590	7,407,640	5,040,660	13.19	11.34
1890	134	149	48,644,662	25,810,720	12,382,455	7,871,904	5,364,872	13.49	11.85
1891	134	145	48,701,100	24,846,479	13,671,073	7,939,279	5,353,828	13.17	11.47
1892	133	140	48,325,600	23,754,984	15,222,432	7,446,156	5,242,189	13.07	11.26
1893	133	153	48,416,100	22,644,046	16,056,368	7,312,417	5,226,951	11.53	10.98
1894	133	157	48,691,100	22,180,300	17,591,697	8,652,096	5,502,557	13.25	11.43

## EXCEPTIONAL CASES.

In the case of the Second and the Fifteenth National Bank we find a few points of peculiarity. The former is distinguished by its issue of what is known as *Yoginken* (dollar certificates), and the latter by its loan to the Government of 15,000,000 yen during the civil war of 1877.

*A.—*

### ***DOLLAR CERTIFICATES AND THE SECOND NATIONAL BANK***

The privilege of issuing dollar certificates was first granted to the Yokohama Kawase Kwaisha in March, 1870, in order to satisfy a want felt by Yokohama traders, who, not being accustomed to the use of bills issued by foreign banks, were cheated by

forged bills, and to whom the actual carrying about of dollars in their pockets was burdensome. The original certificates were made by the Tsushioshi (the Board of Trade). They were poor in design and material. Hence, through the medium of the Oriental Banking Corporation, the manufacture of 5, 10, 20, 50, 100, 500, and 1000 dollar certificates, to the amount of 1,500,000 dollars, was ordered from Perkin & Bacons, of London; the old bills were withdrawn after the arrival of the new ones from England. The plan was to issue the certificates to the full amount for dollars received from foreign banks in payment of bills presented to them by exporters. The Government exercised the utmost watchfulness over these transactions, insisting on seeing whether dollars were reserved as declared, and even going so far as to seal up all the reserve except 60,000 yen which was left to meet casual demands. Under the National Bank Act of 1872, the above-mentioned company transformed itself into the Second National Bank, and although the issue of notes except bank notes was prohibited by the act, the practical need felt among Yokohama traders made it impossible to do away at once with the dollar certificates. An act was passed in 1874, Law No. 100, to regulate them. By this act Government bonds or land certificates to the amount of one-third of the circulation had to be invested in the Treasury, and it was consequently ordered that the business of the certificate department should be clearly separated from the general banking business. Though these certificates circulated fairly well, and very few, as shown in the table on following pages, were actually presented for conversion, they became no longer admissible after the promulgation of the Convertible Bank Note Act (Law No. 18) in May, 1884, according to which the issue of the certificates was to cease within a year.

*Table IV.—Circulation and Conversion of Silver Certificates.*

YEARS.	Circulation.	Conversion.	Per Cent.
1874	\$230,287		
1875	208,636		
1876	393,603		
1877	439,833		
1878	367,882		
1879	401,104		
1880	602,252	\$1,065	.001768
1881	497,296	1,394	.002803
1882	344,716	1,268	.003672
1883	501,470	1,571	.003132
1884	239,819	1,282	.003772
1885	286,240		

But as holders still remained at the expiration of the term, viz., May 26, 1885, it was by successive postponements extended till the close of 1890. The matter then came to its final conclusion, and the profit of more than 2000 yen accruing from non-presentation went to the benefit of the Second National Bank.

**B.—**

## ***THE GOVERNMENT AS A BORROWER FROM THE FIFTEENTH NATIONAL BANK.***

The case of the Fifteenth National Bank is peculiar from its being the means of collecting bonds owned by 480 Daimios, and lending the Government during the civil war of 1877 the sum of 15,000,000 yen at five per cent. for the term of twenty years. The finances then were in a very straitened condition, and in order to induce the Bank to lend the money, the Government granted exceptional relaxations of the Bank Act. The chief of these were as to keeping only five per cent. instead of twenty-five per cent., as the reserve against deposits, and issuing notes to ninety-three per cent. instead of eighty per cent. of the amount of capital. It was also agreed not to pay back the money until twenty years should elapse. This last proviso may seem somewhat peculiar,\* but as the nobles could not find means to employ safely such a large sum of money, it was to their interest that repayment should be delayed. But after the suppression of the civil war, and with the revision of the National Bank Act in 1883, such exceptional treatment of this bank became needless. Therefore, out of 15,000,000 yen borrowed, the Government returned 5,000,000, and the requirement in regard to the reserve and the issue of notes was made similar to that of other banks. The withdrawal of special favors, however, was not accomplished without some sacrifices on the side of the Government. The rate of interest on the remaining 10,000,000 yen was raised to seven and a half per cent., a rate which was, however, justified by the state of the money market at that time. This bank remains the largest in its capital; it is the creditor of the Government, and last, but not least, its shareholders are nobles. These characteristics may lead to results not found in connection with other national banks. This will become clear as we proceed with the next topic.

## **SECTION II.**

### **THE FUTURE OF NATIONAL BANKS.**

#### **THEIR PROLONGATION AND TRANSFORMATION.**

**A.—**

#### ***EXPECTATION.***

PREVIOUS to the reform of the National Bank Act in 1883, a draft estimate was shown to the parties concerned, pointing out that by 1897, the bank notes would be wholly redeemed with the interest accruing from the bonds purchased with the redemption fund, already mentioned. According to the original plan, in the case of a bank with a capital of 100,000 yen, the method of redemption was as follows: the Treasury issued to the bank 80,000 yen in Government bonds and 80,000 yen in bank

notes; the bank at the same time establishing a reserve fund of 20,000 yen, and having the 80,000 yen of bank notes available for loan in the market. In this case, in order to redeem the notes issued, 80,000 yen in bonds would be sold, and the same amount of notes redeemed, so that the total amount of assets remaining in the hands of the bank would be 100,000 yen, composed of 20,000 yen reserve fund, originally created, and 80,000 yen of money received by the calling in of the loan of the 80,000 yen of bank notes first taken out.

Under the new redemption scheme, the process in the case of a bank with 100,000 yen capital would be the same through the four steps of the bond investment of 80,000 yen in the Treasury, the establishment of the 20,000 yen reserve fund, the issue of bank notes, and the loan of the same in the market. Then the new scheme diverges with the transfer of the reserve fund to the Bank of Japan, followed by an annual deposit out of profits of two and a half per cent. of the total issue of notes in cash. The next step is the purchase by the national bank of 80,000 yen of bonds, the interest on the bonds at the end of the bank's term and its annual deposits amounting to 80,000 yen. The original issue of notes is then collected and redeemed, being taken out of the market and handed back to the Treasury. The reserve fund is then returned by the Bank of Japan to the national bank in question, and the latter also receives 80,000 yen in cash from those who borrowed its 80,000 yen of notes; so that the national bank, for its capital of 100,000 yen, gets, at the expiration of its term, in all 180,000 yen, consisting of 20,000 of reserve fund returned from the Bank of Japan, 80,000 in Government bonds returned from the Treasury, and 80,000 in money returned from the debtors in currency, other than the notes issued by the bank, thus making an extra profit of 80,000 yen, as compared with the original scheme. Taking the case of all the banks, the result was roughly estimated as shown below:

<i>a.</i>	10,738,982.511	yen interest from bonds bought with the reserve.
<i>b.</i>	7,992,223.958	<i>c.</i> Interest from bonds bought with 2½ per cent. of the annual profits.
	18,731,206.469	
	13,791,515.327	Money obtained by selling at par the bonds bought with the above ( <i>c</i> ).
	32,522,721.796	Total redemption fund.
	31,812,880.000	Total notes issued.
	709,841.796	Surplus.

In addition to this surplus, there can be restored to the banks after redeeming the notes, over 10,000,000 yen of Government bonds bought with the reserve, leaving an increase of about half a million. The constituents of *a* and *b* are shown in Tables V and VI, and how the calculation failed may be seen from Table VII.

*Table V.—Product of the Reserve.*

YEARS.	(a) Estimated Price of Government Bonds.  YEN.	(b) Total Reserve.  YEN.	(c) Bonds Bought with (b).  YEN.	(d) Interest of Seven Per Cent. on (c).  YEN.	(e) Bonds Bought with Extra Profits.  YEN.	(f) Interest of Seven Per Cent on (e).  YEN.	Sum of (c) and (e).  YEN.
1883	80	7,953,220.000	9,941,525.000	695,906.750	49,707.625	3,479.533	9,991,232.62
1884	80	7,953,220.000	9,991,232.625	699,386.283	49,956.163	3,496.931	10,041,188.7
1885	80	7,953,220.000	10,041,188.780	702,883.215	50,205.943	3,514.416	10,091,394.7
1886	85	7,953,220.000	10,091,394.731	706,397.631	35,563.747	2,489.462	10,126,958.4
1887	85	7,953,220.000	10,126,958.478	708,887.093	35,738.681	2,501.707	10,162,697.1
1888	85	7,953,220.000	10,162,697.159	711,388.801	35,868.343	2,510.784	10,198,565.5
1889	85	7,953,220.000	10,198,565.502	713,889.585	35,994.937	2,519.645	10,234,560.4
1890	90	7,953,220.000	10,234,560.439	716,419.230	22,743.467	1,592.042	10,257,303.9
1891	90	7,953,220.000	10,257,303.906	718,011.273	22,794.011	1,595.580	10,280,097.9
1892	90	7,953,220.000	10,280,097.917	719,606.854	22,844.664	1,599.126	10,302,942.5
1893	90	7,953,220.000	10,302,942.581	721,205.980	22,895.430	1,602.650	10,325,838.0
1894	95	7,953,220.000	10,325,838.011	722,808.660	10,869.305	760.851	10,336,707.3
1895	95	7,953,220.000	10,336,707.316	723,569.512	10,880.746	761.652	10,347,588.0
1896	95	7,953,220.000	10,347,588.062	724,331.164	10,892.198	762.453	10,358,480.2
1897	100	7,953,220.000	10,358,480.260	725,093.618			10,358,480.2
Total				10,709,795.649	416,955.260	29,186.862	

*Table VI.—Product of the Two and a Half Per Cent. of the Annual Profit.*

YEARS.	(a) Estimated Price of Government Bonds.	(b) Two and a Half Per Cent of Original Issue Out of Annual Profit.	(c) Bonds Bought with (b)	(d) Interest of Seven Per Cent. on (c).	(e) Bonds Bought with Extra Profit of Bonds Redeemed at Par.	(f) Interest of Seven Per Cent. on (e).	Sum of (c) and (e).
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1883	80	795,322.000	994,152.500	69,590.675	4,970.762	347.953	999,123.262
1884	80	795,322.000	1,993,275.762	139,529.303	9,966.378	696.646	2,003,242.140
1885	80	795,322.000	2,997,394.640	209,817.624	14,986.973	1,049.088	3,012,381.613
1886	85	795,322.000	3,948,054.436	276,363.810	13,934.310	975.401	3,961,988.746
1887	85	795,322.000	4,897,661.569	342,836.309	17,285.864	1,210.010	4,914,947.433
1888	85	795,322.000	5,850,620.256	409,543.417	20,649.777	1,445.484	5,871,270.033
1889	85	795,322.000	6,806,942.856	476,485.999	24,024.507	1,681.715	6,830,967.363
1890	90	795,322.000	7,714,658.474	540,026.093	17,143.685	1,200.057	7,731,802.159
1891	90	795,322.000	8,615,493.270	603,084.528	19,145.541	1,340.187	8,634,638.811
1892	90	795,322.000	9,518,329.922	666,283.094	21,151.844	1,480.629	9,539,481.766
1893	90	795,322.000	10,423,172.877	729,622.101	23,162.606	1,621.382	10,446,335.483
1894	95	795,322.000	11,283,516.535	789,846.157	11,877.738	831.441	11,295,394.273
1895	95	795,322.000	12,132,575.325	849,280.272	12,771.132	893.979	12,145,346.457
1896	95	795,322.000	12,982,527.509	908,776.925	13,665.818	956.607	12,996,193.327
1897	100	795,322.000	13,791,515.327	965,406.072			13,791,515.327
Total				7,976,492.379	224,736.935	15,731.579	

*Table VII.—Actual Annual Redemption of Bank Notes.*

YEARS.	<i>a-</i> June Bought	Bonds with Dec. Reserve.	Bonds Bought with 2½ Per Cent. Accumulation.	Total.	Interest and Other Income of the Fund.	Notes Redeemed.	Surplus.
	<i>b-</i>	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1883.	<i>b</i>	507,340	9,936,030	10,443,370	335,297.100		335,297.100
1884.	<i>a</i>	1,032,405	9,989,220	11,021,625	351,880.482	335,239.000	351,938.582
1884.	<i>b</i>	1,514,375	9,957,640	11,472,015	366,351.716	351,872.000	366,418.298
1885.	<i>a</i>	1,999,295	9,992,140	11,991,435	380,272.596	366,350.000	380,340.894
1885.	<i>b</i>	2,481,775	9,981,440	12,463,215	395,056.504	380,274.000	395,123.398
1886.	<i>a</i>	2,959,725	9,991,405	12,951,130	409,103.269	395,063.000	409,163.667
1886.	<i>b</i>	3,312,940	9,839,180	13,152,120	430,951.550	409,099.000	431,016.217
1887.	<i>a</i>	3,736,220	9,979,880	13,716,100	458,083.853	430,934.000	458,166.070
1887.	<i>b</i>	4,138,115	9,979,855	14,117,970	466,683.081	458,097.000	466,752.151
1888.	<i>a</i>	4,534,335	9,979,965	14,514,300	453,373.151	466,688.000	453,437.302
1888.	<i>b</i>	4,929,950	9,979,915	14,909,865	464,211.375	453,358.000	464,290.677
1889.	<i>a</i>	5,325,660	9,979,855	15,305,515	471,264.781	464,208.000	471,347.458
1889.	<i>b</i>	5,722,745	9,979,805	15,702,550	463,614.185	471,295.000	463,666.643
1890.	<i>a</i>	6,117,165	9,980,955	16,098,120	462,096.455	463,594.000	462,169.098
1890.	<i>b</i>	6,515,825	9,980,955	16,496,780	464,687.265	462,083.000	464,773.363
1891.	<i>a</i>	6,911,960	9,980,955	16,892,915	473,413.264	464,714.000	473,472.627
1891.	<i>b</i>	7,305,490	9,927,480	17,282,970	497,129.975	473,396.000	498,206.602
1892.	<i>a</i>	7,664,900	9,934,580	17,599,480	470,422.247	498,147.000	470,481.849
1892.	<i>b</i>	8,058,715	9,934,580	17,993,295	515,998.701	440,167.000	516,054.550
1893.	<i>a</i>	8,424,905	7,677,450	16,102,355	594,931.600	515,982.000	595,004.150
1893.	<i>b</i>	8,810,355	9,739,800	18,550,155	463,753.868	594,948.000	463,809.809
1894.	<i>a</i>	9,145,135	9,732,300	18,777,435	479,443.289	463,746.000	479,507.098
1894.	<i>b</i>	9,513,435	9,732,300	19,245,735	481,143.395	479,400.000	481,250.493
1895.	<i>a</i>	9,907,585	9,732,300	19,639,885	490,997.122	481,181.000	491,066.615
1895.	<i>b</i>	10,301,735	9,732,300	20,034,035	500,850.870	491,011.000	500,906.485
Total					11,342,011.694	10,810,846.000	

**B—**

## **REALIZATION.**

Thus, by the gradual rise in the price of Government bonds,\* the amount to be bought with the redemption fund decreased, causing the redemption of notes to lessen, as shown in Table VII. The conversion of bonds bearing interest of over six per cent., and the decrease of the rate of interest to five per cent., consequent on the carrying out of the Consolidated Loan Act,† produced a similar result, the former lessening the principal and the latter the interest of the redemption fund. Hence a decrease in the amount of notes expected to be redeemed, which, though anticipated, was quite



contrary to the plan outlined in the foregoing Tables V and VI. This produced an uneasy feeling among bankers, and they petitioned the Treasury in 1890 to consider the matter.

C.—

### ***FIRST FAILURE.***

But nothing special was done by either of the parties concerned till the presentation of a bill to the Diet on May 15, 1894. Though short, it contained much substance, the chief points in it being:

1. National banks must cease to exist as such after the expiration of their term.
2. Those which dissolve at the end of their term of existence must conform to the method of winding up prescribed in the Commercial Code. Those desiring to transfer themselves into common banks can do so, without this process, maintaining their assets and liabilities as they are.
3. In the latter case, however, the permission of the Secretary of the Treasury must be obtained, and the decision must be concurred in by a majority of three-fourths of the shareholders six months previous to the close of the term.
4. In any case, the bank notes must be wholly redeemed within the term originally fixed.

These provisions were embodied in five clauses of the bill, and it was also provided at the same time that if the immediate collection of notes issued by any of the banks should be found impossible, from their being scattered all over the country, the bank must pay a sum equal to that of the unredeemed notes into the Treasury. If necessary, the Bank of Japan would advance the sum needed, without interest, retaining the bond to be returned from the Government on receipt of the amount, as the pledge. This latter service was not, however, any real sacrifice on the part of the Bank of Japan, since it could by law expand its issue of convertible notes based on bonds and bills to the full extent of the fund held for bank note redemption.\* Thus the apparent loss arising from the rise in price of the bonds and the large remainder of unredeemed notes was almost nullified. With the fund delivered, the Treasury was to assume the obligation to redeem the remaining notes, which ceased to be currency, not after the end of the term of the individual bank, but after the end of the term of the last bank of the series, viz., the one hundred and fifty-second bank, whose term expires in December, 1899. But in order to relieve the holders of bank notes of any loss within the five years from this date, exchange into legal currency was allowed. This treatment of the bank notes as a whole, as if they were issued by one institution, has been maintained since the foundation of the bank note redemption fund by the Act of 1883. It was deemed a measure of practical necessity, and one required to facilitate actual redemption. The Government was to form a separate fund to redeem notes of banks whose term had expired. The bill was placed in the hands of a special committee of eighteen, by which it was approved, and it was reported to the House on the 28th of May. The bill passed the House of Commons almost unanimously, but

while it was in the hands of a special committee of the Lords, the Diet was dissolved on the 31st of May, the bill being lost, much to the disappointment of bankers, because the day of the expiration of their charters was not far off.\*

While everyone felt the necessity for the prompt passage of the bill, the outbreak of the Korean difficulty, and the war with China, made it impossible to bring it forward in the extra session held in Hiroshima toward the end of 1894.

*D.—*

## ***SECOND FAILURE.***

Previous to this, a movement had been on foot, though secretly, yet steadily, to prolong the term of existence of national banks as opposed to the policy pursued by the Government. The ground of argument was based on the following, among other reasons:

1. Being in the middle of war with China, it is inexpedient to make any changes in the existing banking system of the country.
2. The rise in price of Government bonds and the reduction of their rate of interest lessened the amount of note redemption, so that the profit expected by national banks cannot be reaped. But, on the contrary, they must supply the deficiency of the sum needed to redeem the notes.
3. The public still place more confidence in the national banks than in others; therefore, it is better to let them remain as they are for some years more.
4. The smooth transformation expected by the Government is unattainable, and the attempt to carry it out would create great disturbance in the money market.

At the root of these high-sounding, but rather superficial arguments, there was the selfish pecuniary interest involved in the postponement. There was a number of men of a conservative turn, whose interest it was to continue to be employees of national banks, and banks that did not care to be themselves examined, or to see the prestige of the Bank of Japan increased in any way, were brought together by a community of interest. Pamphlets were circulated, newspapers were made use of, meetings were held, electioneering and canvassing resorted to, and much influence exerted upon the members of the two Houses. Many members who did not oppose, nay, even advocated the Government bill before, changed front, and a bill to allow the prolongation of the term of the banks for ten more years, with the option of transformation, was supported by influential members of the Commons. This prompted the Government to introduce, on the 12th of January, the same old bill to transform national banks. The opposing camps were divided into Yenkiha, the prolongationists, and Keizokuha, the transformationists. The contest grew warm between them, the opponents of prolongation insisting:

1. Prolongation would postpone for years the assimilation of paper currency, and it would interfere with the exercise of the promised right of issue of notes by the Bank of Japan.
2. The plea for prolongation is quite groundless, because the rise of Government bonds was already foreseen at the time of the revision of the act in 1886. If any loss is to accrue, the sum needed to supply the deficiency will be lent free by the Bank of Japan.
3. Many common banks, without any special favors or privileges, have been organized, and among them there are not a few of superior standing to some of the national banks. The expectation of these banks, numbering then about seven hundred, to have a fair chance for competition, will be destroyed.
4. The Government bill is, comparatively speaking, the best, and where no internal strife exists, good banks are sure to continue their business as common banks. The transition would thus be much more smooth than it would be by the process of winding up. But this latter is inevitable if no special law is passed, and if things are left to the unanimous agreement of shareholders, a thing well-nigh impossible.
5. According to the present act, national banks cannot enter into correspondence with banks abroad. This is quite against the future expansion of business. The act is full of other restrictions, and it restrains the freedom of action so much needed in the banking business. Moreover, such privileges as it confers should not be granted in profusion, or for long periods.
6. At the close of the period of prolongation, we should meet with the same set of difficulties. If the problem is hard to solve, it is better to face it resolutely and at once.

The two opposing bills were committed together to a committee of eighteen, appointed by the Speaker of the House. The Government bill, *i. e.*, the one providing for transformation, was affirmed, while the prolongation bill was negatived by the committee, after a long and heated discussion. But when they were reported to the House on January 28th, the former was lost by a majority of 117 against 137, while the latter passed by a majority of 132 against 104. On the announcement of the result of the first division, the opponents of the prolongation bill were disappointed and disgusted, and many of them left their seats, making the triumph of their enemy more complete on the next division. The prolongation bill went to the House of Lords. Here, as most of the members are nobles,\* and are at the same time shareholders of the Fifteenth National Bank, whose staff were jealous upholders of prolongation, the passage of the bill was anticipated even by its opponents. A special committee of nine was appointed on February 2d, and after holding many meetings, the bill was disapproved and reported adversely to the Lords on the 13th of the same month.

The Government decided to oppose the bill to the last, even going so far as to take the responsibility of advising the Crown to veto it. However, by something like luck, yet really by the calling out of nominated members, it was negatived by a majority of 112 against 85 on the same day.

*E.—*

### ***THE PROSPECT.***

Thus the plans of prolongation and of transformation both fell to the ground. The war with China came to a close, after giving far less obstruction to trade than was at first feared. A revival of trade set in, especially after the payment of part of the war indemnity. An extension of the commercial field and of all industrial undertakings lessened the force of arguments once so earnestly urged by the prolongationists. Moreover, the First National Bank found it necessary to have the question settled at once, as the expiration of its term was near at hand. The chief director of that bank, Mr. Shibusawa, a man of long experience in the banking business, persuaded a majority of the national banks to petition the Treasury to bring forward the transformation bill at the earliest possible date in the coming session. Even those banks which did their utmost to press the prolongation bill kept silent, because they knew that the time was not propitious for the acceptance of their selfish and short-sighted views, and because it was really to their advantage to have the Government bill passed. At the same time, a change took place in the directorship of the Fifteenth National Bank, and the views held by large shareholders, such as Dukes Shimadzu and Mori, the Marquises Kuroda, Yamanouchi and others as to the expediency of dissolving the bank at the expiration of its term, seemed now to have got the ascendant, making it unnecessary to adhere to the prolongation bill. Some of the most active and powerful of the national banks went so far as to desire to be freed from the yoke of the cumbrous act, even before the expiration of their term, and expressed a wish for special legislation to enable them to transform themselves into common banks. Others, such as the Hundred and Nineteenth Bank, owned by the well-known Mitsubishi firm, set up at once a common bank, to which its business was really transferred, and into which the national bank was to be merged at the close of its term. Even if a different state of things had existed, the Government could not have been turned from its purpose to bring forward the transformation bill, with some slight improvement over the old one, which had twice failed in the Diet.

A bank with 100,000 yen capital, desiring to be transformed into a common bank, would have 80,000 yen notes outstanding under its national form, of which 20,000 yen would have been redeemed by the operation of the regular National Bank law. Of the balance of 60,000 yen, 30,000 yen would be redeemed by the 30,000 yen of Government bonds bought and pledged with the Bank of Japan, and a similar amount with Government bonds bought with the fund set apart from two and a half per cent. of annual profits. In case the national bank does not like to borrow, or it dissolves, the last deficiency of 30,000 is filled up by selling the bonds bought with the reserve. After the expiration of the bank's term, the note will be redeemed by the Treasury, through the agency of the Bank of Japan, to which the actual dealing in public funds is now intrusted, as well as the custody of the redemption fund of the national banks. The ownership of unclaimed notes, which will be 5/1000, or about 20,000 yen, will be vested in the State. The transformation of most of the national banks will take place under the provisions of the act passed February 25, and formulated as law on March 7, 1896. They may fare better as common banks without any legal restrictions. In fact,

these banks have enjoyed hardly any benefit to counter-balance the innumerable burdens and restrictions imposed on them. In becoming common banks, their business will not decrease, and possibly may increase, while those which are highly rated now will continue to be so after their transformation. Indeed, the progress made by national banks has been so great that, although at the beginning they had to be nursed and fostered by the Government, they can now do much better without any Government tutelage. The ugly disclosures apprehended by a correspondent of the "Economist" (August 10, 1895) may not take place except in a few cases, and the transition may be effected smoothly, completing the life of the national banks, and the assimilation of the paper currency. Many feel the need of more capital, and will prefer to amalgamate with other banks if the law permits it. Such amalgamation was accomplished very easily by the permission of the Treasury, before the Commercial Code came into force in 1883, in more than fifteen actual cases. But, according to the code, such changes by mere administrative consent have become inadmissible. Hence, the Government has prepared a bill to facilitate the amalgamation of banks without undergoing the regular course of dissolution. Some banks, like the First and the Fifty-Eighth, went so far as to establish branch offices in Corea; and some, as, for instance, the One Hundredth Bank, formed a correspondence with European banks, all with the special permission of the Minister of Finance. No doubt, a gradual extension of the field of action will take place, now that useless restrictions have been removed.

## CLEARING-HOUSE AND BANKERS' LEAGUE.

In 1879, a clearing-house was established in Osaka. This is the first and the largest in the country, because Osaka is in reality the commercial centre of the empire, and bills originating there take precedence over even those of Tokio. At this establishment, the bills not only of Osaka, but of other localities, are cleared. The expenses of the clearing-house are derived from three sources:

1. ? borne equally by associated banks.
2. ? borne by the bills cleared, according to number.
3. ? borne by the bills cleared, according to amount.

The final account is settled by means of cheques. This clearing-house is under the management of the Osaka Bankers' League and the committee of consultation in regard to discounts. The expenses of the league are defrayed out of the following funds: 1. By entrance money of 150 yen. 2. A reserve fund, each paying 200 yen, invested in Government bonds. 3. A monthly subscription from each bank of five yen. The main purpose of the league is to facilitate intercourse among the associates and to discuss matters of interest to all. There is, besides, a committee of arbitration to settle differences of views among the banks, as well as to provide for the publication of a monthly report. Admission to membership is granted by a three-fourths vote, and is limited to banks with at least half of their capital paid up and of a year's standing. Any members doing a speculative business or violating the rules of the league are first warned, and if no reformation follows, they are expelled by a vote of three-fourths of those present at the meeting. Regular meetings are held twice a year, in January and July. Special meetings can be convened at the request of five banks, at which one of

the directors or managers of each bank must be present. At present eighteen national banks and four common banks are included in the membership.

In Tokio there has existed since 1887 an association of bankers, and here the business of clearing was begun in 1880. It now exists as the Bankers' League, and with the exceptions that an affirmative vote of only one-half is required for admission, and that the regular meetings are held in April and October, the regulation of the league is about the same as that of Osaka. Since 1891, the clearing-house balances have been settled by deposits made in the Bank of Japan, and in this respect the practice differs from that of Osaka. There is the further difference that the associate banks\* must invest 10,000 yen in Government bonds. One-half of the expense is borne equally, and the other half is proportionately divided according to the amount cleared. The amount of bills cleared by these two clearing-houses is shown on page 450.

*Table VIII.—Clearances at the Osaka Clearing-House.*

YEARS.	BILLS OF REMITTANCE.		DEPOSIT BILLS.		CHEQUES.		CHEQUES OF THE CLEARING-HOUSE		TOTAL.	
	No.	Amount. YEN.	No.	Amount. YEN.	No.	Amount. YEN.	No.	Amount. YEN.	No.	Amount. YEN.
1880	12,892	4,722,836	945	170,953	67,531	25,480,972	6,188	5,544,092	87,556	35,918,853
1881	10,177	3,512,933	409	884,164	84,886	31,687,784	9,362	9,156,913	104,834	45,241,794
1882	18,710	5,448,022	618	1,556,943	84,572	32,744,530	7,637	6,738,010	111,537	46,487,505
1883	14,997	3,910,042	305	888,136	53,776	20,052,713	7,952	6,584,981	77,030	31,435,872
1884	14,689	4,162,733	157	370,231	41,016	13,010,412	6,891	5,112,689	62,753	22,656,065
1885	15,574	5,490,701	78	172,860	36,025	8,920,340	4,291	3,153,306	55,968	17,737,207
1886	18,367	6,535,526	81	241,917	40,718	9,587,551	7,611	5,709,700	66,777	22,074,694
1887	22,145	7,729,932	105	181,844	45,856	11,317,285	6,936	4,845,102	75,042	24,072,163
1888	31,892	10,830,599	127	190,464	55,788	12,839,533	6,987	5,038,253	94,797	28,898,849
1889	36,556	12,326,113	152	180,536	68,908	15,814,954	7,205	5,865,547	112,821	34,187,150
1890	42,685	14,071,826	55	118,523	73,058	16,430,237	7,674	6,627,191	123,472	37,247,777
1891	48,410	14,606,081	56	127,500	82,422	17,870,869	7,281	6,510,031	137,899	39,122,481
1892	55,934	17,943,034	57	77,768	97,786	24,745,425	7,712	6,843,821	161,489	49,610,048
1893	59,961	19,965,898	50	173,104	104,629	31,477,214	9,395	11,984,445	174,035	63,600,661
1894	65,766	22,746,567	54	181,190	105,596	32,288,490	9,476	12,327,558	180,892	67,543,805

*Tokio Clearing-House.*

YEARS.	BILLS OF REMITTANCE.		DEPOSIT BILLS.		CHEQUES.		CHEQUES OF CLEARING-HOUSE.		TOTAL.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
		YEN.		YEN.		YEN.		YEN.		YEN.
1889	12,107	4,852,458	1,426	1,796,692	20,386	11,030,008	2,605	1,880,243	36,524	19,559,401
1890	15,975	6,034,393	1,014	1,564,488	23,079	11,034,661	2,233	1,572,551	42,301	20,206,093
1891	21,060	26,587,562	1,757	9,324,788	29,817	28,882,956			52,634	64,795,306
1892	29,809	37,759,960	2,301	20,147,368	65,080	55,669,249			97,190	113,576,577
1893	37,176	39,526,148	2,731	23,917,430	95,598	84,775,293			134,505	148,018,871

*Tokio Clearing-House.—Continued.*

YEARS.	BILLS OF EXCHANGE.		PROMISSORY NOTES.		DEPOSIT BILLS.		BILLS OF REMITTANCE.		CHEQUES.		TOTAL.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
		YEN.		YEN.		YEN.		YEN.		YEN.		YEN.
1894	15	116,604	2,082	1,619,373	3,001	23,518,895	44,428	35,942,656	122,663	124,399,972	172,189	172,189,189

There are six Bankers' Leagues in all, viz.:

1. Kuantō Ginko Kuai\* 50 associated, with 42,396,100 yen of capital.
2. Nagoya Domei Ginko 14 associated, with 1,780,000 yen of capital.
3. Kuansai Domei Ginko 22 associated, with 5,000,000 yen of capital.
4. Ōu & Hokkaido Ginko 13 associated, with 2,225,000 yen of capital.
5. Chiugoku & Shikoku 18 associated, with 2,920,000 yen of capital.
6. Kiushiu 20 associated, with 4,275,000 yen of capital.

\*In this the Specie Bank and six common banks are included.

These leagues are the mouthpieces of the associated national banks. For instance, the question of prolongation or transformation was settled by them, and they are thus a necessary institution for furthering the common interest of the banking world.

[\[Back to Table of Contents\]](#)

## CHAPTER III.

### THE YOKOHAMA SPECIE BANK.

#### *(SHIOKINGINKO.)*

#### ITS HISTORY.

IN 1879 a scheme was submitted to establish a bank with 3,000,000 yen capital, to be paid in silver. The main object in view was the discount of commercial bills drawn on foreign countries, so as to afford banking facilities to exporters and importers. It was also proposed to secure the privilege of issuing bank notes, with bonds convertible into specie as the basis, in conformity with the National Bank Act. This was called forth by the scarcity of metallic currency, and by the fact that the great volume of foreign trade in the treaty ports was in the hands of branch offices of English and of other banks. The assent of the Government was easily obtained, although the power to issue notes was reserved because of the incessant depreciation of the paper currency, and the Specie Bank came into existence on the 23d of February, 1880. Previous to this, two requests were made to the Government:

First. Although it is necessary, according to the National Bank Act, to pay in at once one-half of the capital, since the metallic currency is scarce, let the first installment be reduced to one-fifth of the capital, and the remainder be paid in within eight months.

Second. As the aim of the Bank is to benefit the foreign trade, a matter of grave importance and of public utility, let one-third of the stock be owned by the Government, on which the usual dividend shall be paid, if the profit falls below six per cent., and if above that rate, let the excess be credited to the Bank to form a reserve fund.

To these requests the Government agreed. Although it was at first proposed that the capital should be paid in silver, four-fifths of the payment were allowed to be made in paper money, with which Government bonds were bought, and in case of need the Government agreed to give silver in exchange for these bonds. Thus the capital consisted of:

- 1,000,000 silver yen of Government shares.
- 400,000 silver yen paid in by private shareholders.
- 1,600,000 yen in paper paid in by these shareholders.
- 3,000,000 yen.

With this mixed capital of silver and paper money, this bank began its business. But as the difference between the two became greater day by day, and it was found unsafe to mix them up in calculation, two departments were formed within the Bank, one for



silver and the other for paper. But within two years after the opening of the Bank, chiefly owing to the carelessness and lack of experience and discretion on the part of its directors, to loose allowance of credit, and neglect to make up for the fall in value of mortgages, the losses reached the enormous amount of 1,771,800 yen, a sum exceeding one-half of its capital. Both the shareholders and the Government became alarmed. Special comptrollers were ordered by the Treasury to examine the condition of the Bank; but as they could not go into the details of the daily transactions, the examination yielded but little information. Fearing, however, not only the total loss of the shares owned by itself, but an utter collapse of the foreign bill transactions, the Government prepared a regulation to make the discounting of commercial bills more careful and safe, while at the same time increasing the power of the comptrollers. The shareholders were not quite satisfied, and some of them went so far as to urge the expediency of a voluntary winding up of the Bank. The Government tried hard to tide over the difficulty, and bought up the shares of the discontented shareholders. But matters did not seem to mend. At last a general meeting was convened in April, 1883, and a plan containing the following provisions was submitted:

1. First, to make good a portion of the loss by converting the silver into paper money. If this were done, nearly half the loss would be covered, as the silver was at thirty per cent. premium as compared with paper. At the same time, the reserve, amounting to 137,250 yen in silver, equal to 186,600 yen in paper, was to be used to make up for bad debts. But by so doing, the specie capital system would have to be wholly given up, contrary to the original plan.
2. The Government bonds for converting paper money into specie held by the Bank, which were computed in the capital fund as equal to silver yen, and the interest of which is paid in silver, were to be exchanged for Pension bonds, the quotation of which was lower, and the rate of interest much higher.
3. Silver was, however, to be kept on hand to as large an amount as possible, in order to give facilities to traders and to meet the requirements of commerce.
4. As an offset to the bad debts and unexpected losses, a process of strict retrenchment was to be carried out in the working expenses of the Bank, so that a recovery might be effected in the interval of five years.

These points were agreed to by the shareholders, but it was feared that to sell out silver at once in exchange for paper currency would cause a fall in its price, to the disturbance, also, of the general market. Again the Government help was invoked to buy up silver owned by the Bank, at thirty-eight per cent. premium, the average for the preceding ten days. But instead of obtaining paper to the full amount, Government bonds were required at the current price in exchange for 900,000 yen of silver. Although 740,000 yen was devoted to the covering of bad debts, it was feared that such a sum would be found insufficient, and a special reserve had to be provided against a future deficit. Gradually the state of the market improved, the Bank became more watchful, and was able to get out of its weakly condition. With the prospect of an increase of its dividends, those to be paid on the shares owned by the Government were thus fixed: 1. If the dividend were below six per cent., the Government was to

get no more than other shareholders. 2. If it were between six and fifteen per cent., six per cent. was to be paid to the Government. 3. If between fifteen and seventeen per cent., eight per cent. was the Government rate. 4. If above seventeen per cent., one per cent. was to be added for every one per cent. excess.

It was about this time that the separation between the private property of the Crown and the public domain of the State was contemplated. According to the old idea, "everything was the Emperor's property and everybody his vassals." Such an idea, though natural to absolutism, was incongruous with the reign of law and the spirit of constitutionalism. Japan was to have a constitution carried out into practice in the memorable 1890. As the preparation for the approaching constitution, a line of demarcation was drawn between the Crown property and that belonging to the State. The fear was entertained that the former might not be sufficient for the future wants of the Imperial household, and as one of the means of its augmentation, the shares of big companies owned hitherto by the Government were transferred to the Crown. So the Government shares of the Bank were transferred to the name of the Superintendent of the Crown Property in February, 1885. In that year the condition of the Bank underwent a great change for the better, and in order to restore the original plan, and to facilitate the discount of foreign bills, it was determined in July, 1885, to place the capital again on the silver basis. The volume of foreign trade increased by leaps and bounds, the Bank was utilized more and more, its field of action yearly expanded, and the insufficiency of its capital began to be keenly felt. In March, 1887, the capital was doubled to 6,000,000 yen. By November, half of the new capital was paid in, the total paid-up capital of the Bank being then 4,500,000 yen, and the next payment to be made within a year was postponed until the directors should deem it necessary. Hitherto the Bank had to be guarded by the National Bank Act; but as its business expanded, the necessity arose for a special law adapted to its requirements. In July, 1887, the Yokohama Specie Bank Act was promulgated, the chief points contained in it being: 1. Provision for a joint-stock bank (limited), with a capital of 6,000,000 yen. 2. The term of existence to be twenty years after the date of its charter, viz., the 28th of February, 1880. 3. That the business of the Bank be limited to (*a*) dealings in and discounts of bills, (*b*) loans, (*c*) deposits, and (*d*) exchange of specie. 4. Government permission must be obtained for the appointment of directors, payment of dividends, and the opening of branch offices and agencies. 5. The Government to have the power to arrest any action of the Bank if it be risky, or in violation of the law or the by-laws of the Bank. 6. A comptroller to be appointed by the Treasury to inspect the affairs of the Bank. 7. The Bank must retain one-fourth of the amount on deposit to meet a sudden demand, must set aside one-tenth of its profits as a reserve fund, and must make provision for bad debts. 8. Accounts and reports must be submitted at the demand of the Minister of Finance, and the half-yearly balance-sheet made public in the official gazette and the newspapers.

In conformity with the act, the by-laws of the company were adopted, and were sanctioned by the Treasury in August, 1880. The difference between silver and paper money having disappeared, the necessity for dividing the Bank into two departments ceased, and the method of compiling the statement, which had been very complex, was greatly simplified. It will be perceived that the basis of the capital stock underwent four changes, being first silver, next paper, then a return to silver, and

lastly paper and silver in equivalence. This bank, which was at first almost a complete failure, fortunately recovered, and now is a thriving, active, and influential institution, of an importance second to none except the Bank of Japan. It has a reserve of 4,020,000 yen—a sum almost equal to its paid-up capital.

## THE BANK'S FIELD OF ACTION ABROAD.

After establishing a branch office in Kobé, a trading port near Osaka, in June, 1880, the Bank proposed to extend its field of operations to Europe and America. Before carrying out this intention a special mission was sent in August to London and New York, to survey the place of establishment and the actual condition of the foreign exchanges. Government permission was obtained for the gradual establishment of branch offices or agencies in London, New York, San Francisco, Shanghai, and other places. The commercial importance of London made it necessary to enlarge the branch office there in December, 1884. This was made the central institution of other branch offices abroad, especially of gold countries, and one of the directors was sent out to administer the affairs of the office. There the chief business was to buy the bills drawn on Asiatic markets with the money obtained on the bills at maturity. But soon the insufficiency of the money on hand was felt, and since 1889, a special fund has been placed in the hands of the London branch office to be used for the purchase of bills. The present branch offices, agencies, and correspondents are as follows:

### *Branches and Agencies.*

Name.		Date of Establishment.
Kobé	(B)*	1880
New York	(A)	1880
London	(B)	1881
Lyons	(A)	1882
San Francisco	(A)	1886
Hawaii	(A)	1892
Bombay	(A)	1894
Shanghai	(A)	1893
Hong-Kong	(A)	To be opened shortly.

\*Those marked (B) are branch offices and (A) agencies.

*Firms in Correspondence with the Specie Bank.*

Place	Name of the Firm.
London	London Joint-Stock Bank.
London	Alliance Bank.
Paris	Société de Dépôts de Comptes-Courants.
Paris	Crédit Lyonnais.
Paris	Comptoir National d'Escompte de Paris.
Paris	Société Général.
Marseilles	Crédit Lyonnais.
New York	Ladenburg, Thalmann & Co.
St. Petersburg	Crédit Lyonnais.
Amsterdam	Wertheim & Gompertz.
Vienna	M. Thorsch Sohne.
Berlin	Deutsche Bank.
Hamburg	Deutsche Bank.
Rome	Nast, Kolb & Schumacher.
Vancouver	Bank of British Columbia.
Hong-Kong	Banque de l'Indo-Chine.
Saigon	Banque de l'Indo-Chine.
Haiphong	Banque de l'Indo-Chine.
Vladivostock	M. G. Schoveloff.
Mexico	H. Scherer & Co.
Brussels	Crédit Lyonnais.
Shanghai	Comptoir National d'Escompte de Paris.
Tientsin	Butterfield & Swire.
Hankou	Butterfield & Swire.
Foochoo	Butterfield & Swire.
Cheefoo	Cornabe & Co.
Calcutta	The National Bank of India.
Tacoma	Pacific National Bank.
Honolulu	Claus Spreckels & Co.

## GOVERNMENT CONTROL AND AID.

At first, as already stated, the Government owned one-third of the shares of the Bank, and in order to avoid undue losses, the Government appointed comptrollers, the Vice-Minister of Finance, Mr. Yoshiwari, being among them. The comptrollers were ordered to oversee the important affairs of the Bank, to be present at all meetings, to call a meeting when they deemed it necessary, to examine the specie on hand, and to sign the daily account-book after verifying it. The outside interference became so incessant that it obstructed the business management of the Bank, and became intolerable. Other means to serve the same ends were contrived, and in January, 1882, a scheme embodying the following points was submitted to the general meeting and was approved: 1. To the existing six directors, three more to be added, who are to be

appointed by the Minister of Finance, either from among or outside of the shareholders. 2. Their rights and duties to be the same as those of other directors, but the control of sixty-eight votes which belongs to the Government is to be divided among them, and the salaries or bonus to be paid to them are to be turned into the bank reserve.

In 1883, the number of the appointed directors was reduced to two, and they were continued in their office even after the transfer of the shares to the Crown. But they were abolished by the Act of 1887. At the same time, with the revision of the act so as to increase the Government power of control, the appointment of comptroller was revived. This officer is appointed by the Minister of Finance from the officials of the Treasury Department, the selection falling usually upon the Chief of the Banking (the Third) Bureau. He is obliged to visit the Bank once a week, and is intrusted with the power of overseeing all its business. At first various forms of aid were given to the Bank by the Government, but now none is required. The Bank of Japan, however, rediscounts export or import bills for the Specie Bank on conditions favorable to the latter. The amount so discounted is shown in the following table:

Table I.

DISCOUNTED.	FINAL ACCOUNT.
1889 8,052,065 yen.	1,439,824 yen.
1890 18,686,082 yen.	16,314,319 yen.
1891 18,005,799 yen.	18,828,275 yen.
1892 19,038,939 yen.	17,391,192 yen.
1893 17,312,981 yen.	17,741,170 yen.
1894 10,440,056 yen.	16,052,350 yen.

Thus, the relation of these two banks is very intimate. The vice-president of the Bank of Japan may become a director of the Specie Bank, and a director of the latter be one of the directors of the former. The conversion of notes of the Bank of Japan is intrusted to the main office and the branch office at Kobé, of the Specie Bank. In fact, what the central bank is to the internal money market the Specie Bank is to the foreign exchanges. Especially during the war with China the transmission of specie to and fro was solely done by the agency of the latter. Some have criticised the methods of this bank as being too strict, but it was in virtue of these that it recovered from its impaired condition. Indeed, if it were not for the operation of the Specie Bank the foreign trade of Japan would not have developed so rapidly, and the extension of its sphere of action is expected by the country at large to require in the future an increase of capital.

## FOREIGN BANKS IN JAPAN.

The Specie Bank is not, however, the only institution concerned with foreign exchanges. In Yokohama and Kobé, for instance, there are many foreign banks, as enumerated below, and many Japanese traders have transactions with these banks.

*Table II.—Foreign Banks.*

BANKS.	Place.	Established.	Capital.	Reserve.
Mercantile Bank of India	London	1892	*£1,111,875	
Hong-Kong and Shanghai Banking Corporation	London	1867	\$10,000,000	\$5,000,000
Chartered Bank of India, Australia, and China	London	1853	£800,000	£275,000
National Bank of China	Hong-Kong	1891	†£429,210	£50,000
*£553,937 10 paid up.				
†£343,518 paid up.				

The following tables are given to show the gradual expansion of the business of the Specie Bank:

*Table III.—Capital and Profits of the Specie Bank.*

YEARS.	(a) (b) Dec.	June. Capital	Reserve	Amount Paid	Net	Dividends.	Per	PER SHARE.	
		(c). YEN.	(d). YEN.	and Received. YEN.	Profit (e). YEN.	YEN.	Cent. of (e) against (c) and (d). YEN.	Special. CENT.	General. CENT.
1880	<i>a</i>								
1880	<i>b</i>	3,000,000		86,493,090	167,292	127,901	5.576	3.790	4.500
1881	<i>a</i>	3,000,000	7,100	52,740,590	153,256	110,000	5.096	3.000	4.000
1881	<i>b</i>	3,000,000	49,300	78,434,856	160,188	120,000	5.253	3.000	4.000
1882	<i>a</i>	3,000,000	70,400	71,518,462	168,641	120,000	5.492	3.000	4.500
1882	<i>b</i>	3,000,000	112,600	73,380,352	140,608	110,000	4.517	3.000	4.000
1883	<i>a</i>	3,000,000		93,720,050	142,696	120,000	4.755	3.000	4.900
1883	<i>b</i>	3,000,000		189,462,888	236,508	170,000	7.883	3.000	7.000
1884	<i>a</i>	3,000,000		186,006,473	232,085	180,000	7.736	3.000	7.500
1884	<i>b</i>	3,000,000		212,627,390	319,158	200,000	10.638	4.000	8.000
1885	<i>a</i>	3,000,000		315,684,800	815,952	200,000	27.198	4.000	8.000
1885	<i>b</i>	3,000,000	510,542	269,684,286	523,440	200,000	14.915	4.000	8.000
1886	<i>a</i>	3,000,000	740,871	291,992,417	482,952	200,000	12.910	4.000	8.000
1886	<i>b</i>	3,000,000	941,000	441,643,283	470,065	200,000	11.928	4.000	8.000
1887	<i>a</i>	3,750,000	1,110,000	385,902,847	620,972	200,000	12.777	4.000	8.000
1887	<i>b</i>	4,500,000	2,130,000	417,685,832	643,390	371,250	9.074	9.000	9.000
1888	<i>a</i>	4,500,000	2,960,000	375,152,492	788,841	450,000	10.574	10.000	10.000
1888	<i>b</i>	4,500,000	3,530,000	418,618,862	576,378	450,000	7.177	10.000	10.000
1889	<i>a</i>	4,500,000	3,582,000	399,923,596	477,473	360,000	5.907	8.000	8.000
1889	<i>b</i>	4,500,000	3,628,000	467,658,190	468,046	360,000	5.758	8.000	8.000
1890	<i>a</i>	4,500,000	3,672,200	456,089,452	375,612	360,000	4.596	8.000	8.000
1890	<i>b</i>	4,500,000	3,557,800	427,080,105	373,018	360,900	4.629	8.000	8.000
1891	<i>a</i>	4,500,000	3,511,200	461,072,271	608,267	315,000	7.586	7.000	7.000
1891	<i>b</i>	4,500,000	3,552,000	516,764,953	478,204	315,000	5.938	7.000	7.000
1892	<i>a</i>	4,500,000	3,479,000	621,530,258	728,247	315,000	9.127	7.000	7.000
1892	<i>b</i>	4,500,000	3,526,000	764,914,762	615,242	315,000	7.665	7.000	7.000
1893	<i>a</i>	4,500,000	3,646,000	570,007,378	452,208	315,000	5.551	7.000	7.000
1893	<i>b</i>	4,500,000	3,688,300	857,863,813	549,199	315,000	6.707	7.000	7.000
1894	<i>a</i>	4,500,000	3,733,300	917,361,296	515,012	337,500	6.255	7.500	7.500
1894	<i>b</i>	4,500,000	3,820,000	1,161,391,649	589,120	337,500	7.080	7.500	7.500

[NOTE.—Special dividends are those paid to the Government or the Crown.]

*Table IV.—Transactions of the Specie Bank at the Main Office and the Kobé Branch.*

YEARS.	Deposits.	Loans.	EXCHANGE.		BILLS DISCOUNTED.		COLLECTION BILLS.	
			Home Bills.	Foreign Bills.	Home.	Foreign.	Home.	Foreign.
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1880	11,399,120	7,299,890	121,615	326	73,367	65,090	97,331	
1881	27,752,089	11,712,820	2,228,030	112,210	1,331,139		133,088	
1882	40,141,738	17,154,175	617,273	4,302	440,433	4,000	136,672	2,687
1883	54,954,470	27,873,726	1,676,033	332,216	386,554		655,732	
1884	77,981,981	44,314,725	3,467,951	1,167,740	1,770,044	914,278	409,502	
1885	89,954,554	46,901,294	3,542,111	2,740,530	2,458,566	1,220,235	404,363	1,353,969
1886	28,107,159	17,614,831	426,970	2,961,121	4,287,541	3,493,094	291,899	
1887	54,029,430	20,099,812	1,173,885	14,078,185	7,661,628	21,037,224	102,170	
1888	57,433,853	22,035,377	1,292,045	15,332,081	6,031,596	20,918,612	119,170	144
1889	59,442,953	22,173,265	1,354,072	18,760,450	3,888,929	23,600,887	1,922,927	148
1890	64,840,364	23,838,900	1,377,778	15,923,935	8,812,665	19,617,229	589,232	30,000
1891	52,529,201	29,316,444	2,088,547	14,989,836	15,257,476	22,042,683	1,263,248	5,157
1892	67,150,508	33,402,204	1,426,613	8,898,847	19,010,427	21,993,618	2,493,663	6,050
1893	97,333,074	30,565,540	1,448,715	5,421,896	13,881,620	20,795,262	665,275	4,552
1894	188,835,741	37,183,447	2,059,752	17,321,270	22,967,182	31,223,032	939,853	

*Table V.—Business of the Specie Bank Transacted at the London Branch.*

YEARS.	Deposits.	Loans.	EXCHANGE.		BILLS DISCOUNTED.		COLLECTION BILLS.	
			Home Bills.	Foreign Bills.	Home.	Foreign.	Home.	Foreign.
	£	£	£	£	£	£	£	£
1885	23,022		3,086	1,031	82,416	165	1,001	
1886	68,137		9,564	1,895	25,927		981	
1887	264,900		8,658	13,150	397,777	2,466	166	
1888	855,692		381,252	10,041	1,492,939	2,580	3,763	9,812
1889	747,483	37,055	69,331	24,992	1,360,681	284	2,082	1,481
1890	2,523,914	50,222	51,460	87,401	1,740,987	191,567	180	
1891	2,339,738	80,760	95,584	214,572	947,087	342,031	291	
1892	2,373,341	80,629	122,787	74,367	1,133,769	346,816	3,349	
1893	1,145,845	28,500	110,818	104,363	1,888,772	424,711	4,266	
1894	2,246,483	138,590	282,350	44,946	1,835,996	215,048	1,202	37



*Table VI.—Transactions in the Foreign Exchanges at the Specie Bank.*

YEARS.	Lent on Direct Exportation.	Fund for the Use of Internal Loans	Foreign Exchange Fund.	Sum Paid Back from Foreign Exchange Fund	Provisionary Payment Here for Foreign Exchange.	Provisionary Payment for F. E. in Elsewhere.	Provisionary Loans of Installment.	Provisionary Payment for Foreign Exchange.	
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1880	976,542								9
1881	4,147,870	2,703,019							6
1882	3,471,810	778,376	1,782,776						6
1883	1,160,575	629,207	6,292,207	469,350	1,573,444	2,205,501			1
1884	978,428	603,472	6,965,867	1,239,184	1,350,059	3,096,150	1,591,707		1
1885			15,616,391	2,785	1,736,603	3,313,780	1,556,529	4,984,983	2
1886			24,279,552		1,151,161	5,302,678	2,590,697	16,338,260	4
1887			20,672,671		226,435	948,053	1,381,926	24,764,080	4
1888			11,471,168					21,290,356	3
1889			5,365,828					17,195,741	2
1890								10,635,586	1
1891								11,032,837	1
1892								11,278,212	1
1893								8,520,928	8
1894								14,805,550	1

[\[Back to Table of Contents\]](#)

## CHAPTER IV.

### THE BANK OF JAPAN.

#### *(NIPPON GINKO)*

#### ITS ORIGIN.

FROM the preceding chapters it may be seen that the want of credit institutions led to the establishment, among others, of national banks. But on account of the lack of business activity, the depreciated state of the paper currency, and a continuously depressed foreign trade, little benefit was derived from them. The rate of interest in particular remained still very high. The Yokohama Specie Bank did much to lighten the difficulty. But there arose at the same time a spirit of exclusiveness among the bankers, causing, among other things, new diversities in the paper currency. The necessity of co-operation and assimilation prompted the idea of establishing a central bank. The Minister of Finance, Count Matsukata, prepared a memorandum on this subject in which it was pointed out: 1. That the exclusiveness and individualism prevalent among the national banks cannot be remedied except by the creation of a powerful central bank. 2. That without the help obtainable from such a central bank, sudden runs causing panics cannot be avoided in a time of extremity, and even in ordinary times lack of resources prevents the banks meeting the demands for discount to the extent demanded. 3. That the present high rate of interest is unfavorable to the advancement of commerce and industry. But this is the result not of the deficiency of capital but rather of the lack of channels through which capital may flow and its distribution be equalized. Moreover, if the central bank were to discount bills at a low rate of discount, the example will be followed by the others. 4. That to allow the money collected in the form of taxes to lie idle in the vaults of the Treasury, causing thereby a scarcity of funds, is a most wasteful method. If to the central bank were intrusted the receipt and disbursement of the public money, the losses incident to such a practice could be avoided. 5. That while it is true that the efflux of specie is due to the excess of imports, the want of a central bank to regulate the flowing in and out of specie by an advance of rates or by entering into correspondence with foreign banks, has much to do with it. 6. That to unify the paper currency and make it convertible into specie by the aid of the accumulated reserve of gold and silver, can best be done by the agency of a central bank, which must, to some extent, be specially protected.

#### THE BANK FOUNDED BY ACT OF 1882.

These views were adopted by the Government, and in June, 1882, the Bank of Japan Act was promulgated by Law No. 32. The organizing committee was formed within the Treasury, and on the notification of the subscription in July the offers were so numerous that the list was filled up by August. In October, the Vice-Minister of Finance, Mr. Yoshiwari, was appointed the president, and the Secretary of the

department, Mr. Tomita, the vice-president. The by-laws having been agreed on, the bank was opened on the tenth of the same month. The main points of the act creating it were:

1. This bank is a joint-stock company, with its head office in Tokio, and has a term of existence for thirty years from the tenth of October, 1882.
2. Its capital is to be 10,000,000 yen, and for half this amount the Government will be a shareholder.\*
3. After deducting the dividends, at least one-tenth of the remainder must be laid aside as a reserve fund, to make up for losses, or to equalize the annual dividends, the reserve being kept in gold or silver and Government bonds.
4. The Bank can discount bills, buy and sell bullion, collect money due for its customers, receive deposits, and allow credit on Government bonds or notes as well as negotiable bills of corporations under the State control. But it must not lend on shares or real property, buy shares of its own or those of industrial companies, nor own real estate except for its own use. Also the bills which it can discount must bear the names of at least two trustworthy men, and have a term of within one hundred days. The Bank must not lend more than four-fifths of the value of the pledge.
5. The power of issuing convertible notes to be exercised later was also conferred, and with it a certain control over the public finances.
6. Profits were to be thus divided:
  - a. Eight per cent. on the shares in general.†
  - b. Six per cent. on the Government shares.
  - c. One-tenth of the remainder reserved.
  - d. One-tenth of the further remainder divided among directors and other members of the banking staff.
7. The monthly reports and the half-yearly balance-sheet must be presented to the Government, and the latter published in the newspapers.
8. The Government to have the power to appoint the president and vice-president, as well as to select directors out of the double number of candidates elected by shareholders. These officials and the auditor are to devote themselves solely to the work of the Bank. A general meeting must be held at least twice a year, and the directors must hold a meeting every month.
9. The permission of the Minister of Finance must be obtained for forming branch offices, agencies, or correspondents, for the prolongation of the time of the Bank's existence or its dissolution, for increasing capital, admitting shareholders, making transfers of shares, paying dividends, for the amount of discounts of Government bills

or those of private individuals, the sale or purchase of Government bills or notes, and the modification of the by-laws.

10. The Government has the appointment of the comptrollers, and has the power to stop any act contrary to the laws or by-laws which is deemed against its own interest.

## PROSPERITY OF THE BRANCH AT OSAKA.

Osaka being, as already stated, the centre of commerce and industry, a branch office was established there in December, with a working fund of 50,000 yen, to be finally increased to 3,000,000 yen. In 1883, much was already done toward the regulation of the finances, the providing of bullion to be coined, as well as the redemption of the national bank notes. Correspondence was entered into with other banks, but the chief business was that relating to the Government. By 1884, however, business increased in every direction, and especially in Osaka the discount of bills grew to an enormous extent. However, the amount deposited by the public was comparatively small, on account of the depressed state of business and the Bank not allowing interest on casual deposits. By 1886 a general process of growth began, especially in the circulation of the convertible notes. On account of the redemption of its paper money, and the issue of the Treasury bonds and other securities of the consolidated debt, there was a great increase of Government business. The next year presented a still more flourishing condition, and 10,000,000 yen more of the capital was added in February. By the revision of the Convertible Bank Note Act, to be mentioned afterward, the circulation greatly expanded, as did the amount lent out. Though the rate of interest was still high, there was a notable increase in the number of joint-stock companies. In 1889, the rediscounting of the bills for the Specie Bank having begun, an increase of business took place, though the commercial depression caused a decrease in other lines.

## RELATIONS OF THE BANK WITH THE GOVERNMENT.

In 1890, the sphere of the Bank's action in regard to the public finances was greatly extended, the president assuming the responsibility for the receipt, custody, and disbursement of money at the order of the Treasury. The accounts concerning these transactions were kept by themselves, and what is called the Central Chest Department was instituted in the Bank. For their management the Bank is paid, but after April,\* 1899, the work must be done free. The year 1890 was not very favorable for the Bank on account of the large demand for the conversion of notes, the fall in the prices of stocks and shares, and the rise and fluctuations of the gold quotations for silver. The Bank allowed interest on casual deposits, and tried hard to give facilities for the discount of bills. The next year ended without any striking events, and the increase of specie reserve, which rose nearly to 83,000,000 yen in 1892, would have decreased the profit of the Bank had extra benefit not been derived from the exchange of gold for silver. In 1893, the money market became easy, and the Bank abolished its interest on deposits, but toward the close of the year a brisk business set in, increasing the amount on loan. In this year the control of the deposit money and goods hitherto in the custody of the Government was added to the work of the Bank. In 1894, the

Corean affair, leading to the war with China, checked business activity, and the demand for silver increased both on the part of the public and the Government. Moreover, the war loan strained the resources of the money market, and the Bank was obliged to raise the rate of interest many times after June. Such devices were, however, not equal to the urgency of the time, and the only recourse left to the Bank was to issue notes beyond the ordinary limit. The crisis was passed much more easily than was anticipated, and the year 1895 began rather quietly. But an increase of trade, especially in silk manufactures, necessitated another excess of the note limit, and in June additions were made to the extra issue, which gradually increased, as shown in the table on page 466.

*Table I.—Issue of the Bank's Notes Beyond the Legal Limit.*

DATE.	Amount Authorized.	Amount Actually Issued.	Non-issued Amount.
	YEN.	YEN.	YEN.
February 9, 1894	3,500,000	3,272,721	227,279
February 28, 1894	5,000,000	4,197,549	802,451
June 25, 1895	10,000,000	5,582,865	4,417,134
June 29, 1895	15,000,000	13,811,496	1,188,503
August 24, 1895	20,000,000	15,043,266	4,956,733
September 2, 1895	23,000,000	21,520,118	1,479,881
October 28, 1895	26,000,000	23,339,977	2,660,022
October 31, 1895	29,000,000	27,612,650	1,387,349
November 2, 1895	32,000,000	28,231,900	3,768,099
November 29, 1895	37,000,000	31,737,435	5,262,564
December 14, 1895	42,000,000	36,498,512	5,501,487
December 21, 1895	47,000,000	41,206,808	5,793,191
December 26, 1895	52,000,000	47,705,113	4,294,886
December 28, 1895	60,000,000	*51,358,956	8,641,043

\*This was necessitated by the needs of the market, which increase usually toward the end of the year. But now the excess is steadily diminishing, and by the increase of the specie reserve, before long, the tax-bearing issue will be retired.

In August, the steady expansion of the field of action made it necessary to increase the capital of the Bank of Japan to 30,000,000 yen, and a branch office was opened in Yezo Island, so that the Bank has now three branch offices—the one in Osaka being opened in 1882, and one in Shimonoseki in 1893, besides agencies in Kioto opened in 1894 and Sapporo in 1893.

## THE POWER TO ISSUE CONVERTIBLE NOTES.

The unique privilege, paramount influence, and heavy responsibility of the central bank rests in its being empowered to issue bank notes convertible into silver. Though it was provided in the Bank of Japan Act that the Bank should issue notes in a way to be specially prescribed, the actual issue was postponed for a time on account of the depreciated and confused state of the paper currency. But as by 1884 the value of paper money began to be restored, the Convertible Bank Note Act was promulgated. With some modifications in 1888, it ran as follows:

1. The note is convertible into silver coin at any time in the main and branch offices of the Bank, without any commission or fees whatsoever.
2. Gold and silver coins and bullion must be kept to furnish a basis for conversion.
3. The Bank can issue notes to the extent of 70,000,000 yen, with Government bonds and notes, or other first-rate commercial bills and negotiable instruments as security. But 27,000,000 of this can be issued only as the national bank notes are redeemed.
4. In addition to the above, notes on a security basis can be issued. But on these a tax must be paid to the Government, the rate of which is to be fixed by the Minister of Finance at not less than five per cent.
5. The Bank has the obligation to lend to the Government 22,000,000 yen, to be used for the redemption of its paper money, at the rate of interest of two per cent., which is to cease by 1898.
6. The Bank must present to the Treasury a daily and weekly statement of the amount of its note issue and the basis thereof. The weekly account must be published in the official gazette.
7. The denominations of the notes are 1, 5, 10, 20, 50, 100 and 200 yen, and their form is decided by the Minister of Finance.
8. The Comptroller of the Bank must oversee and can examine the actual amount of the note issue, as well as all books and accounts.
9. Any mutilated or spoiled notes are to be converted without commission, and the forgery of notes punished according to the penal code.
10. The procedure regarding the manufacture, conversion, and redemption of notes is to be fixed by the Minister of Finance.

The purpose of this enactment was to convert the paper currency issued by the Government and the national banks into the convertible notes of the central bank, without at the same time swelling the bulk of the circulation. In 1889, though high rates and general stringency prevailed, the ordinary limit of issue was not exceeded on account of the importation of specie in payment of exported silk goods. However, in

February of 1890 there was a rise in the value of stocks, and to meet the urgent demand for purposes of trade and speculation, notes were issued in March beyond the ordinary limit, bearing five per cent. interest. This and the redemption of the Government bonds to the amount of 5,000,000 yen checked the stringency, and by April the excess was stopped at the comparatively small sum of 500,000 yen. This led to the conclusion that the ordinary limit is too narrow for the gradually expanding amount of trade and industry. So in May, the act was modified, and the ordinary limit was extended to 85,000,000 yen, the interest on the amount lent to the Government being at the same time abolished as an offset. It was also in April that the procedure to exchange the Government paper money into convertible notes was prescribed, the chief points being:

1. Government paper of one yen and upward is convertible into silver coin, and below one yen, viz., 50, 20, and 10 cent notes, into subsidiary silver or nickel coin.
2. When redeemed, the paper money must be mutilated and handed over to the Treasury to be destroyed.
3. No fees are to be paid for redemption, except in the case of the ten cent paper currency, for which 3-1000 discount must be paid.

At first no clear division was made between the specie and security basis, but since 1888 a broad distinction has been drawn. In this year also, a new form of note was adopted, the old ones being easily spoiled and badly printed. The notes actually issued were of the denominations of 1, 5, 10, and 100 yen only, out of seven kinds permitted by the law. The mutilation, etc., which was very frequent in the case of old notes, decreased. Renewals, however, reached 1,530,000 yen between 1887 and 1894. The amount of the reserve and of the notes issued is shown in the following table, for a series of years:

*Table II.—Amount of Reserve and Note Issues.*

YEARS.	(a) June. (b) Dec.	Gold Coins and Bullion.	Silver Coins and Bullion.	Total Specie Basis	Security Basis.	Amount of Issue	Remaining in the Bank.	Actual Circulation.
		YEN.	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1885	<i>a</i>		3,801,330	3,801,330		5,801,330		3,801,330
1885	<i>b</i>		3,311,461	3,311,461	644,700	3,956,161		3,956,161
1886	<i>a</i>	50,000	11,010,894	11,060,894	7,983,725	19,044,620	442,469	18,602,151
1886	<i>b</i>	61,994	23,793,243	23,855,237	15,694,577	39,549,815	504,092	39,045,723
1887	<i>a</i>	61,994	24,330,674	24,392,668	17,408,531	43,801,200	4,083,166	39,718,034
1887	<i>b</i>	61,994	31,517,910	31,579,904	21,874,898	53,454,803	50,990	53,403,813
1888	<i>a</i>	61,994	30,446,824	30,508,818	20,199,871	50,708,690	1,405,810	49,302,880
1888	<i>b</i>	14,751,788	30,271,083	45,022,871	20,747,709	65,770,580	1,637,734	64,132,846
1889	<i>a</i>	16,322,417	29,706,079	46,028,496	18,471,353	64,499,849	3,129,014	61,370,835
1889	<i>b</i>	25,550,722	31,858,577	57,409,299	3,699,353	79,108,652	4,811,647	74,297,005
1890	<i>a</i>	24,295,247	26,431,590	50,726,837	22,159,353	72,886,190	3,951,280	68,934,910
1890	<i>b</i>	24,393,710	19,628,702	44,022,412	58,309,353	102,931,766	27,222,609	75,709,157
1891	<i>a</i>	26,727,692	26,496,483	53,224,175	44,098,611	97,322,786	27,740,745	69,582,041
1891	<i>b</i>	27,589,292	35,889,141	63,478,433	52,556,212	115,734,545	22,960,553	92,773,992
1892	<i>a</i>	22,742,200	42,365,848	65,108,048	40,237,464	105,345,512	22,088,318	83,257,194
1892	<i>b</i>	21,806,200	59,352,065	81,158,265	44,685,094	125,843,363	19,349,905	106,493,458
1893	<i>a</i>	21,806,200	65,699,824	87,506,024	36,035,713	123,541,737	20,381,015	103,160,722
1893	<i>b</i>	21,806,200	64,122,316	85,928,516	62,734,612	148,663,128	25,317,704	123,345,424
1894	<i>a</i>	21,806,200	57,826,788	79,632,988	62,103,370	141,736,358	26,410,625	115,325,733
1894	<i>b</i>	32,344,954	49,373,337	81,718,291	68,095,409	149,813,700	10,701,994	139,111,706



*Table III.—Denominations of Notes Issued.*

YEARS.	(a) June. (b) Dec.	One-Yen Notes.  YEN.	Five-Yen Notes.  YEN.	Ten-Yen Notes.  YEN.	Hundred-Yen Notes.  YEN.	Total.  YEN.
1885	<i>a</i>			3,801,330		3,801,330
1885	<i>b</i>	281,661		2,820,900	853,600	3,956,161
1886	<i>a</i>	7,316,335	4,572,285	5,808,100	1,347,900	19,044,620
1886	<i>b</i>	17,824,200	10,370,615	10,120,800	1,234,200	39,549,815
1887	<i>a</i>	21,717,470	10,393,950	10,257,180	1,432,600	43,861,200
1887	<i>b</i>	32,378,648	8,921,515	10,705,740	1,448,900	53,454,803
1888	<i>a</i>	32,859,645	8,926,555	8,236,390	686,100	50,708,690
1888	<i>b</i>	43,095,965	10,677,645	10,771,570	1,225,400	65,770,580
1889	<i>a</i>	42,927,999	10,221,650	10,342,000	1,008,200	64,499,849
1889	<i>b</i>	45,093,252	20,987,790	11,456,010	1,571,600	79,108,652
1890	<i>a</i>	44,030,665	18,303,775	9,514,550	1,037,200	72,886,190
1890	<i>b</i>	50,269,241	34,586,125	16,569,800	1,506,600	102,931,766
1891	<i>a</i>	47,576,111	33,330,115	15,364,760	1,051,800	97,322,786
1891	<i>b</i>	51,047,575	37,989,805	24,189,365	2,507,800	115,734,545
1892	<i>a</i>	48,387,132	32,720,000	21,013,380	3,223,000	105,343,512
1892	<i>b</i>	53,663,293	36,324,210	29,286,060	6,569,800	125,843,303
1893	<i>a</i>	52,533,490	35,144,852	28,197,295	7,666,100	123,541,737
1893	<i>b</i>	56,902,533	39,913,625	35,365,770	16,481,200	148,663,128
1894	<i>a</i>	54,139,598	37,693,800	33,800,760	16,102,200	141,736,358
1894	<i>b</i>	57,767,620	43,805,690	41,401,190	6,839,200	149,813,700

[NOTE.—After 1891, 22,000,000 yen lent to the Government is included in the amount remaining in the Bank.]

## REDEMPTION IN SILVER.

Redemption in silver is done in Tokio and Osaka, as well as in Yokohama and Kobé, the work being intrusted to the Specie Bank, and an annual payment of 6000 yen is made for this service. The general rule is that if, by excess of exports of goods, the importation of silver increases, the conversion of silver into notes shows a corresponding increase; if silver be exported, the contrary process ensues, as indicated in the following table:

*Table IV.—Redemption of Notes.*

YEARS.	Place.	Silver Received.	Notes Paid.	Notes Received.	Silver Paid.	Government Paper Money Received.	Notes Paid.
		YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1885	{ <i>a</i>	235,461	235,461	239,450	239,450	331,697	331,697
	{ <i>b</i>	621,495	621,495	891,115	891,115		
	{ <i>c</i>	10,042,173	10,042,173	13,981,071	13,981,071	2,481,545	2,481,545
1886	{ <i>a</i>	20,780,151	20,780,151	1,376,236	1,376,236	825,006	825,006
	{ <i>b</i>	2,695,449	2,695,449	1,657,592	1,657,592		
	{ <i>c</i>	24,602,105	21,602,104	29,391,513	29,391,512	12,092,635	12,092,635
1887	{ <i>a</i>	4,108,265	4,108,265	2,590,852	2,590,852		
	{ <i>b</i>	5,214,822	5,124,822	4,045,748	4,045,748		
	{ <i>c</i>	23,598,395	23,598,394	33,006,842	33,006,841	13,161,016	13,161,016
1888	{ <i>a</i>	1,535,481	1,535,481	825,762	825,762		
	{ <i>b</i>	3,136,352	3,136,352	2,371,261	2,371,261		
	{ <i>c</i>	29,843,223	29,843,223	34,417,224	33,417,224	8,044,089	8,044,089
1889	{ <i>a</i>	2,187,797	2,187,797	604,319	604,319		
	{ <i>b</i>	3,030,468	3,030,468	4,403,644	4,403,644		
	{ <i>c</i>	36,976,023	36,976,023	37,064,855	37,064,855	2,431,494	2,431,494
1890	{ <i>a</i>	6,771,212	6,771,212	5,779,543	5,779,543		
	{ <i>b</i>	4,122,897	4,122,897	6,889,764	6,889,762		
	{ <i>c</i>	2,257,458	2,257,458	16,564,065	16,564,065	3,915,629	3,915,629
1891	{ <i>a</i>	4,093,658	4,093,658	2,729,513	2,729,513		
	{ <i>b</i>	4,181,781	4,181,781	3,061,814	3,061,814		
	{ <i>c</i>	9,562,539	9,562,539	2,404,178	2,404,178	487,404	487,404
1892	{ <i>a</i>	330,000	330,000	2,535	2,535		
	{ <i>b</i>	4,706,206	4,706,206	7,355,996	7,355,996		
	{ <i>c</i>	16,907,000	16,907,000	1,542,917	1,542,917		
1893	{ <i>a</i>	3,240,000	3,240,000				
	{ <i>b</i>	3,474,889	3,474,889	7,911,627	7,911,627		
	{ <i>c</i>	8,749,951	8,749,951	10,659,604	10,659,604		
1894	{ <i>a</i>	3,634,000	3,634,000				
	{ <i>b</i>	7,090,057	7,090,057	8,669,081	8,669,081		
	{ <i>c</i>	8,828,285	8,828,285	35,842,240	35,842,240		

[NOTE.—*a* stands for head office, *b* stands for branch office, *c* stands for agency.]

## GOVERNMENT CONTROL OF THE BANK.

The Bank of Japan being the only bank of issue and of supreme power, in addition to being the custodian of public money, it is placed under the control of the Government. A comptroller is appointed, the selection usually falling upon the Accountant-General of the Treasury. He visits the Bank once a week, examines books and vaults, and is required to be present at all meetings. Besides appointing the president and directors,

the Government can direct the general policy of the Bank, the president having no alternative but to resign if he does not approve of his instructions. Indeed, such a case happened in the experience of the president before the present one. A conflict may occur because of the personality of the Minister and the president. If the former be a man of strong will, the Government policy will carry the day, but if the latter be the stronger, the interest of the Bank and the shareholders will prevail. These two interests, however, seldom come into conflict, because the Government acts with moderation and the Bank for the public good.

## THE BANK'S OBLIGATIONS IN THE FUTURE.

The Bank is heavily burdened in return for the privileges granted. It has, as said before, to perform the following among other functions: 1. The custody and disbursement of Government money. 2. The call and payment of the principal as well as the interest of the national debt. 3. The custody of money and goods intrusted to the Government. 4. The redemption of the Government paper money in silver. 5. The redemption of the national bank notes. 6. The rediscounting of bills of exchange for the Specie Bank. 7. The regulation of the general rate of interest. All these involve considerable sacrifices, but are done simply for the public convenience as directed by the Government. If, for instance, the actual work of the receipt and payment of public money were to be done by the Government officials, there would be a considerable increase of expenditure, besides risks, inconvenience, and complexity. The work of the redemption of national bank notes is also a very troublesome one. The Bank has to collect the funds, buy Government bonds, calculate the amount to be redeemed by each bank, and render the redeemed notes unfit for further circulation. To be content with the business of rediscount at a very low rate of interest is a harsh necessity, when the general rate is not lower than six per cent. Besides, the Bank has to advance money to the Government, though this is seldom, and the Government deposit usually surpasses the amount lent, unless in extraordinary emergencies. But thanks to the ability of its management and the general state of the market, the profits of the Bank have been higher than those of others. Hence it has become an object of envy and attack. Its opponents complain "that the exorbitantly large profits of the Bank are due to its having a privilege—rather monopoly—of issue of notes, that a part if not the whole of the profit should belong to the State, and it is unfair that the Bank should reap the entire benefit; that the way the Bank treats other banks and lends out money is partial, and not quite in accordance with the public interest, also that the benefits of the Bank are not widely distributed throughout the country for the lack of branch offices." Into these attacks sentimentalism, self-interest, and personal considerations enter more or less. However, as our proverb says "the wind blows most strongly on the highest tree in the forest," critics are not few even in the legislative body. In January, 1895, a bill was introduced in the House of Commons to tax the profits of the Bank. It was rumored that some supported the idea of making the Bank pay a tax on the amount of its note circulation. The essential clause of the bill was about as follows: "In case the net profits of the Bank be above six per cent., one-half of the sum left after deducting from the profits an amount equal to a dividend of six per cent., as well as the reserve and cash carried forward from the preceding year, must be paid to the Government as a tax."

In order to leave no loop-hole of escape open, the sum to be accumulated as the reserve was limited to between one-tenth and three-tenths of the remainder, after deducting the dividend of six per cent. from the gross profit. The bill passed the Commons, but when it came to the Lords, its fate became doubtful. The Government thought it more expedient not to tax the Bank, because if taxed, a considerable sum would have to be paid to the Bank in order to compensate it for many public services. As in the case of the bill to transform national banks, this view seemed to be unpopular, but the bill was negatived, nevertheless. The chief reason for this was that the Lords had to take into account the valuable services performed by the Bank during the war. Indeed, since the commencement of the war, the Bank has been of great benefit to the country. It supplied the Government with necessary funds, and did its best in collecting subscriptions to the war loan. But for the high credit of this bank enabling its paper notes to circulate even in the heart of the Leao-Tung district of China, many more difficulties would have been encountered in the mobilization of troops and the transportation of material of war. Not only this, had it been necessary to make payments in specie, so decreasing the metallic reserve of the Bank, the credit of the notes might have been affected even at home. Also during the war, contraction prevailed everywhere; banks becoming cautious in advancing loans, manufacturers lessening their production, and the public drawing out deposits. The silk producers especially were in need of capital. The Bank made them loans freely and succeeded in assuring a large output of silk as well as the recovery of trade toward the end of 1895. These services of the Bank were not forgotten. In October, the president, Mr. Kawada, was made a baron by his Majesty. It was further made obvious that in future the work of the Bank would not decrease. On the contrary, the indemnity paid by China, and which is now deposited in the Bank of England, may be transferred to the credit of the Bank, though the actual work may be done through the agency of the Specie Bank. A different line of policy from that pursued by the Bank would have led not only to its own loss, but to that of Japan and other countries. Trade and industry are now showing rapid progress and expansion. The demands for their support must in the end fall on the Bank. When the national banks come to an end, this institution will be the only bank of issue, and must do its work as "the bank of banks." With such a future, the Bank has a good prospect of further aggrandizement and influence, and a proportionate increase of responsibility. An idea of the actual condition of the business of this bank may be gathered from the following tables:

*Table V.—Capital and Profits of the Bank of Japan.*

YEARS.	(a) June (b) Dec.	Capital. (c)	Reserve. (d)	Net Profit. (e)	Dividends.	Per Cent. of PER SHARE. (e) against (c) and (d)	Special.	General.
		YEN.	YEN.	YEN.	YEN.		PER CENT.	PER CENT.
1882	<i>b</i>	2,000,000				0.94		
1883	<i>a</i>	2,999,800		110,370	86,666	3.67	1.300	2.166
1883	<i>b</i>	3,000,000	3,800	143,298	136,666	3.63	2.050	3.016
1884	<i>a</i>	4,000,000	6,500	181,578	166,666	3.62	2.500	4.166
1884	<i>b</i>	5,000,000	10,500	414,916	200,000	8.28	3.000	5.000
1885	<i>a</i>	5,000,000	193,128	401,604	200,000	7.73	3.000	5.000
1885	<i>b</i>	5,000,000	372,700	295,629	200,000	4.57	3.000	5.000
1886	<i>a</i>	5,000,000	380,700	318,222	200,000	5.91	3.000	5.000
1886	<i>b</i>	5,000,000	445,700	351,455	225,000	6.45	4.000	5.000
1887	<i>a</i>	7,500,000	2,431,200	419,498	275,000	4.22	5.500	5.500
1887	<i>b</i>	10,000,000	4,306,200	784,454	450,000	5.48	6.000	6.000
1888	<i>a</i>	10,000,000	4,374,700	1,102,474	650,000	7.66	6.500	6.500
1888	<i>b</i>	10,000,000	4,494,700	1,115,331	650,000	7.69	6.500	6.500
1889	<i>a</i>	10,000,000	4,614,700	1,173,213	675,000	8.02	6.750	6.750
1889	<i>b</i>	10,000,000	4,759,700	1,316,972	675,000	8.92	6.750	6.750
1890	<i>a</i>	10,000,000	4,940,000	1,553,139	750,000	10.39	7.500	7.500
1890	<i>b</i>	10,000,000	5,240,000	1,664,645	750,000	10.92	7.500	7.500
1891	<i>a</i>	10,000,000	5,590,000	1,623,803	750,000	10.41	7.500	7.500
1891	<i>b</i>	10,000,000	5,910,000	1,397,491	750,000	8.78	7.500	7.500
1892	<i>a</i>	10,000,000	6,200,000	1,116,341	750,000	6.89	7.500	7.500
1892	<i>b</i>	10,000,000	6,350,000	1,280,720	750,000	7.83	7.500	7.500
1893	<i>a</i>	10,000,000	6,780,000	360,575	750,000	5.72	7.500	7.500
1893	<i>b</i>	10,000,000	6,880,000	1,050,091	750,000	6.21	7.500	7.500
1894	<i>a</i>	10,000,000	7,000,000	1,235,406	750,000	7.26	7.500	7.500
1894	<i>b</i>	10,000,000	7,250,000	1,236,175	750,000	7.16	7.500	7.500

*Table VI.—Annual Amount of Business Transacted by the Bank.*

YEARS	Amount Paid	Exchequer	DEPOSITS.		LOANS.	
	and Received.	Deposits.	Government.	Public.	Government.	Public.
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1882	6,357,244			647,612		935,000
1883	157,639,141	17,969,812	3,939,000	15,203,608	1,500,000	4,827,050
1884	585,558,380	55,366,795	64,636,725	27,889,193	1,000,000	6,198,774
1885	883,315,834	119,690,103	72,104,136	14,031,642	54,655,205	11,286,756
1886	1,687,956,587	394,903,727	48,121,203	20,712,368	46,981,336	19,166,076
1887	2,657,655,063	598,630,630	44,040,309	27,574,901	39,310,818	60,676,680
1888	2,791,391,454	551,066,846	61,007,025	39,979,793	19,734,673	95,071,156
1889	2,767,516,603	529,417,300	113,564,155	19,876,980	22,061,334	91,885,034
1890	1,213,369,811	262,406,324	40,663,208	159,320,308	22,000,000	86,650,866
1891	1,944,126,218		49,066,469	138,352,885	22,000,000	111,730,549
1892	1,888,088,535		57,631,953	219,359,555	22,000,000	107,701,566
1893	1,811,666,900		50,251,233	261,998,049	22,000,000	108,486,071
1894	2,393,387,071		70,591,897	271,152,072	43,500,000	163,299,642

[NOTE.—In 1890, the Exchequer accounts were transferred to the Central Chest, hence the sudden fall in the amount paid and received.]

*Table VII.—Deposits and Loans Outstanding at the End of Each Year.*

YEARS	Exchequer	Government	Public	Loans to	Public
	Deposits.	Deposits.	Deposits.	Government.	Loans.
	YEN.	YEN.	YEN.	YEN.	YEN.
1882			305,612		477,300
1883	4,264,435	432,000	1,709,651	1,000,000	691,700
1884	10,922,814	3,437,414	759,129		1,412,795
1885	16,130,015	15,411,602	1,369,343	12,404,205	2,617,619
1886	35,834,136	659,549	329,528	15,745,372	4,011,190
1887	24,530,428	6,676,605	677,981	10,262,470	16,774,055
1888	16,845,101	8,727,400	665,865	7,131,154	15,582,841
1889	19,671,423	11,960,071	242,807	774,718	17,071,984
1890	34,449,511	811,239	6,315,280	22,000,000	15,823,831
1891		2,483,701	3,246,792	22,000,000	11,747,561
1892		4,085,444	4,706,973	22,000,000	8,460,439
1893		1,618,327	1,969,578	22,000,000	10,060,427
1894		3,192,232	1,726,291	37,500,000	16,564,612

*Table VIII.—Bill Transactions of the Bank.*

YEARS.	BILLS OF REMITTANCE.				BILLS OF DISCOUNT.	
	GOVERNMENT.		PUBLIC.		Tokio.	Local
	Drawing.	Drawn.	Drawing.	Drawn.		
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1882					52,800	
1883		285,500	789,391	1,076,340	1,613,700	90,000
1884	1,080,000	2,522,537	2,485,869	6,010,817	10,389,753	734,253
1885	900,000	4,338,664	2,476,127	4,876,110	5,700,035	315,823
1886	5,390,000	8,645,721	2,192,106	5,899,890	9,698,186	1,171,915
1887	7,855,500	11,023,719	4,923,252	10,789,886	22,235,153	2,107,333
1888	5,505,749	8,065,217	5,259,603	15,354,683	23,645,981	2,784,010
1889	5,324,003	10,936,557	3,980,924	13,237,105	24,922,866	12,168,446
1890		1,624,178	6,276,421	17,987,867	54,967,417	22,540,087
1891			8,885,632	21,540,270	57,652,768	19,073,064
1892			2,883,526	13,329,356	46,113,562	17,706,249
1893			4,832,074	12,825,433	59,803,947	18,037,405
1894			10,311,989	21,672,701	96,124,995	16,342,245

After 1889, in discount bills are included the following rediscounts for account of the Specie Bank:

YEARS.	Import Bills.	Export Bills.
	YEN.	YEN.
1889	1,530,977	5,451,059
1890	5,006,112	13,681,226
1891	1,226,136	16,616,956
1892	1,823,723	15,675,216
1893	1,382,279	15,930,701
1894	2,303,583	13,036,491

Table IX.—Monthly Highest and Lowest Rates of Interest

DATE	1883.		1884.		1885.		1886.		1887.		1888.
	Highest.		Highest.		Highest.		Highest.		Highest.		Highest.
	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.
January			8.00	8.00	9.00	9.00	7.00	7.00	7.00	5.50	6.00
February			9.00	8.00	10.00	10.00	7.00	7.00	6.25	5.50	6.00
March			9.00	8.00	10.00	10.00	7.00	7.00	6.25	5.50	6.00
April			9.00	8.00	9.00	8.00	7.00	6.30	5.66	5.11	5.80
May			8.00	8.00	8.00	8.00	6.30	5.50	5.50	5.11	6.00
June			9.00	8.00	8.00	8.00	5.50	5.00	5.50	5.11	6.30
July	10.00	9.00	9.50	8.00	8.00	7.00	5.50	4.80	5.84	5.11	6.30
August	10.00	8.00	9.50	8.00	8.00	7.00	5.50	4.80	5.84	5.50	6.60
September	9.00	8.00	9.50	8.00	7.00	7.00	5.50	4.80	5.84	5.50	6.80
October	9.00	8.00	9.00	5.50	7.00	7.00	6.20	5.00	6.20	5.50	6.80
November	9.00	8.00	9.50	8.50	7.00	7.00	6.20	5.70	6.20	5.50	6.80
December	8.00	8.00	11.00	9.00	7.50	7.00	6.20	5.70	6.20	5.50	6.80
DATE.											RATE OF
	Highest.		Highest.		Highest.		Highest.		Highest.		Highest.
	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.
January			7.30	7.30	8.80	8.80	6.90	6.90	6.57	5.48	5.84
February			7.30	7.30	9.50	9.50	6.90	6.90	5.84	5.48	5.84
March			8.00	7.30	9.50	9.50	6.90	6.90	5.84	5.48	5.84
April			7.30	5.50	9.50	8.40	7.00	6.20	5.48	5.41	5.48
May			6.60	5.50	8.40	8.00	6.20	5.50	5.48	5.11	5.84
June			6.60	5.50	8.00	8.00	5.50	4.90	5.48	5.11	6.22
July	8.03	8.03	7.70	5.50	8.40	8.40	5.10	4.90	5.84	5.11	6.22
August	8.03	8.03	8.10	5.30	8.40	6.90	5.10	4.90	5.84	5.47	6.59
September	8.03	7.30	8.10	5.50	6.90	6.90	5.10	4.90	5.84	5.47	6.77
October	8.03	8.03	8.10	6.60	6.90	6.90	5.80	4.90	5.84	5.47	6.77
November	7.50	7.30	8.80	5.50	6.90	6.90	5.80	5.40	6.20	5.47	6.77
December	7.66	7.00	12.00	8.80	6.90	6.90	5.80	5.40	6.20	5.47	6.77



[\[Back to Table of Contents\]](#)

## CHAPTER V.

### LAND MORTGAGE BANKS.

#### ANCIENT MORTGAGE LAWS.

IN ancient days the land was distributed among the cultivators by the State. It was not to be mortgaged or alienated. But by and by, as private ownership was recognized, the land was mortgaged to a large extent. The heavily indebted people lost the ownership by default, and became pauperized, some almost enslaved. In order to remedy this state of things, a law to prohibit land mortgages was promulgated in 751 ad Evasion of the law was, however, very common, and in 783 ad it was enacted that the offender should be severely punished. But the law proved inoperative, and by the time of Kamakura Shogunate, in the twelfth century, the system of land mortgage prevailed to an enormous extent and was the occasion of frequent lawsuits. The term was usually twenty years within which the debt was to be paid off. By the time of Ashikaga Shogunate, in the fourteenth century, if the interest reached to the same amount as the principal, the land was to be returned to the mortgagor. The Tokugawa Shogunate undertook to prevent the aggregation of land ownership in the hands of the few after it assumed power in 1614 ad It prohibited the permanent alienation of land, allowing only its sale for a certain number of years, except in case of newly reclaimed lands and those belonging to people with no fixed domicile. Mortgage and pledging were allowed when the term was fixed and the location defined, and permission was given signed by the head man of the village. If ten years elapsed after the expiration of the term, the ownership was transferred to the mortgagee, such land being termed "liquidated land." Penalties were inflicted on those who mortgaged the same land to more than one creditor at the same time. Days of grace for the payment were thus fixed: if below five yen or five koku of rice, at thirty days; if below ten yen or ten koku,\* at sixty days; if above ten yen or ten koku, at one hundred days; if between fifty yen or koku and one hundred yen or koku, two hundred and fifty days; if above one hundred yen or koku, ten months; if above two hundred yen or koku, thirteen months.

The mortgagor and mortgagee of land belonging to monasteries or temples were punished by banishment. The many were, however, at the mercy of crafty people, and the land was gradually "swallowed up" by a limited moneyed class. In order to make it clear how such a result was brought about, we must describe briefly the financial and social condition of Japan in those days. The peace which lasted for more than two centuries under the Tokugawa Shogunate caused a rapid increase of population. But free migration and freedom of choice of a vocation were restrained by the iron rule of feudalism. Paper notes were over-issued by each Daimio, coins were debased, and the poor suffered while the well-to-do people became richer and richer. Daimios and their retainers passed their days in profligacy and luxury. Their finances became straitened and the necessity for heavy taxes grew apace. The only source of taxation was the land. So the cultivators of the soil had to bear the burden, which was in some cases

above fifty per cent. of their income. Their lot was indeed a sad one, working night and day all through the year, but with nothing left after all except barely enough to support life. Bad harvests, floods, locusts, and other calamities increased the prevalent misery. Taxes had frequently to be paid from the proceeds of a loan, raised by mortgaging the land. So the land mortgages became general, and the debtors being unable to pay back because nothing remained to them except daily subsistence, the land fell inevitably into the hands of the creditors regardless of State interference and restrictions.

## THE FIRST LAND CREDIT ASSOCIATION.

So many Daimios were in need of money and their subjects were in so wretched a condition, that to fill the coffers of Daimios and to lighten the burden of the tillers of the soil were the sole aims of administrators, financiers, and economists. Among them, Ninomiya Sontoku must be counted foremost. His system was to urge retrenchment, do away with luxury, and save from the annual revenue a portion to be devoted to productive purposes, thus increasing the income of the Daimios and at the same time making a sure and enlarged foundation for the income of the people. His principles were adopted by the Daimios and by the people of many districts, and they resulted in the formation of something like credit associations, called Hotokusha, in the provinces of Suruga, Totomi, Sagami, Idzu, Mikawa, Ise, and Iwashiro. The aim of the associations was to help distressed farmers, to give facilities for the cultivation of waste lands, for irrigation, for the plantation of forest lands, for the construction and repair of roads, dikes, canals, and aqueducts. They received deposits, which were lent at the rate of five per cent. and for the term of six years. The debtor had to place in the hands of the association securities or a document indorsed by two persons at least. The loans were to be paid back in installments extending over ten years from the outset. Controlling the small associations there was a central one doing a larger business and giving aid in money to the smaller ones. Many had branches, to which they also gave pecuniary assistance. The whole system, which still exists, is governed by the principles of frugality, charity, social purity, obedience to the law and the sovereign, and the use of money for productive purposes; no interest except so-called thanks-offering money, which sometimes amounts to fifteen per cent., being demanded, and the officers receiving no salary for their services. Beneficial as these associations are, they are not widely spread over the country, and their working capital is very small. Consequently, agriculturists in general resort to rich lenders or ordinary banks for needed capital. This recourse was made easier by the abolition, in 1872, of the legal prohibition of the sale and purchase of land.

## A MORTGAGE LAW ENACTED IN 1873, FOLLOWED BY MORTGAGE BANKS.

In 1873, a law defining the mortgage and pledge was enacted, the former being the case in which the debtor places his land in the hands of the creditor, who, by letting it out, reaps the income and pays the taxes; while in the latter case the bond only is handed over, and the land is retained and cultivated by the debtor. The term was limited to three years, and pledging or mortgaging to foreigners was strictly

prohibited. Gradually many banks were established, and commerce and industry being not yet fully developed, they made loans on land mortgages. Facilities for borrowing being increased, and the standard of living being at the same time suddenly raised, the debt borne by the land grew in volume. But as the rate of profit of the land cultivators is less than seven per cent., as shown below, while the market rate for loans ranges above ten per cent., and as the return on the invested capital is very slow, the lender could not secure payment as promised, and the debtor failed even to pay interest.

*One Tan\* of Paddy Field.*

Price	48.557 yen.
Value of crops	13.356 yen.
Taxes and other public burdens	1.792
Cost of manure	2.724
Expenses of feeding horses and cattle	1.780
Wages of hired male laborers, 19.8 men at 14 cents a day	2.785
Female laborers, 14 females at 10 cents a day	.944 yen.
Total expenses	10.025
Net profit	3.331
Equal to .686 of the price of the land.	

\*One acre is equal nearly to four tan.

## COMPARISON OF BORROWERS BY OCCUPATIONS.

Taking the actual state of things, we find that in national and common banks the agricultural class, though borrowers for small amounts, far outnumber other classes, as will appear from the following table of occupations:

*Table I.—Occupations of Debtors on  
December 31, 1894.*

Occupations.	Number of Loans.	Amount Lent. YEN.
Agricultural	110,673	15,412,960
Industrial	7,207	1,701,188
Commercial	74,843	50,407,117
Local bodies	1,267	10,995,077
Miscellaneous	25,611	35,527,859
Companies	2,267	8,484,437
Total	221,868	123,528,640

Even if we divide the loans into the various kinds of securities pledged, we find the land plays an important part, as will be seen by the following table:

*Table II.—Division of Loans by Character of Security.*

Description.	Number of Loans. Amount.	
	YEN.	YEN.
Government bonds	4,846	3,962,718
Shares	18,649	42,969,570
Corn	10,249	5,022,333
Land	76,620	16,908,562
Houses	5,201	1,447,203
Land with houses	16,219	5,696,659
Fertilizers	993	1,080,385
Miscellaneous	17,219	11,295,626
Credit	71,872	35,145,584

As a necessary consequence, a great deal of the money advanced by banks in the form of loans is of long date, and often becomes irrecoverable, as shown below:

*Table III.—Division of Loans by Term.*

Term.	Number of Loans. Amount.	
		YEN.
Within one month	7,183	4,060,017
Above one month, but below three months	17,509	11,388,762
Above three months, but below six months	54,704	25,458,417
Above six months, but below one year	93,430	32,798,053
Above one year	49,042	49,823,391

*Table IV.—Division of Loans by Renewal.*

Time of Renewal.	Number of Cases. Amount.	
		YEN.
Not renewed	179,483	100,512,945
Once renewed	21,317	11,968,445
Twice renewed	10,842	6,012,397
Thrice renewed	7,526	3,784,929
Renewed more than four times	2,700	1,249,924

The agricultural population is also in a majority in installment loans.

*Table V.—Loans Payable by Installments.*

Occupations.	Number of Loans.	Amount.
		YEN.
Agricultural	1,500	307,575
Industrial	56	18,833
Commercial	856	1,290,091
Miscellaneous	763	388,896
Company	31	159,688
Total	3,206	2,165,083

In the sales of forfeited pledges and securities, farm lands far outnumber any other class of property.

*Table VI.—Sales of Property Pledged for Loans.*

Kinds.	Number of Cases	Amount.
		YEN.
Cultivated land	842	94,824
Forest	262	61,299
Rural land for building	270	64,227
Borough land for building	130	163,957
Houses	285	82,244
Shares	252	5,527,108
Miscellaneous	58	35,215
Total	2,099	6,028,874

These tables demonstrate the fact that the high rate of interest exacted for loans on land by banks is a matter of necessity. The average bank rate is 12.6 per cent., but still higher rates, such as 36 per cent., are demanded by the companies and individuals, who, numbering 30,840, with 53,788,553 yen capital, lend on landed security to the amount of 53,655,033 yen. It is thus clear that both the creditor and the debtor suffered, and land is losing favor as the basis of loans among banks, especially since trade and industry developed. For instance, when we compare 1894 with 1890, the proportion of loans on land to the total amount advanced by national banks has thus decreased:

*Table VII.—Loans by National Banks on Land.*

ITEMS.	December, 1890.	December, 1894.
	YEN.	YEN.
Capital	48,644,662	48,816,100
Total loans	49,183,330	69,803,513
Loans on land	8,770,247	9,006,512
Percentage of loans on land	18 per cent.	13 per cent.

When we look into the registered amount of pledges and mortgages of real property, and observe how the number of transactions is largest in small loans, we can readily

understand that the burdens of the land-holders, and especially of small land-holders, are extremely heavy.

*Table VIII.—Pledges and Mortgages of Real Property Registered During 1892-1894.*

YEAR.	Kinds.	PLEDGE.		MORTGAGE.		TOTAL	
		Cases.	Amount.	Cases.	Amount.	Cases.	Amount.
			YEN.		YEN.		YEN.
1892	{ Land }		{ 2,868,992 }		{ 58,030,116 }		{ 60,899,109 }
		45,467	}	812,460	}	857,927	
	{ Land with houses, etc.* }		{ 2,649 }		{ 18,489,546 }		{ 18,492,195 }
Total		45,467	2,871,641	812,460	76,519,662	857,927	79,391,304
1893	{ Land }		{ 43,681 2,836,051 }		{ 799,459 66,744,573 }		{ 843,140 69,580,624 }
			}		}		}
	{ Land with houses, etc. }	10	{ 1,355 }	104,111	{ 26,304,011 }	104,121	{ 26,305,366 }
Total		43,691	2,837,406	903,570	93,048,584	947,261	95,885,990
1894	{ Land }		{ 37,838 2,832,812 }		{ 794,822 67,524,098 }		{ 832,660 70,356,911 }
			}		}		}
	{ Land with houses, etc. }	19	{ 1,648 }	103,276	{ 24,213,214 }	103,295	{ 24,214,862 }
Total		37,857	2,834,460	898,098	91,737,312	935,955	94,571,773

\*In this case land is registered together with houses or ships, its value not being separable.

*Table IX.—Division of Loans by the Amount  
Registered for 1892.*

Amount.	Pledge.	Mortgage.	Total	Per Cent.
Below 5 yen	827	1,556	16,333	1.904
Below 10 yen	2,900	63,474	66,374	7.736
Below 25 yen	10,199	221,845	232,044	27.047
Below 50 yen	13,230	216,005	229,235	26.720
Below 100 yen	11,422	161,578	173,000	20.165
Below 200 yen	5,128	73,725	78,853	9.191
Below 300 yen	1,091	23,508	24,599	2.867
Below 400 yen	347	11,038	11,385	1.327
Below 500 yen	140	6,231	6,371	.743
Below 750 yen	111	8,268	8,379	.977
Below 1,000 yen	36	3,423	3,459	.403
Below 1,500 yen	22	3,374	3,396	.396
Below 2,000 yen	6	1,541	1,547	.180
Below 5,000 yen	8	2,259	2,267	.264
Below 10,000 yen	0	500	500	.058
Above 10,000 yen	0	185	185	.022
Total	45,467	812,460	857,927	

*Table X.—Amount Standing on the Register at the End of 1893 and 1894.*

YEAR.	Kind.	PLEDGE.		MORTGAGE.		TOTAL.	
		Cases.	Amount.	Cases.	Amount.	Cases.	Amount.
			YEN.		YEN.		YEN.
1893	{ Land	263,229	14,329,096	2,820,590	199,211,025	3,083,819	213,540,121
	{ Land with houses, etc.	1,122	136,778	285,245	62,413,203	286,367	62,549,981
	Total	264,351	14,465,874	3,105,835	261,624,228	3,370,186	276,090,102
1894	{ Land	393,993	19,823,554	4,054,968	262,498,442	4,446,961	282,321,997
	{ Land with houses, etc.	365	27,668	52,692	59,334,148	353,057	59,361,817
	Total	394,358	19,851,222	4,409,660	321,832,590	4,800,018	341,683,814

The intensity of the small land-owner's attachment to his land is something hard to conceive. Many would rather die than part with the land handed down from their ancestors. But there is no help for it; the land must be sold or its ownership transferred to the creditor when loans fall in default. The decreased number of tax-payers may be cited as one of the proofs of the gradual decay of the yeomanry of Japan, the tax being paid by the owner of the land.

Table XI.—Number of People who Pay More than Five Yen of Land Tax.

YEAR.	Paying Above Ten Yen.	Increase or Decrease from Preceding Year.	Paying Above Five Yen.	Increase or Decrease from Preceding Year.	Population.	Increase or Decrease from Preceding Year.
1886	900,190		1,653,621		38,507,177	
1887	882,517	Dec., 17,673	1,581,726	Dec., 71,895	39,069,691	Inc. 562,514
1888	884,754	Inc., 2,237	1,602,249	Inc., 20,523	39,607,234	Inc. 537,543
1889	884,042	Dec., 712	1,544,146	Dec., 58,103	40,072,020	Inc. 464,786
1890	815,504	Dec., 68,537	1,485,056	Dec., 59,090	40,453,461	Inc. 381,441
1891	672,776	Dec., 142,728	1,237,349	Dec., 247,707	40,718,677	Inc. 265,216
1892	642,181	Dec., 30,595	1,185,454	Dec., 51,895	41,089,940	Inc. 371,263
1893	636,772	Dec., 5,409	1,181,114	Dec., 4,340	41,308,313	Inc. 218,373

## AGRICULTURAL CREDIT INSTITUTIONS AS A SOLUTION OF JAPAN'S LAND TENURE SYSTEM.

The last table shows the gradual decrease of small land-owners in spite of the increase of population. Thus the land is passing gradually into fewer hands, and the owner and tiller of the soil are separated, decreasing the number of land-owners and increasing tenants and mere wage-earners. The rural population are migrating to cities, but as industry is not yet sufficiently developed to absorb these people, they have to suffer. Even if they are able to obtain employment in factories, they have in bad times nothing to fall back upon. This is a serious question that may plunge the country into the whirlpool of social agitation, with which European countries are perplexed, but of which Japan knew nothing till the coming of the great change in her economic condition.

What, then, should be done? The condition of agriculturists cannot be disregarded, because they are the principal tax-payers and form a majority of the total population. The most obvious remedial measures consist in establishing agricultural banks and a *crédit foncier* system which may relieve the land-owners by lending them money at long terms and at a reduced rate of interest, and may also at the same time release the inactive funds of the commercial banks. This view is adopted by the Government, and it seems to be shared by thoughtful men and by members of the Diet. Though it is difficult to foretell how things will turn out, it is certain that the Government bills on *crédit foncier* and agricultural and industrial banks presented to the Diet on January 16, 1896, will be seriously treated, because the House has referred the subject to a select committee of twenty-seven members.

## SUGGESTED SCHEME FOR LAND BANKS.

It is proposed to make the *crédit foncier* the central agency for the agricultural and industrial banks to be established in each prefecture. The former will be a joint-stock bank of 10,000,000 yen capital, with a term of existence of 100 years, both capital and term being subject to increase at the will of the shareholders. Directors will be



appointed or selected by the Government from among those holding stock. The main business will be limited to lending money to be used for agricultural or industrial purposes, with land or houses as security, except in the case of local public corporations, for a term of not over fifty years, repayable in installments. Besides, one-tenth of the above-named sum may be advanced on ordinary loans of not more than five years' term, with land, houses, or national and local debt bonds as security. The bank can also take charge of bullion or negotiable paper and can buy the debt certificates issued by commercial banks, thus giving aid to them in an indirect yet efficient way. In order to let the bank make a moderate profit, even by lending at a low rate, say two per cent. lower than the market rate, the special privilege is granted of issuing debt certificates to tenfold instead of the customary limit of twice the amount of its paid-up capital. These certificates must be paid back as the payments by installment are received, and they are protected against forgery in the same way as the currency of the realm. During the first ten years, the State will furnish a sufficient sum to let the shareholders get at least five per cent. on their investment. In return for these special concessions, the bank will have to accumulate one-tenth of its annual profit as a reserve, and must get permission from the Government for any change in its by-laws, for the opening of branches or agencies, the payment of dividends, issuing of certificates, etc. Besides, the Government retains the power to appoint the first organizing committee of the bank, as also comptrollers to oversee its management. The Government will also have power to restrain any act of the bank which it deems contrary to law, regulations, or public policy; to fix how much is to be advanced for loans, as well as the rate of interest. Being a great central institution, the bank may be able to benefit local corporations and agricultural and industrial undertakings on a large scale, but the small farmers and producers in the country may not be able to utilize its advantages.

## THE SPECIAL FUNCTIONS OF AGRICULTURAL BANKS.

The agricultural bank is intended to supply their special want. It will be a joint-stock company, with a much smaller capital, say between 200,000 and 1,000,000 yen, with one prefecture as its sphere of action, and its shareholders restricted to the corporations of individual residents of the district. This localization is a matter of necessity, so that the bank management may know the circumstances of debtors. These can borrow only for productive purposes, such as reclamation of waste land, irrigation, improvement of the soil, construction of farm-roads, dikes and aqueducts, or farm-houses, planting of forests, purchase of seeds, manures, silk-worm cocoons and other raw materials, machines, implements, and cattle; in fact, any species of agricultural or industrial improvement. If not used in the way stipulated for, the money will be redemanded at once. The debtor can borrow on lands or houses as security, and pay back in installments extending over not more than thirty years. Even those who have no property at all, such as tenants and mechanics, can borrow from the bank for a term of not over five years, if they form a body of not less than twenty persons with common unlimited liability. Hence credit associations or unions for industrial undertakings can borrow without any pledge, and the activity of such bodies as the Hotokusha will thus be greatly increased. Besides, the bank can discount bills drawn by producers, and can lend on the product as security, it can receive deposits, take care of bullion or negotiable paper, and may become an agency of the *crédit*

*foncier*. The privilege of issue of debt certificates is fixed at fivefold of the paid-up capital, and the bank is entitled to a subsidy for ten years after its creation. Its responsibilities and the nature of the Government control are almost the same as in the case of the *crédit foncier*, except that the work of the comptroller is performed by local officers under the orders of the Minister of Finance. These two kinds of banks are linked together, the local ones being dependent on the help of the central organization, while the latter must make use of the former in the lending and collection of its funds. When these two are established, the land-owners will be supplied with cheaper capital, lent for a term long enough to suit their needs, and at a rate of interest probably half of the present average rate of fifteen per cent. Moreover, the commercial banks will be relieved of their agricultural credits, and thereby their tied-up capital will be freed, thus lowering the general rate of interest. Even granting some failures to be inevitable, these institutions must be organized if the small owners of land and the pursuit of industry on a small scale are to be kept up. Just now, peace, contentment, and happiness pervade the country, on account of the subdivision of land among small owners, and because the chief branches of industry, such as tea culture and silk and porcelain making, are done mostly at home as the by-work of agriculture. Small proprietorship and home industry may be gradually supplanted by landlordism and the factory system, but it is extremely desirable that the decline of the former should, if possible, be retarded. Moreover, it is part of the responsibility of the State to protect existing conditions and interests so long as they are not useless or pernicious. This is why the establishment of the *crédit foncier* was predicted by Count Matsukata when he introduced the scheme of the central bank in 1882. Many shared his views, but the execution of the plan has been delayed till the present time, for the following reasons:

1. The failures of land mortgage banks abroad obliged even their supporters to hesitate.
2. The continuance of good harvests and the consequent well-being of the agricultural population lessened the urgency of the scheme.
3. The attention of legislators was occupied with the establishment of the Bank of Japan, the closing up of the national banks, etc.
4. Caution and circumspection demanded a careful investigation of practical examples in Western countries before the preparation of laws and regulations.

But now public opinion seems to be eager for practical legislation, which, however, may not be had without opposition. The conservative element will be against it because of its novelty, and pessimists will oppose it as a dangerous undertaking. There are, moreover, powerful opponents who insist that it may end in a way totally different from that intended, the benefit being reaped by large land and factory owners, while if the funds be lent to small proprietors, it may lead to profligacy and waste. This last is a consideration to be dealt with thoughtfully. Indeed, the question is not whether the land banks are necessary or not, but how their working may be made beneficial. It seems to be the intention of the Government to attain this difficult end by keeping a firm control over these banks. This, perhaps, may be the only effective means in such a country as Japan, where the administration is comparatively free from corruption and abuse.

With the establishment of the Government control, the necessity of subsidizing them arises. As said before, the central bank is guaranteed five per cent. interest for ten years. But the guarantee system is too complex to be applied to scores of local banks; therefore, quite a different method is employed with them. A sum of about 10,000,000 yen is set aside from the national exchequer. This is divided out to each prefecture in proportion to the area of mortgageable land. With this fund, the prefecture becomes the shareholder of the agricultural bank of the district. For ten years from the time of its establishment, the bank is relieved of any obligation to pay annual dividends on these shares, and during that term the prefecture must hold the shares. But after that it can divide them among local corporations of the district, who must make them part of their capital. As the actual work of controlling the local bank is intrusted to the prefecture, the possession of an interest in the working of the bank will induce greater care in the discharge of this function. For ten years the bank will be able to increase the profit and the dividends to be paid to ordinary shareholders. The State will thus give help to the banks without meddling with their business. So everybody is satisfied, and many good purposes fulfilled at the same time. So far as the law is concerned, the plan is nearly complete. The next and the most important question is how to make the practical working of these banks advantageous. The answer to this must depend upon whether the right men are put in the right places, and we fully expect that the result will be satisfactory to the country and to the people for whose relief these institutions have been devised.

[\[Back to Table of Contents\]](#)

## PART II.

### THE CURRENCY OF JAPAN.

#### CHAPTER I.

##### THE OLD COINAGE SYSTEM.

##### THE EARLIEST FORMS OF CURRENCY.

THE ancient records do not give a clear description of the currency of their time. But in a prehistoric period, shells, precious stones, rice, corn, clothing, and other commodities seem to have been used as the medium of exchange. Magatama and Kudatama made of precious stones, which are often dug out of old mounds and caves, were hung around the neck. They served as an ornament, and perhaps also the purpose of money as well. Gold, silver, and copper were imported from continental Asia tens of centuries before the Christian era. It is most likely they were used as instruments of commerce. According to a record in the reign of the Emperor Hansei (406 to 411 ad), gold, silver, and copper coins circulated at the following ratios: One sho\* of rice = one mon of copper; ten mon of copper = one mon of silver; ten mon of silver = one mon of gold.

In the time of the Emperor Kenso (485 to 487 ad), we have the first recorded issue of silver coins. In 683 ad, copper coins were made with metal imported as the tribute from Corea, to take the place of silver coin. In 699 ad, a mint was established, whence copper coins were issued. In 708 ad, was coined Wado Kaichin of silver and copper. In the next year, coinage outside of the mint was prohibited, and for payments of four mon and upward, silver was used; while for below three mon, copper was legal tender. Those who coined privately were beheaded, and anyone giving them assistance was exiled. It was not till 712 ad that the taxes were paid with money. As a special favor, the right of coining copper was allowed in 758 ad to Yemino Oshikatsu, an influential courtier. It was in the beginning of the eighth century that an order to use coin was issued, and from this we must judge that barter still existed to a large extent, rice and clothing being chiefly used. Travelers carried rice with them to pay for lodging. In 760 ad, gold, silver, and copper coins were issued. Those who coined privately were arrested in 766 ad and obliged to work in the mint. In 797 ad, in order to accumulate corn, because of pestilence and a failure of crops, the taxes were received in kind instead of in coin.

##### CONFUSION AND DEBASEMENT OF COINS.

In 818 ad, the responsibility of coinage was imposed on the province of Nagato, and for this work it was freed from the payment of taxes. In 865 ad, the refusal of light coin was prohibited, and in 872 ad the mint was ordered not to debase the coins. It

seems, however, that debasement had already begun, and as all sorts of coins issued in different eras, as well as those imported from China and some coined privately, circulated at the same time, great confusion prevailed. Moreover, owing to the prevalence of Buddhism, coins were melted into idols, bells, etc. The coins of China were so much better, compared with the debased coins issued from the mint, as to interfere with the free circulation of the latter. Therefore, in 1091 ad the use of the Chinese coins was prohibited, and in 1230 ad the price of rice was fixed. But in order to meet the demands of the market, merchants were sent to China with gold to be changed into copper coins in 1277 ad. In 1407 ad, a Chinese junk laden with Yeiraku\* coins arrived, and these coins circulated freely, especially in the eastern provinces, but were prohibited in 1608 ad. Not content with presents of coin from China, in 1464 ad Shogun Yoshimasa sent a message to China to obtain copper coins in exchange for the produce of the country. This way of raising a loan was often repeated. Most of the proceeds were used for his personal expenses, although the avowed purpose was to supply the deficiency of coins. In 1587 ad, silver, copper, and lead coins were issued. In addition to these, gold dust was used as money, being enclosed in bags or bamboo pipes. Also bar gold and gold plates were used by chopping off and weighing, though this currency was limited to large transactions. These served to increase the existing confusion, and commerce was fettered to a great extent. Besides, in each locality all sorts of coins were manufactured, varying in form and weight, causing endless perplexity.

## THE KOBANG PERIOD—CREATION OF MINTS—VALUE OF COINS.

Gradually, as the level of prices rose, transactions increased, and the confused state of the currency became no longer bearable. In 1578 ad, large *obang* and small *kobang* coins were issued, in addition to plated silver *tiogin*, by Toyotomi Hideyoshi. Thus the way was paved for the unification of the currency, which, though contemplated by the predecessor of the ruler Nobunaga, was executed by the latter. Gold and silver coins for smaller payments were also issued. In 1595 ad, the Kinza, *i. e.*, gold mint, was established by Tokugawa, and in 1599 *adichibu kobang* was issued. The legal ratio of gold to silver was 1 to 11.89—much lower than, for instance, in Holland, where it stood at 1 to 14.7; so that gold naturally began to be exported.

In 1601 ad, the Ginza, *i. e.*, silver mint, was established, and it became the monopoly of the Goto family, the examiners of coins. Coins were made in Kioto, Yedo, Suruga, Kai, and Sado. The amount of kobang produced reached 14,727,055 rio, because of the increase of the output of the Sado mines. Though the inscription on the small kobang was printed, that on the larger ones was written with Indian ink, and thus was easily defaced. In case of the coin not being accepted because of defacement, the holder had to bring it to Goto and have it rewritten. Great care was consequently required in the handling. Keichio obang weighed 44.0551476 sen (8.28 sen equal to 1 ounce), its composition being 67.2 per cent. gold, 29.4 per cent. silver, 3.4 per cent. alloy; and its value nearly equal to 76.1473 yen of the present time. Keichio kobang were also made, ten of which weighed 47.3004936 sen, 85.69 per cent. being gold,

14.25 per cent. silver, and .06 per cent. alloy, the value being equal to nearly 102.54984 yen.

Besides, there were square gold pieces, called *Keichio Ichibuban*, ten of which were equal to one kobang. Silver coins of chiogin and mameitagin were also issued, under the names of *Keichio Chiogin* and *Keichio Mameitagin*. These being mere drops of melted silver, the fineness was 80 per cent. silver and 20 per cent. copper. An order was issued fixing the value of the Yeiraku pieces as equal to four iron coins, 250 of the former being equal to bu, or one-fourth of a rio of kobang. But this coin was abolished in 1608. In 1614 ad, refusal of coins, except those cracked, deformed, abraded, or made of lead, was punished by branding the face. This was a consequence of the debasement and popular distrust of the coinage. In 1636 ad, *Kuanyei* pieces were coined, whose composition was 50 per cent. of copper, 35 per cent. of tin, and 15 per cent. of lead. They were coined exclusively in Sakamoto of Omi and in Yedo. In 1638 ad, foreign trade being regarded as the means of impoverishing the country, was strictly prohibited, the Chinese and the Dutch only being allowed to trade exclusively in the port of Nagasaki. Christianity was also prohibited, and foreign trade, which had been extensively carried on by everybody and everywhere, suddenly dwindled.

## SCARCITY OF COIN AND MEASURES TO CONSERVE IT

In 1667 ad, the sale and purchase of copper was prohibited. Next year the copper Daibutsu (Giant Buddha) at Kioto was melted down and made into coins—quite a contrast to the practice of an earlier time of melting down coins for idols. The export of copper was also prohibited. In those days there was an extensive trade with the Dutch and the exportation of gold increased. The exportation of gold coins was prohibited, but without any effect. In 1686, in order to lessen the exportation of precious metals, which had been incessantly going on for centuries, the amount of trade with Corea was fixed at 18,000 rio, and that of Riukiu at 2000 rio per year. The recoinage and debasement of gold coins were practised in 1695 to supply the financial deficiency and to increase the profit of the hereditary superintendent of the mint, viz., Goto. But the chief cause was the scarcity of the precious metals, owing to the increased exportation, only 8,634,000 rio of gold and 77,000 quan\* of silver remaining out of 14,727,000 rio and 1,200,000 quan, respectively, coined. The output of the precious metals also decreased, and the only alternative left was debasement of the coinage. The plan was formulated by a financier named Ogiwara Ominokami Naohide, and was adapted to the needs of the time, about 5,000,000 rio of genroku obang being coined. His opinion took the extreme ground that “when issued by the State, even tiles and pebbles can be used as currency.”

Old coins were ordered to be exchanged in 1699 into the new ones at par, but actually the latter were at a discount of twenty per cent. This was inevitable, as they differed very greatly in fineness, as will be seen from the following comparison:

	Weight.	Per Ct. Gold.	Per Ct. Silver.	Per Ct. Alloy.
Keichio kobang	5.71262 oz.	85.69	14.25	.06
Genroku kobang	5.71252 oz.	55.41	43.19	.40

It was also ordered that stored silver should be sold to the mint. The use of gold and silver in stock transactions and the hoarding of silver coins were prohibited. However, the hoarding of the old coins went on, those available being melted down and changed into counterfeited new coins. In 1706, hoyei silver was issued, but as it was greatly debased it did not circulate at all, the fineness being fifty per cent. only, which, when compared with keichio silver's eighty per cent. fine and genroku silver's sixty-four per cent., was a great deterioration. Hoyei copper was issued, but was withdrawn on account of its inconvenience. The efflux of silver, and especially of gold, continued, and the amount exported after 1648 has been estimated at 25,473,000 yen of gold and 58,000,000 yen of silver. Measures were taken to discourage the exportation of the precious metals, but to no effect. It was in these times that the Europeans came in search of gold, making great profit by changing it for silver and merchandise.

## FRESH DEBASEMENTS OF THE COIN.

Compelled by financial difficulties, another reduction of the size and fineness of the gold and silver coins was effected in 1710. The fineness of the silver coin was only thirty-two per cent., and in some cases but twelve per cent., the rest being copper, and the value of ten kobang was equal to 52.54308 yen, the composition being 83.40 per cent. gold, 16.55 per cent. silver, and .05 per cent. alloy. The monetary ratio of kobang was fixed, and the value of the old and new coins was ordered to be alike. But these restrictions were futile; prices rose, people suffered, and counterfeit coins made their appearance. Arai Hakuseki urged the necessity of remedial measures by raising the fineness and even lessening the amount of circulation. Although his enlightened views were opposed by many, especially by Buisumokoio, the inflationist, they were adopted in 1714, kobang being issued of the same fineness as that of keichio (1591 to 1614). Then prices began to fall, and general credit recovered.

## VICISSITUDES OF THE COINAGE FROM 1715 TO 1884.

Another restriction of the export of copper and of the number of Chinese and Dutch vessels admitted to the ports of Japan was ordered in 1715, and next year kioho kobang was issued of the fineness of 86.70 per cent. gold, 13.25 per cent. silver, and .05 per cent. alloy. Ten of these were equal to 103.07247 yen. The obang was also struck equal in fineness to that of the keichio period. Prices went down, but not to the extent desired, because the new coins were hoarded. So prices were lowered by compulsion of legal penalties. Coin and copper were still exported; and in 1736, Dutch vessels lying at Nagasaki were ordered to return, their number being restricted to twenty-five. Again debasement of the coinage was resorted to, and *genbun* coins were issued more or less under value, the inflationists' view being adopted; an arrest of the fall of prices and the deficiency of coins being the plea. The composition of the new coins was 65.32 per cent. gold, 32.53 per cent. silver, and .15 per cent. alloy, ten of them being equal to 58.69374 yen.

In the case of silver coins, the fineness was only forty-six per cent. In 1742, the burying of coins with the dead\* was prohibited, and the use of silver as ornaments was forbidden in the next year. In 1765, miowa silver coin was issued of forty-six per cent. fineness, being necessitated by the influx of silver in exchange for gold, which was enormously exported by the Dutch. In 1768, kuanyei tsuho were coined, consisting of 68 per cent. of copper, 24 per cent. of lead, and 8 per cent. of tin. These are still used as equal to two rin; and in 1772 anyei nan rio silver was made of 97.75 per cent. silver and 2.25 per cent. alloy, equivalent to 3.289 yen. The maximum abrasion was fixed at .004 per cent. in 1779. In the next year, Zeniza, or the mint for copper and iron coins, was opened in Osaka. In 1818, the financial difficulties of the Tokugawa Government increased, and new kobang was issued in 1819, more or less debased. The silver coins were also reduced in value, becoming 29.84 per cent. gold, 69.99 per cent. silver, and 17 per cent. alloy, equal to 2.944 yen. Hitherto, the silver coins being less debased, they were preferred to gold; but now, when the former were also recoined, the state of the currency fell into utter confusion.

In 1835, tempo sen was issued, consisting of 78 per cent. copper, 10 per cent. tin, and 12 per cent. lead, in order to redeem paper notes of the Daimios. But as the stock of copper became deficient, this scheme miscarried, only the bulky and unpopular coins remaining. This coin circulated at an equivalent of eight rin, but was abolished in 1884, and after 1896 it is irredeemable. The value of gold fell as compared with silver, and the ratio stood as low as 1 gold to 4.64 silver. Recovering a little in fineness, five rio tempo coin was issued in 1837, the composition being: gold, 83.75 per cent.; silver, 16.65 per cent., and alloy, .20 per cent., or equal to 19.05926 yen. Ichibu silver of 99.14 per cent. fineness, ten rio of which were equal to 14.1746 yen, was also issued, besides many other denominations. In 1838, to supply a pressing demand, tempo obang was issued, equal in fineness to that of the keichio period, and chio and mameita silver were largely coined.

## COINAGE UNDER THE NEW COMMERCIAL ERA.

In 1853, Commodore Perry, of the United States Navy, came with his fleet to Uraga, and, awakening Japan from her long slumber and seclusion, induced her to open the country. The new era dawned, and after this the popular bent was radically changed. His arrival shook the nation, and the Tokugawa Government began to build fortresses and import men-of-war from Holland. But such a sudden increase of expenditure was beyond the power of the distressed Government. So again the usual method of resorting to the issue of debased coins was adopted, and one-siu kayei silver was issued, consisting of silver, 96.78 per cent., and alloy, 3.22 per cent.; ten rio being equal to 12.09173 yen. In the next year the use of gold and silver for other purposes than coinage was forbidden. The treaty with the United States of 1854 expressly allowed the receipt of American coins in payment of Japanese goods. In 1856, ansei nibu gold was coined, in fineness being: gold, 20.92 per cent.; silver, 78.87 per cent., and alloy, .21 per cent., ten rio being equal to 19.40124 yen. The export of gold continued, foreigners buying gold at one per cent. premium. This they were glad to pay, because the gold kobang (18s. 2d.) was equal to four of one-bu silver (1s. 4d.), and they made a profit of 12s. 10d. every time they exchanged silver for gold. In 1859, Yokohama was opened to foreign trade. Foreign gold and silver coins were



ordered to be circulated, weight by weight, with the coins of the realm, after being stamped in the mint. The new ichibu silver was issued of the same fineness as the foreign coins. By this means it was hoped that the exportation of gold would be checked. Besides ansei, two-siu silver was issued of a fineness of 84.46 per cent., ten rio being equal to 38.009 yen. In addition to ansei, a gold kobang was issued, with 56.97 per cent. of gold, 42.82 per cent. of silver, and .21 per cent. of alloy, ten rio being equal to 35.72835 yen. Ichibu gold was also coined. In 1860, new kobang and obang were issued, the former being 57.36 per cent. gold, 42.40 per cent. silver, and .24 per cent. alloy; ten rio being equal to 13.295 yen, while the latter were 34.35 per cent. gold, 63.92 per cent. silver, and 1.73 per cent. alloy, each piece being equal to 28.829 yen. Ichibu, nibu, and nisiu gold were also coined, containing 22.85 per cent. of gold, 76.95 per cent. of silver, and .20 per cent. of alloy, ten rio being equal to 11.088 yen. The ratio of gold to silver was raised to 1 to 15.58 to stop its continuous exportation. In 1863, bunkiu money was coined, which, though circulating till now as an equivalent of one and a half rin, is gradually being melted down at the mint and nickel coins served in its stead. The amount of gold exported after 1859 was inconsiderable, as its ratio to silver was made to correspond closely to the price abroad, as shown by the following table:

*Table I.—Ratio of Silver to Gold.*

YEARS.	Ratio.	YEARS.	Ratio.
	GOLD TO SILVER.		GOLD TO SILVER.
1601	1 11.89	1820	1 10.24
1695	1 14.21	1837	1 8.57
1706	1 10.93	1859	1 5.24
1710	1 12.12—9.47	1860	1 15.58
1711	1 5.74	1871	1 16.01
1714	1 11.92	1875	1 16.17
1736	1 11.58	1876	1 16.33
1819	1 13.32	1878	1 16.17

The effort was made to fix prices by law, but it was ineffectual, and in 1866 riots broke out in many districts, being most violent in Yedo, Osaka, and Hiogo. The Tokugawa family had, thus, its hands full of the difficulties of coinage affairs, especially after resorting to the policy of debasement. The varieties of coins which were in use were:

	{ big bang.
	{ 5-rio bang.
Gold	{ kobang.
	{ 2-bu bang.
	{ 1-bu bang.
	{ 2-siu bang.
	{ 1-bu bang.
	{ 2-siu piece.
Silver	{ 1-siu piece.
	{ chiogin.
	{ pea plate silver.

These varied in fineness, name, size, weight, and form—there being sixty-six different ones in all. Besides, there were many copper and iron pieces, which also varied a great deal. The whole system was left in confusion, and the resultant inconvenience and suffering of the people were almost beyond description. To show the composition and the amount of coins issued by the Tokugawa Government, the following tables, compiled by Sato Chiwsaburo, are inserted:

*Table II.—Value and Fineness of Old Coins.*

NAME.	Value of One Piece. YEN.	Weight in Ounces of Ten Rio.	Pure Gold Per Mille.	Pure Silver Per Mille.	Alloy Per Mille.
Keichio kobang	10.0642	} 5.7162	856.9	142.5	000.6
Musasi ichibu bang	2.5160				
Genroku kobang	6.8657	} 5.71252	554.1	431.9	004.0
Genroku ichibu bang	1.7164				
Genroku nisiu bang	0.8582				
Kenji kobang	5.1565	3.00143	834.0	165.5	000.5
Kenji ichibu bang	1.2893	3.00142	834.0	165.5	000.5
Kioho kobang	10.1156	} 5.67952	867.0	132.5	000.5
Kioho ichibu bang	2.5289				
Genbun kobang	5.7589	} 4.19614	653.2	345.3	001.5
Genbun ichibu bang	1.4397				
Bunsei nibu bang	2.5236	4.20592	563.0	435.0	002.0
Bunsei kobang	5.0292	} 4.21510	559.4	438.6	002.0
Bunsei ichibu bang	1.2573				
Issiu gold	0.1601	7.15000	123.1	874.0	002.9
Bunsei nibu bang	2.2227	4.20956	487.6	511.0	001.4
Tempo kobang	4.3662	3.61214	567.5	431.5	001.0
Tempo ichibu bang	1.0915	3.61214	567.5	431.5	001.0
Old nisiu gold	0.3645	4.19894	298.4	699.9	001.7
Five-río bang	18.7044	1.08462	837.5	160.5	002.0
Ansei kobang	3.5051	} 2.89010	569.7	428.2	002.1
Ansei ichibu bang	0.8763				

Ansei nibu	0.9503				
bang {	1.3043	} 3.6298	209.2	788.7	002.1
Ansei ichibu					
bang	0.3261	1.06894	573.6	424.0	002.4
New kobang	1.3043	1.06894	573.6	424.0	002.4
New ichibu					
bang	0.3261	1.06894	573.6	424.0	002.4
New nisiu					
gold	0.1361	1.93821	229.0	769.0	002.0
New nibu					
bang	0.5432	1.93694	228.5	769.5	002.0
Keichio					
obang					
Kioho obang	} 74.7186	5.32067	672.0	294.0	034.0
Tempo fuki					
mashi					
Genroku					
obang	59.2710	5.30904	521.1	448.4	030.5
New obang	28.2668	3.62989	343.5	639.2	017.3
Anyei nisiu					
silver	0.4026	2.62498		977.5	022.5
Bunsei nisiu					
silver	0.2967	19.33729		978.0	022.0
Bunsei issiu					
silver	0.1035	1.35391		974.7	025.3
Old ichibu					
silver	0.3470	2.15435		991.4	008.6
Issiu silver	0.0740	9.74535		967.8	032.2
Ichibu silver	0.3117	11.12504		893.0	107.0
Ansei big					
nisiu silver	0.4651	35.10250		844.6	155.4

*Table III.—Amount of Old Coins Issued.*

NAME OF COIN.	Amount Coined.	Date.
GOLD.		
RIO.		
Keichio gold	14,727,055.00	1601 to 1695
Genroku gold	13,936,220.25	1695 to 1710
Kanji gold	2,515,500.00	1710 to 1714
Musasi bang	213,500.00	1714
Kioho gold	8,280,000.00	1716 to 1736
Genbun gold	17,435,711.00	1736 to 1818
Bunsei gold	14,029,382.00	1818 to 1828
Issiu gold	2,920,192.00	1828 to 1832
Old nisiu gold	12,883,700.25	1832 to 1858
Five-rio bang	172,275.00	1837 to 1843
Tempo gold	8,120,450.00	1837 to 1858
Ansei nibu bang	3,551,600.00	1856 to 1860
Shioji gold	351,000.00	1859
New gold	625,050.00	1860 to 1867
New nisiu nibu bang	53,246,576.00	1860 to 1869
Keichio obang	Unknown.	1601 to 1695
PIECE.		
Genroku obang	30,000	1695 to 1716
Kioho obang	8,515	1716 to 1837
Tempo obang	1,887	1837 to 1860
Ansei obang	17,097	1859 to 1862
SILVER.		
Nisiu silver	5,933,000.00	1772 to 1824
Bunsei nisiu silver	7,587,000.00	1824 to 1830
Old issiu silver	8,744,500.00	1829 to 1837
Old ichibu silver	19,729,100.00	1837 to 1854
New issiu silver	9,952,800.00	1854 to 1865
New nisiu silver	88,300.00	1859
CHIOGIN (Plate Silver).		
Keichio silver	1,200,000.00	1601 to 1695
Genroku silver	405,850,000.00	1695 to 1706
Kanyei silver	278,130,000.00	1706 to 1710
Yeji silver	5,836,000.00	1710
Sampo silver	370,487,000.00	1710 to 1711
Shiho silver	401,240,000.00	1711 to 1712
Kioho silver	331,420,000.00	1714 to 1736
Gomme silver	1,860,400.00	1765 to 1772
New monji silver	224,981,900.00	1820 to 1837
Seiji silver	102,907,000.00	1859 to 1865
Hoji silver	182,108,000.00	1837 to 1858

[\[Back to Table of Contents\]](#)

## CHAPTER II.

### THE NEW COINAGE PERIOD.

#### READJUSTMENT OF COINS AND NEW MINT, 1868-1891.

THE year 1868 saw the restoration, but the coinage system was still unsettled. Old coins were used for convenience' sake, though they were not favored by the new régime, which was characterized by the domination of a revolutionary spirit. In February, the value of the Mexican dollar was fixed as equivalent to three bu, and in March, that of the onemon copper piece as equal to six pieces of iron. In April, all copper was ordered to be sent to the Osaka mint, and private dealings in it were prohibited. The values of old kobang and foreign coins were also fixed in detail. In May, the chiogin coins were demonetized and bought up by the Treasury. In August, the stamping machines bought from Hong-Kong, where they had become useless, arrived, and the intention to issue new coins became a fact. In November, Mr. Walters was hired for the construction of the mint establishment in Osaka, and by the next year the Imperial Mint was organized and presented samples of new coins. The old mints were thereupon abolished, and the old denomination was supplanted by the decimal system, chiefly through the influence of Count Okuma. The services of Englishmen to be employed in the new mint were contracted for through the Oriental Banking Corporation. Tempo coins, however, were still largely manufactured for the use of Yezo Island. For this purpose, and perhaps also to make them defenceless, cannons were purchased from Daimios. Complaints being made by the foreign diplomatic corps, the imitation of coins was prohibited, and the ichibu silver and nibu gold pieces were declared to be legal tender till the new coins came out. The gold, silver, and copper products of the mines were ordered to be sent to the mint for coinage, and private sales were prohibited. Mr. Kinder and his staff arrived, and soon commenced making new coins. Due notification of the issue was made to the foreign ministers, with the declaration that coins were to be 10, 5, and 2½ yen gold pieces, and 1 yen, 50-cent, 20-cent, 10-cent, and 5-cent silver pieces, with three kinds of copper coins, and that the standard was to be one silver yen. A law was promulgated under which the maker of counterfeit currency was to be hung and those who assisted him or who used the false coin decapitated. These penalties were, however, moderated later on.

In November, the one-yen silver piece was issued. In January of 1871, the free opening of the Osaka mint was made known to the foreign ministers. In February, the opening of the mint was celebrated in presence of the diplomatic corps.

#### THE GOLD STANDARD ADOPTED 1871.

In May, silver was demonetized and the gold standard was adopted, subsidiary silver coin being limited to ten yen and copper to one yen. The gold piece was nine-tenths fine, the twenty-yen piece weighing thirty-three and a third grammes. Still the old

coins circulated, and the confusion was great. So an order was issued to exchange them into new coins at the rate of

1 yen equal to 1        rio equal to 1000 of kuanyei currency.  
 50 cent equal to 2        bu equal to 500 of kuanyei currency.  
 10 cent equal to 1/10 of rio equal to 100 of kuanyei currency.  
 1 cent equal to 1/100 of rio equal to 10 of kuanyei currency.  
 1 rin equal to 1/1000 of rio equal to 1 of kuanyei currency.

The ratio to foreign coins was also fixed as follows: 10 gold yen equals £2 sterling, or 50 francs, or \$10. In April, the Coinage Act was promulgated. The trade yen was also coined for the use of commerce and for customs duties at the rate of 100 silver yen to 101 gold yen. Mintage was fixed for gold yen at one per cent., and for silver yen at two per cent. If the fee of 5/1000 in case of gold and 10/1000 in case of silver were paid, abraded coins were recoined. The values of paper currency and old copper coins were fixed at:

1 yen equals 1 rio.  
 50 cent equals 2 bu.  
 25 cent equals 1 bu.  
 12½ cent equals 2 siu  
 6¼ cent equals 1 siu  
 1 yen equals 125 pieces of tempo.  
 yen equals 500 pieces of larger kuanyei.  
 yen equals 667 pieces of bunkiu.  
 yen equals 1000 pieces of smaller kuanyei.  
 yen equals 4000 pieces of kuanyei larger iron.  
 yen equals 8000 pieces of kuanyei smaller iron.

## FURTHER REVISIONS OF COINS.

In 1872, the Emperor visited the mint, and the form of one-yen gold and five-cent silver was modified. In November, the size and weight of coins were changed as follows:

Denomination.	Size.	Weight.	Fineness.
20 gold yen.	1.157 sun.	514 grains.	9 gold, 1 copper.
10 gold yen.	.97	257.2 grains.	9 gold, 1 copper.
5 gold yen.	.56	128.6 grains.	9 gold, 1 copper.
2 gold yen.	.56	51.44 grains.	9 gold, 1 copper.
1 gold yen.	.4	25.72 grains.	9 gold, 1 copper.
50 cent silver.	1.02	208.00 grains.	8 silver, 2 copper.
20 cent silver.	.74	83.20 grains.	8 silver, 2 copper.
10 cent silver.	.58	41.60 grains.	8 silver, 2 copper.
5 cent silver.	.50	20.80 grains.	8 silver, 2 copper.

In January, 1873, the form of the silver coins was modified, and in August two-cent copper pieces were struck, the form of other copper coins being also modified. In 1874, the form of the trade yen was amended, and the mintage charge was reduced to  $1\frac{1}{2}$  per cent. The exportation of copper coins was again permitted. The weight of one yen was increased and the new trade yen issued (decreased in weight in 1878); the size being 1.5 inches, the weight being 420 grains, the fineness being nine silver to one copper, and its marginal difference one grain, its fineness  $\frac{2}{1000}$  and the mintage charge  $1\frac{1}{2}$  per cent. In July, the amended Coinage Act was promulgated, and this remains in force at the present time. Details will be found at the end of this chapter in tabular form.

In 1876, the value of the trade yen was made equal to the gold yen, and the examiner of coins, in banks or exchange houses, was ordered to cut in pieces any imitation currency. In 1878, the use of the trade yen was extended to any payment, its weight being decreased to 416 grains, and the 420-grain trade yen was no longer coined. By Law No. 2, the defacement and melting of coins, and other acts to obstruct circulation, were prohibited. In 1883, the mint regulation was extensively revised, the main points in it being: 1. The mint in Osaka and its branch in Tokio to be open from 9 a. m. to 1 p. m. to the public, excepting on Sundays and other national holidays. 2. Bullion is not accepted except in the case of gold above 250 momme—1 momme equals 57.87 grains troy—of silver above 2500 momme, and of mixed alloy above 200 yen. 3. The expense of experimental melting is to be borne by the importer. 4. Coins for imported bullion can be obtained at the Bank of Japan, Tokio, or its branch office in Osaka, its agencies in Yokohama or Kobé (the Specie Bank branch office) after five to forty days, varying with the amount to be received. Those desiring to get the coin before the date can do so by paying a discount of four per cent. 5. The mintage charge for gold to be  $\frac{7}{1000}$  and for silver  $\frac{10}{1000}$ . But if experimental melting be required,  $\frac{1}{1000}$  more must be paid. 6. If the abrasion of coins be above  $\frac{35}{1000}$  in case of gold and  $\frac{5}{1000}$  in case of silver, they will be exchanged at the main and branch offices of the Bank on the day following.

In 1884, the use of tempo was ordered to cease by the year 1886. In 1886, the legal term of the circulation of tempo sen was prolonged to the end of 1891. But, by Law No. 13 of 1890, the years of grace for coins the circulation of which has ceased were fixed at five years in general, and at three years in case of ten-cent paper money; so that tempo sen becomes defunct in December, 1896. In 1888, nickel coin was issued to supplant tempo and other old copper coins. In 1889, the coins found difficult to circulate were ordered to be exchanged at their full value if not light, and if light, at their intrinsic value, at the Bank of Japan. The Bank was also intrusted, in 1890, with the purchase of metals to be used by the mint.

Such are, in rough outline, the changes which have taken place in our coinage system. The development has been very remarkable, the country emerging from a most chaotic condition of its coinage to a sound system of currency within a comparatively few years. The new coins circulate not only throughout the country, but even in the Straits Settlements, Hong-Kong, China, Corea, and Formosa. Plans formed in Hong-Kong to keep them out are not likely to succeed, and in the Straits Settlements, Japanese coins are made supplementary to the British dollar, which might not have



come into existence if the Japanese mint had been able to meet an overwhelming demand for coinage. At least once a year the work of the mint is examined by the Minister or Vice-Minister of the Treasury. Never has any irregularity or illegal deviation been discovered in the coinage, and the mint may be trusted as implicitly as that of Western countries.

*Table IV.—Fineness and Legal Deviation of Coins.*  
GOLD MONEY.

DENOMINATION.	FINENESS.		PURE GOLD CONTAINED.		WEIGHT.		DEVIATION.		
	Pure Gold, Thousandths.	Alloy. Thousandths.	Grains.	Grammes.	Grains.	Grammes.	Fineness. Thousandths.	ON ONE P.	Grains. M.
20 yen	900	100	462.97	30.	514.41	33.?	2.	½	32
10 yen	900	100	231.48	15.	257.20	16.?	2.	½	32
5 yen	900	100	115.74	7.5	128.6	8.?	2.	½	32
2 yen	900	100	46.29	3.	51.44	3.?	2.	¼	16
1 yen	900	100	23.15	1.5	25.72	1.?	2.	¼	16

SILVER MONEY.

DENOMINATION.	FINENESS.		PURE SILVER CONTAINED.		WEIGHT.		DEVIATION.		
	Pure Silver. Thousandths.	Alloy. Thousandths.	Grains.	Grammes.	Grains.	Grammes.	Fineness. Thousandths.	ON ONE P.	Grains. M.
1 yen	{ 900	100	374.4	24.261	416.	26.957	2.	1.½	97
	{		378.	24.494	420.	27.216		1.	64
50 sen	{ 800	200	154.4	10.	193.	12.5	3.	1.½	97
	{		166.4	10.7828	208.	13.4785			
20 sen	{ 800	200	61.76	4.	77.2	5.	3.	1.	64
	{		66.56	4.31312	83.2	5.3914			
10 sen	{ 800	200	30.88	2.	38.6	2.5	3.	½	32
	{		33.28	2.15656	41.6	2.6957			
5 sen	{ 800	200	15.44	1.	19.3	1.25	3.	½	32
	{		16.64	1.07828	20.8	1.34785			

*Table V.—Comparison of Weights of Japanese and Foreign Coins.*

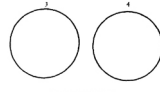
Metric Gramme.	Troy Grain.	Momme.
One milligramme	0.01543	0.00027
One centigramme	0.15432	0.00267
One decigramme	1.54320	0.02667
One gramme	15.43200	0.26667
One decagramme	154.32000	2.66667
One hectogramme	1,543.20000	26.66667
One kilogramme	15,432.00000	266.66667
Momme.	Metric Gramme.	Troy Grain.
One mo	0.00375	0.05787
One rin	0.03750	0.57870
One fun	0.37500	5.78700
One momme	3.75000	57.87000
One kuan	3750.00000	57870.00000
One grain = gramme 0.06480.		

Fun. Rin. Mo.

One grain = momme 0.0 1 7 28.

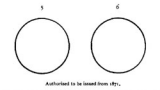
One ounce = momme 8.2 9 4 40.

One ounce = grain 480.

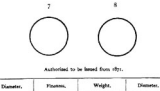
		Authorized to be used for (ft).					
		Franks.	Weight.	Diameter.	Franks.	Weight.	Diameter.
Same as before.	Same as before.	Ry.	Mts.	Gold.	Japanese Monney (Gin).	Ry.	Mts.
		1	7				

3 Mo is equal to 1 Fun.  
 12 Mo " " 1 Rin.  
 12 Mo " " 1 Mo.





## STANDARD GOLD COIN.—TEN YEN.

		Authorized to be used for (ft).					
		Franks.	Weight.	Diameter.	Franks.	Weight.	Diameter.
Same as before.	Same as before.	Ry.	Mts.	Gold.	Japanese Monney (Gin).	Ry.	Mts.
		7	4				





## STANDARD GOLD COIN.—FIVE YEN.

		Authorized to be used for (ft).					
		Franks.	Weight.	Diameter.	Franks.	Weight.	Diameter.
Same as before.	Same as before.	Ry.	Mts.	Gold.	Japanese Monney (Gin).	Ry.	Mts.
		7	4				





## STANDARD GOLD COIN.—TWO YEN.

Size changed in November, 1876.	11		9		
					
	Authorized to be coined in 1876, but not issued.				
	13		10		
					
	Two specimens changed in 1876.				
Fluents.	Wrights.	Diameters.	Fluents.	Wrights.	Diameters.
Same as before.	Same as before.	Ry. 4	Gold..... Copper.....	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 4. Ry. 4. Ry. 4. Ry. 4.





## STANDARD GOLD COIN.—ONE YEN.

Authorized to be issued from 1876.	13		14		
					
Weight and size changed in new specimens (18 January, 1876).	15		16		
					
Two pieces are equal to one yen.					
Fluents.	Wrights.	Diameters.	Fluents.	Wrights.	Diameters.
Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7.	Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7. Ry. 7. Ry. 7.







## SUBSIDIARY SILVER COIN.—FIFTY SEN.

Weight and size changed in November, 1876. Pattern changed in January, 1876.	17		18		
					
Authorized to be coined from 1876.	19		20		
					
Five pieces are equal to one yen.					
Fluents.	Wrights.	Diameters.	Fluents.	Wrights.	Diameters.
Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7.	Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7. Ry. 7. Ry. 7.


## SUBSIDIARY SILVER COIN.—TWENTY SEN.

33		34		35		36	
							
Pattern changed in January, 1876.				Authorized to be issued from 1876.			
Ten pieces are equal to one yen.							
Fluents.	Wrights.	Diameters.	Fluents.	Wrights.	Diameters.		
Same as before.	Japanese Monney, 100 Yen. English Gold, 100 Yen.	Ry. 7. Ry. 7.	Same as before.	Japanese Monney, 100 Yen. English Gold, 100 Yen.	Ry. 7. Ry. 7. Ry. 7. Ry. 7.	Pa.	Pa.



## SUBSIDIARY SILVER COIN.—TEN SEN.

<p>Weight changed in November, 1876.</p> <p>27                      28</p>   <p>and pattern changed in January, 1876.</p>			<p>Reverse impression and border changed in March, 1876.</p> <p>29                      30</p>   <p>31                      32</p>   <p>Authorized to be coined from 1876.</p>		
<p>Twenty pieces are equal to one yen.</p>					
Fluents.	Weights.	Diameters.	Fluents.	Weights.	Diameters.
Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7.	Same as before.	Japanese Monney. English Gold. English Silver. 100 Yen. 100 Yen.	Ry. 7. Ry. 7. Ry. 7. Ry. 7.





## SUBSIDIARY SILVER COIN.—FIVE SEN.

		
Authorized to be issued in June, 1876.		
Twenty pieces are equal to one yen.		
Fluents.	Wrights.	Diameters.
Nickel.....2.5 Copper.....2.5	Japanese Monney. Silver. English Union. Do.	Ry. 8. Ry. 8





## NICKEL COIN.—FIVE SEN.

39	30
	
Authorized to be issued in August, 1897.	
Fifty pieces are equal to one yen.	
Weight.	Diameter.
Japanese Measure, 1.46666 English Grain, 100.	Yen. 1.46666 Inch. .5811





## COPPER COIN.—TWO SEN.

	31		30
			
Authorized to be issued in 1897, but not issued.			
	35		34
			
Pattern still also changed in August, 1897.			
One hundred pieces are equal to one yen.			
Weight.		Diameter.	
Japanese Measure, 1.46666 English Grain, 100.	Yen. 1.46666 Inch. .5811	Weight.	
		Diameter.	
Japanese Measure, 1.46666 English Grain, 100.	Yen. 1.46666 Inch. .5811		





## COPPER COIN.—ONE SEN.

37	35	35	36
			
Pattern and size changed in August, 1897.		Authorized to be coined in 1897, but not issued.	
Two hundred pieces are equal to one yen.			
Weight.	Diameter.	Weight.	Diameter.
Japanese Measure, 1.46666 English Grain, 100.	Yen. 1. In. .5811	Japanese Measure, 1.46666 English Grain, 100.	Yen. 1. In. .5811

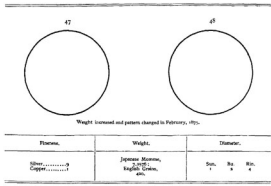
## COPPER COIN.—HALF-SEN.

41	43	38	40
			
Pattern changed in August, 1897.		Authorized to be issued in 1897, but not issued.	
One Hundred pieces are equal to one yen.			
Weight.		Diameter.	
Japanese Measure, 1.4666 English Grain, 100.		Yen. 1.4666 Inch. .5811	

## COPPER COIN.—ONE RIN.

	43	44
		
Authorized to be issued in 1897.		
	45	46
		
Pattern changed in March, 1898.		
Pattern.	Weight.	Diameter.
Obverse.....45 Reverse.....46	Japanese Measure, 1.46666 English Grain, 100.	Yen. 1.46666 Inch. .5811

## TRADE SILVER YEN.—ONE YEN.



TRADE SILVER YEN.

*Table VII.—Coins Made, Exported, and Recoined.*

YEARS.	Gold Money.	Silver Money.	Nickel Money.	Copper Money.	Total Issue.	Excess of Export.
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
From						
Nov.,						
1870, to	2,666,639.000	4,149,576.100			6,816,215.100 }	
Dec.,						164,361.000
1871						
1872	23,636,938.000	3,393,998.550			27,030,936.550 }	
1873	19,367,655.000	3,757,377.000		13,014.860	23,138,046.860	1,999,152.000
1874	3,756,712.000	3,006,988.150		425,646.150	7,189,346.300	8,526,751.600
From						
Jan.,						
1875, to	1,203,280.000	2,706,526.250		1,467,317.900	5,377,124.150	9,130,894.100
Mar.,						
1876						
1876-77	1,065,667.000	5,715,826.400		1,106,175.640	7,887,669.040	3,149,061.000
1877-78	357,190.000	4,029,463.200		959,406.430	5,346,059.630	6,288,999.640
1878-79	459,920.000	2,076,496.600		897,236.340	3,433,652.940	4,451,442.870
1879-80	468,891.000	3,314,185.850		903,587.390	4,686,664.240	7,897,241.170
1880-81	490,080.000	5,088,110.000		1,112,624.980	6,690,814.980	10,586,027.180
1881-82	802,830.000	3,294,325.000		1,130,548.440	5,227,703.440	6,655,914.250
1882-83	429,125.000	4,478,948.000		1,168,937.920	6,077,010.920	2,658,257.880
1883-84	494,345.000	3,831,166.000		1,071,655.280	5,397,168.280	1,521,828.650
1884-85	839,725.000	5,868,375.000		757,801.070	7,465,901.070	1,923,389.800
1885-86	649,760.000	4,098,947.700		312,330.270	5,061,037.970	2,343,564.400
1886-87	1,153,175.000	9,601,710.400		399,471.950	11,154,357.350	7,563,153.000
1887-88	973,360.000	10,219,505.600		463,698.170	11,656,563.770	10,890,076.000
1888-89	927,450.000	10,443,739.500		228,598.250	11,599,787.750	6,169,426.100
1889-90	1,758,820.000	7,290,449.000	2,100,433.850		11,149,702.850	6,534,923.000
1890-91	883,285.000	8,443,259.000	1,666,914.950		10,993,458.950	10,758,510.300
1891-92	1,121,425.000	8,809,685.000	500,000.000		10,431,110.000	997,317.700
1892-93	1,365,775.000	12,645,662.000	500,000.000		14,511,437.000	4,049,389.750
1893-94	1,310,935.000	12,782,611.000	720,000.000		14,813,546.000	10,451,277.050
1894-95	1,674,945.000	29,785,701.000	350,000.000		31,810,646.000	33,255,728.600
Total	67,857,927.000	168,832,634.300	5,837,348.800	12,418,051.040	254,945,961.140	157,966,687.040

\*Those marked (\*) show the excess of export over the issue of the year. The amount of issue and recoinage is from the Master's report. The amount exported includes old copper coins, and until 1887 it is for a calendar year, March, 1889, and after that all is for a fiscal year.

## THE VIRTUAL DISUSE OF GOLD.

Of the coins issued, the gold ones are seldom seen in daily transactions. Most of them were either exported or are hoarded by the wealthy class. This is, perhaps, the result of silver being the *practical* standard of the country, and, consequently, gold being more or less cheaper, as compared with silver, than abroad. How gold is cheaper than in London, and has been exported more than silver, may be seen from the following tables:

*Table VIII.—Market Ratio of Gold to Silver in London and Tokio Compared.*

YEARS.	In London.	In Tokio.	Difference.
1868	15.59	16.38	H., .79
1869	15.60	15.10	L., .50
1870	15.57	15.10	L., .47
1871	15.57	15.55	L., .02
1872	15.63	15.55	L., .08
1873	15.92	15.55	L., .37
1874	16.17	15.48	L., .69
1875	16.59	15.85	L., .64
1876	17.88	16.82	L., 1.06
1877	17.22	16.43	L., .79
1878	17.94	17.03	L., .91
1879	18.40	17.87	L., .53
1880	18.05	17.22	L., .83
1881	18.16	17.58	L., .58
1882	18.19	17.40	L., .79
1883	18.64	17.82	L., .82
1884	18.57	17.79	L., .78
1885	19.41	18.66	L., .75
1886	20.78	20.15	L., .63
1887	21.13	20.96	L., .17
1888	21.99	21.49	L., .50
1889	22.10	21.22	L., .12
1890	19.76	19.47	L., .29
1891	20.92	20.42	L., .50
1892	23.72	22.78	L., .94
1893	26.47	25.97	L., .50
1894 (June)	32.94	30.82	L., .12

[NOTE.—H. stands for higher and L. for lower rate of gold in Tokio.]

*Table IX.—Imports and Exports of Gold and Silver Compared.*

YEARS.	GOLD.			SILVER.		
	Exports.	Imports.	Excess of Export (E.) and Import (I.).	Imports.	Exports.	Excess of Exports (E.) and Imports (I.).
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1872-78	40,723,691	2,957,059	E. 37,766,632	25,984,933	17,848,903	E. 8,136,036
1879	5,694,814	913,392	E. 4,781,422	8,029,229	2,414,046	E. 5,615,183
1880	7,030,479	137,934	E. 6,892,545	7,334,822	3,670,515	E. 3,664,307
1881	2,699,941	468,530	E. 2,231,411	5,243,660	1,902,506	E. 3,341,154
1882	1,489,983	530,132	E. 959,851	3,184,162	6,515,345	I. 3,331,183
1883	1,211,483	564,212	E. 647,271	2,146,905	6,016,878	I. 3,869,883
1884	1,708,384	326,600	E. 1,381,784	3,581,418	5,930,581	I. 2,349,163
1885	599,539	608,919	I. 9,380	3,763,809	8,031,835	I. 4,268,026
1886	377,149	1,165,237	I. 788,088	9,323,906	9,382,875	I. 58,969
1887	111,874	1,259,527	I. 1,147,653	10,949,251	9,743,844	E. 1,205,407
1888	450,285	1,203,253	I. 752,968	7,383,159	7,529,239	I. 146,080
1889	268,010	749,923	I. 481,913	4,920,519	13,423,322	I. 8,502,803
1890	1,687,605	360,243	E. 1,327,362	12,090,926	840,364	E. 11,250,562
1891	230,446	283,144	I. 52,698	1,222,518	13,605,382	I. 12,382,864
1892	8,544,523	395,493	E. 8,149,030	1,185,230	22,488,264	I. 21,303,034
1893	2,302,678	496,730	E. 1,805,948	9,986,510	10,689,757	I. 703,247
1894	3,547,138	555,966	E. 2,991,172	30,831,973	26,227,687	E. 4,604,286

## CIRCULATION OF COINS.

The full-value coins in actual use are of silver; the Bank of Japan notes, the Government paper money, and the national bank notes being all convertible into silver. But silver one-yen being bulky, the Bank of Japan notes are by far the most common currency of daily use, except for the purposes of foreign trade. Of the subsidiary silver coins, the ten-cent pieces are the most liked, the twenty-cent being too large and the five-cent too small. The nickel coin is handy and much in use. This was issued to take the place of tempo sen and other old copper coins, as already stated, and the material being very cheap, the profit of the mint is increased by the manufacture of nickels. However, the use of old coins has not quite ceased, being necessary in small transactions, especially in rural districts. The gradual rise of the unit of value may, however, in course of time let them die out, as happened in the case of English farthings. They are much more liked than the new one rin, which, being too small, does not circulate at all. A great deal of old coin has been melted down, as shown below, and much has been exported to China and Formosa. Still, much remains in circulation, although it is difficult to calculate how much, on account of the uncertainty of the original amount of issue.



*Table X.—Substitution of Nickels for Old Coins.*

YEARS.	Nickel Coins Issued.	OLD CASH MELTED DOWN.				
		Tempo.	Bungin.	2 Rin.	1 Rin.	Total.
	YEN.	YEN.	YEN.	YEN.	YEN.	YEN.
1877		20,000.000				20,000.000
1878		39,600.000	13,500.000			53,100.000
1879		52,826.510	6,500.000	16,160.000		75,486.510
1880		28,000.000	20,000.000	19,570.050		67,570.050
1881						
1882						
1883						
1884						
1885		43,000.000				43,000.000
1886		105,000.000				105,000.000
1887		105,000.000				105,000.000
1888		352,819.840				352,819.840
1889	2,100,433.850	2,669,692.000	47,700.000			2,717,392.000
1890	1,666,914.950	193,215.912	201,617.962			394,833.874
1891	500,000.000	212,359.232	56,749.985			269,109.217
1892	500,000.000	223,035.440	56,224.280			279,259.720
1893	720,000.000	425,975.000	44,025.000			470,000.000
1894	350,000.000	132,201.872	39,863.938	127,934.190		300,000.000
1895		13,439.064	14,966.799	23,094.134		51,499.997

## COUNTERFEITING OF COINS.

Counterfeiting is not very common, but if it exists it is in the case of the one-yen and the nickel five-cent pieces. It is done very skillfully and perhaps with a regular plant of machinery on a large scale in the southern part of continental Asia, where a regular business of counterfeiting is said to be carried on. Not only our coins, but the Dutch, the Mexican, and the British dollars are extensively counterfeited. This industry must be put an end to by outside force, if the Government of the country is too low in practical morality or weak in administrative control to suppress it. Here in Japan even petty cases are immediately discovered, and the following provisions of the penal code are strictly applied:

1. Those counterfeiting or circulating counterfeits of the gold or silver coin or paper money of the realm are imprisoned for life, and those offering it are imprisoned, with light labor.
2. Those counterfeiting and putting in circulation foreign currency are imprisoned for a time, and those exchanging and using it are imprisoned, with hard labor, from two to five years.
3. The forgery and use of the notes issued by the banks are punished according to either of the preceding articles. Those who counterfeit and use counterfeits of the copper coins of the Empire are imprisoned, with light labor, and those who exchange and use them imprisoned, with hard labor, between one and

three years. 4. If the coin is not placed in circulation, the penalty is lightened one degree, and if not actually struck, two degrees. 5. For those who deliberately enter the employment of a counterfeiter, a penalty is inflicted which is one degree less than that of the employer. 6. For those letting a building or rooms to counterfeiters the penalty is two degrees less. 7. Importers of prohibited coins are punished in the same way as counterfeiters. 8. For those who receive and use illegal coins, the penalty is lessened two degrees, and if not actually used, three degrees. 9. Those who repent and declare their offence before its execution, are pardoned. 10. Those who use bad coins after receiving them, without knowing them to be so, are fined in double the amount actually used.

Thus, if the external illegal traffic in false coins can be stopped, all trace of counterfeiting will practically cease to exist.

[\[Back to Table of Contents\]](#)

## CHAPTER III.

### THE PAPER CURRENCY.

#### A

#### CHAOTIC PERIOD.

AT the time when the state of the metallic currency was utterly confused and coins were greatly discredited, it was natural that paper money should not obtain much credit. It is related by historians that, in 1334, an order was issued by the Emperor Godaigo directing paper money to be used together with copper coins. But on account of the prevalence of civil war and the generally unsettled state of affairs, it is doubtful whether the paper actually circulated. After this, we hear nothing about it till 1615, when a paper note was issued, and used for the payment of the excavation work of the canal in Osaka. This was equal to seven bu in silver. On the face was written, "Issued for the canal work of Osaka as a permanent treasure of the people," and on the back the name and signature of Kikioya and Kinokuniya firms, who were possibly charged with its redemption. Also, in 1866, 100,000 rio of 100, 50, 10, and 1 rio, 2 and 1 bu notes, were prepared for the use of the harbor works of Kiogo, to circulate in the country around Kioto. But it was never actually issued. However, about 300 Daimios of different districts issued paper notes (*Han Satsu*) to circulate within the limits of their own rule. Innumerable kinds of these notes existed, over-issue and counterfeiting being common; so that the state of the paper currency was one of hopeless confusion. This practice began with the grant to the Daimio of Fukui in the latter half of the seventeenth century, as an offset to the failure to carry out the promise of increasing his revenue. That privilege was abused, and many Daimios, to bridge over their financial difficulties, obtained a similar grant. At first, the date of redemption was prescribed, but this not being adhered to, the grant was withdrawn. Such a prohibition, issued toward the end of the Tokugawa dynasty, was of no effect, because the prestige of the dynasty had dwindled almost to nothing. Over-issues continued common, and some issues were made without any permission at all. These notes were not only depreciated in value, but were of all grades of depreciation, some being without any value at all. The amount which came into circulation is shown in the following table:

*Table I.—Circulation of Notes  
Issued by Daimios.*

Date.	Amount.—Yen.
1871, December	38,551,132.310
1872, November	24,904,105.449
1873, December	19,233,849.216
1874, December	4,654,616.401
1875, December	1,100,566.106
1876, October	732,623.276
1877, December	91,165.748
1878, August	91,165.748

In 1871, the new Government announced its intention to assume the responsibility of converting, gradually, the notes issued by Daimios at the current value of July of that year, allowing them to circulate within the district where they were issued until actually converted. In 1872, those above five cents were redeemed, and by Law No. 122 of 1874, it was announced that those below five cents were also to be replaced by a silver token, and the new paper money issued by the Central Government. Thus the innumerable and endlessly varied notes were taken up entirely to the satisfaction of their holders and of the world of finance.

## ISSUES OF INCONVERTIBLE PAPER BY THE GOVERNMENT AND DAIMIOS.

In 1868, Tokugawa Keiki surrendered the administrative power into the hands of the Emperor, and, with the Restoration, the idea of the assimilation of the paper currency took hold of financiers such as Mitsuoka. The issue of notes was, however, necessitated in reality by the rapid increase of expenditures and by consequent financial difficulties. In May, paper money, called *Daijio Kuan Satsu* (notes of the Treasury), was issued, having a term of thirteen years. These were lent to each Daimio at the rate of 10,000 rio per 10,000 koku of revenue, to be repaid in thirteen years' installments, with ten per cent. interest, and to be used for productive purposes. Besides, rich merchants and agriculturists were allowed to borrow according to the amount of merchandise which they handled. This note was, of course, inconvertible, although those paid into the Treasury were not used again. Hence, the circulation of paper was very difficult, and even in Tokio, Osaka, and Kioto it was at a discount of sixty per cent., while in the country it did not circulate at all, the people regarding it with suspicion and distrust. This was inevitable, because the stability of the new Government was doubted, and the people had had a disastrous experience with the notes issued by the Daimios, who had often repudiated the just claims of their holders. People were advised, entreated, nay, even threatened, to use the new paper notes. They were declared to be receivable for public dues, their discount was prohibited, the offender being imprisoned, and local authorities were commanded to do their best to extend the use of the notes; but the effort was futile. The Government yielded at last, and the prohibition against circulating the notes at a discount was withdrawn. The decree went further, and publicly recognized the right to receive the paper at twenty

per cent. discount for the payment of taxes, as well as to pay it out for salaries at the average market rate. This increased the popular distrust, and the fluctuation of the value of the notes was incessant. Consequently, again, in February of 1869, the dealing in the paper currency at a discount or its exchange for specie, was strictly forbidden. In May, it was announced that the Government intended to convert the paper when the new coinage system was established, and the term of its circulation was shortened to five years. The amount of issue was made public and found to stand at 32,500,000 yen, of which 13,000,000 yen was lent to Daimios and prefects. The Government bound itself to issue no more, and to convert that outstanding into specie within four years, interest at six per cent. being paid to the holders. A heavy penalty was imposed for the offence of discounting the Government paper. But the use of the notes did not expand, and where they were used at all they were converted into specie, which was sent into the rural districts, so that in chief cities only paper remained. So, in June, every Daimio and prefect was ordered to take 2500 yen per 10,000 koku\* of revenue, and send to the Government the equivalent sum in coin. This was arbitrary and oppressive in the extreme, but it was reluctantly obeyed.

At this time two counteracting causes were in operation. The one was the distrust of the coinage, which was left by the Tokugawa dynasty in a confused state, and which was still debased by each Daimio, who coined two-bu gold pieces of gilded silver or copper. In such a state of affairs paper notes began to attract confidence by comparison. The other was the circulation of notes issued by Daimios, which narrowed the sphere for the use of the Government paper money. By the time of the Restoration, every Daimio was in straitened circumstances, and they issued notes in profusion. The obligation of redemption fell upon the shoulders of the Central Government, so that these notes were the same as if issued by the latter. Consequently, in December, the issue by Daimios was restricted to the amount granted by the Tokugawa Government. Those issued since the Restoration and without any permission were ordered to be canceled, no more being allowed to be issued, and those already issued being redeemed. Still, notes and bills were secretly issued, and a strict order was promulgated placing the manufacture of paper to be used for notes under the Government control. Nevertheless, as coins of small denominations became very scarce, two-bu, one-bu, two-siu, and one-siu paper notes were issued in exchange for larger ones, and were called *Mimbuh*, *Shio Satsu*. Besides, notes were issued by private companies in Tokio, Osaka, and Kioto, and by 1870 in Tsuruga, Nügata, and Kobé. In the latter year, the counterfeiting and depreciation of paper money increased, and Mr. Ito petitioned the Government to allow him to sail over to the United States to study financial and economical affairs, and especially the method of the conversion of paper money. The form of the paper money being very simple, forgery was easily done, mostly by the Chinese; and in this year the making of the notes was confided to Dondorf & Neumann, of Frankfort, who made notes for the Italian Government. The denominations were of 100, 50, 10, 5, 2, 1, and ½ yen, 20-cent and 10-cent notes, which showed a great improvement in design, but were very fragile.

## THE TREASURY ASSUMES REDEMPTION OF THE DAIMIO NOTES.

In 1871, all the Daimios surrendered their fiefs, and 1694 kinds of notes issued by them, to the amount of 138,551,132 yen, ceased to circulate, the Government assuming the responsibility of redemption at the market quotation of July. The specie, rice, and paper notes in the redemption fund amounted to only 345,548 yen. The work of redemption was not quickly executed, the difficulty of collecting small notes of below five cents rendering the task almost hopeless. Consequently, smaller notes were paid out again, although larger ones were canceled as they were received. The new issue of paper notes by Daimios was prohibited, and the machines used for this purpose were confiscated. The paper money was ordered to be used as the equivalent of new coins. Moreover, for the purpose of providing specie and making good the deficit in the Treasury, notes were issued through the hand of Mitsui Gumi, having a specie basis for half of the issue. But the paper and printing were very rough, and forgery was very common.

In 1872, a note of about the same character was issued by the Kaitaku Shi (Yezo prefecture) to meet its expenditures. The new paper money was given out, and the old, which was received by the Treasury in exchange, was burned in the presence of the crowd. At first, notes above fifty cents were converted; those under fifty cents being continued till the manufacture of new subsidiary coins. Against 24,935,000 yen of outstanding Daimio notes, 22,910,000 was exchanged for the new paper money, the rest being already redeemed by Daimios or lost. It was impossible to fulfill the promise to repay in specie the holder of Government notes; therefore, the Kinsatsu Hikikaye Kosai (paper note conversion bonds) were issued in 1873. These were given to the holders of notes, and they bore interest at six per cent. The law of this loan was amended in 1880, and payment of the principal and interest was provided for in specie, so that if the paper fell, the demand for the issue of this loan would increase, thus keeping up the value of the paper. The bonds were registered, but were changed into unregistered forms in 1883. However, by 1886, the paper money being at par with silver, the necessity for issuing the bonds ceased. As to the kinds of notes circulated, five in all, the following table gives all needful details:

*Table II.—Amounts of Old and New Notes.*

KINDS.	Amount Issued.	Converted with the New Ones.	Converted Into Bonds.	Withdrawn.	Lost.	Time of Canceling.
	YEN.	YEN.	YEN.	YEN.	YEN.	
Daijio kuan satsu	48,000,000	45,661,595	2,052,744	1,598	284,061	1879
Nimbushi satsu	7,500,000	7,235,568	185,804	224	18,401	1879
Treasury notes	6,800,000	6,784,333			15,667	1879
Kaitakushi notes	2,500,000	2,463,500			36,480	1879
New paper	149,441,396					

## OVER-ISSUES PRODUCE DEPRECIATION OF PAPER AND A RISE IN PRICES.

In 1873, in order to cover the deficit, the Government was obliged to issue notes held as part of the reserve. They fulfilled nearly the same purpose as Treasury notes, and were made use of up to 1882, being finally withdrawn in 1883. Thus, the outstanding amount of paper money had greatly increased between 1873 and 1878, the maximum amount of new notes reaching in the latter year:

	YEN.
Issued for the retirement of old notes	61,367,688
Issued in place of the notes issued by Daimios	22,908,434
Issued for supplying the deficit	8,525,444
Issued for military expenditure in the civil war of 1877	27,000,000
Total	119,801,566

In 1875, by Law No. 3, all paper currency previously issued was converted into newly manufactured notes. With the increase of paper money, an increased importation of merchandise and an efflux of specie took place. The revision of the National Bank Act in 1876 and the consequent issue of bank notes, which reached 34,429,635 yen in 1879, aggravated the evil. Depreciation of paper money as compared with specie, and a rise of prices, commenced, as shown in the following table:

*Table III.—Note Circulation and Foreign Trade.*

YEARS.	National Bank and Bank of Japan Notes.	GOVERNMENT PAPER.			Increase of Paper Currency against the Metallic.	Excess of Export (E) or Import (I) of Goods.	Excess of Export (E) or Import (I) of Specie.
	YEN.	Issued Permanently.	Issued for a Time and Redeemed	Total.	YEN.	YEN.	YEN.
1868		24,037,390		24,037,390	24,037,390	E. 4,860,401	Missing.
1869		50,090,867		50,090,867	50,090,867	I. 7,874,655	Missing.
1870		55,500,000		55,500,000	55,500,000	I. 19,198,625	Missing.
1871		60,272,000		60,272,000	60,272,000	I. 3,948,119	Missing.
1872		64,800,000	3,600,000	68,400,000	60,878,140	I. 9,148,168	E. 789,386
1873	1,362,210	77,281,014	1,100,000	78,381,014	68,482,437	I. 6,471,949	E. 2,042,386
1874	1,995,000	90,802,304	1,100,000	91,182,304	80,560,128	I. 4,144,508	E. 12,923,471
1875	1,420,000	91,283,870	7,788,000	99,071,870	86,403,546	I. 11,364,517	E. 14,365,649
1876	1,744,000	93,323,156	11,824,426	105,147,582	87,883,225	E. 3,746,849	E. 2,408,460
1877	13,352,751	93,835,765	11,961,328	105,797,093	97,733,709	I. 4,072,381	E. 7,267,772
1878	26,279,006	119,800,475	19,618,117	139,418,592	142,361,924	I. 6,886,694	E. 6,139,551
1879	34,046,014	114,190,805	16,118,117	130,308,922	143,154,991	I. 4,777,232	E. 9,644,060
1880	34,426,351	108,412,369	16,528,117	124,940,486	145,322,907	I. 8,231,214	E. 9,584,763
1881	34,396,818	105,905,195	13,000,000	118,905,195	141,863,408	I. 132,358	E. 5,634,401
1882	34,385,349	105,369,014	4,000,000	109,369,014	131,960,106	E. 8,275,157	I. 1,730,527
1883	34,275,736	97,999,277		97,999,277	119,257,098	E. 7,823,178	I. 2,294,935
1884	31,015,942	93,380,234		93,380,234	104,873,574	E. 4,198,818	I. 606,687
1885	33,808,661	88,345,096		88,345,096	92,7[Editor: illegible number]9,714	E. 7,789,724	I. 3,290,396
1886	68,527,264	67,800,846		67,800,846	88,814,156	E. 16,707,881	E. 454,574
1887	81,839,236	55,815,045		55,815,045	103,068,415	E. 8,103,429	E. 2,164,222
1888	90,675,175	46,734,741		46,734,741	99,491,715	E. 250,276	I. 899,048
1889	101,036,211	40,913,035		40,913,035	93,541,233	E. 3,956,939	I. 8,984,716
1890	101,519,878	33,272,715		33,272,715	112,851,421	I. 25,125,074	E. 12,577,924
1891	117,693,501	27,886,721		124,329,643	16,600,004	E. 16,600,004	I. 12,435,562
1892	130,383,968	20,828,245		20,828,245	125,705,632	E. 19,776,674	I. 13,154,004
1893	145,901,543	16,407,000		16,407,000	132,397,684	E. 1,455,693	E. 1,102,701
1894	160,893,503	13,404,547		13,404,547	132,343,561	I. 4,235,869	E. 7,595,458
1895	174,207,650	11,225,504		11,225,504	134,939,383	E. 8,730,207	E. 16,013,862

The price of the Government bonds is for the 100-yen seven per cent. bonds till 1886, and after 1887 it is for 100-yen five per cent. interest-bearing Consolidation bonds.



[\[Back to Table of Contents\]](#)

## CHAPTER IV.

### READJUSTMENT OF THE PUBLIC DEBT.

#### RETIREMENT OF CIRCULATING NOTES.

IN 1878, the plan of redemption of the paper money and the national debt was prepared. It was published in the next year. By that time, the depreciation of paper money had reached over twenty-five per cent. Startled at this, the Government sold out silver to the amount of 2,400,000 yen in April. By this, the price of paper somewhat recovered, but when the sales ceased in July, the discount on paper not only advanced to the former figure, but in April, 1880, it was as much as 57.9 per cent. Again 6,000,000 yen of silver was thrown on the market, but with the same result as before, and the Government was obliged to give up the fruitless idea of artificially raising the value of paper. It is unfortunate that it did not resort to the remedy of contracting the volume of the notes. Dealings in gold and silver were prohibited on the Stock Exchange. The Yokohama Specie Bank was instituted to collect specie at home and to call it in from abroad. These precautions did not much improve the matter, and at last the Government turned toward the real remedy. The tax on sake (a beverage brewed from rice) was increased, and with the added revenue, the paper money was to be redeemed.

The demand for the note conversion loan increased, because not only the interest but the principal was to be paid in specie. In November, a retrenchment of 1,000,000 yen in the central and of 2,500,000 yen in the local budget was proposed, the proceeds to be devoted to the redemption of the notes. The Government factories\* were sold and the payments abroad for diplomatic services, etc., were to be made from the specie collected at the custom-house. The existing paper notes being brittle, easily forged on account of the poor coloring and by being of the same size for all denominations, were replaced by new ones made at the Government printing office, which, by careful and earnest efforts, improved the type. The depreciation of paper reached its climax in 1881, and in April it was one day at a discount of eighty-one and a half per cent., and on the monthly average of seventy-nine and a half per cent. From this cause, the income of the Government lost nearly half of its purchasing power. Officials and others who lived on fixed incomes suffered greatly. Interest rose, Government bonds fell, and the price of rice advanced. Rice being the most important element of the people's food, its rise or fall affects, sooner or later, all prices. This must be always borne in mind by those who study economic movements in Japan. Moreover, the agricultural class pay most of the taxes, and comprise the majority of the population. A rise of the price of rice, which was equivalent to making them well off and thus increasing their purchasing power, promoted the importation of articles consumed by them, such as sugar, oil, blankets, flannel, watches, wines, tobacco, etc. In this year, the rise of rice produced this effect, increasing importation and quickening the efflux of specie. Speculation was stimulated, as the fluctuation of prices was incessant, while

sound enterprises were checked by a high rate of interest. How matters stood may be seen from the following table:

*Table IV.—Amount of Circulation of Government and Bank Note Currency in 1881.*

YEARS.	Circulation in December of Government Paper. YEN.	Same of Government Notes Issued for a Time. YEN.	Bank Notes. YEN.	Total. YEN.
1877	93,835,764.6615	11,961,327.6730	13,352,751.0000	119,149,843.3345
1878	119,800,475.3840	19,618,116.6730	26,279,006.0000	165,697,598.0570
1879	114,190,804.6820	16,118,116.6730	34,046,014.0000	164,354,935.3550
1880	108,412,369.1820	16,528,116.6730	34,426,351.0000	159,366,836.8550
1881	105,905,194.9820	13,000,000.0000	34,396,818.0000	153,302,012.9820

Average value of paper per one yen in silver: 1877, 1.033 yen; 1878, 1.099 yen; 1879, 1.212 yen; 1880, 1.477 yen; 1881, 1.696 yen. Average price of rice per koku in Tokio: 1877, 5.150 yen; 1878, 6.200 yen; 1879, 8.210 yen; 1880, 10.130 yen; 1881, 10.485 yen. Average price of seven per cent. pension bonds: 1878, 83.495 yen; 1879, 81.302 yen; 1880, 71.851 yen; 1881, 69.500 yen. Average rate of interest for loans (for above one hundred yen): 1877, 10.03 per cent.; 1878, 10.54 per cent.; 1879, 12.57 per cent.; 1880, 14.14 per cent.; 1881, 15.22 per cent.

## MINISTER MATSUKATA'S INTERVENTION.

How to overcome the difficulty, and allay the stormy condition of affairs was the question of the time. Some proposed to raise a foreign loan of 50,000,000 yen and redeem the paper, while some advised the issue of lottery bonds for the same purpose. These schemes were put aside by the new Finance Minister Matsukata, who occupied this trying position in October. His opinion was decidedly against the raising of a loan, especially an external loan, and was also against inflation. With an enormous amount of depreciated inconvertible paper money (15,483,242 yen), unreliable revenues, and ever-increasing expenditures before him, he boldly pulled up the anchor and took the helm of the ship of finance. His first care was the redemption of the paper money, then its conversion into specie, next the organization of the central bank, and, after all, the establishment of savings-banks and the *Crédit Foncier*. His policy was opposed by many, especially by speculators and inflationists. He had opponents not only outside but also within the Government. But his resolution was unassailable, and though the result seemed doubtful at first, complete success was finally attained. His policy was not only to contract the volume of the paper money, but to increase the specie basis at the same time. The retirement of notes was to be effected by means of the yearly surplus, which was estimated to be nearly 7,000,000 yen at the time of his assuming the responsibility of office. But in 1882, bad times set in, revenues decreased, while the expenditures increased, and the expected surplus was found hard to realize. So, the new taxes, such as the stamp duty on drugs and the tax on rice exchange, were imposed, together with an increase in the rate of tax on sake and tobacco. At the same time, retrenchment was enforced, and no increase in expenditures was permitted for the period of three years, viz., from the beginning of

1882 to the close of 1884. These rigorous measures were the turning-point in the process of financial recovery. However, the surplus was not all devoted to note redemption, only one-half being used for the increase of the reserve fund, with which the specie was purchased.

*Table V.—Redemption of Notes and Increase of Reserve from 1881 to 1885.*

YEARS.	Amount of Redeemed Paper Money.	Amount Transferred to the Reserve Fund.	Total.
	YEN.	YEN.	YEN.
1881	7,000,000.000	3,832,521.893	10,832,521.893
1882	3,300,000.000	5,227,760.668	8,527,760.668
1883	3,340,000.000	5,000,000.000	8,340,000.000
1884		7,006,545.764	7,006,545.764
1885		5,400,000.000	5,400,000.000
Total	13,640,000.000	26,466,828.325	40,106,828.325

To the above 13,640,000 should be added 7,166,806 redeemed in 1878; 2,000,000 redeemed in 1879; 2,000,000 redeemed in 1880; total, 24,806,806 yen. Thus we get the total amount redeemed by the aid of the surplus between 1878 and 1885. Besides, by the issue of the Kinsatsu Hikikaye Loan, nearly 4,000,000 yen more was redeemed. By the use of the reserve and the redemption system of the national bank notes, 18,000,000 yen more of inconvertible notes were canceled. At the same time, the increase of specie was continued by the utilization of the reserve.

To return to the history of this reserve we must mention the name of another financier, Mr. (now Count) Inouye. He set aside 11,330,000 yen from the money in hand for the payment of the Government debts and paper notes in 1872. This sum consisted of specie surrendered by Daimios as the fund to redeem their notes, and of revenues outside of taxes. It was to be used for the purchase of specie as well as the redemption of Government bonds and paper money. The increase of the fund was persisted in, the annual surplus, which reached 20,000,000 in 1875, being turned over to the reserve. In 1878, this fund was divided into two, one for the redemption of paper money and the other forming a sinking fund, which was abolished in 1882, when again the whole sum was devoted to the increase of specie.

*Table VI.—Increase of the Reserve Fund.*

DATE.	For the Purchase of Specie.	For the Redemption of Paper Money.	Total.
	YEN.	YEN.	YEN.
End of May, 1872	11,231,103.879	99,216.333	11,330,320.312
End of Dec., 1872	14,709,800.504	1,563,092.797	16,272,893.301
End of Dec., 1873	14,819,127.191	1,892,526.964	16,711,654.155
End of Dec., 1874	18,483,983.794	1,438,138.338	19,922,122.132
End of June, 1875	19,999,508.114	4,416,748.886	24,416,257.000
End of June, 1876	19,025,550.778	9,315,866.026	28,341,416.804
End of June, 1877	15,332,266.636	23,699,271.423	39,031,538.059
End of June, 1878	14,965,891.175	36,301,089.963	51,266,981.138
End of June, 1879	13,988,333.886	38,298,982.684	52,287,316.570
End of June, 1880	9,071,627.017	42,253,888.127	51,325,515.144
End of June, 1881	8,691,914.491	47,101,584.074	55,793,498.565
End of June, 1882	14,514,151.385	40,772,704.385	55,286,855.770
End of June, 1883	18,405,528.571	35,006,482.864	53,412,011.435
End of June, 1884	28,494,024.396	18,492,168.510	46,986,192.906
End of June, 1885	38,325,178.794	8,250,118.311	46,575,297.105
End of Dec., 1885	42,265,640.540	6,522,044.570	48,787,685.110
End of June, 1886	32,933,049.923	12,672,328.426	45,605,378.349
End of Dec., 1886	25,865,864.215	16,271,132.035	42,136,996.250
End of June, 1887	26,135,725.177	7,752,955.062	33,888,680.239
End of Dec., 1887	19,790,388.914	6,925,823.075	26,716,211.989

End of June, 1888	16,454,112.152	5,502,509.330	21,956,621.482
End of Dec., 1888	8,150,822.027	12,282,259.055	20,433,081.082
End of June, 1889	11,143,334.785	3,867,136.465	15,010,471.250
End of Dec., 1889	10,709,953.778	3,075,420.872	13,785,374.650

## GROWTH OF THE METALLIC RESERVE.

It will be observed that the amount of paper decreased, while the specie increased. This increase was secured by the means of foreign exchange. In 1880, large sums were placed in the hands of the Yokohama Specie Bank to increase the import of coin and bullion. But it was not very productive at first. However, by experience and caution, failure was converted into a great success. In 1884, not only were payments abroad done by the means of bills of exchange, but enormous amounts of silver coin and bullion were imported, so that, as shown below, the metallic basis of the notes greatly increased:

*Table VII.—Government Notes and Metallic Reserve.*

DATE.	Amount of Outstanding Government Paper Money. YEN.	Metallic Reserve. YEN.	Proportion of the Reserve Against the Paper Money. PER CENT.
The last day of May, 1872	64,800,000.0000	11,231,103.879	17.3
The last day of Dec., 1872	68,400,000.0000	14,709,800.504	21.5
The last day of Dec., 1873	78,381,014.2340	14,819,127.191	18.9
The last day of Dec., 1874	91,902,304.3900	18,483,983.794	20.1
The last day of Dec., 1875	99,071,869.9765	14,664,027.845	14.8
The last day of Dec., 1876	105,147,582.7625	15,171,224.366	14.4
The last day of Dec., 1877	105,797,092.3345	15,115,405.677	14.2
The last day of Dec., 1878	139,418,592.0570	17,837,729.269	12.7
The last day of Dec., 1879	130,308,921.3550	9,967,879.919	07.6
The last day of Dec., 1880	124,940,485.8550	7,166,819.462	05.7
The last day of Dec., 1881	118,905,194.9820	12,699,576.269	10.7
The last day of Dec., 1882	109,369,014.2320	16,730,267.809	15.3
The last day of Dec., 1883	97,999,277.4320	25,876,230.373	26.4
The last day of Dec., 1884	93,380,233.6320	33,569,188.107	35.9
The last day of Dec., 1885	88,345,096.2320	42,265,640.540	47.8

To be correct, the national bank notes should be added to the calculation; but if so, the reserve will be only a little weakened.

*Table VIII.—Amounts of Government Paper, Bank Notes, and Reserve.*

DATE.	Total Amount of Outstanding Government and Bank Paper Money.	Metallic Reserve.	Proportion of the Reserve Against the Paper Money.
	YEN.	YEN.	PER CENT.
The last day of Dec., 1876	106,891,582.7625	15,171,224.366	14.2
The last day of Dec., 1877	119,149,843.3345	15,115,405.677	12.7
The last day of Dec., 1878	165,697,598.0570	17,837,729.269	10.8
The last day of Dec., 1879	164,354,935.3550	9,967,879.919	06.1
The last day of Dec., 1880	159,366,836.8550	7,166,819.462	04.5
The last day of Dec., 1881	153,302,012.9820	12,699,576.269	08.3
The last day of Dec., 1882	143,754,363.2320	16,730,267.809	11.6
The last day of Dec., 1883	132,275,012.9320	25,876,230.373	19.6
The last day of Dec., 1884	124,396,175.6320	33,569,188.107	27.0
The last day of Dec., 1885	118,500,485.2320	42,265,640.540	35.7

The value of paper gradually rose, and the discount fell to five and a half per cent. in 1885. Specie also flowed in through an excess of exports over imports. Prices and the rate of interest declined, while the Government bonds rose in price. The state of the national finances became stable, sure, and sound, but still the annual surplus was devoted to the increase of specie.

## CREATION OF THE BANK OF JAPAN.

Thus, the scheme of restoring the value of the paper money being crowned with success, the cherished hope of establishing the central bank was carried out in 1882.

In 1883, the redemption scheme for national bank notes was executed, and in 1884 the Convertible Bank Note Act was promulgated, followed by the issue of notes by the Bank of Japan in 1885. In this year, also, the law was promulgated to convert “gradually” the Government paper money into silver after 1886, and to cancel the so converted paper at the Bank of Japan, according to the direction of the Minister of Finance. The specie contained in the reserve was handed over to the central bank for the conversion, which began with January, 1886. But as paper was at par, very few applied for redemption. The next thing done this year was the abolition, in June, of ten-cent notes. As a matter of order, the conversion of fractional paper money had to precede that of notes above one yen. This was one of the reasons for the step; the other was the too great abundance of small notes,\* having the effect of driving small silver coins out of circulation. The amount of ten-cent notes redeemed up to March, 1890, was 4,645,561 yen, out of a total of 5,025,848.10 yen of original issue, the difference being mostly lost.

## CONSUMMATION OF THE NOTE-CONVERSION SCHEME.

The conversion of paper changed the whole economic aspect. Interest fell, true industrial and commercial prosperity set in; railways, cotton mills, and other companies sprang up in succession; foreign trade increased, and real and healthy improvement was seen in every branch of business. The conversion of the national debt also increased the supply of capital for productive use.

The Government paper was so far only gradually convertible. This was regarded as untrustworthy and insufficient. In 1888, the Convertible Bank Note Act was amended to enable the Government to borrow 22,000,000 yen at two per cent. interest from the Bank of Japan, in return for permission to expand the limit of the issue of notes on security to 70,000,000 yen. This 22,000,000 yen was equivalent to then existing unredeemed paper money, because, although the sum outstanding in May, 1888, was 52,115,148 yen, of this, 8,447,712 yen was fractional currency, and against 21,667,436 yen there was a corresponding amount of specie to be used for redemption purposes. The question remained as to what was to take the place of the fractional notes. Since 1890, there had been 1,000,000 yen inserted in the annual budget, to be devoted to the production of small silver coins, with which they were to be redeemed.

In 1890, the interest of two per cent. on the money borrowed from the central bank was remitted, and the limit of the Bank's note issue was extended to 85,000,000 yen. The loan of 22,000,000 yen was added to the already existing redemption fund of 10,000,000 yen, and from these a separate fund was formed, to be devoted solely to the redemption of paper money. The way redemption is effected is very simple. The fund is placed in the keeping of the Bank of Japan, which redeems on demand, and afterward sends an account to the Treasury.

Thus the whole scheme has culminated in the assimilation of Government paper money and bank notes, by making them convertible into silver or into the notes of the Bank of Japan, which keeps a substantial metallic reserve, and the notes of which only will, in the course of time, remain in circulation. The once chaotic, deranged, and



deteriorated paper currency has thus been simplified and restored in value, expanding or contracting according to the amount of reserve, and to the real necessities of the money market. The goal of monetary legislation was at last reached, benefiting the Government and the people as well. In order to show the percentage of the metallic reserve, and the gradual absorption of other paper money into the Bank of Japan notes, the following tables are inserted:

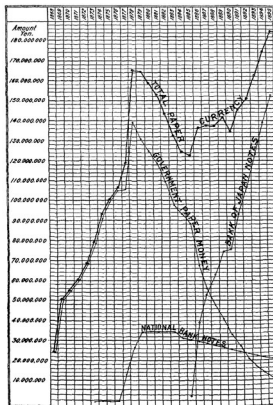
*Table IX.—Total Paper Currency and Growth of the Metallic Reserve.*

DATE.	Government, National Banks, and Bank of Japan Notes. YEN.	Metallic Reserve. YEN.	Per Cent. of the Reserve.
1868	27,637,390		
1869	51,190,867	19,611	
1870	55,500,000	39,873	
1871	60,272,000	191,287	00.3
1872	68,400,000	14,709,801	21.5
1873	79,743,224	14,819,127	18.6
1874	93,897,304	18,483,984	19.7
1875	100,491,870	14,664,028	14.2
1876	106,891,583	15,171,224	12.7
1877	119,149,843	15,115,406	10.8
1878	165,697,598	17,837,729	06.1
1879	164,697,598	9,967,880	04.5
1880	164,354,935	7,166,819	08.3
1881	159,366,837	12,699,576	11.6
1882	153,302,013	16,730,268	19.6
1883	143,754,363	25,876,230	27.0
1884	132,275,013	33,569,188	37.0
1885	124,396,176	45,274,213	36.6
1886	122,153,757	49,932,652	37.3
1887	136,328,110	51,384,582	38.7
1888	137,654,280	53,225,365	47.9
1889	137,409,915	68,119,253	49.6
1890	134,792,592	69,622,413	51.7
1891	145,530,222	83,678,333	57.5
1892	151,212,212	96,158,265	63.6
1893	162,308,543	97,928,516	60.3
1894	174,298,050	90,718,291	52.0
1895	185,433,154	71,903,838	38.8

[Note.—The Bank of Japan notes are included since 1885.]

## THE NOTES NOW IN USE.

It is clear, from what has been just said, that the chief factor of the paper currency is the convertible notes issued by the Bank of Japan; the Government paper and the national bank notes being gradually redeemed, only a little over 10,000,000 yen of the former and 20,000,000 yen of the latter remaining. These latter having been longer in use, are more or less disfigured and are not so much liked by the public as the notes of the central bank. But owing to the simplicity of the design of the note of the central bank, its imitation became frequent, illiterate persons being cheated thereby. The origin of this imitation is not without interest. At first someone made an imitation for the use of children. The penalty for counterfeiting provided by the penal code being inapplicable, this imitation became very elaborate, in some cases approaching the true note, only the letters and characters were intentionally changed. Gamblers used them in piles to attract by-standers and tempt them to join the game. Peddlers began to use them, and shops open at night often received them. Those discovered were mostly Bank of Japan notes, the imitations of the Government and national bank notes being very few. The audacity of imitators went so far as to apply their methods to Government bonds. Spurious copies of these can be easily discovered by ordinary men who can read. But fearing that it might impair the circulation of these credit instruments, a law was passed in 1895 to put an end to such practices. By this law the manufacture of or dealing in imitations of metallic or paper money, whether issued by the Government or banks of issue, as well as imitations of national or local debt bonds, are forbidden, under penalty of imprisonment from one month to three years, with an additional fine of from five to fifteen yen. If such articles be discovered by the police or examiners at banks, etc., they must be mutilated. This enactment seems to have had an effect, and less is now heard of this silly form of mischief.



X CHART SHOWING INCREASE OF THE CURRENCY.

The small paper currency is not liked and is becoming less year by year as its redemption goes on. So, now we have a sound system of convertible paper currency, and are free from the confusion and uncertainty which prevailed before. Indeed, the credit of the Bank of Japan notes is so high that they have never been at a discount, and they are preferred to silver yen in the daily transactions of the people.

[\[Back to Table of Contents\]](#)

## CHAPTER V.

### THE FUTURE MONEY STANDARD.

#### LOOKING TO THE GOLD BASIS.

THE unsolved part of the currency problem is the question of the legal standard. The standard fixed in the original Coinage Act is that of gold. But the issue of silver yen and the conversion of the Government and the bank notes into silver have made a gold standard merely nominal. Thus, practically, Japan is at present one of the silver-using countries. Consequently, the fall of silver affects her financially and commercially. How her payments for the purchase of men-of-war, for instance, from gold-standard countries are affected may be seen from the following table:

*Table I.—Comparison of the Amount in Silver Yen at the Market Rate of Exchange needed to provide for Sterling Payments in Foreign Countries.*

YEARS.	Sterling Payment (Budget Estimates) in the Fiscal Year 1894.					Rate of Exchange.	Silver Yen Needed to Provide for the Sterling Payment.	Increase in the Fiscal Year 1894 Compared with the Previous Years.
1894	£798,467	14s.	6d.	2s.	¼d.		7,502,360.978	
1893	798,467	14	6	2	8⅞		5,873,785.563	2,028,575.426
1892	798,467	14	6	2	10⅞		5,615,597.187	2,286,763.802
1877	798,467	14	6	3	11¾		4,013,240.921	3,899,120.068
1874	798,467	14	6	4	2		3,871,358.636	4,031,002.353

The increase of the burden was felt by the Government. The fall of silver advanced the prices of exportable goods—among others, rice; but the advance in rice means the general enhancement of prices, as already mentioned. The nominal amount of the exports also increased; so that both the internal and external trade was affected. By 1893, the fall of the yen, measured by pounds, francs, and dollars, became excessive, as shown on the following page.

*Table II.—The Rate of Exchange of Silver Yen for the Pound Sterling, Franc, and U. S. Dollar.*

YEARS.	Exchange for One Yen on London.		Exchange for One Yen on Paris.		Exchange for 100 Yen on New York.
	Average.		Average.		Average.
1874	4s.	2d.	5f.	26c.	\$101.58
1875	4	1	5	12	98.70
1876	3	11	4	92	94.79
1877	3	12	5	2	96.12
1878	3	9	4	76	91.79
1879	3	8	4	60	88.70
1880	3	9	4	71	90.58
1881	3	8	4	68	89.81
1882	3	9	4	72	91.31
1883	3	8	4	62	88.94
1884	3	8	4	62	88.93
1885	3	6	4	41	84.78
1886	3	3	4	10	78.88
1887	3	2	4	00	76.26
1888	3	1	3	87	74.24
1889	3	1	3	90	75.28
1890	3	5	4	26	82.12
1891	3	3	4	6	78.1
1892	2	11	3	63	69.84
1893	2	9	3	44	66.27

## THE IMPERIAL STANDARD COMMISSION.

Urged by these considerations, the Imperial Commission to investigate the causes and effects of the fluctuation of silver as well as the question of what is the best standard for Japan, was appointed in September, 1893. The names of the members are as follows:

Viscount Tani Takeki, chairman of the Commission and member of the House of Lords.

Mr. Tajiri Inajiro (now Baron), deputy chairman of the Commission and Vice-Minister of Finance.

Mr. Hayakawa Senhichiro, secretary of the Commission and private secretary to the Minister of Finance.

Mr. Wakamiya Seion, ex-director of the Bureau of Commerce and Industry in the Department of Agriculture and Commerce.

Mr. Hara Kei, ex-director of the Bureau of Commerce, and now the Vice-Minister in the Department of Foreign Affairs.

Mr. Wadagaki Kenzo, professor in the Imperial University.

\*Mr. Sakatani Yoshiro, accountant and counsellor in the Department of Finance.

\*Mr. Soyeda Juichi, secretary and counsellor in the Department of Finance.

\*Mr. Kanai Nobu, professor in the Imperial University.

Mr. Kawada Koichiro (now Baron), president of the Bank of Japan.

Viscount Hotta Seiyo, member of the House of Lords.

Mr. Obata Tokujiro, member of the House of Lords.

Mr. Watanabe Jin Kichi, member of the House of Lords.

\*Mr. Sonada Kokichi, president of the Yokohama Specie Bank.

Mr. Shibusawa Eiichi, president of the First National Bank.

Mr. Masuda Takashi, manager of the Mitsui Bussan Kuaisha.

Mr. Shoda Heigoro, manager of the Mitsui Bishi Firm.

\*Mr. Taguchi Ukichi, editor of the "Tokio Economic Journal" and member of the House of Commons.

Mr. Watamabe Hiromoto, late member of the House of Commons.

Mr. Kawashima Jun, member of the House of Commons.

Mr. Maki Bokushin, late member of the House of Commons.

Mr. Kurihara Rioichi, member of the House of Commons.

Mr. Takata Sanaye, member of the House of Commons.

Thus in the Commission was included members of the Diet, financiers, economists, bankers, and other influential men of business. The first meeting was held in October, 1893, and a select committee of five to investigate the causes and effects of the fluctuation of silver was appointed out of those marked by an asterisk (\*) in the above list. They held thirty-seven meetings within eighteen months, collecting much valuable material. Opinions were divided, one party holding the fall of silver to be beneficial, while the other deemed the benefit temporary and mixed with many evils. The former view was in the majority of three against two; and it was so reported to the general meeting in March, 1895, when the select committee to decide the best

standard was elected, Messrs. Masuda, Watamabe, and Hiromoto being added to the five already chosen. This select committee, after holding four meetings, reported in May. Every one differed on this most important and practical question.

Mr. Sakatani insisted that gold should be adopted as soon as possible. Mr. Soyeda's view was, though the aim must be directed toward gold, the present is not the time for change, but for preparation. Professor Kanai had hope of the formation of an international bimetallic league, and advised joining it when formed. Mr. Watamabe urged the necessity of accumulating gold, because the time will come when gold is to be made the standard. Mr. Sonada stuck to the maintenance of the *statu quo*. Mr. Masuda wanted to wait till the mind of the other countries is made up. Mr. Taguchi desired to take the lead in the formation of a bimetallic league among advanced nations.

## THE COMMISSION'S SUMMING UP.

In fact, the gold party was in a majority; but all were against any sudden change except one member. In May, the matter was brought up at the general meeting, and after four days of heated discussion the final resolution was taken. The causes of the depreciation of the white metal were declared to be: 1. The increase of production. 2. A decrease in the cost of production. 3. A comparatively slow increase of the demand for silver. 4. A decrease of the industrial use of silver. 5. The effect of increased production is concentrated on a very small portion of the stock of silver, such as bullion and full-quality silver coins, thus making the result more telling. 6. The production of gold is less, compared with the ever-increasing supply of silver. 7. The increase of the use of gold for coinage. 8. The increase of the industrial use of gold. 9. The increase of the tendency to hoard gold.

The effects of the depreciation on silver-using countries were thus enumerated: 1. Increase in the silver value of exports. 2. Rise of prices. 3. Profits for debtors and tax-payers. 4. Advantages reaped by agriculturists. 5. Industrial and commercial prosperity. 6. Increase of the revenues of the State. 7. Increase of the demand for labor. 8. Increase of the expenditures. 9. Suffering of wage-earners, etc. 10. Losses for creditors. 11. Rise of speculative undertakings. 12. Increase of goods imported from gold-using countries.

The effects on gold-using countries were summed up thus: 1. Advantage of creditors. 2. Fall of prices of goods imported from silver-using countries. 3. Decrease of expenditures of the State. 4. Fall of prices. 5. Loss felt by debtors and tax-payers. 6. Depressed state of industry and commerce. 7. Fall of the rate of interest. 8. Suffering of the agricultural class. 9. Decrease of revenues. 10. Loss of those who pay wages, salaries, etc. 11. Decreased demand for labor. 12. Increase of importation from silver countries.

Those affecting both countries were divided into two. 1. Hindrances to commercial transactions between gold and silver countries. 2. Withdrawal of capital invested by gold countries from those using silver.

The effects on Japan were concluded to be as follows: 1. Increase of exports. 2. Rise of prices and suffering of wage-earners. 3. Profit for debtors and tax-payers, and consequent loss by creditors. 4. Prosperity of commerce, industry, and agriculture. 5. Increase of revenues and expenditures. 6. Increased demand for labor. 7. Prevalence of the speculative spirit and luxury. 8. Rise of prices of goods imported from gold countries. 9. Opening of the mint absorbing redundant silver. 10. Trade with gold countries hindered and capital withdrawn by them.

The effects were deemed beneficial by ten against five members. When the final question on the best standard was put, the strife increased. On the first question, "Are we to change the standard?" there were eight affirmative against seven negative votes. Then, "What should be the standard?" was asked, and six upheld gold, while two stood for the double standard. The report of the committee was presented to the Government in July, and it is not known how far the report will be adopted. So, the question is still left unsolved.

## REASONS FOR THE GOLD STANDARD.

The Author believes gold monometallism to be the best system, for the reasons following: 1. To serve as a measure of value, the standard must be single and simple. This is almost self-evident when we consider that two different measures of length cannot be in use at the same time. Bimetallism is therefore erroneous in theory, besides being difficult to carry out in practice, owing to the impossibility of international agreement.

2. That which forms the standard must be the thing which varies the least, and if it varies, the tendency must be on the side of appreciation. Gold is steadier in production, and its demand will never fall off so long as the human taste is not revolutionized. Some try to prove the steadiness of the value of silver by showing that the prices of commodities in silver countries are more steady than those in gold countries. Nothing is so futile or misleading as this. If a seller of an iron rod were to use an India-rubber measure, who would not laugh at the absurdity? But to try to prove the rise or fall of gold by the ever-changing prices of goods is almost similar to such an example. In order to judge of the fluctuations of silver or gold, we must be guided by the inevitable law of demand and supply. Supposing that the fault lies with the appreciation of gold while the value of the goods remained steady, why should not every commodity fall in price in equal proportion? Indeed, what the economic law indicates is the great fall of silver and the relatively small rise of gold. If so, the variation is less with the latter, and is on the side of appreciation. So long as cheap prices are a blessing to consumers—to which category even manufacturers belong—and therefore to mankind in general, the inflationists' view must be erroneous, and we must prefer gold to silver.

3. It is futile to attempt to change the human taste or likings by law, or to fix prices of things by international agreement or other artificial device, as has been repeatedly proved by the failure of monetary conferences and the suspension of the working of the Latin Union. Every time we hear of monetary conferences, exchange is disturbed, but no actual result is attained. It is far better to leave the matter to itself than to swell

the gains of speculators and mine-owners at the expense of the general public. Some speak of the scarcity of gold and the overproduction of silver, but of late years the production of gold has increased, while that of silver is decreasing. Moreover, credit instruments will fill up the deficiency of gold among civilized nations, and the gradual progress by less advanced countries will increase the use of silver. Even in gold-standard countries, the increased use of silver as token money will make room for the redundant silver. Some commend the compensatory action of the bimetallic standard. This may exist to some extent, but in the double standard the small fluctuations frequently occur in ripples, while in the single one the undulation, though great, is extended over a long period, making the effect almost unfelt, as in the case of ocean waves.

4. The standard must conform to the necessities of the country in which it is applied. For uncivilized nations, shells and hides may do; but as we advance, something better, such as silver, becomes necessary. As the unit of prices rises by still higher advance toward civilization, silver becomes too heavy, and something which embodies more value in less volume is needed. This need is best satisfied by gold. Therefore, for the advanced nations, gold must be made the standard by the very necessities of daily life, while for backward countries silver will be more suitable.

Turning now to the case of Japan, she will before long reach the stage when gold becomes necessary by: 1. A rise of the unit of value. 2. An increase of transactions. 3. Becoming a creditor country. 4. Importing raw material and exporting manufactured goods. 5. Increase of commercial relations with gold-using countries. But at present it is premature to adopt the gold standard at once. Therefore, making gold the object, we must be simply contented just now with such preparations as: 1. The stoppage or limitation of the free coinage of silver. 2. Coining mostly gold. 3. Accumulating gold by increased exports and production. 4. Buying up the output of neighboring gold mines. 5. Collecting customs duties in gold. 6. Giving preference to those who pay in gold. 7. Placing the national debt bonds in the market of gold countries. 8. Converting and retiring all paper notes below five yen and increasing the specie basis in gold.

Another important question is the manipulation of the indemnity fund. This is a question which may affect the world at large, and, therefore, its treatment cannot be disregarded by commercial countries. However, so far as the Author can see, there is no cause for anxiety, because the Japanese financiers will do their best not to disturb the exchange market. They will act with caution and circumspection in the transmission or disbursement of the fund, which was received in gold to the amount of £13,160,392 3s. 5d., and was all deposited in the Bank of England. In case the Japanese finances were strained, as some superficial observers used to announce, there might be a risk of precipitate action. But just the contrary being the case, and the financial strength of the country being far greater than expected even by her financiers themselves, the rest of the world has less to fear from the mode of handling the fund. If by the late war the military and naval strength of Japan were vindicated, the skill and development of her financiering must at the same time be acknowledged. After being engaged in an enterprise involving the sending across the sea of more than 300,000 men, and keeping them there for a period of a year and a half, it is nothing



short of marvelous that the national finances should have been kept free from all disturbance.

## CONCLUSION.

Not only in its banking and currency, but almost in all other respects, Japan was far behind the so-called civilized nations, having long been kept down by the iron rule of feudalism. Things went on smoothly enough so long as the organization of society was simple and homogeneous. But as it became more complex and active, as the comparatively recent decay of feudalism set in, there was an outbreak of confusion and turmoil. In the Restoration a new era dawned, but still the turbulent condition lasted, being intensified by crude and vague ideas of things European. At last, after a great many failures and miscarriages, the so-called “best out of every country” policy bore a fruit peculiar to Japan. A banking system was firmly established, and the currency was made stable and trustworthy, equal to those of the highly civilized countries. Success, however, was won only after a series of struggles and contentions. Those who do not know how much latent energy existed before the opening up of the country may say “these are all apish imitations.” But a moment’s reflection and a glance at what has been described may raise the question whether so much can be achieved by imitations only. There must be a strong digestive and assimilating power at least, for the attainment of reforms and improvements of such amplitude. If, therefore, Japan cannot expect the world to admire her or learn from her, she has at least a right to be investigated more and known better, instead of being slighted and despised, and even subjected to extreme contempt, as was the case before her success in the war with “the Sick Man of the Far East.” She has sent men over to Europe to investigate and study the best of everything practically and theoretically. From her university many able and active young men come out every year and enter public and private service. Not only in material sciences, but in politics, law, economics, and public finance, the newest theories are carried into practice. For those who are not prejudiced, Japan is thus the best place for investigating the practical working of economic theories. Moreover, the rapidity of the progress which she has made increases the interest which she offers to scientific observers.

If what has been herein described can arouse a sense of interest in the minds of impartial investigators, the Author will be amply satisfied, even if he fails to secure the attention of the general public in the New and the Old World.

[\[Back to Table of Contents\]](#)

## APPENDICES.

### Appendix A.

#### *Exports And Imports Of Merchandise.*

YEARS.	Export.	Import.	Total.	Excess of Export.	Excess of Import.
	YEN.	YEN.	YEN.	YEN.	YEN.
1868	15,553,472.87	10,693,071.79	26,246,544.66	4,860,401.08	
1869	14,908,977.99	20,783,633.09	33,692,611.08		7,874,655.10
1870	14,543,012.51	33,741,637.36	48,284,649.87		19,198,624.85
1871	17,968,608.66	21,916,727.65	39,885,336.31		3,948,118.99
1872	17,026,647.22	26,174,814.93	43,201,462.15		9,148,167.71
1873	21,635,440.85	28,107,390.03	49,742,830.88		6,471,949.18
1874	19,317,306.09	23,461,814.40	42,779,120.49		4,144,508.31
1875	18,611,110.61	29,975,627.62	48,586,738.23		11,364,517.01
1876	27,716,527.50	23,964,678.96	51,676,206.46	3,746,848.54	
1877	23,348,521.60	27,420,902.95	50,769,424.55		4,072,381.35
1878	25,988,140.28	32,874,834.17	58,862,974.45		6,886,693.89
1879	28,175,770.19	32,953,002.39	61,128,772.58		4,777,232.20
1880	28,395,386.66	36,626,601.00	65,021,987.66		8,231,214.34
1881	31,058,887.93	31,191,246.02	62,250,133.95		132,358.09
1882	37,721,750.57	29,446,593.98	67,168,344.55	8,275,156.59	
1883	36,268,019.59	28,444,841.78	64,712,861.37	7,823,177.81	
1884	33,871,465.50	29,672,647.45	63,544,112.95	4,198,818.05	
1885	37,146,691.43	29,356,967.92	66,503,659.35	7,789,723.51	
1886	48,876,312.79	32,168,432.26	81,044,745.05	16,707,880.53	
1887	52,407,681.15	44,304,251.69	96,711,932.84	8,103,429.46	
1888	65,705,510.21	65,455,234.01	131,160,744.22	250,276.20	
1889	70,060,705.82	66,103,766.60	136,164,472.42	3,956,939.22	
1890	56,603,506.03	81,728,580.50	138,332,086.53		25,125,074.47
1891	79,527,272.34	62,927,268.38	142,454,540.72	16,600,003.96	
1892	91,102,753.63	71,326,079.50	162,428,833.13	19,776,674.13	
1893	89,712,864.59	88,257,171.71	177,970,036.30	1,455,692.88	
1894	113,246,086.15	117,481,955.46	230,728,041.61		4,235,869.31

[NOTE.—Till 1887, gold and silver mixed; but after 1888, purely silver valuations are above used.]

## Appendix B.

### *Exports And Imports Of Specie.*

YEARS.	Export. YEN.	Import. YEN.	Excess of Import. YEN.	Excess of Export. YEN.
1868				
1869				
1870				
1871				
1872	4,480,895.60	3,691,510.00		789,385.60
1873	5,122,927.49	3,080,541.94		2,042,385.55
1874	13,995,202.24	1,071,731.22		12,923,471.02
1875	14,663,971.33	298,321.86		14,365,649.47
1876	10,675,700.90	8,267,240.84		2,408,460.06
1877	9,441,270.73	2,173,498.52		7,267,772.21
1878	8,328,652.52	2,189,101.25		6,139,551.27
1879	12,778,863.64	3,134,803.74		9,644,059.90
1880	13,222,993.45	3,638,250.08		9,584,763.37
1881	7,490,547.20	1,856,146.64		5,634,400.56
1882	4,450,197.55	6,160,724.41	1,730,526.86	
1883	3,156,565.17	5,451,500.51	2,294,935.34	
1884	5,005,072.25	5,611,759.04	606,686.79	
1885	4,256,445.50	7,546,841.33	3,290,395.85	
1886	9,626,447.74	9,171,873.77		454,573.97
1887	11,035,488.30	8,871,266.41		2,164,221.89
1888	7,833,446.06	8,732,491.57	899,047.51	
1889	5,188,529.47	14,173,245.55	8,984,716.08	
1890	13,778,531.39	1,200,607.37		12,577,924.02
1891	1,452,963.92	13,888,526.25	12,435,562.33	
1892	9,729,753.07	22,883,756.94	13,154,003.87	
1893	12,289,188.15	11,186,486.71		1,102,701.44
1894	34,379,111.24	26,783,652.75		7,595,458.49

[NOTE.—Same as the preceding appendix.]

## Appendix C.

### *Prices Of Government Bonds.*

YEARS.	Four Per Cent. Shinkosai.	Five Per Cent. Kinroku.	Five Per Cent. Consolidation Loans.	Five Per Cent. Kaigun.
1878	65.932			
1879	65.036			
1880				
1881	53.000			
1882	54.970			
1883	65.662			
1884	74.405			
1885	74.709			
1886	94.138	102.735		
1887	94.747	102.104	101.578	101.917
1888	89.492	99.807	101.445	100.832
1889	99.320	99.983	101.015	100.530
1890	86.723	97.891	99.866	99.021
1891	90.002	98.547	100.451	99.714
1892	93.832	101.148	101.726	101.115
1893	98.307	106.062	106.962	106.361
1894	95.655	103.633	105.270	104.455
1895	94.274	98.018	99.676	98.876

[\[Back to Table of Contents\]](#)

## Appendix D.

### *National Debt In Japan.*

(From The “British Economic Association Journal” Of June, 1895.)

I. *The Origin of the National Debt.*—The sudden change from a long-established feudalism to a unified form of the State at the beginning of the Meiji era called forth many extensive and resolute political and financial schemes. Among others, the surrender, or rather the restoration to the Emperor, of their possessions by the feudal lords (Daimios) made it necessary to remunerate them for their patriotic sacrifice. Also, vassals who formerly depended upon their lords had to be supported by the State. For this purpose each Daimio and his vassals received bonds which were computed according to their former income. Previous to this drastic reform, bonds were given to those who gave up privileges and were in need of capital. The amount was computed in the case of perpetual hereditary pensions at half of six years’ pension, and in the case of life pensions at half of four years, the moiety being paid in cash in both cases. Thus the feudal pensioners became holders of the public bonds.

In addition to this, the debts of the feudal lords were converted into State liabilities, and the abolition of Riu Kiu viceroy, the confiscation of temple lands, etc., increased the burden of the State, and the amount of bonds issued rose to:

	YEN.
Old Loan	10,972,725
New Loan	12,422,125
Voluntary Capitalized Pension Bonds	16,565,800
Pro-rata Pension Bonds for Priests	334,050
Hereditary Pension Bonds	173,902,900
Total	214,197,600

In order to get the fund with which to pay feudal lords and vassals who surrendered their pensions, and to meet other necessary expenses, the so-called Seven per cent. Sterling Loan was raised in England, in 1872, to the amount of £2,400,000 sterling, or 11,712,000 yen (£1 being the equivalent to 4.88 yen). The actual sum received was £2,220,000 sterling, the issue price being 92.5 for 100, though the subscription reached to £9,500,000. The principal of this loan was to be paid by drawings in twenty-five years, so that it will be wholly redeemed in 1897, and the interest was seven per cent., to be paid half-yearly. Though it is not now quoted highly in the London market on account of the approach of the final redemption, it stood as high as £118 12s. in 1888; and it is well known that the punctuality of the payment of both the principal and the interest of the bond gave satisfaction to its holders. So much for the

increase of the debt necessitated by the abolition of the feudal system. We now pass to the debt called forth by financial necessities.

In the early days of the Restoration, the paper money issued by the Imperial Government did not obtain popular confidence, and was at a discount for a long time. Consequently, in 1869 the maximum amount of issue was fixed at 32,500,000 yen, and a decree was promulgated to convert the paper notes into the new coins by 1871, and the amount not converted was to bear six per cent. interest. But the Government was unable to carry out the promise of redemption when the time matured, on account of the increase of expenditure, the difficulty of finding out the possessors, etc. Hence, in 1871, it was enacted that the owner of paper (notes) could have it converted into six per cent interest bonds if he liked. But the bond thus given in exchange was registered, and its negotiation was inconvenient. By an act issued in 1883, the bonds were changed into unregistered bonds to the amount of 7,929,900 yen. This scheme, as well as the retrenchment in the expenditure, was effective, and the value of paper notes gradually restored till it stood at par with silver.

Then we come to debts raised for economical improvement. Among others, we must count the Nine per cent. Sterling Loan, the first loan raised abroad for the purpose of developing the national resources by facilitating the means of communication. This was raised in London, in 1869, through the hand of the Oriental Bank Corporation, to the amount of £1,000,000, or 4,800,000 yen (£1=4.88 yen), at nine per cent. interest, it being already redeemed in 1882. With the proceeds of this loan the first railway—viz., the Tokio and Yokohama line—was constructed.

After this, various loans were raised for the improvement of the means of transportation, especially for the construction of railways, the amount being:

	YEN.
Public Works Loan	12,500,000
Nakasendo Railway Loan	20,000,000
Supplementary	2,000,000
New	2,000,000
Total	36,500,000

We must not forget to mention the debt incurred during the civil war of 1877, to the amount of 15,000,000 yen at five per cent. (now 100,000,000 at seven and one-half per cent.), from the Fifteenth National Bank; the Navy Loan, issued to the amount of 17,000,000 yen, for the purpose of strengthening the naval force, and the 22,000,000 yen non-interest-bearing fund for the conversion of paper money into silver, borrowed from the Nippon Ginko, or the Bank of Japan. Besides, there are the Consolidation Loan and the new War Loan. But these will be described in separate sections.

Although there are floating debts in the form of Treasury bills issued in each fiscal year to meet temporary necessities, these are to be redeemed within the year of issue, and the total amount is fixed in the budget. Hence, they do not occupy an important space in the stock exchange.

Thus it is evident that most of the loans were raised either by urgent political and financial necessity, or for productive purposes; hence, the Japanese debt, unlike so many others, was not raised in order to delay the financial embarrassment caused by continual deficit.

II. *The Consolidation Loan*.—The debts hitherto mentioned differed not only in the management and redemption, but in the rate of interest. Moreover, by the development of credit organizations and the general economy, the rate of interest began to fall, and the rate, which oscillated between twelve and eight per cent. before, descended to seven per cent. in 1886. At the same time, the price of bonds gradually rose; for instance, six per cent hereditary bonds, which stood at 64.753 yen in 1881, rose to 105.181 yen in 1886. Hence, the time became ripe for the conversion of the debt, and in 1886 the celebrated drastic law called the Consolidation of the Public Loan Act was issued, to convert all debts above six per cent. interest, and to consolidate the various loans issued under different regulations. The main features of this act are:

1. The total amount of the issue to be limited to 175,000,000 yen.
2. The rate of interest of the loan to be five per cent. per annum, payable half-yearly, in June and December.
3. The bonds issued to be unregistered, bearing coupons, but convertible into registered bonds at the option of holders.
4. The bonds to be of five denominations; namely, 5000 yen, 1000 yen, 500 yen, 100 yen, and 50 yen.
5. The principal to be redeemed by lot within fifty years, counting from the sixth year after the issue.
6. Drawing for redemption to take place at the Nippon Ginko, the amount of the bonds so drawn being advertised in the official gazette.
7. The payment of the principal or interest not to be allowed after the lapse of full fifteen or five years respectively from the month of payment.
8. Application for the issue of new bond or coupon to be made to the Nippon Ginko, its branch offices, or agencies, when it is lost, defaced, destroyed, or mutilated.
9. Application signed by both transferor and transferee to be made to the Nippon Ginko, its branch offices or agencies, when registered bond is sold or otherwise transferred, etc.

The amounts actually issued of this loan were:

	YEN.
In 1887	36,564,450
1888	23,952,900
1889	24,316,950
1890	3,347,450
1891	19,462,450
1892	40,850,350
1893	17,987,900
Total	166,482,450

In this way, various debts above six per cent. interest were converted to the amount of 166,482,450 yen; and the kinds of debt still remaining are nine, as shown below:

KINDS.	Principal. YEN.	Rate of Interest. PER CENT.	Time of Redemption.
Old Loan	5,925,271.500	0	1921
New Loan	7,831,100.000	4	1896
Hereditary Pension Bonds	30,397,120.000	5	1906
Loan for the Suppression of the South-Western Rebellion	10,000,000.000	7.51	1897
Navy Loan	16,960,000.000	5	1923
Consolidated Loan	166,482,450.000	5	1947
Loan for the redemption of paper money	22,000,000.000	0	1912
Railway Loan	2,000,000.000	5	1948
New Foreign Loan	2,110,112.000	5	1897

III. *The New War Loan.*—The outbreak of the war with China forced upon the country an enormous expenditure. This is inevitable when a country is engaged in an extensive war beyond its border, and especially across the sea. In order to meet the necessity, the new War Loan was raised to the amount of 150,000,000 yen at five per cent in 1894, and to this 100,000,000 more were added in 1895. The first loan was called twice—viz., in August and December of 1894, respectively.

The first call was for 30,000,000, and the minimum price of subscription was fixed at par. But the subscribed amount reached 77,002,650 yen, or 47,002,650 yen above the sum needed, and of this 11,627,850 were above par, and some were as high as 142.44 for 100 yen. At the second call the amount was 50,000,000 and the minimum price was 95 for 100 yen. This unfavorable condition of issue was necessitated by the state of the money market, which is usually strained at the close of every year. But the subscription exceeded by the enormous sum of 40,274,750 yen, and some ranged as high as 120 yen. It is to be observed that among the subscribers were foreigners residing in Tokio and Yokohama. If the war continues, the Government can still issue 170,000,000 yen, and the nation is ready to meet the call. Although there are rumors founded on expectations that at least a part of the remainder may be borrowed abroad, the desire of the people at large rather inclines to the internal loan. The reasons



alleged on their side are that the financial strength of the country is more than we expected; that the state of the money market is not strained, as it was predicted; that there are money returns from the seat of war and from the purchase of goods at home; and, lastly, that we must fight not only with our soldiers, but with our money. But the strongest reason is that if we borrow in gold from gold-standard countries, which seems the natural course, the probability of future losses through the fall of silver deters us from offering a higher rate than three per cent., at which it may perhaps be difficult to find a lender.

IV. *Summary*.—From what has been stated, the condition of the credit of our country must appear satisfactory even to a staunch pessimist. Especially when we survey the result of the war, the War Loan, which is quite a new-born child, can be safely made the object of investment not only for our countrymen, but for the foreign capitalist, especially as it is now quoted very low in the stock exchange. But if this loan is not acceptable on account of its being not yet fully paid up, the Consolidated Loan is the best way of investing the foreign capital. In this way the superfluous capital in Europe and America can get a comparatively high rate of interest, and our country can reap the benefit thereby without undergoing the troublesome task of issuing a foreign loan and being opposed by the patriotic cry: “Why not let us fight with our own money!”

According to the budget estimate for the financial year 1895-96, the total amount of national debt raised by the Imperial Government during the interval between 1872 and May of 1894, rises to 502,371,900 yen. But 237,599,224 yen of the debt were redeemed till the latter period, and thus we get the sum of 264,772,676 yen. To this we must add 80,000,000 yen of the new War Loan, and deduct from it 219,844.50 yen of old debt redeemed in December, 1894; hence, the existing national debt stands at 344,453,221.50 yen, a burden not too heavy for a country like Japan. In the same budget the sum to be paid out as the capital and interest of the national debt is estimated at 24,344,575.438 yen, and this, compared with the total revenue of 90,300,709.453 yen, is only 26.95 per cent. of the latter. When we consider that there are countries which pay more than half of their revenue as the interest of their debt, while only 16,016,683.026 yen, that is to say, only 17.73 per cent. of the revenue, is paid as the interest by Japan, the discrepancy becomes wider, and the fact that the credit of the latter country has been hitherto too lowly estimated by the world at large becomes more evident.

Banking, Currency and

Land Tenure

in

THE CHINESE EMPIRE.

AN ESSAY

by

Hon. THOMAS R. JERNIGAN,

united states consul-general at shanghai.

new york.

1896.

[\[Back to Table of Contents\]](#)

## BANKING, CURRENCY AND LAND TENURE IN THE CHINESE EMPIRE.

### I.

#### CHINA'S CURRENCIES.

#### FROM 524 Bc TO PRESENT TIMES.

SOME time ago I attended a session of the Mixed Court at Shanghai, China, and observing that the Chinese judge was asking questions of and receiving answers from the witness through an interpreter of his own nationality, I inquired if such was the usual form of conducting examinations in the courts of China. I was somewhat surprised to receive the answer that the witness resided in another province, and that the presiding judge was not familiar with the dialect of the province; and thus it is with the currency of China, the variations and peculiarities of which are as numerous as the dialects spoken in the different provinces. The difficulty, therefore, of writing logically of the currency of China will readily occur to the reader; and if the subject can be made intelligible by a general review, more should not, at present, be expected.

#### “CASH” MONEY.

The coin which is more national in character than any other in use by the Chinese, is called *cash*. It is thin and circular, rather more than an inch in diameter, with a square hole in the middle, for the convenience of stringing, and should consist of equal parts of copper and zinc, and each piece should weigh fifty-eight grains troy; but their only national coin has been so debased and reduced in size, within the last fifty years, that most of it now in circulation will not weigh more than thirty grains. The cash well illustrates the size of commercial transactions among Chinese, as its fluctuating value in the provinces shows the unreliability as to the value of all transactions. About one thousand cash should be required in exchange for a dollar; but in some provinces as many as eighteen hundred are required; and often in the same province the value is so uncertain that it is not known one day what the purchasing power of a cash will be another; and to add to such apparent business perplexity, debasement has been so energetically and skillfully practised, as to invest the genuineness of the coin with so great suspicion, that purchasers in the markets have to supply themselves with genuine and debased cash to facilitate purchases, as there are articles which the genuine cash only will buy, and others which are sold for the debased.

The antiquity of the use of *cash* is established by authentic proof. Chinese writers discuss, with every assurance of accuracy, events happening several thousand years ago; and, while in no country in the world does age receive greater reverence than in China, there is a national sentiment which places so little value on the importance of time, as an element of consideration in the affairs of life, that native historians may

not always have fully appreciated the studious research demanded by modern scholars as a first qualification to write authentically of remote events. From the collections of numismatists, there appears to have been in existence, as early as bc 524, a Chinese coin, with a square hole in the middle, similar to that seen in the cash now in daily use; while another account credits the origination of round cash to a Chief Minister of the Han dynasty, in the twelfth century, before our era. But however the issue may be decided as to the precise time when cash was first used as a coin, the date is sufficiently remote to prove that copper has existed as a purchasing power, and that it has maintained such, in more or less degree, for centuries in China.

This small copper coin, the tenth part in value of a cent, is the chief aim of acquisition by the Chinese laborer, for it supplies his wants and satisfies his aspirations. The use of such small denominational currency indicates wants which, to the laborers of the Occident, must appear easy to satisfy; but the returns of labor in the Orient demand the industry of a day, as in the other parts of the world, and the Chinese laborer must bestir himself from early dawn until evening to win the requisite number of cash to supply his necessities. Amid changing dynasties, this coin has remained unchanged in the performance of its monetary functions, and the merchants of China trade on as small margins to-day as they did at the date of the earliest records of commercial transactions in China.

## PAPER CURRENCY.

The introduction of paper currency into China appears to have been due to the use of seals, and is very closely connected with the history of printing. When it became the custom of certain Chinese officials to give a money value to certain articles by impressing their seals upon them, the idea of paper money was naturally suggested. Seals were borrowed from Western Asia, and the Chinese having made them, and cut upon them their own writing, they were used in giving validity to official documents as well as a manifest proof of their genuineness. Their use was extended by subsequent legislation by giving one to every officer, and the grade of the official was indicated by the metal from which the seal was made—those made of silver being given to officers of the first and second rank, and the copper seals of the Taotais being a continuation of the old rule which has come down from 221 bc The seal may also be accepted as marking the visible sign of the change from feudalism to centralization; the official who carried it admitted his representative capacity and acknowledged the Imperial head of the State from whom he received it.

The most reliable date of the introduction of paper into China is stated to be about ad 200, but seven centuries passed before books were printed, and as many as eight before paper currency was systematically adopted by the Chinese Government. The long interval between the introduction of paper and the adoption of a paper currency is attributed to the habit of the workmen of first cutting into the material of the seal instead of cutting the inscription in relief; but when the thought occurred that relief cutting would leave a white ground, with a red or black inscription, the invention of blank forms and the printing of books followed.

## “FLYING MONEY.”

ad 806 is the most reliable date of the first appearance of paper currency, and it was then that bills of exchange were called “flying money.” By an Imperial ordinance, then first made, merchants in the capital could receive Government bills in return for copper money, and at any of the provincial capitals the provincial treasurer could pay the amount stated upon the bill. This system of banking was a facility offered to merchants by the Government, and was again in operation about the year ad 960, a bureau being instituted at the capital for the transaction of the business. And in ad 1023, when copper became so scarce in the province of Szechuen that an attempt was made by the Government to relieve the wants of the situation by the introduction of iron cash coinage, the failure was so seriously felt that paper notes were again put in circulation at Chengtu, it being stipulated that such notes were to be returned every three years, an idea which originated with the wealthy merchants, and being accepted by the Government, the merchants were left to conduct the business. When the Golden Tartars conquered North China in ad 1150, they adopted a paper currency, because of the scarcity of copper, and during the succeeding century of their reign, as during the century following of Mongol domination, the most strenuous efforts were made to maintain a paper medium.

The following details of the progress of paper money are given by Martin, in his history of China: In the year 119 bc, paper money was used by the Chinese; sometimes a nominal currency was issued on pieces of skin a foot square, or on pasteboard; in the Tang dynasty, ad 807, the currency was more regular and copper only used for coining. Contributions were obliged to be made to the treasury, for which “the Sian,” voluntary money, was issued; ad 960, notes were issued for merchandise deposited in the public treasuries like pawnbrokers’ duplicates; they were called “Pien ch’ien,” or accommodation money, were everywhere negotiable, made on paper a foot square, with their current value stamped on them, and had an official seal. Subsequently, a system of cheques was issued to replace the heavy iron coinage used. About the tenth century, a better system of banking was introduced; bills of exchange were issued, payable every three years. About the twelfth century, the public creditors were paid by the issue of notes, or contracts in nominal value, ranging from 200 to 1000 cash. The extent to which these were issued toward the close of the century is stated to have been 28,000,000 ounces of silver. Different provinces, also, issued their own paper, and a great monetary confusion arose.

## PAPER MONEY IN THE THIRTEENTH CENTURY.

Marco Polo, the Venetian traveler, who resided in China for upward of twenty years, about the year ad 1256 thus describes the mode in which paper money was then made and issued by the Emperor, or Grand Khan, in the city of Peking. The bark is stripped from a tree (the mulberry), on the leaves of which the silk-worm feeds. It is first well soaked in water, then pounded in a mortar into a pulpy consistency, and then made into paper of a dark color, which is cut into oblongs of different sizes and values. These notes are signed by special officers, and stamped with the Emperor’s seal, which attaches value to it. The penalty for forgery is death. This money is circulated

throughout the empire, and any article can be procured by those who have this money. When these notes are damaged from use, they are exchanged at the mint for new ones, at the charge of three per cent.; the holders could obtain gold or silver for them anytime, by applying at the mint, provided the metal was intended to be manufactured into ornaments, drinking cups, etc. The armies of the Emperor were paid with this currency. One of the Government notes extant during the Ming dynasty has the following on one half of it: "At the petition of the treasury board, it is ordained that paper money thus marked with the Imperial seal of the Ming shall have currency and be used in all respects as if it were copper money; whosoever disobeys will have his head cut off."

## ABOLITION OF PAPER FOR SILVER.

When the Mongols were driven from power, says Klaproth, they had ruined China by their paper money; and notwithstanding the effort of the Ming dynasty to revive paper currency by recalling the old and issuing new notes for 100 to 1000 cash, and trying to keep up their value by forbidding traffic in gold or silver, the value of the notes declined in 1448 to three cash of copper to 1000 cash paper. And in ad 1455, although the Government decreed the taxes to be paid in paper money, forbidding the use of metal money, the nominal Government currency gradually declined and was finally abandoned, as the products of the Mexican and Peruvian silver mines flowed into the ports of Southern China through the agency of foreign trade. Notes were finally abolished about ad 1620, the conquest of silver over paper having occupied about a century. But silver had been used in China as money long before the introduction of American silver, though the importation of American silver was found the unfailing stream through which the ruling currency of China was kept in circulation; and the discovery of the silver mines in America is the cause of the dominance of silver in China as the currency in all large transactions. Eighty years after the discovery of America and sixty-one years after the Pacific Ocean was first seen by Bilboa from the mountain-tops of Nicaragua, the import of silver had been so large that seven or eight ounces had the value of one ounce of gold.

In a work by Wang-liu, published in 1831, the point is made that silver was not employed as money before the Tang dynasty, ad 618, and that it was then introduced. In another work, called "Si-chien," by Ku-Yen-Wu, who died two centuries ago, it is stated that, before the Tang dynasty, copper cash was the medium of exchange between the Government and people, and silver had never come into use; but other authorities maintain that at that time silver was already introduced in South China, meaning by that term Canton and Kuangsi.

## THE THREE BELTS OF CIRCULATION.

The exposition of Chinese history by Ku-Yen-Wu shows that there were, in regard to money circulation, three belts of country; that in the extreme south, gold and silver were in use, Canton being the centre of trade; in middle China, all along the Yang-tse into Szechuen, copper cash were used everywhere as the medium of exchange—the first and second belt being ruled from Nanking as the centre; and in the north, which

was under Tartar administration, copper coin and grain were employed as a double medium of exchange. From this account of the circulation of silver, it appears that it began to be a currency in South China first, and at a time when China sent her prefects regularly to rule in Cochin-Chinese and Cambodian cities; and the silver, which circulated by weight in Canton in ad 500, would be partly Burmese, as it was then abundantly produced in Burmah, and partly what Arabian merchants and others brought from distant ports; for Arabian merchants probably shared the commerce of the southern provinces of China, as there are many proofs of the activity of Arab merchants from the Han dynasty downward. So much for remote history.

## CURRENCY OF THE PRESENT.

But the date of the introduction of silver into China and the capacity of the silver mines of China are not of so much practical interest to the business man as a knowledge of the silver currency now in use. It is doubtful if the traveler or merchant can now visit any province of China where he will not find in circulation the Mexican dollar, which seems to supply a great desideratum of the Chinese merchant, and passes current throughout the empire. The *tael* is the money of account and the base of all monetary transactions in China. It is supposed to be a certain weight of silver, called sycee silver, and in shape resembles the shoe of a Chinese woman. The tael is not issued by the Government; it is in no way vouched for or guaranteed by any legal authority; and yet it is the standard of value in all money transactions, while in appearance only a rough ingot of silver, with variable weight and fineness, and having no fixed standard. To add to the confusion of such a money—circulated without authority, stamped by no government, varying in weight in different parts of China—not only is there a difference in the value, but often more than one kind of tael is used at the same port. It would be perplexing to attempt any minute account of all these current taels; and as Shanghai is the largest treaty port in China, it would probably be more intelligent to give a general explanation of the tael currency as it is found in Shanghai, an interesting paper on which has been written by James K. Morrison.

There is at Shanghai what is called a Shanghai tael *weight* and a Shanghai tael *currency*, the latter having no existence as a coin, and yet being the money of account; and, as stated, being “only a certain weight of silver called sycee silver, of a variable fineness within certain limits, but adjusted by the addition of a premium or betterness to a fancied standard, and the product dealt with or worked out in an arbitrary manner ruled by custom. The standard is called fancied, because it cannot be found to be clearly laid down by the Chinese what the standard of fineness is on which they work.”

## SYCEE SILVER.

A word as to what is meant by sycee silver may be of intelligent interest. The word sycee is called by the Chinese “wan yin,” meaning pure silver; and sycee, as used in Shanghai, is cast into ingots, or shoes, weighing about fifty Shanghai or Chauping taels weight. In some parts of China, ingots of lesser weights may be seen, but this is

seldom. In making sycee, which is usually done at Shanghai by melting down silver bars imported from Europe and America, the melters impress on each shoe their “chop,” or name, and one or two characters giving reference to the record of the date of casting, the weight and premium. When the “shoes” are cast, they are inspected by an official called the “kung koo,” not appointed by the Government, but selected by the Chinese bankers and money-changers and paid a small fee of so many cash on each shoe he inspects; and when satisfied, the kung koo writes on each shoe in black ink in large Chinese characters its weight and the premium it bears, and then the shoes of sycee are ready for circulation. In order to guard more effectively against fraud, not only are the melter and inspector individually responsible, but deadly penalties are enforced against their heirs for all time.

Mr. Morrison gives an example of the method used for arriving at the value of the sycee in Shanghai currency as follows:

1. The weight of the sycee is taken in Chauping tael.
2. To this is added the premium or betterness that the sycee bears, and which is marked by the kung koo on each shoe.
3. The combined sum of weight and premium is then divided by 98, and the result is taels Shanghai currency.

The calculation in figures is given as follows:

Say sixty shoes of sycee weigh Chauping tael	2,992.57
Premium averaging 2.707 taels per shoe, or 5.43 per cent.	192.45
Divide by .98	3,155.02
Gives in Shanghai tael currency	3,219.41

The premium represents the fineness of sycee and ranges from four to six per cent., or from two to three taels on each shoe of about fifty taels weight. Different reasons are given for the two per cent. mentioned under No. 3 or the dividing by .98. One is that it is an old custom; another that it represents the kung koo's fees and melter's profits; while a third is that it did not originally exist, but is the arbitrary act of an impecunious viceroy who desired to fill his exhausted treasury. However, the two per cent. in no way affects the value of the Shanghai currency.

## THE STANDARD OF SYCEE.

The necessity of having a standard of fineness, as well as a working standard, is apparent, particularly as the premium added to the weight of the silver varies; and yet it is difficult to ascertain from the Chinese, with their characteristic disregard for accuracy in such matters, what the standard of sycee is. Some place the standard of sycee of six per cent. at six per cent. under 1000 (pure silver); others say it is 998, and still others fix the standard at 916.66. The shipment of sycee to the Indian mints, extending over a long term of years, has made it possible to ascertain, with reasonable accuracy, the proportion of pure silver in 1000 taels of Shanghai sycee. While



particular shipments varied as much as from one-half of one per cent. below to one-half of one per cent. above the usual standard, it was found that 916.66 Chauping taels weight of pure silver was the average output of 1000 taels of Shanghai currency. This (916.66) is the standard accepted by foreign bankers in China for the Shanghai tael currency. That is, if the Shanghai tael existed as a coin it would contain 916.66 parts of pure silver in 1000 parts. There is a difficulty, however, in accepting 916.66 as the standard on which the Chinese work their system of premiums. It is necessary to eliminate the two per cent. "custom," which makes the working standard on which the Chinese calculate the premium to be 935.37. Working on this standard, and assuming the highest premium sycee can bear to be six per cent., we arrive at a maximum fineness for Shanghai sycee of 991.50. This is nearly one per cent. short of being pure silver, but it is above the average fineness of sycee as now met with. To bring it up to pure silver 1000 touch, it will require a premium of about 6.91 per cent. on the standard named. The original standard of sycee, which must have been founded on the difference between a standard and pure silver, was probably 943.396. Although this standard is much higher than the present working standard, it is believed to be the one on which the currency system of Shanghai was originally founded. Assuming that this is substantially correct, it shows that "sycee, like everything else connected with coinage in China, has deteriorated very considerably." If the two per cent. referred to above did not originally exist, but was brought into force when the standard was 943.396, it would reduce the value of the tael to 924.528. Or, it is not at all improbable that "various squeezes" gradually brought the standard down to 935.374; and finally the two per cent. reduction was made, further reducing the intrinsic worth of the currency tael to 916.66, as it is at present, but leaving the system of premium to be calculated on the previous quality of 935.374. However this may be, the present Shanghai currency tael contains 916.666 parts of pure silver in 1000 parts; or, in other words, 1000 taels of Shanghai sycee ought to contain on an average 916.666 Chauping taels of pure silver. The assays in India practically confirm this standard. The actual weight of sycee required to equal a Shanghai tael varies according to the premium the sycee bears; but actual weighing and experience fix the ratio at 930 Chauping taels to 1000 taels Shanghai currency. If a Shanghai tael coin were to be issued, based exactly on the present tael currency, it would weigh 565.697 grains troy, of which 916.666 parts would be pure silver and 83.334 parts alloy.

## THE STATUS OF GOLD IN CHINA.

From the earliest dawn of civilization, gold has retained its preëminence among the precious metals. A Chinese author of the second century writes that gold early attracted attention because of its weight and beauty, and gives the following reasons why it has retained superior value and been held in higher esteem than other metals: It does not tarnish with time; it does not become lighter when melted, even if it goes into the crucible a hundred times; and it yields without manipulation to the artificer. Writing on the subject a century later, Pliny substantially affirms this account of the superior estimate placed upon gold, and says that the superiority of gold is in its losing no weight when in the melting-pot, or in a funeral pyre on the occasion of a cremation; even when drawn into wire the hands are not soiled by it, as is the case when silver, copper, or lead is handled. It is also capable of being spread out into a thinner leaf than any other metal, and is divisible into a greater number of parts, and

there is no other metal which can vie with gold in the facility with which it can be spun and woven like wool, so as to take the place among materials which compose textile fabrics. It is related that some of the Roman kings wore golden tunics when they triumphed; and Pliny records that he saw, at a naval sham-fight, at which the Emperor Claudius was present, the Empress Agrippina seated beside him, who wore a robe woven entirely of gold thread.

From the ancient records it can be learned that gold was abundant in Europe and Asia at the earliest date of authentic history. In Europe it was found in the Tagus, the Po, the Hebrus, and in Thrace, during the time of the Roman Empire; while, in Asia, it was found in the Pactolus, in Asia Minor. The Ganges was famed for its gold. The Persian Monarchy was enabled to use gold for coin because of the quantities brought from the Ural and Altai mountains, and the rivers which flowed from them; and in Spain, mountains otherwise unproductive, were found to produce gold. In China, the chief places mentioned as producing this metal are Yunnan and Szechuan, Kiangsi, Canton, Kuangsi, and Fukien.

The Chinese collect gold in the sands of rivers, melt rocky masses, persevering until they separate the metal from its stony envelope. Formerly, the Chinese treated the ore in a furnace, but there is no account, until recently, of their using powder to break up rocks, for which both dynamite and powder are now used. The gold mines of China, however, have never been worked according to any system now recognized as effective. The gold which has been extracted has been hoarded or sold to goldsmiths, and its use in buying and selling has been in the form of uncoined metal, sold by weight; its important stability of value having caused it to be everywhere acceptable in payment for commodities.

Translations from the "Peking Gazette" show that the rich families of Peking are parting with their hoards of gold because of the large price it commands in silver; and as the property-holders of China count their treasures in taels of silver, the satisfaction of seeing their wealth apparently increased so rapidly, is a temptation they find it difficult to resist. It is related that, in Chinese life, it is quite common for rich families to become poor, and that in such cases gold ornaments will be exchanged for silver, thus proving that the ambition to count wealth by numbers, without a proper regard for real value, has added to the quantity of gold in the markets of China, and increased the amount exported to foreign countries. As China is a silver-using country, and as there has been no rise in the average prices of native commodities simultaneously with the fall in the value of silver, these facts have naturally stimulated the desire of the Chinese to exchange their gold for silver, thus doubling the purchasing power of their means in the markets of their country. The demands of the gold-using countries have also been felt in the money markets of China, opening wider the door for the exportation of gold, infusing life and activity into the markets, and adding to the advantages in exchange in favor of the resident Chinaman who owned gold and who lived on the native products of China. With such forces at work in business, the purchasing power of gold continued to appreciate, and although the value of silver as compared with gold depreciated, yet, as stated, the purchasing power of silver remained virtually unchanged. In 1866, the price of gold bars of a fixed weight and fineness was 164.50 taels per bar; on July 3d, 1894, the price was 341.50 taels per bar,

or an advance in taels of 177, or 107 per cent. In July, 1894, a bar of gold would buy 341.50 taels of silver, against 164.50 taels in 1866; and, as 100 taels of silver will buy as much now as then in the way of commodities, it follows that a gold bar will buy 107 per cent. more of commodities. From the above facts, which have been compiled from a trustworthy source, it is clear that legislation with reference to gold and silver has apparently brought no disadvantage to the laborer in the silver-using country; but this conclusion, in order to be sound, must be supported by another fact—that the wages of labor have proportionately increased in the silver-using countries, which is not the case with China. The Chinaman who has a hundred dollars in gold may buy two hundred Mexican dollars; but the Chinaman who has no gold, and must work to secure enough silver to purchase the necessities of life for himself and family, receives almost the same price in silver for his labor as he did when a hundred dollars in gold would not buy more than one hundred and twenty-five Mexican dollars. These two facts go together in considering the benefits and evils resulting from the monetary changes, as such changes affect the labor and commerce of the world.

[\[Back to Table of Contents\]](#)

## II.

### CHINESE BANKING:

#### ANCIENT AND MODERN.

#### THE ABSENCE OF GOVERNMENT REGULATION.

FROM what has been written with reference to the money current in China, the conclusion is clear that its value, as a means of purchase or exchange, is what custom has given to it; changed from time to time and made different in the different provinces by the decisions and acts of the merchants. There is probably no government in the world that has so little to do with the money circulating within its borders, or which may properly be the subject of legislation, as the Government of China; but this non-use of a most important prerogative of sovereignty will not appear so surprising when it is considered that China is also about the only nation in the world without a public treasury. The Central Government is supported by contributions, as it were, from the different provinces; and even the foreign representatives of China are not paid from Peking, certain provinces being required to contribute to the support of certain legations of the Government.

This irregular system, apparently without chart, and from which the influence of the Central Government seems eliminated, exists equally in connection with the banking system of China. It would seem that if a law were necessary for any purpose whatever potential in the regulation of business affairs, it would be essential to define the functions and responsibilities of the institutions used to facilitate commerce and trade, and which are often constituted the great trustees of public wealth. A warrant or charter for a bank, by the Government of China, would, says Williams, in his "Middle Kingdom," carry no weight with it, and banking corporations are unknown. There is a requirement, due more to the custom among merchants than to any special act of the Government, that a bank can be opened by any person or company by making certain payments to the Government; and while this requirement is sometimes called a law, it does not deserve the name, although the decisions of the merchant class of Chinese are received by Chinese business men as having the authority and binding force of laws. This fact evidences the confidence reposed in the banks, and illustrates how the community of interest establishes a necessity for mutual confidence, and how that confidence encourages the inviolable observance of all banking functions. The Chinese bankers are thoroughly impressed that honesty is the best policy; that principle is rigorously enforced, and when violated, the consequences are always serious. As the fundamental principle of the Government of China is parental, offences committed by one member of a family must be atoned for by the relations of the offender; which provides another safeguard against failures and defalcations by banks and bankers.

## METHODS OF BANKING.

The trade of China is carried on mostly through banks. As already indicated, they are private institutions, and are conducted upon about the same general principles as prevail in other countries. They are composed of one or more individuals, with equal or unequal shares, and sometimes using only one name, although there may be several partners. The banks receive money on deposit at one rate of interest, and, when lending, charge a higher rate. They will discount their own bills, and often share profits on the transactions undertaken by the borrower. When deposits are made, drawable at the option of the depositor, interest is allowed to the depositor; though, in order to withdraw the deposit, or any part of it, the depositor must duly notify the bank of such intention. When the deposit is made, a receipt is given by the bank, in which the terms of the deposit are stated. When a pass-book is given, which is more satisfactory and is often done, it must be sent to the bank and the transactions are entered in it, either to the debit of the depositor or credit of the bank. The pass-book needs to be carefully kept; for, if lost, there is much difficulty in recovering the money which has not been drawn. A note or receipt given for the money loaned at compound interest would be illegal; but interest may be added to the principal, and a new note, or receipt, given for the amount thus made, which is held to be a new principal upon which interest may be charged; and this may be done monthly, annually, or at any other period, according to agreement. The rate of interest, regulated by custom or law, is about three per cent. per month, or thirty-six per cent. per annum; and whatever sum may be due as interest at the date of repayment, no more can be received or demanded than the original sum lent and the lawful interest thereon, to any amount not exceeding the principal; a proviso of the law which makes the prompt collection of interest a necessary precaution against loss.

## CORPOREAL PUNISHMENT FOR DEFAULT.

When a debtor fails to fulfill his agreement, he is punished by blows with the bamboo, the number being regulated according to the amount of the debt, and the blows are repeated from month to month, until the agreement is fulfilled. Sometimes, in lieu of blows, imprisonment is the punishment for this species of delinquency. The repetition of the punishment, from time to time, would seem exceedingly cruel; but to the Chinese, who know of no modification of the family law, out of which grows the mutual responsibility of relatives, it is regarded as a legitimate means of enforcing payment by the debtor or some of his relations.

## BILLS OF EXCHANGE.

Bills of exchange and promissory notes circulate from hand to hand, and are either payable at sight or within a given period after sight, in which (latter) case they are regularly "accepted"; sometimes they are made payable at fixed periods. There is a certain sort of promissory note in circulation which does not pass through the hands of more than three or four successive persons, generally all of whom are well acquainted with each other. The peculiarity of this form of note is that the original is not indorsed in the manner customary in the United States, but, instead, a piece of paper is attached

to it, on which is written the reason why the note is handed over to another person in the place of money. At the maturity of this note, another peculiarity is that the holder does not apply for payment to the drawer, but to the holder from whom he received it, and thus it passes on to each indorser until it reaches the drawer; or the three or four persons whose names are on the indorsement, including the actual holder of the bill, call together on the drawee for payment, this mode being considered the most simple and effectual. It will be seen that promissory notes of the sort described are not so much notes of accommodation as security for the payment of money; and the discount on them varies according to the scarcity of money or credit, but seldom exceeds more than one per cent. per month. The usual medium of transmitting money is through letter of credit or bills of exchange, and the cost of remittance is measured by the distance to those places with which the bank issuing the letter of credit or bill of exchange stands in relations of business. The business of many of the banks is confined to their own and adjoining provinces, and the connections of only a few extend beyond those limits. But whenever there are connections between banks, the intercourse is maintained with the greatest regularity.

## THE BANKS AND THE GOVERNMENT.

So much opposed are the banks of China to any connection with the Government, that the employees are exempt from all such responsibility. There is an exception to this rule in the case of the Government shroff; but it is not so much an exception as a custom of every public officer superintending any branch of the revenue to employ a shroff to receive the taxes and duties. There is a bank, however, in each province, to which is confided the keeping of the treasure of the local government and the collection of the taxes, on which a commission of two per cent. is paid such banks. But the banks which are considered the most important are those of discount and deposit. These enjoy the greater degree of public confidence, and are most encouraged by the Government. The chief of these banks are those of deposit; the operations of which comprise discount, negotiations of letters of exchange, advances on movable and immovable property, on merchandise, and the exchanging of the precious metals. The number of such banks it is difficult to determine; but the Government encourages their augmentation.

One of the great resources of a Chinese bank is the negotiation of letters of exchange of long date, sometimes for several years. But long terms are not so frequent since the establishment of foreign banks at the treaty ports, as such letters are not acceptable in foreign commerce.

The deposit banks, generally, have but small capital. Their business is confined to allowing interest on the daily balances of the deposits, but they engage *vis à vis* with their clients, and to them give all the possible facilities, or they may make their clients advances. The practice is, in effect, that a client having a deposit, may obtain on it, on occasions, nearly double the sum he has deposited, and give only a simple personal guarantee under his own signature. But this form of loan is not of long date, being mostly from five to ten days, and at the rate of interest for the day.

## BANKERS' CLEARINGS.

One of the operations—the most remarkable, perhaps—of the Chinese banks, is their system of clearings, which may be compared, in excellence, to the system prevailing at the clearing-houses of London, New York, and other great commercial cities. Each depositor receives from his bank a book of double column, in one of which are written to his credit all the sums that he deposits, and in the other all the transactions that follow; the depositor sends to the bank all the creditors for their payments, on the understanding that he, each evening before closing his business, sends his bookkeeper with the book in question, indicating what dispositions he has made. The next morning, the bookkeepers of several banks meet, indicate in their books the sums to be paid or to be received for their clients, and settle their balances with cash or by other means. This system of clearing is not without difficulty, not only as between bankers and negotiants, but also as between employers and workmen. The method presents advantages in the economy of time and in putting the daily savings of commerce in circulation. Yet, when currency becomes scarce, the bankers of China, as elsewhere, seek not only to recover again the advances made to their clients, but also to draw from their *confrères* the balances which may be due to them. It is then that the custom of the Chinese banks offers, perhaps, an advantage over foreign banks; they give an average of ten to fifteen days for the payment of these cash balances; the delay becomes palliative and the crisis is moderated, or public opinion becomes reassured, for the banks have time to procure the needed relief from the banks of a neighboring province. A money crisis in China, however, is rare, and when one occurs, it is quickly over. At the appearance of financial trouble in a province, the Governor is authorized to aid the bank with such sums collected from taxes as may be at his disposal; and, as the crisis generally happens at the end of the Chinese year, the taxes are invariably retained till that period.

## PAWNBROKERS AS BANKERS.

Pawnbrokers form such a numerous class, and are so intimately connected with business, that no account of banking in China would be complete without some account of pawnshops. The trade of lending money on pledge is, doubtless, more universally practised in China than in any other country in the world. It has been systematized in accordance with rules defined with undeviating precision, and which permeate the entire business life of the Chinese companies. It is regularly organized by virtue of license issued by the Government, and for which certain taxes are annually paid. Classifications, according to grade, are made, which are regulated by the difference in the amounts paid as license tax, as well as by the shape and size of the buildings in which the business is conducted, and such buildings are the most imposing in a Chinese city. All kinds of merchandise may be accepted on pledge, the borrower paying a certain rate of interest and submitting to established rules, which are unconditionally enforced. The usual rate of interest is thirty-six per cent. per annum; but, in the interest of the poor, the rate is reduced to two per cent. per annum during the winter months. Should the pledge remain unredeemed for three years, it is disposed of by public sale; and, under certain circumstances, it may be sold within a shorter period—the months for sale being the 2d, 5th, 8th, 9th, and 11th of the year.

The owner of the property pledged has his protection in the severe penalties surely to be visited on the pawnbroker who violates his trust, and in the rule that there can be no dissolution of the company without the sanction of legal authority and a fee of one hundred dollars to have the name of the company erased from the tax list.

## MONEY-LENDING COMPANIES.

In addition to pawnshops, and kindred thereto, there are what are called money-lending companies. These are of two kinds; one called interest-receiving societies and the other interest-receiving companies. The rules which govern such companies are these: *First*.—The society must consist of a definite number of members; each member is required to contribute an equal sum to the common fund; a meeting must be held at the end of each quarter, at which all members must be present; due notice of the meetings must be given, and they must be held at the house of the president of the club; the various sums contributed to the club are to be weighed and examined by him; and should important business or severe sickness prevent any member attending, the member is required to appoint a suitable representative.

*Second*.—At each properly notified meeting, the borrower must pay back an installment of his loan, with interest at the rate agreed upon; the installment to be equal to the amount contributed by each individual to the fund in the first instance; the interest to be divided equally amongst the members of the club.

*Third*.—Each member shall, at each of the meetings, duly and properly notified, contribute to the fund a sum equal to that which he contributed at the first meeting. In order to give each an opportunity to borrow from the collective amount thus raised, each member may deposit in the lottery box, placed on the table for that purpose, a tender written in a legible hand, setting forth the rate of interest which he is disposed to pay on the amount of money he desires; the tender is then to be taken out of the box by the president of the club; and he who is found to have made the highest offer is declared the receiver of the loan; and should two or more persons make an equal offer, he whose tender was first presented is awarded the loan.

*Rule Fourth* provides for a repast for the members, served either at the residence of the president or at a neighboring tavern; and the *Fifth* requires that each member shall be provided with a book of the minutes of each meeting, and any member failing to contribute to the general fund shall have three days' grace; and then failing, shall pay a fixed fine every day until the sum due is paid. The highest rate of interest I have seen stated as paid for money thus borrowed is twenty-five per cent. per annum.



[\[Back to Table of Contents\]](#)

### III.

## LAND TENURE AND TAXATION IN CHINA.

SOME of the leading rules which govern the tenure of land and the succession to estates in China may be of interest in connection with what has been written on the currency and banking of the empire.

It is a fundamental principle with the Chinese Government that everything under the sun belongs to the Emperor, and that all the people are his servants; and it is upon this maxim the doctrine is founded that all land belongs to the Crown. But the doctrine is theoretical only; for, from time immemorial the arable land of China has been minutely divided among the general mass of cultivators; and if the taxes due the Government are paid, the liberty of the holder to convey the land is not interfered with. So long as the taxes are paid, the rights of the private holder are about as absolute as they are under any government, the interference of officials being the exception, not the rule. This right extends to mortgages and leases, and the terms used in contracts to sell or purchase land are the same as those employed in the sale or buying of ordinary personal property. In general, the tax on land is moderate, averaging about one-twentieth or one-thirtieth of the gross produce; and owners who do not wish to cultivate their land can lease it on terms that leave a margin in their favor after the payment of the Government dues. Taxes are collected directly by officials of the Government, and the middleman, who is regarded as indispensable in almost every other business transaction in China, has no office in the collection of taxes, no place like the zamindar class of India, or hereditary rent receiver or farmers-general of taxes; but it should be understood that the principle of collecting taxes directly by officers of the Government is more theoretical than practical, and in consequence the Government sustains large losses. The principle is sound, but, like many laws of China likewise sound and just, it is viciously executed, entailing much hardship and injustice.

## TWO KINDS OF TENURE.

There are two kinds of land tenure known to Chinese law; the military and the common. But, with a people where the military class occupy the lowest social grade, military tenure has not been encouraged. The rule against alienation having been relaxed, those who held land by this tenure now sell it as land is sold by those who hold by common tenure. The military tenure was introduced after the conquest of China by the present Manchu dynasty in 1644. Large tracts of land, especially in the province of Chihli, were confiscated by the conqueror, and grants were made to the more prominent of his followers and to their heirs, without the power of alienation and without reservation of rent. The condition, if not expressed, was implied to mean or be understood as the condition of military service; but, as stated, the military tenure is fast becoming obsolete, and it may be said that ninety-nine one-hundredths of the land in China is now held by common tenure. One of the principal incidents to land

held by common tenure is the payment of land tax. The full tax which, at the beginning of the present dynasty, was levied on all adult males is now virtually incorporated with the land tax, and the amount of the combined tax, during the reign of K'ang Hi, 1662-1723, was, according to decree, fixed once for all.

During the reign of this emperor, a decree was promulgated (in the year 1711) declaring that the land tax should be levied for all time in accordance with the rolls of that year, and that no extra levy should be demanded in respect to any increase of population. While this decree would, literally interpreted, be as unchangeable as the laws of the Medes and Persians were meant to be, yet the more reasonable interpretation, and the one which has been made practical, applies it to land then under cultivation, the rate of taxation on which should not be increased because the population increased; and even this pledge has been but imperfectly observed. There was then no tax on waste lands, because waste land belonged to the Government; but when such land was brought under cultivation it became, as now, liable to be assessed for taxation by the custom of the province in which it was situated. According, therefore, to the principle of the more reasonable interpretation indicated, the gross amount of land tax varies with the prosperity of the country, and when such tax has been fixed for any particular locality, there is no law to increase it.

The logical conclusion here reached has not, however, successfully baffled the diplomacy of local officials. It is doubtful if any decree of the Chinese Government with reference to revenue, however clear and positive its language, has ever succeeded in depriving local administrators of the means of avoiding it in the interest of their customary "squeeze." In the case now under consideration, the decree is explicit, and yet officials have tacked on extra charges under various designations, such as "allowance for difference of scale, transport fee, collection fee," and so on, until, although the amount is set forth in the title deed (which is usual), the land-owner pays about half as much again. The Central Government seldom interferes with such avoidances of its decrees; for each district is assessed in the Government revenue book for a certain amount, and when the magistrate of the district so assessed furnishes the amount, the Government is satisfied. It is more of a general rule than an exception that, in ordinary years, the districts yield a very respectable surplus, which is the private perquisite of the magistrate and his subordinates. There is no relaxation of the decree; the assessed amount must be furnished. The remission of any part is only made when a serious calamity has visited the district, destroying crops or flooding lands; and in such case the facts must be reported, stating whether the injury is permanent or temporary; as must also be reported, under heavy penalties for failure, the improvements and general property of the district; but the land tax is now better determined and less liable to influence by Imperial or local officials than any other form of taxation in China.

## THE TRANSFER OF LAND.

The transfer of land in China, by sale, has some peculiarities. The transfer is invariably evidenced by a deed reciting that the seller is in want of money, and, having first offered the land to his kinsmen, who declined to buy, he has arranged, through the middleman, to sell it to the intended purchaser, at the price named in the

deed, in which the land is fully described and the purchase money acknowledged. It is also provided in the deed that the purchaser shall be the sole proprietor, with the rights and privileges belonging thereto. The deed is signed by the seller and the middleman, each subscribing his own private mark or affixing his seal. The middleman is usually the friend of both the seller and purchaser, and his name is not required as a guarantee of title, but as proof of the good faith of the transaction, and that the seller is what he represents himself to be. So necessary is the middleman thought to be, that no prudent purchaser will accept a transfer in the absence of the middleman's name. But such name on the deed is not absolutely essential to the validity of the sale, though it gives publicity to it. There are not less than two middlemen to each sale, sometimes as many as eight or ten, and these receive a commission, or are entertained, the general practice, at a feast, the expenses of which are not infrequently provided for in the deed of sale.

In China, each village has its head-man. Not infrequently the entire population of a village are of the same family, either by blood or marriage, and the village head-man is always an indispensable party to the sale of land, to the extent that his seal must be attached to the deed of sale before it can be registered at the office of the district magistrate. The price of registration is a charge the purchaser must pay, and without registration the land is subject to confiscation. Nominally, the registration fee is about three per cent. on the amount of the purchase money, but there are extra charges which increase it to five or six per cent. In order to avoid this high tax for registration, the amount of the purchase money is universally understated. Another way of avoidance is to divide the amount, the seller executing two deeds in identical terms, one of which goes to the magistrate to be stamped, and the other is retained by the purchaser as a receipt for his money. If a deed has been properly registered, it should have attached to it a piece of paper with the names of seller and purchaser, and setting forth the location of the land, the amount paid as transfer fee, and the amount of the annual land tax for which the new proprietor is responsible, and bearing the impression, in red, of the magistrate's seal in several places, thus making the deed the highest form of title obtainable.

When a foreigner acquires land at an open port he acquires it by lease in perpetuity, and the lease is registered in the consulate of the foreigner, no fee being charged by the Chinese authorities.

## LAND MORTGAGES.

The ancient form of transferring land by mortgage has more the appearance of loaning than mortgaging the land for the money, as the original owner could at any time, on repayment of the money, get back his land, the use of the land being exchanged for the use of the money, and while the latter could be demanded back, the former could not. Among a business people like the Chinese, such a form of security naturally resulted in great inconveniences, and, later, a law was passed limiting the period of redemption to thirty years. It is doubtful if there ever was a law against the alienation of land, but so tenacious were the old families about the tenure of their landed estates that alienation was looked upon as impossible, and custom gave it the sanction of law. The idea was that land was not so much the property of the occupant or owner as it

was the heritage of the family or tribe of which he was a member, all of whom had a qualified interest in the reversion, subject to the life interest of the occupant. But the spirit of commerce, civilizing wherever felt, has materially modified this iron-clad custom in favor of free trade in lands, and strengthened individual against family ownership. If the land is mortgaged for money, to be repaid at a short date, it does not change hands and need not be recorded, as in the other case; but the title deeds should be deposited with the mortgage, with a memorandum of the terms of the loan. If the debt so secured is not paid at the proper time, the creditors must apply to the authorities for leave to sell; and if there should be other creditors, it is not clear whether the creditors holding the mortgage could apply the proceeds of sale first to the payment of their debt. This defect is cured by the law of nearly every other country requiring all transactions of the above description to be recorded.

## THE LAW OF SUCCESSION.

The universal rule in China as to the succession of real and personal property is that it descends in equal shares to all the male children, whether born of the proper wife or concubine. The intention of the rule to exclude females from the inheritance is manifested by the right of the owner of the land to adopt a son from among his relations; and, in the event of failing to do so, the relations have a right to hold a family council and adopt one, who succeeds to the whole inheritance. There must be a complete failure of male heirs, natural or adopted, before the daughters can succeed. The succession, by operation of law, does not require to be ratified by the authorities. The rules relating to succession of landed property are substantially as follows:

“Landed property shall descend in infinity to the issue of the last holder. The male issue shall be admitted before the female. Where there are two or more male issue in equal degree of consanguinity, they shall inherit altogether equally, and in default of male issue, the females shall inherit equally. This rule applies only to land of the people generally. All lineal descendants in infinity, of any person deceased, shall represent the last purchaser. On failure of lineal descendants of the purchaser, the inheritance shall descend to his widow or widows. There being no widow living, the inheritance shall descend to the collateral relations, being of the blood of the purchaser, subject to the preceding rules. In default of the heirs above mentioned, the land shall revert to the Government; and it is the duty of the head-borough and villagers to report such cases to the local authorities, on pain of punishment as abettors in an attempt at concealment.”

T. R. Jernigan.

Authorities.—Williams’s “Middle Kingdom,” Martin’s “History of China,” “Papers of the Asiatic Society,” Eakin’s “Papers on China.”

[\*] Imperial Bulletin.

[\*] In Act of 1875.

[\*] Two hundred and eighty-four banks and branches in September, 1895.

[\*] Consult Table 37 of the Bank's Memorial for 1886.

[\*] The mine was inversely, or conversely, represented at the Vienna Exposition of 1890 by a tower 150 metres high; but this was only one-fifth as high as the mine is deep.

[\*] The official statement of the Bank of Russia, including its agencies and branches, for August 15, 1895, shows the total sum of gold then held to have been R. 450,000,000.—Editor.

[\*] See “*Notenbankfrage in Beziehung zur Währungsreform in Oesterrcick-Ungarn.*” Frankfort-on-the Main, 1894. J. D. Sauerländer.

[\*] Bourse Trades Union.

[†] Brokers' Bank.

[\*] The literal terms of the above-mentioned and other currency decrees and manuals for changers up to 1609 have been made accessible to me by the courtesy of the “Mint College” (mint office) at Utrecht.

[\*] I suppose that the 270 volumes of the “*Resolutien van de Heeren, van de Ridderschap, Edelen ende Gedeputeerden, van de Steden van Holland ende Westfriesland*” contain many references concerning the cashiers. The time which has been given me for this treatise does not allow me to consult the above-mentioned rare and valuable collection, which may only be consulted in Holland, and is not allowed to pass into private hands.

[\*] Beer, “*Allgemeine Geschichte des Welthandels,*” Part II, page 181. Vienna, 1862.

[\*] According to H. I. Koenen (“*Voorlezingen over de geschiedenis der financiën van Amsterdam,*” page 121, Amsterdam, 1855), the public accounts were:

YEARS. Income. Expenditures.

GUILDERS. GUILDERS.

1594	868,016	308,088
1595	1,036,204	572,740
1596	747,593	655,539
1597	431,484	301,356
1598	374,988	258,439
1599	348,359	226,288
1600	394,786	259,566
1601	482,614	256,951
1602	700,337	415,902
1603	620,175	377,521
1604	728,816	428,530
1605	766,368	562,229
1606	662,349	392,421
1607	726,611	336,886
1608	757,816	311,628
1609	831,623	600,034

[†] W. C. Meer, “*Prove eener geschiedenis van het bank-wezen in Nederland gedurende den tyd der republick-Rotterdam*,” page 28. 1838.

[‡] Above the legal price.

[\*] The decree of July 29, 1608, finishes by stating expressly “that its orders are only provisional, and will be in force only till the proposed bank shall be established.”

[†] After deduction of the expenses of coinage and management.

[\*] *Boeken*, books.

[\*] This is a sort of loan on specie.

[†] Not in 1648, as stated in “*Handnörtesbuch der Staats wissenschaften*,” edited by Conrad, Elster, Lexis, and Loening, volume ii, page 51.

[‡] The depositor was empowered, by this receipt, to take out his deposited coins upon paying one-eighth per cent. at any time within six months, and upon again depositing in the Bank the sum of bank money which had been credited to him.

[\*] See W. F. Schimmel, “*Geschiedkundig overzicht van ket muntwezen in Nederland*,” Amsterdam, 1882, page 29.

[\*] By decree of October 7, 1747, the East India Company had been allowed to make silver riders with the die of the company and with the appendix “In usum societ. Ind. Orient.”

[†] We cannot speak of a real closing of the Bank for certain coins. It is surely an error when Joh. Georg Büsch says in his “*Sämmtliche Schriften über Banken und Münzwesen*” (Hamburg, 1801) on page 166: “Es muss doch gewiss ein sehr erheblicher Umstand gewesen sein, welcher schon in vorigen Jahrhundert—denn das eigentliche Jahr kann ich nicht herausbringen—die Direction veranlasste, die originaire Dukatenkasse zu verschliessen,” etc.

[\*] The silver rider (fixed, in 1659, equal to 3 bank guilders) contained 635 2-5 azen fine silver; one bank guilder was therefore equal to 211 4-5 azen. The silver ducat (507 1-10 azen) passed for 2 guilders 8 stivers, so that one bank guilder had the value of 211 3-10 azen. At an average, the bank guilder was equal to 211 1-2 azen fine silver; whereas the coined 3-guilder piece contained, after 1681, 603 azen fine silver. Accordingly, the standard guilder ought to have held 201 azen. The result of this was that the agio of bank money might amount to at least 5 1-4 per cent. if the coin had been minted at full weight.

[†] In the Third Edition (London, 1784), which has been at my disposal.

[\*] At the same time, in Amsterdam and Rotterdam, the banks also had to stand a heavy run.

[\*] The receipt stated the sum.

[\*] Koenen, page 46.

[\*] F. A. van Hall, “*De verhandeling over eene opte rechten Handelsbank*,” Amsterdam, 1837, page 21.

[\*] Originally for 4000 Flemish pounds.

[†] Mees (page 240) reports this by private communications.

[\*] Mees, page 254.

[\*] “De Nederlandsche Bank gedurende haar vijftig jaarig bestaan,” in “de Gids” annual, 1863, pp. 5 and 6; Mees, pp. 268 and 269; Koenen, page 56 *et seq.*; and Citters, page 10, differ from Vissering on this point.

[\*] With regard to the Bank van Leening in Batavia, see N. P. van den Berg, “*De Bataviasche bank courant en bank van leening*” (Amsterdam, 1870), and the paper, “Bank courant en bank van leening (Bataviasche),” by the same author, published in the “*Encyclopædie van Nederlandsche-Indie*,” edited by P. A. van der Lith and A. T. Spaan.

[†] Dutch East Indies Bank.

[†] The Government had subscribed 1000 shares.

[\*] I have only a French edition of this decree.

[\*] The president of the Netherlands Bank, Dr. N. P. van den Berg, relates this in his discourse, “*De Regeling van de Bank Biljetten*,” Amsterdam, 1896, pp. 3 and 4.

[\*] Also in accordance to the decree of 1838, Article 7.

[\*] By the law of September 17, 1849, the Government was permitted to issue “muntbiljetten” (a sort of paper money) for thirty million guilders, which amount had to be covered in gold coins and deposited in the Netherlands Bank.

[\*] All these particulars about maximum of note issue and guarantee of bank notes were not known up to now, Mr. N. P. van den Berg, the present president of the Netherlands Bank, can claim great merit for having thrown light upon this question by the aid of the documents of the Bank in his lecture, “*De regeling van de bankbiljetten-emissie hier te lande*,” delivered at the Royal Academie der Wetenschappen (Amsterdam, 1896). The royal decrees in question were marked “secret” at that time.

[\*] Vissering calls “working capital” the difference between the total sum of capital, reserves, current account balances, and bank notes in circulation on the one hand, and the total stock of specie and bullion on the other.

[†] I regret to have been unable to get it, but F. A., van Hall, in his “*De Verhandeling over eene opte rechten Handelsbank*” (Amsterdam, 1837), has sufficiently enlarged upon it.

[\*] In order to favor the commercial intercourse of the Netherlands with the Dutch colonies.

[\*] F. Ackersdijck, “*Nederlands Muntwezen*,” Utrecht, 1845, page 3.

[\*] Schimmel (page 109) and Ackersdijck (page 23) give more detailed information on this report.

[\*] Schimmel, page 198.

[\*] According to “*Jaarcijfers, uitgegeven door de centrale comissie voor de statistiek*” (statistical annual).

[\*] In 1866, the amount of silver coins, muntbiljetten, and bank notes in circulation was 206,200,000 guilders.

[\*] A handy statement of these views is given by C. V. Gerritsen in his “*De Nederlandsche Bank, haar verleden en haar toekomst*” (The Netherlands Bank, its past and its future), Amsterdam, 1887, page 289.

[\*] Besides the above-mentioned services for the Treasury, and for printing, issuing, and calling in of paper money (muntbiljetten).

[\*] Gerritsen (page 175) gives further particulars.



[\*] Article 208 of the Dutch Code of Commerce says: “An orderbriefje (or promesse aan order) is a document dated and signed, by which somebody promises to pay to the order of the receiver the sum stated within the same parish or somewhere else, at his own place of residence or at the other’s domicile, with or without fixing either term or acknowledging receipt of the amount or the value in account.”

[\*] The great kindness of the Bank’s president, Dr. N. P. van den Berg, enabled me to look over all the yearly reports. Besides this, I am much indebted to Dr. N. P. van den Berg for other material.

[\*] On March 31, 1895, ninety-three.

[\*] Only in large commercial towns are cheques coming into greater favor.

[†] Besides small coin and bank notes.

[\*] Report for 1873-74, page 11.

[†] The Amsterdam University Library has placed at my disposal the committee’s detailed report, containing excellent material for examining the state of affairs. Schimmel, page 222 *et seq.*, and Gerritsen, page 82, also give a lengthy description of the history of the Dutch currency reform.

[\*] 1653.44 guilders are struck from one kilogramme of gold.

[\*] Partly, this was caused by the imminent complications of war with Austria.

[\*] According to the order of December 18, 1827, the redemption had to be made in gold or silver.

[\*] Zalt-Bommel, 1852.

[\*] Steijn Parvé, page 124 *et seq.*, and page 244, gives particulars of this coercion of the Bank. His information has lately been supplemented from the documents of the Java Bank by N. P. van den Berg in his essay, “A Conflict Between Governmen and Java Bank,” in the magazine “De Indische Gids” of December, 1895.

[\*] N. P. van den Berg (in the “*Encyclopædie van Nederlandsch-Indie*,” page 105) mentions that relief had been granted to claims on bills up to a total of 4,634,815 guilders.

[\*] Then, also notes of ten guilders each were permitted.

[\*] One million guilders on March 31, 1860.

[†] See N. P. van den Berg’s paper, “Bank Javasche,” in “*Encyclopædie van Nederlandsch-Indie*.”

[†] By decrees of March 31, 1866, also notes of five guilders each had been permitted.

[\*] In general, the regulations of 1870 remain in force to-day.

[\*] In fact, an *étalon boiteux*.

[\*] *I. e.*, in Dutch and Dutch-Indian National Debt and other bonds negotiable in Batavia, Amsterdam, or other important European centres.

[\*] *Cf.* Van den Berg, "The Financial and Economic Progress and Condition of Netherlands-India," First Edition, Batavia, 1887; Third Edition, Batavia, 1895. The figures refer to the last Wednesday in every month.

[\*] Inclusive of dividends unclaimed.

[\*] The Amsterdam board of directors, on my application, has sent me the reports for 1872, 1874-1879, 1886-1891, and 1894. Other dates are to be found in "*De Nederlandsche Naamloofse Vermootsehappen*" (The Dutch Joint-Stock Companies), published annually by Dr. A. H. van Nierop and Dr. E. Bank since 1882.

[\*] According to written information given by Dr. N. G. Pierson, at the Hague, the former president of the Netherlands Bank, and later Dutch Minister of Finance.

[\*] According to the "*Jaarcijfers*" of 1894, pp. 116, 117. Other particulars have not been published.

[\*] The Ontvang en Betaalkas and the Kasvereeniging also keep other valuables.

[†] According to written information given by Dr. N. G. Pierson, in the Hague.

[†] According to written communications received from Dr. N. G. Pierson.

[§] For the other companies, corresponding dates are wanting.

[\*] The Hague, 1882.

[†] This statement is based upon the annual publication "*De Nederlandsche Naamloofse Vermootschappen*," edited by A. H. Van Nierop and E. Baak.

[†] The statement is based upon the "*Jaarcijfers*" and upon written information readily given by Dr. Verrijn-Stuart, secretary of the Statistical Committee in the Hague.

[\*] Limited shareholder company.

[\*] Except the Utrechtsche Bankvereeniging.

[\*] According to the "*Jaarcijfers*" and to written communications received from Dr. Verrijn-Stuart, in the Hague, Secretary of the Dutch Statistical Central Committee.

[\*] Mentioned by Wirth, “*Handbuch des Bankwesens*,” and dissolved in the meantime.

[†] The statistical statements mention these banks as a special group.

[‡] According to A. H. van Nierop and E. Baak, “*De Nederlandsche Naamloofte Vermootschappen*.”

[\*] From Dr. Verriijn-Stuart (in the Hague).

[†] These two banks give mortgages on real estate in South Africa.

[\*] Shares paid in, 13,050 guilders in 1893.

[†] Shares paid in, 5000 guilders in 1893.

[‡] Shares paid in, 9200 guilders in 1893.

[§] Shares paid in, 1,030,000 guilders in 1894.

[?] Shares paid in, 20,000 guilders in 1893-94.

[\*] See A. H. van Nierop and E. Baak, “*De Nederlandsche Naamloofte Vermootschappen*,” 1894.

[\*] According to written communications given by Dr. N. G. Pierson.

[\*] See Marcus Rubin, 1807-14; Copenhagen, 1892. Also, Falbe Hansen and W. Scharling’s “Statistics of Denmark,” vol. in; Copenhagen, 1878.

[†] Assignat, Exchange, and Loan Bank of Copenhagen.

[\*] In 1877, the limit of notes unprotected by coin or bullion was raised to 30,000,000 crowns, with the proviso that there should be set apart a special reserve fund of 3,000,000 crowns, to be used only in exceptional emergencies.

[\*] Literally, “debt counter”; a different expression from *Statskasse*, or “Exchequer.”

[\*] In Japan, stamps are used instead of signatures.

[\*] See Part II, Chapter I.—The Coinage System.

[\*] A penalty of not less than five yen and not more than fifty yen.

[†] A penalty of not less than fifty yen and not above 500 yen, with an additional punishment of at least one year’s imprisonment in case of gross misconduct.

[‡] A penalty of between twenty and 200 yen.

[\*] Refer to Appendices A and B.

[†] Part II, Chapter II.—The Paper Currency.

[†] For the National Debt, readers are requested to refer to Appendix D.

[\*] For convenience of the Bank, a part was returned in 1895 in Government bonds.

[\*] Appendix C.

[†] Appendix D.

[\*] See the Convertible Bank Note Act, in Chapter IV.

[\*] As shown in foregoing Table I, the First National Bank expires in September, 1896.

Peers by right of birth	52
Peers by election	104
Government nominees	93
Largest tax-payers in each prefecture	45
Total	294

[\*] The members of the clearing-house are fewer than those of the league, being the Bank of Japan, nine national banks, and forty-four common banks.

[\*] These shares were afterward transferred to the Crown Property in the way described in the case of the Specie Bank, Chapter III.

[†] In 1886, all fixed at six per cent.

[\*] Fiscal year begins with April and ends in March of the year following.

[\*] 1.9534 koku is nearly equal to an American bushel.

[\*] Twenty-four sho are equal to nearly one American gallon; mon same as rin, or one-tenth of a cent.

[\*] These were coined by the Ming dynasty of China in 1411 ad

[\*] Quan is equal to 57870 troy grammes.

[\*] This was a practice of Buddhism, and was intended to enable the dead to pay their traveling expenses to their final abode.

[\*] Then revenue was calculated in the rice-measure of koku.

[\*] A policy had been adopted of encouraging industry by lending out money to manufacturers and setting up typical factories. Both, however, ended in failures; of

the money lent, 23,000,000 out of a total reserve of 52,000,000, was mostly irreclaimable.

	{ 50-cent. }	
Paper	{ 20-cent. }	16,032,362 yen.
	{ 10-cent. }	
	{ 50-cent. }	
Coins issued	{ 20-cent. }	9,249,623 yen.
	{ 5-cent. }	