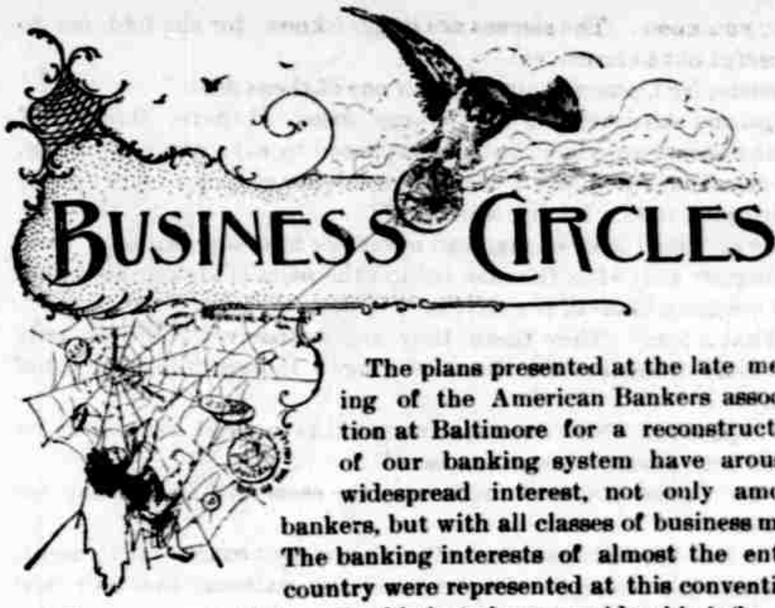


Business Circles

The plans presented at the late meeting of the American Bankers association at Baltimore for a reconstruction of our banking system have aroused widespread interest, not only among bankers, but with all classes of business men. The banking interests of almost the entire country were represented at this convention, and its recommendations are likely to have considerable influence in shaping the financial policy of the next congress.

A large part of the time of the convention was occupied in considering the currency plan presented by the Baltimore clearing house association and the recommendations as outlined in this scheme were adopted by the convention. There was also a plan, somewhat similar, presented by Mr. Bradford Rhodes, editor of *Rhodes Journal of Banking*.

The Baltimore plan is in the form of amendments to the national banking act and provide.

First. The repeal of the provision requiring a deposit of bonds to secure circulating notes.

Second. To allow banks to issue circulating notes to the amount of 50 per cent. of their paid up unimpaired capital, subject to a tax of one-half of one per cent. per annum upon the average amount of circulation out-standing. Also to allow an additional or "emergency circulation" of 25 per cent. of their paid up unimpaired capital, subject to the one-half per cent. tax and also to a heavy tax to be imposed by the comptroller in addition.

Third. To create a "guarantee fund" through the deposit by each bank of two per cent upon the amount of circulation received the first year. After the first year to impose a tax of one half of one per cent upon the circulation outstanding until the emergency fund shall equal five per cent. of the entire outstanding circulation; then the collection of the tax to be suspended until it is deemed necessary by the comptroller of the currency to resume its collection.

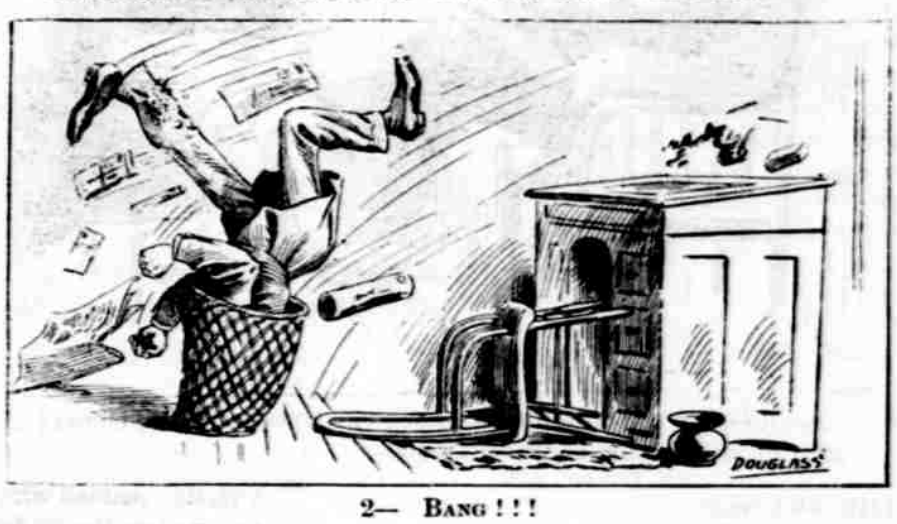
The notes of all banks are to be redeemed as at present by the treasurer of the United States and the notes of insolvent banks are to be paid out of the "guarantee fund."

The government is to have a prior lien upon the assets of each failed bank and upon the liability of the stockholders for the purpose of restoring to the "guarantee fund" the amount withdrawn to rebeem its circulation.

Circulation can be retired by the bank at any time by depositing with the treasurer of the United States lawful money in amount equal to the sums desired to be withdrawn. The tax will then cease upon the circulation so retired.

The plan proposed by Mr. Rhodes is, in brief, to change the psesent national banking laws so as to no longer require a deposit of bonds to secure circulation, but instead to require a deposit of the non-interest bearing securities of the United States, treasury notes of 1890, silver certificates, United States notes, silver dollars, gold coin or gold certificates. The amount of these securities deposited is to be the same as the amount of bonds under the present law and circulation is to be issued in the same manner as is now issued on bonds, but in order to induce banks to take out this circulation and to compensate them for the loss of interest on the securities, the banks shall have issued to them, instead of ninety per cent. as at present, one hundred and twenty-five per cent. of the face value of the securities. The whole amount of circulation to be issued to one bank is to be restricted as at present, to ninety per cent of its capital stock. The government will have a prior lien as at present upon the assets of failed banks. This plan also provides for a "safety fund" to be raised by a tax of one-quarter of one per cent upon the outstanding circulation of each bank.

1—Mr. Large Footer (reading): Yes, it's a fact. Many a thing is thrown into the waste basket thoughtlessly.
Letter Carrier (throwing heavy bundles): Mail! Mail! Mail!



2— Bang!!!

A number of prominent bankers addressed the convention endorsing the Baltimore plan, among them Hon. A. B. Hepburn, ex-comptroller of the currency, who was strongly in favor of it. While bankers generally seem to favor the plan both on account of the need of some change in our currency system, and the increased profit this method would bring the banks, still it is noticeable that many of the best known and oldest bankers have not, as yet, fully endorsed the scheme. This proposed change, while it provides for a large inflation of our currency does not provide for the retirement in any way of any of the various issues of government paper, and it hardly seems, at the present time, when money is piling up in the large centers and loaning at 1 per cent. in New York, that we need any increase in our circulation. The inevitable result of inflation is increased speculation and the building up of a stil larger financial structure based upon credit and the recurrence of panics similar to the one just past. There is no doubt but that the plan provides for a good currency, as good and as safe as the present national bank notes, and also one more elastic than either the bank notes or the government issues, but with the present method of redemption it would not be nearly as elastic as a perfect currency should be. There will be no trouble in issuing it and supplying the demand for a large per capita circulation. The difficulty will come when a decline in business requires a contraction of the volume of currency. The additional or "emergency" circulation will be somewhat of a safeguard but, at the same time the knowledge that a bank was compelled to use this "emergency" and heavily taxed circulation might become a very great source of danger instead of strength.

The Rhodes plan is somewhat more conservative, but not so profitable to the banks, at least at present. It would result in placing in the hands of the government its own non-interest bearing obligations and would thus relieve it of the danger of being called upon