WHAT IS A BANK?

BY W. C. CORNWELL.

THE DEPOSITORS.

A bank is a place where money is left for safe keeping.

The people who leave the money do not want to use it at once, and do not want to take the risk of keeping it in their homes or offices, or of carrying it around with them.

These people are called the depositors.

They are not as a rule rich people.

Laborers, workmen, mechanics, farmers, store-keepers, doctors, lawyers, ministers, brokers, capitalists and clerks.

All these are depositors.

They are all the people who have any money—little or much—and who want their money kept safe until they are ready to use it.

There are millions of them.

If a bank is hurt all these people are hurt.*

This money is left in charge of a man who is called a banker.

He is paid a salary or wages for taking care of the money just as another man is paid wages for taking care of horses.

He is a "hired man."

THE STOCKHOLDERS.

The bank itself must have money of its own before depositors will put in their money so that they may feel that their money is safe.

The bank's own money is called "capital."

This is put in by a number of people —sometimes by a very large number—each of whom puts in a little.

The money put in in this way is stock money, and cannot be drawn out, but must stay in at the risk of the business.

The people who put it in are called stockholders.

The number of people in the United States who have put up money in this way to start banks now in operation is estimated at five hundred thousand (500,000).

They are men and women of all classes, many of them holding only small amounts of stock.

They have put in all together one billion and fifty millions of dollars ($1,050,000,000).

These people are the banks.

The banker is hired by these people.

*We have in round figures:

Saving Banks Deposits, amt., $1,810,597,000; No. people, 4,875,000; av. each, $371.00.

State Banks, Trust Companies and Private Banks, amt., $1,340,888,000; No.people, 1,500,000; av. each, 900.00.

National Banks, of whom 1,724,000 have less than $1,000 each to his credit, amt., $1,701,653,000; No. people; 1,929,000.

Building and Loan Associations, amt., $500,000,000; No. people, 1,800,000; av. each, 280.00.

Or, all in together, five thousand three hundred and fifty millions of dollars, owned by ten millions of thrifty people—owning, many of them, only a few dollars apiece, and, at the average, only about $500 apiece.

When the depositors put their money in they do so with the understanding that they can draw it out at any time.

The banker is expected to keep it safely for them until they want it.

One way to do this would be to lock it up in strong boxes in a vault, and carefully guard it until called for.

If this were done the money would not do anybody any good, while so locked up.

THE BORROWERS.

In the place where the bank is started there are storekeepers, farmers and manufacturers.

All these people have some property of their own.

Some of them have enough money and property so that they do not need to borrow.

But some of the storekeepers at certain seasons of the year have trusted out a large part of their property.

The farmers, the workmen and other dealers and all kind of people owe them.

Their stock of goods needs filling up.

There are two ways in which the storekeeper can get money to buy new goods.

HELPING THE STOREKEEPER.

He can crowd the people who owe him and make them pay up.

Or he can borrow money to buy new goods with.

The people who owe him pay him once or twice a year and oftener, but cannot pay now without pressure and discomfort.

So he goes to them and says, "Give me your notes at three and four months, and pay them when they come due."

And the debtors give their notes.

The storekeeper takes these notes to the bank and and writes his name on them, and asks the banker to lend him the money that he needs.

Now the banker has in his safe-keeping the money that depositors have left with him to be kept until they want it.

They are liable to want it at any time.

But all of them do not want all of it at one time.

Only a few of them want some of it every day.

Many of them want only a little, once in a while.

Most of those who draw out some of it to use, get it back after a while, and keep bringing it to the banker to hold until they need it again.

So he finds while he must keep on hand enough to pay, every day, those who may want to use a *part* of their money, the larger part of the whole of the money stays with him all the time.

He finds that while he must keep in cash one-fifth to one-quarter of all the funds, *the other three-quarters will be perfectly idle.*

This three-quarters then he is at liberty to lend out *if he can lend it safely.*

When the storekeeper comes to him with the notes of his customers he looks over the names of the signers of the notes.

He knows them all, and knows that they will probably pay the notes when they come due.

He knows the storekeeper is good, and that if some of the people do not pay their notes the storekeeper will, because he has signed his name on the back of the notes, and so guaranteed them.

So he lends the storekeeper the money, deducting the interest, and thus, because of the bank in his neighborhood, the storekeeper can buy more goods and pay his bills, without crowding the farmers, the laborers and others who owe him.

THE PROFITS.

The interest on the notes which the banker buys from the storekeeper is profit to the bank, and with other interest earned in the same way goes to help pay the rent for the bank building, the wages of the clerks and officers and the other expenses.

If any is left over after paying all these it belongs to the people who have put in the stock money.

Sometimes there is enough left to pay them six per cent interest per year on their money. Sometimes there is enough to pay more than six, sometimes less.

This profit money, if there is any, is usually divided up twice a year, but generally not more is divided than would pay the stockholders six per cent a year.

The rest is kept so that if the bank meets any losses it will have something to pay them with without calling for more stock money.

This amount kept is called "surplus."

For the last three years the interest earned for all of the stockholders in banks all over the United States has been less than six per cent.

HELPING THE MANUFACTURER AND WORKMAN.

The manufacturer in the place where the bank is located is in the same condition as the storekeeper.

At certain seasons of the year he has trusted out all his money.

He wants to buy iron, copper, coal, wood, wool, timber, cotton.

He wants money to pay his men their wages every week.

He cannot collect it in fast enough.

He goes to the bank as the storekeeper did and borrows to keep things going until he collects in.

His men do not have to stop work and wait until he collects.

Their wages are paid right along.

This is because he can borrow at the bank.

If there were no banks in the place to collect in the idle money and loan it to him he would have to stop or do a smaller business and hire fewer men.

So if it were not for the bank the men