

A USEFUL WORK. There is in London a society which has for its purpose the "converting" of Jews. In its last fiscal year, this society expended in the line of its work something over \$190,000. Its gross returns in the same period were twenty-eight Jews, or about \$6,800 per Jew.

"By Allah, O Jew, if thou become a Mohammedan, thy becoming so will not profit the Mohammedans, nor will it injure the Jews; and if thou remain in thine infidelity, thine infidelity will not injure the Mohammedans, nor will it profit the Jews."

HOW THE PRESENT BANKING SYSTEM FAVORS "TRUSTS."

It is erroneous to assume that the protective tariff is the only political cause for the existence of "trusts," and that tariff reduction is the only practical remedy. A most favorable condition to their growth, and of corporations as well, is to be found in the present banking laws; while monetary reform would furnish a most efficient remedy.

That this "favorable condition" actually exists is constantly growing, and is in contravention of sound principles, is fairly proven by the character of laws made by the national banks. The primary or chief function of banks is to make loans of money upon "commercial paper" or personal security; loans upon "transferable securities" or upon stocks, bonds, mortgages or other property, are at most an incidental function, the policy of making which in large volume is of questionable soundness; and when such loans increase to such an extent as to constitute nearly half the loans of the banks, and that within a very few years, it is certainly a matter requiring the most thoughtful consideration.

Owing to the manner in which statistics have been gathered it seems that complete information upon the matter of such loans can only be had for the past eight or nine years. Prior thereto the comptroller of the currency made separate report only upon that portion of these loans as were payable on demand, the portion payable on time being included in another and more general class. Taking the portion payable on demand, however, we find that these increased from 199 millions of dollars in 1886, to 552 millions in 1899; or nearly 280 per cent in thirteen years. It is notable, too, that these loans have grown up mainly in the great cities; for the period stated the increase in New York City was from 91 to 228 millions; outside of the reserve cities the amounts and increase were from 41 to 91 millions.

From 1892 to the present the loans of the national banks have been so gathered, classified and reported by the comptroller as to show the advancements on "commercial paper" and "transferable securities" separately. From

his reports, Vol. 1, pp. 562 and 3 for 1896; Vol. 1, pp. 412 and 13 for 1898, and proof sheets for 1899, the following table has been compiled.

Loans Made by the National Banks. In the Reserve Cities.

Date.	On Commercial Paper	On Transferable Securities
Sept. 30, 1892	\$ 610,302,774	\$ 407,426,269
Oct. 3, 1893	605,270,211	394,558,168
Oct. 2, 1894	556,289,621	436,112,071
Sept. 28, 1895	589,164,749	423,056,410
Oct. 6, 1896	519,349,624	385,540,000
Oct. 5, 1897	581,530,527	482,590,278
Sept. 20, 1898	604,159,295	536,712,106
Sept. 7, 1899	629,165,974	770,051,984

Outside the Reserve Cities.

Sept. 30, 1892	903,007,419	232,072,387
Oct. 3, 1893	750,784,237	240,054,730
Oct. 2, 1894	760,795,482	238,676,099
Sept. 28, 1895	787,377,843	242,237,231
Oct. 6, 1896	729,347,537	241,353,695
Oct. 5, 1897	735,926,949	251,021,684
Sept. 20, 1898	752,275,223	262,742,004
Sept. 7, 1899	803,884,147	293,649,146

The figures contained in the above table are perhaps the best evidence of present tendencies that can be had; because of all banks and loan companies the national banks should have the greatest proportion of loans on commercial paper, and the least on stocks, bonds and other long-time securities. Yet the table shows for the eight years covered, that loans of the former class have actually decreased, while those of the latter class have increased enormously. In the reserve cities the order of business has met with actual change; the incidental function of the banks has become more important than their primary function, and their stock loans now exceed their commercial loans by over 140 millions of dollars.

Taking all the national banks it appears that their security loans constituted 30 per cent of their entire business in 1892; that is certainly serious enough, but in the present year we find this incidental branch to have grown to 42 per cent of the entire business. The loans on commercial paper have fallen from 70 per cent in 1892, to 58 per cent in 1899; and at this ratio of change the passing of the present century may prove the Rubicon, crossing which our banking system may be torn from the moorings of ancient usage and sound financial principles.

It is interesting to study the statistics referred to and compare the stock or security loans of the banks in some of the cities where the "trust" movement has been most active. Comparing such loans in the year 1896 with those in the present year, we find that they increased as follows: In Cleveland, Ohio, from eight to sixteen millions of dollars; in Pittsburg, Pa, from fifteen to thirty-four millions; in Cincinnati, Ohio, from seven to eleven millions; in Baltimore, Md., from eleven to twenty millions; in Philadelphia, Pa., from thirty-nine to

seventy-three millions, and in Boston, Mass., from forty-one to eighty-one millions.

The immediate cause of these conditions is to be found in the location of bank deposits; the only credit resource left to the national banks by the law, in their formation. In his report for 1898, Vol. 1, pp. 474 to 479 inclusive, the comptroller of the currency gives a table showing the number of national banks located in towns and cities of less than 10,000 inhabitants, with the amounts of their deposits and loans; also the same data as to banks located in cities that size and larger. Although there is included in the former class 67 per cent of our entire population, and nearly two-thirds of all the national banks, it appears from the table that these banks only possess about one-fifth of the total deposits of national banks, and are making but one-fifth of the total loans. This table shows that over half the city population of the United States is contained in the five states of Massachusetts, New York, Pennsylvania, Ohio and Illinois, the states in which "trusts" are most active, and that the Southern states contain about 30 per cent of our entire population; yet the banks in the five states mentioned possess over 62 per cent of national bank deposits and make over 63 per cent of the national bank loans, while the national banks in the Southern states possess but a little over 7 per cent of such deposits and make less than 8 per cent of such loans. The deposits and loans of the banks in Massachusetts, alone, exceed those of the banks in the South by over one-half; and as compared with the deposits and loans of the banks in all the Western and Pacific states combined, they exceed the latter in still greater proportion.

With such localization of bank deposits, the utilization of which constitutes the main source of profit to the banks, it is not wonderful that loans on commercial paper are decreasing, and loans on securities so rapidly increasing. The former is a personal security and depends on the knowledge of the banker as to the character, honesty and responsibility of the borrower; generally that can only be when the banker and the borrower live in the same locality. It is impossible for the banker in New York, Chicago or Cleveland to know the character and responsibility of thousands of farmers, planters, stockmen, miners and manufacturers, a thousand or two thousand miles away, and these scattered over millions of square miles.

It is far different with transferable securities, which in most every instance represent, and are a general or specific lien upon tangible, permanent property. The "trust" combines together all the real estate, plants, warehouses, fixtures, appliances, trucks, wagons and outfits of similar businesses all over the country,