

**CHAPTERS ON THE
THEORY AND
HISTORY OF BANKING**

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Chapters on the Theory and History of Banking by Charles F. Dunbar

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BY

CHARLES F. DUNBAR

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PREFACE

THE preparation of the following chapters is the result of the need of some convenient statement of ordinary banking operations, felt by the writer when lecturing upon banking to a large class of students in the elements of political economy. To the chapters devoted to such operations it was found useful to add a series of historical chapters on certain of the great banks and banking systems, partly for the easy illustration of theory and partly to supply the want of any good manual of banking history.

Eight of the chapters were printed in 1885 for the use of classes in Harvard University, but were not then given to the public. To these have now been added an introductory chapter, a chapter on combined reserves or the system of Clearing-House loan certificates, and one on the Bank of Amsterdam. The whole has been revised and the notices of current history brought down to the present date, and the book is now laid before students and readers with the hope that it may aid in the systematic study of a subject, the treatment of which by writers

upon economics is generally either too summary or too diffuse for ordinary purposes.

The writer has annotated his text with a freedom which perhaps demands some apology, desiring to make his notes answer the double purpose, of informing the reader as to the sources from which statements are drawn, and of inviting him to explore the sources more deeply than was possible within the limits of the present publication.

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CHAPTERS ON BANKING.

CHAPTER I.

INTRODUCTORY.

THE operations of banking, as the system has been developed in the last two centuries, appear at first sight to be singularly complex and difficult of comprehension. This is not due, however, to any mystery in the operations themselves, but is the result of their multiplicity and of the varied conditions under which they take place. The wants which banks satisfy are of a simple kind, sure to arise early in the history of any commercial or industrial community in which there is mutual confidence among men; and the satisfaction of these wants is a business easily established in what might well be regarded as an almost primitive condition of trade. The transactions by which these wants are satisfied are, moreover, as simple as the wants themselves, and are speedily reduced to such routine as to lead Adam Smith, in a well-known passage, to rate "the banking trade" as one of the few which, in his judgment, could be brought to

*Simplicity
of banking
operations.*