

**THE SCIENCE OF CURRENCY AND
CENTRALIZED BANKING; A STUDY
OF PUBLICATIONS RECENTLY
ISSUED BY THE NATIONAL
MONETARY COMMISSION**

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The science of currency and centralized banking; a study of publications recently issued by the National Monetary Commission by Herbert D. Miles

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HERBERT D. MILES

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UNIV. OF
CALIFORNIA

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Gift of Mrs Benton Einstein

"Mr. Miles has done the work with great ability, putting in clear and readable form the gist of the great currency discussion. Few men have time to wade through the publications of the Commission, and Mr. Miles has thus done a great service to the public, and to the cause of currency and banking reform."

DAVID R. FORGAN.

THE WORLD'S BANKING SYSTEMS

IT is a truism that the science of banking, including the development of credit, is an inexact science. It must be mobile; it must grow with our growth. But there are fixed principles, laws of truth, that must always govern. When, in the crisis of 1873, our "country" banks, knowing the reserves of the banking power of the nation to be unscientifically guarded, fortified themselves at the first alarm by turning hoarders of currency, there was displayed the same old human nature which in 1907 caused them to repeat this; it was the same human nature that caused the reserve banks, in each case, to doggedly hold to what they could, having hesitated to shoulder the burden, and feeling unwarranted to resort to the pooling of their resources; it was the same human nature that filled the soul of the

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business community with fear and put currency to a premium in both cases.

It is certain that this science was in its infancy, at the beginning of the last century, before the railroad and the telegraph had united distant centers of production and caused mercantile exchanges of a celerity and magnitude undreamed of. In the middle of the century its state was still a crude one; and persons may be found who think it in that condition now, in this country.

It will be helpful, before getting to an analysis of the conditions affecting the currency problem of the United States, to analyze what the world has to offer. The world, for our purposes, may properly be reduced to England, Scotland, Canada, France, and Germany.

Nothing can be plainer than that the characteristics of our people and of our opportunities, and the fact that our banking must take into account the "wants of a continent," make requisite a different application of the recog-

BANKING SYSTEMS

nized laws of banking science than is required for the peculiar conditions and surroundings of other highly civilized nations—an application of our own formulation. The situation geographically and racially nearest to ours is found in Canada, although the population there is comparatively insignificant. We shall later consider whether, while recognizing that we cannot have and do not want their system of branch banking, we cannot still learn from them, and apply, the principle that makes for the undoubted elasticity of their currency.

Let us begin with France. That country is probably the most highly specialized in banking organization and development of all highly civilized nations, and is in many ways unique. French writers upon finance are not backward in pluming themselves upon the "colossal" and "formidable" gold reserve, and the unparalleled standing of the Bank of France. They regard this as having in more than one instance since the Franco-Prussian War saved them from hostilities, due to the