

**BANKING SYSTEMS OF THE WORLD, AN
IMPARTIAL STATEMENT OF THE CONDITIONS
OF NOTE ISSUE BY BANKS IN ALL NATIONS
AND THE WORKINGS OF THE SYSTEMS, ALSO
POSTAL SAVINGS BANKS, DETAILING THE
SYSTEMS IN THOSE NATIONS WHERE THEY
EXIST**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649164318

Banking systems of the world, an impartial statement of the conditions of note issue by banks in all nations and the workings of the systems, also postal savings banks, detailing the systems in those nations where they exist by William Matthews Handy

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

WILLIAM MATTHEWS HANDY

**BANKING SYSTEMS OF THE WORLD, AN
IMPARTIAL STATEMENT OF THE CONDITIONS
OF NOTE ISSUE BY BANKS IN ALL NATIONS
AND THE WORKINGS OF THE SYSTEMS, ALSO
POSTAL SAVINGS BANKS, DETAILING THE
SYSTEMS IN THOSE NATIONS WHERE THEY
EXIST**

EcF
H2368b

BANKING SYSTEMS OF THE WORLD

AN

IMPARTIAL STATEMENT OF THE CONDITIONS OF NOTE
ISSUE BY BANKS IN ALL NATIONS AND THE
WORKINGS OF THE SYSTEMS

ALSO

POSTAL SAVINGS BANKS

DETAILING THE SYSTEMS IN THOSE NATIONS WHERE
THEY EXIST

BY

WILLIAM MATTHEWS HANDY

H 2697
20/9/98

CHICAGO
CHARLES H. KERR & COMPANY

1897

Copyright 1887.
BY WILLIAM MATTHEWS HANDY.
RIGHT OF TRANSLATION RESERVED.

PREFACE.

No great originality can be claimed for this book, except perhaps in the treatment of the subject. The material for it was found in many books, accessible only to the student of finance who can consult a large library. Free use has been made of these sources of information and the result has been the presentation of what can be found nowhere else in compact form—an impartial statement of the conditions of note issue by the banks of the various countries of the world and an exhibit of the workings of their systems.

A very large proportion of the currency of the world takes the form of bank paper. Whether it can properly be called money is a matter of dispute. A bank note is simply the promissory note of a bank. It is usually secured by other debts, sometimes commercial paper and discounts and at other times by the debt of the nation. However large the reserve held may be, it is seldom sufficient to pay all of the notes on demand, just as a bank never carries enough money on hand to make good all the claims of its depositors, should they be presented in one day. The bank note differs from the notes of private individuals in that it does not draw interest, and that being payable on demand it passes freely from hand to hand, the holder believing that his security is good. It is also given its advantage by being made receivable for all dues to the government which sanctions its issue, just as the na-

tional bank notes in the United States are received. Sometimes, as in France, it is given a legal tender quality, and sometimes it is a legal tender without being convertible.

The author realizes that the question of reforming the banking currency is likely to be the paramount issue in the United States during the next two or three years. He has therefore compiled this book of the experiences of other nations for the benefit of those who are willing to profit by such experiences or to make them the basis of theories of their own. Personally he does not here advocate any specific theory, but exemplifies the axioms that the operations of a bank of issue should be conducted with the greatest possible publicity, so that the public can judge of the soundness of its issues; and secondly, that these issues should be readily convertible into coin and that when the demand is not honored, the bank should be forced to liquidate.

It must be apparent also to the man who studies the history of banking that the tendency is to a concentration of the power of note issue upon one strong institution. Of the leading nations, the banks of France, Russia, Norway, Austria-Hungary, the Netherlands and Spain, enjoy monopolies; and in other countries, as in England, Japan and Mexico, one bank is gradually overshadowing all the rest until it has become practically the sole bank of issue. Some of these banks are owned by the government, others are not; sometimes the government exercises entire control over their actions and sometimes the control is but slight, but whatever form the tendency

to centralization may take, that tendency is marked. This tendency to centralization, it must be admitted, is due more to political than to economic conditions. Even in the United States the substitution of national banking for free banking was due to the desire of Secretary Chase to find a market for government bonds. So favors rendered the state have been responsible for monopolies in foreign nations, or were similar to the case in Germany, where it was due to the desire of Bismarck to thus aid in the unifying of the empire.

Whether the conditions will change, and the pendulum will take another swing, it remains for the future to show. The author does not care to venture a prediction here.

In view of the interest taken in postal savings banks and the suggestion that they be made a part of the banking system of the United States, the author has no apology to make for adding a chapter on the subject. Nor does he need any other excuse for presenting information as to the operations of the State Bank of South Carolina, which was successfully conducted for sixty years, than that this important bank, which was under absolute control of the state, has never been treated at length in another book. The fact that a majority of the banking experiments made by states were failures is only another reason why its history should be interesting and instructive to the student of banking.

BIBLIOGRAPHY.

- Bankers' Magazine, London.
Bankers' Magazine, New York.
Bolles, Albert S.; *Financial History of the United States*, 3 vols. New York, 1884-1886.
Bolles, Albert S.; *Banking*. Article in the American Supplement of the *Encyclopædia Britannica*, Philadelphia.
Breckenridge, R. M.; *The Canadian Banking System, 1817-1890*. New York, 1894.
Carroll, Edward, Jr.; *Principles and Practice of Finance*. New York, 1885.
Cheap Money Experiments in Past and Present Times. Reprinted from the *Century*. New York, 1862.
Commercial Year Book, 2 vols. New York, 1896-1897.
Comant, C. A.; *History of Modern Banks of Issue*. New York, 1895.
Corywell W. C.; *Currency and Banking Laws of the Dominion of Canada*. New York, 1895.
Crump, A.; *Practical Treatise on Banking, Currency and the Exchanges*. London, 1866.
Dawes, Charles G.; *Banking System of the United States and its Relation to the Money and Business of the Country*. Chicago, 1894.
Del Mar, A.; *A History of Monetary Systems*. Chicago; C. H. Kerr & Co., 1895.
Dunbar, C. F.; *Chapters on the History and Theory of Banking*. New York, 1866.
Eastburn, J. H.; *History of Banks*. Boston, 1837.
Giffen, Robert; *Essays in Finance*, 2 vols. New York, 1885.
Gilbart, J. W.; *History, Principles and Practice of Banking*; edited by A. S. Michie; 2 vols. London, 1882.
Gouge, William M.; *Short History of Paper Money and Banking in the United States*. Philadelphia, 1835.
Hamilton, Alexander; *Works*. New York, 1885.
Hazel's Annual. London 1897.
Hill, Thomas E.; *Money Found*. Chicago, 1894.
History of Banking in All Nations, published by the *Journal of Commerce and Commercial Bulletin*, 4 vols. New York, 1896.
Hunt's Merchant's Magazine. Baltimore.
Jevons, W. S.; *Investigations in Currency and Finance*. London, 1884.
Journal of the Institute of Bankers; vols. 1 to 2; 1890-1893.
Kerr, A. W.; *Banking in Scotland*. Glasgow, 1894.
Knox, John J.; *Banking in the United States*. Article in the *Cyclopædia of Political Science*. Chicago 1881.
Knox, John J.; *United States Notes*. New York 1881.
Leachtt, Samuel; *Our Money Wars*. Boston, 1894.
Levy, Raphael Georges; *Mélanges Financiers*. Paris, 1894.
Macleod, H. D.; *Theory and Practice of Banking*. London, 1862.
McCulloch, Hugh; *Men and Measures of Half a Century*. New York, 1880.
McPherson, Logan G.; *Monetary and Banking Problems*. New York, 1896.
Muhleman, Maurice L.; *Monetary Systems of the World*. New York, 1895.
Palgrave, R. H. I.; *Banking Almanac, 1894*. London.
Palgrave, R. H. I.; *Notes on Banking in Great Britain and Ireland, Sweden, Denmark and Hamburg*. London, 1873.
Rhodes, *Journal of Banking*. New York.
Shaw, W. A.; *History of Currency, 1862-1894*. New York, 1895.
Sherman, John; *Forty Years in the House, Senate and Cabinet*. Chicago, 1896.
Sherwood, Sidney; *History and Theory of Money*. Philadelphia, 1893.
Sound Currency. New York, 1895.
Statesmen's Year Book, 1896. London.
Sumner, William G.; *History of American Currency*. New York, 1884.
Walker, Francis A.; *Money*. New York, 1891.
Walker, Francis A.; *Money, Trade and Industry*. New York, 1873.
White, Horace; *Money and Banking*. Boston, 1893.
World's Congress of Bankers and Financiers. Chicago, 1895.
Also government documents, and many articles in newspapers, magazines and reviews.

BANKING SYSTEMS OF THE WORLD

CHAPTER I.

BANKING IN THE UNITED STATES BEFORE THE NATIONAL BANK ACT.

BEFORE the adoption of the national banking system, nearly every system was tried at one time or another in the United States. The first bank of issue was a land bank, incorporated in Massachusetts in 1739. For six years previous there had been note issues by private persons, but this was the first real bank of issue. The capital was £150,000. The subscribers were to pay 40 shillings for each £1,000 subscribed and, for the remainder, pledge their lands in security. Three per cent interest was to be paid in bills of the bank or in commodities. Notes equal to the capital, and payable in twenty years, were issued. Governor Belcher opposed the scheme, but £49,250 of its notes were printed and £4,067 were put in circulation. Another bank, in the same year, was formed by wealthy merchants, who guaranteed the £120,000 of notes which were issued, and hence the notes were hoarded.

The craze for issuing bank notes spread, and the Bubble Act of 1720 was in 1740 extended by the English Parliament to the colonies to check it. The banks were forced to liquidate, after resistance by them and the people. The opposition of the English government and the governors to colonial bank money led to many