

THE DESERET WEEKLY.

Truth and Liberty.

No. 7.

SALT LAKE CITY, UTAH, JANUARY 30, 1897.

VOL. LIV.

UNCLE SAM'S FAILING BANKS.

(Copyrighted 1896 by Frank G. Carpenter).
WASHINGTON, D. C., Jan. 20th, 1897.



ARE we on the edge of a panic?

Shall we have a repetition of the troubles of 1893?

What do the bank failures of the past two months mean?

These questions are uppermost in the minds of our business men. The last great panic had to do with banks, rather than with business and commercial establishments. The panic of 1872 was almost altogether a business panic. It was the same with the financial troubles of 1884, and also with those of 1890. The panic of 1893 was a bankers' panic. Banks of all kinds failed. National banks, state banks and private banks went down. Within ten weeks, beginning May 1893, one hundred and sixty-five national banks closed their doors. Fifty of these had to have receivers appointed for them, and the others were only allowed to resume under conditions imposed by the controller of the currency. At this time the people lost confidence in the banks. Thousands of men withdrew their money and stored it away in safe deposit boxes. Today business men are watching the banks as they never have done before, and the real condition of such institutions is a matter of vital interest to all classes of our people.

The man who knows more about our banks than any other is Mr. James H. Eckels, the controller of the currency. He is, in fact, the great financial nerve of the United States. He has his feelers reaching out to the banks of every town and every city. Hundreds of millions of capital and more than a thousand million of dollars of deposits owe their safety largely to his care. All the national banks have to report to him, and he has a large corps of bank examiners, or bank detectives, who are moving about over the United States, and writing or telegraphing him daily as to how our financial institutions stand. He is in close touch with the greatest financiers of the country, and the least change in our financial condition is almost felt by him before it comes to pass. Mr. Eckels is a financial genius. He has one of the clearest and coolest heads that has ever presided over millions in the treasury department. Still, he looks like a boy. He does not appear to be thirty, though, I venture he has passed

the forty year mark some time ago. He makes you think more of an overworked college student than one of the most responsible officials of our government, and his pale, intellectual, smooth shaven face shows the refinement of a scholar, rather than the gross beefiness of the average overfed politician.

The first question I asked Mr. Eckels when I met him in the treasury department today was that which begins this letter. It was as to whether we are not on the edge of a panic. Mr. Eckels replied:

"I think not. I don't see any occasion which suggests that a panic is possible, much less probable. It is true there have been a number of bank failures since November 1st, but, with the exception of the National Bank of Illinois, in Chicago, the national bank failures have been unimportant both as to capital and deposits. The number of failures has also been slight. At the close of the report year of 1896 we had 3,679 national banks, and since that date several new ones have been organized. Of this number only sixteen have closed their doors within the past ten weeks. This is a very small record as compared with the first ten weeks of 1893."

"What were the causes of the failures?" I asked.

"The failures were in each instance brought about by local conditions and local causes. They resulted either from internal bad management or from the accumulation of assets during a boom period. These boom assets under the financial depression which we have had during the past four years have not been convertible into cash. They were not good assets, in other words, and the same banks with the same character of assets in the same management would, I believe, have failed sooner or later during a period of ordinary business conditions. It can be confidently argued that the recent failures do not indicate any such changed condition in the banking world as to warrant any suggestions of a panic. On the other hand our returns, received under the last call, December 17th, 1896, for a report of the condition of the banks show them to be stronger in cash reserves than the law requires. They show that the amount of their deposits, as well as the amounts of their loans and discounts, have increased, though, of course, the increase of the last two items has not been so large as might have been hoped for. The reason for this, I believe, has been the agitation of certain subjects, both domestic and foreign, which has made the investors timid and those who have money to lend doubtful about loaning it."

"But has the increase been as large as was expected, Mr. Eckels?"

"No, not in the way of loans and discounts, but the reason for this has been the agitation of subjects both foreign and domestic, which has made investors timid, and those having money to lend doubtful about loaning it. I believe that as soon as these agitations are at an end we ought to enter upon a condition of business affairs which will give employment to labor and business to all conducting the operations of trade and commerce."

"How much money is there in the national banks today?"

"According to the last report, made October 9th, the amount was \$343,143,362, and the amount of deposits was \$1,597,891,059."

"Where are these banks?"

"They are scattered all over the Union," replied Mr. Eckels. "Those having the largest capitalization are in the eastern states. Here you find 1,539 national banks, with a capital stock in round figures of more than \$401,000,000. In the western states there are 1,583 such banks, with a capital stock of more than \$110,000,000, while in the southern states there are 557 banks with a capital of more than \$138,000,000."

"Is the number of national banks increasing?"

"No, I do not think you could expect that they would increase during such a period as we are now having. The burdens of financial losses fall upon the banks, and I don't think that banking institutions of any kind have been increasing within the last year or so. On the other hand, there has been a falling off, brought about by the failure of some banks, the liquidation of others, and the fact that there have not been many new banks organized. I imagine that this is true as to state banks as well as to national banks."

"What is the biggest national bank of the United States?"

"The largest national bank in point of deposits is the National City Bank of New York, while the largest in point of capital stock is the American Exchange Bank and the National bank of Commerce of New York city. Each of these banks is capitalized at \$5,000,000."

"Tell me, Mr. Eckels, where do the national banks make their money? They make a lot out of Uncle Sam, do they not?"

"They did at first," replied Mr. Eckels, "but not now. When the banks were first organized there was a large amount of profit in taking out circulation, and at first the circulation feature of the banks predominated. Then the bonds increased in price, and under the law which permits but 90 per cent of the par value of the bonds to be issued to the banks in circulating notes, the profits of the circulation feature vanished. The