

"4th. Such a bank might issue certificates of deposit. These differ in one essential characteristic from notes of circulation. A person in New York, in which place we will suppose an institution of this kind to be situated, goes to the bank and deposits \$5,000, and takes a certificate that such an amount has been placed to his credit, payable to him or his order. This certificate he may indorse, payable to a correspondent at St. Louis, and forward it to him, and the latter can readily pass it to any one who has payments to make in New York. The difference between a certificate and a common bank note is, that the former, being payable to order, can only be collected by the person to whom it is payable, while a bank-note is good to any one who may chance to get hold of it, whether rightfully or not. It is a safer mode of making remittances.

"5th. Such a bank may purchase or collect bills of exchange, and in this way perform an important service for the public.

"Without going at present into the general subject of commercial exchanges, it will be sufficient for our present purpose to show in what manner the objects mentioned may be accomplished. A, in Boston, has sold merchandise to B, in New Orleans, for which B has given him his note, or acceptance for the amount. A, wishing to realize the money for this, takes it to the bank in Boston, which, after deducting the interest and a small per cent. for 'exchange,' gives A the net amount in cash—or, if A does not want the money until his note or acceptance is due, he deposits the same in the bank for 'collection.'

"In either case, the bank in Boston, having the note or bill of exchange, sends it on to New Orleans to a bank of a similar character, which collects the money of B and passes it to the credit of the Boston bank. C, in Boston, has in the meantime purchased of D, in New Orleans, a bill of cotton, for which he wishes to pay. C goes to the Boston bank and asks for a draft on New Orleans. This the bank is able to give him, because B's note having been paid into the bank at New Orleans, it has funds of its own in that city. The draft which C obtains, and for which he is probably charged a small per cent as 'exchange,' he sends to D of whom he bought the cotton, who, in turn, goes to the bank in New Orleans and collects the money. So, by these operations, B, in New Orleans, has paid A, in Boston; and C, in Boston, has paid D, in New Orleans, and no money has been transferred either way.

"We have said that the banks, in the cases referred to, would charge a small per cent 'exchange.' The principle on which this charge rests is, that it will cost a given sum to transport money from Boston to New Orleans, or from New Orleans to Boston, and therefore it is right for the banks to make such a charge as the transportation, insurance, &c., would amount to. In point of fact both parties, the individual and the bank, are benefited. The time and expense of transportation are saved, and the bank has received a compensation which, in a large business, is sufficient to pay its expenses, and enable it to divide all interest received on its capital among its stockholders.

"Such, then, briefly and in general terms, are the advantages to be derived from *banks of deposit, discount, and circulation*, like that which we have described. And now the question arises, and it is one of the gravest character, are banks of this kind fully adapted to the wants of commerce, and can they, were they sufficiently numerous and suitably located, accomplish *all* that the public may rightfully demand of banking institutions? The verdict of