

THE AMERICAN TREASURY AND THE NATIONAL BANKS.

HOARDING GOLD AS A FACTOR IN CREATING A SCARCITY OF MONEY.

During the severe stringency at New York last month the relations of the Treasury with the banks were brought into great prominence owing to the appeals made for assistance during the semi-panic and the efforts made by the Secretary of the Treasury to relieve the money market. The important part played by that department in the finances of the country may be judged by the enormous amount of public revenue which comes into the hands of the offices designated for the reception of taxes, etc. By virtue of an Act passed in 1864 the National Banks are "Depositaries" of public money, except receipts from customs, which must be paid *directly* into the Treasury or Sub-Treasury. One exception is that at Honolulu the customs money may be placed in a National bank.

When public money is deposited in a National bank it is legally held to be "in the Treasury," the bank being regarded by the law as a branch of that department, so far as this class of deposit goes. Although those monies are specifically the property of the Government it is customary for the National banks to utilize them for loans, which, so far, places a large sum at the service of the country, though it happens at times that these funds are drawn upon by the Treasury when they can very ill be spared by the banks by whom the money has been advanced to customers. The law does not recognize payment of revenue dues by checks or drafts, but only by "lawful money," to provide and store which, for such payments would be exceedingly troublesome and dangerous. By the system of making National banks legal depositories for money due to the Treasury the tax-payers are relieved of this duty and risk. Other Depositaries are designated by the Treasury for the reception of court and post-office money order funds and for honouring cheques drawn against them for official disbursements. These deposits are restricted on the service they might render by being liable to be withdrawn at any moment, and they have also to be protected by a considerable percentage of Government bonds.

The receipts of public revenue by the United States in year ended June 30, 1902, was \$684,326,280, of which \$254,444,708 was paid *directly* into the Treasury for customs duties, the remainder, \$429,871,572, having been deposited either in the Treasury direct or in Depositaries, that is, certain National banks. When it is considered that, the whole of this enormous sum of \$254,444,708 was taken at the average rate of \$21,200,000 per month out of funds which, otherwise, would have been available for

loans to the business public, and that this vast amount was deposited where it can form no basis either for credit or expanded currency, or loans, it becomes clear that the abstraction of such money from the public reservoir, when funds are in great demand for business needs, must have had a disastrous effect in helping to create a financial scarcity. In October last, when money ran up to panic prices, there was \$26,741,701 paid in gold directly into the Treasury. Now all that money lowered the supply of the banks, for it was withdrawn from them to be paid into the Treasury for customs duties. Now, in what position was the Treasury at the time when money was ranging at such prices as caused the gravest apprehensions and inflicted losses upon the country of scores of millions of dollars?

The following shows where vast sums were locked up, a large portion of which under a rational system of national finance, would have been available for business needs:—

MONEY IN THE UNITED STATES TREASURY.

	Sept. 1, 1902.	Oct. 1, 1902.	Nov. 1, 1902.
Gold coin and bullion.	571,302,633	590,506,825	606,299,127
Silver dollars.....	471,870,379	470,713,502	489,250,063
“ bullion.....	27,209,244	24,439,639	24,556,601
Small silver.....	10,351,174	8,082,371	6,909,608
U. S. notes.....	5,539,242	3,750,930	3,041,934
National Bank notes.	14,725,312	14,610,339	13,468,852
Totals.....	1,100,997,984	1,112,103,606	1,123,526,185
Certificates and Treasury notes outstanding.....	786,624,712	790,695,322	831,674,910
Net cash in Treasury	\$314,373,272	\$321,408,284	\$291,851,275

Here we have an exhibit of the Government piling up gold all through the period when the country was distressed almost to panic for the lack of money. Between September 1 and November 1 the Treasury added \$34,995,494 to its stock of gold, for which it had neither need, nor use, nor obligation to hold. That the amount of gold now held in the Treasury is enormously in excess of any need is evident from its having risen from \$293,755,000 in November, 1890 to \$606,299,000 in November, 1902, an increase of \$312,544,000, when the financial condition of the country does not require any more gold to be in the Treasury than in 1890.

Note how these vast accumulations have increased in recent years:—

GOLD IN UNITED STATES TREASURY.

The total gold in the U. S. Treasury was as follows in August 1897, 1898, 1899, 1900 and in Nov., 1902:

1899.	1898.	1897.	1902.	Excess in 1902 over 1897.
\$317,446,961	\$253,377,494	\$181,234,165	\$606,299,127	\$425,064,962

Since August, 1897, the Treasury has gone on accumulating gold at the rate of \$85,000,000 yearly. Since August, 1897, it has enlarged the amount of