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Intricacies of Banking No Puzzle N. O. Items

There is nothing more important for the people of the country at large than the study of the intricacies of finance that have been brought to popular attention recently.

There are a good many thousands of men in New Orleans to day willing to read anything they see in a newspaper on the subject of money, banking and finance, who would have skipped that part of the news had not New Orleans Clearing house certificates appeared in their pay envelopes instead of "coin of the realm."

The people are slowly developing a little information regarding the nature, character and functions of the banks. It is surprising how little the average well informed man knows on this subject. Unless he is in business he knows practically nothing.

It is only a few years since the banks began to advertise and make use of popular mediums to explain in a simple understandable way to the people that a bank is a popular institution depending on the public for support, much like other institutions in some of its business functions and totally unlike them in other regards.

A recent article in the Saturday Evening Post answers the question of what is a bank in a clear and simple way. It says: "In the first place, what is a bank? Not everybody stops to realize how universal and how necessary a bank is. Banks stand for stability, for credit and for business. Although paper money was used in China as long ago as one thousand years before Christ, and bills of exchange were employed in ancient Rome, it was not until the twelfth century, and in Venice, that the first bank was started. Modern banking began with the establishment of the Bank of England, in 1640.

"Banking simply means dealing in money or papers that represent money. Through the medium of banking, men and firms thousands of miles apart may do business without the actual exchange of actual cash. There are four kinds of banks: "Commercial banks, which include both National and State banks.

"Saving banks which are, in the main, philanthropic trusts for the needy.

"Loan and trust companies, which combine the functions of a bank with those of trustee and executor.

"Private banks, which resemble a private business in their conduct.

"The Commercial banks are the most numerous. A National bank is one which contains the word National in its name and which is governed by what is known as the National Banking Act. As such, it is under the supervision of the United States government, which may send an examiner in at any time to examine its accounts. A National bank, by depositing government bond with the Secretary of the Treasury, may issue its own notes—that is, bills bearing the name of the bank.

"There are two kinds of saving banks—mutual and stock saving banks. A mutual savings bank is one that is conducted solely for the benefit of the depositors. There is no capital stock to be bought and sold or to increase or decrease in value.

"A stock savings bank, on the

other hand, is like any commercial bank, in that it is conducted primarily to make money for the stockholders as well as for the depositors. Many of them do a general banking business. In most States the investments of saving banks are regulated by law.

"Trust companies receive deposits and lend money like banks. But they do more things than the banks, because the banking laws authorize them to act as trustees and executors, to underwrite bond issues and to perform certain legal services.

"A private bank is conducted by a private individual or firm. It receives and lends money; acts as agent for local or foreign corporations; deals in foreign exchange, and underwrites issues of securities."

The United States government requires Federal banks to carry a quarter of the amount of their deposits in cash money. That is, for every dollar you put in a bank, twenty-five cents in actual currency is held in the bank. Various States have various laws regarding the cash reserve State banks must keep. As a matter of local practice, the banks of this city, State and National, carry heavy currency reserves.

But, though this money is held in bank, it cannot be paid out. In practice, the great banks of New York city, and even of some other cities, do expand their loans and go below the legal reserve. The Federal government winks at this at times; But a low reserve in cash and an increase in loans in New York makes what is known as a bad bank statement.

Now, as for the bank itself, its first protection to depositors is its capital stock. Then there is a stock liability. Then there is the question of the nature of its loans. For it is an elementary principle that a bank must invest its capital safely and lend out the money of its depositors if it is to be solvent and wealthy. Any bank that converted its capital into cash and kept its deposits in cash would be eaten up by the expenses of rent, salaries and operation. So depositors in savings banks, or in commercial banks with savings deposits, as well as in commercial banks, are foolish if they expect that at any time any bank has on hand in currency the money to pay all depositors. The deposits of the banks of America amount to twelve thousand million of dollars. There is not money enough in America, probably not money enough in the world, to cash in this amount.

Moreover, the mechanism of banking is such that if the great bulk of this wealth were withdrawn from the banks it would ruin the very people who withdrew it.

Fortunately, however, this is not possible. They know the danger of keeping gold, silver or currency around the house, where it is apt to invite burglars. On the other hand those people who do withdraw their money from banks generally put it into real estate or spend it in the stores. The real estate agent or owner or the storekeeper immediately goes and puts the money back in the banks.

A Convincing Argument.
 "Permit me, Judge," said the gratified young attorney after the decision in favor of his client had been handed down, "to thank you most sincerely. I assure you I was highly gratified to note the close attention you gave me while I was making my argument."
 "Yes, I was deeply interested in your talk. You convinced me that it is possible to be at once a fool and in the right."—Chicago Record-Herald.

Puzzle—What Did He Find?
 She had just returned from Europe, and had been met at the pier by a New York friend who was bearing her off to the seashore. En route to the ferry she was regaled with the news—special, personal, and what not—and among other things the dinner given at Newport to Consul, the chimpanzee. "H'm," she meditated; "well, you know we are told that water will find its level." "I wonder," retorted her escort, "what the chimpanzee found."

A Forestry School.
 The opening of a forestry school in South Africa a year ago marked another advance in the propagation of the forestry idea. The school was established by the government of the Cape of Good Hope at Tokal, Cape Colony, to train men for the government forestry service in the several South African provinces. The course covers two years, the first year at the South African college and the second year at the Forestry school at Tokal on a long-established estate, where there are extensive forest lands and a great variety of trees in all stages of development.

A New Version.
 After hard study Hilary felt sure that he had the parable of the prodigal son by heart. All went well in the recitation until he came to the prodigal's return, which he described in this way: "But when he was yet a great way off his father saw him and had compassion, and ran and fell on his neck and kissed him." "But, my son," explained the mother, "he fell on his son's neck and kissed him." "Oh! I thought he ran and fell on his own neck, and because he was an old man he must have broken it!"—Harper's Magazine.

Corrupt Political Methods Condemned by Supreme Court of Nevada.
 The Supreme Court of Nevada in the case of Gaston vs Drake 14 Ne-

vada, 175, (1895) held that an agreement before an election to share the salary and fees of an office, in consideration of the plaintiff's using his influence to elect the defendant to such office, is void; and Leonard, Judge, in deciding the case, said:

"It is undoubtedly void, as contrary to public policy. It was in terms a promise to use not only personal effort, but personal influence, among the voters of Storey County to secure defendant's election. Its influence upon plaintiff was the same as though defendant had promised to give him a definite sum of money in case of election. Success would bring reward, while defeat would result, not only in loss of coveted profits, but time and labor as well. By it plaintiff's love of gain was stimulated, and a great temptation placed before him to promote his own interest regardless of public good. This arrangement may have induced him to influence ten men, or a hundred, to vote for defendant in opposition to pre-conceived political principles, and fixed ideas of right and duty; and too, when they have preferred his opponent as an incumbent of the office. Such a contract cannot be upheld. Its tendency was to corrupt the people upon whose integrity and intelligence the safety of the State and Nation depends—to lead voters to work for individual interest rather than the public welfare.—Adv.

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