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**THE BANKING SYSTEMS
OF GREAT BRITAIN,
FRANCE, GERMANY,
AND THE
UNITED STATES**



KENNETH MACKENZIE

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THE BANKING SYSTEMS OF GREAT BRITAIN, FRANCE, GERMANY, & THE UNITED STATES OF AMERICA

BY

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THIRD EDITION, REVISED AND ENLARGED

MACMILLAN AND CO., LIMITED
ST. MARTIN'S STREET, LONDON

1952

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First Edition . . . February 1932
Reprinted . . . November 1932
Second Edition 1935
Reprinted 1937
Third Edition 1945
Reprinted 1947
Reprinted 1952

PRINTED IN GREAT BRITAIN

PREFACE TO FIRST EDITION

THE articles on the Banking Systems of France, Germany and the United States of America contained in this book appeared in briefer form in the *Scottish Bankers' Magazine*. They have since been re-written and revised. The articles on the British Banking System have not been previously published.

The Author desires to acknowledge his obligation to a friend—"A Continental Bank Official"—for valuable notes on French and German Banking, and to Dr. B. Haggott Beckhart, of Columbia University, New York, for valued assistance in the preparation of the American section.

The hope is expressed that the information contained in the following pages may be found both interesting and useful to the student of banking and finance and at the same time not without interest to the general reader.

PREFACE TO THE PRESENT EDITION

A WRITER in a recent issue of the *Banker's Magazine* (U.S.A.) very well said that the future position of Commercial banking is assured because of the essential nature of the services performed. The writer went on to say that the functions of Commercial banks are not outmoded and their processes of growth and adaptation to the changed requirements of the public, of business, and of Government persist. This is true not only in regard to banks in America, but in Great Britain and elsewhere as well, as we have endeavoured to show in the following pages.

In regard to the requirements of our own Government, and the English Clearing and Scottish banks' endeavour to meet them, we have a striking illustration in the lending of large sums on temporary loan to the Treasury, during the later War period at very low rates of interest, an accommodation which has proved to be of material benefit to the auspicious Borrower.

In the present edition, amongst new matter, reference will be found to the successive increases of the Fiduciary Issue of the Bank of England since 1939 to the present date, to the Central Bank Bill (Eire) in the Irish Section, also in the American Section, to the New York Clearing House, and its varied functions, and Member Bank Reserve requirements.

INTRODUCTION

THE business of banking may be briefly defined as dealing in money and the instruments of credit. For the successful carrying-on of trade and commerce in a community, banks are indispensable. If this may be said regarding bygone times, it applies with greater force to the present day, when banks exercise so potent an influence in the sphere of credit and finance.

Although there are certain forms of banking common more or less to most systems, each country has in some measure its distinctive type. In the early period of banking history, this feature was more marked than in later times. Instead of banks transacting, as they now do, all kinds of banking business, they confined their operations for the most part to one particular class. Thus, in some parts, banks were established for remittance and exchange business, while in other places they were only banks of deposit and discount.

The success of banking greatly depends on the conditions under which it is carried on. It has been found to succeed best when, under careful and prudent management, it has been given a free and natural course, without unnecessary restrictions being imposed by the State.

In this treatise dealing with the Banking Systems of Great Britain (embracing the distinctive English, Scottish, and Irish Systems), France, Germany, and the United States of America, various matters are dealt with relating to the subject. In particular, reference is made

to the rise and development of banking in each of those countries; to the central and other banks engaged in the business, and their inter-relations; as also to the nature of their banking operations. Comparisons are also made between banking methods and regulations on various points.

The present volume contains two additional chapters in which, *inter alia*, reference is made to the functions of Central banks, to further points of contrast in the Banking Systems dealt with, to some present-day banking and financial problems, and the Macmillan Committee's views regarding same.

Because of its importance, reference is also made in the present edition to the American Crisis of 1933, its causes and effects, and to the Act of 1933 resulting therefrom.

With the changing conditions of the passing years, more particularly as these are affected by the present European War, it is somewhat difficult to obtain exact knowledge regarding banking and finance in all the countries dealt with in this work. The author has, however, endeavoured from the first to write in regard to each banking system with sympathy and understanding, and so far as possible to take cognisance of changes made in banking law and practice, and to obtain the latest figures in his statements.

The references throughout the book to "the War" and "the War period" relate to the European War 1914-18, *unless* otherwise mentioned.

January, 1945.

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