

MONEY TRUST INVESTIGATION

INVESTIGATION

OF

FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES

UNDER

HOUSE RESOLUTIONS NOS. 429 AND 504

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON
BANKING AND CURRENCY

PART 29

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES.

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MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 26, 1913.

The subcommittee met at 2.30 o'clock p. m.

Present: Messrs. Pujo (chairman), Stephens, Daugherty, Byrnes, Neeley, McMorran, and Hayes.

Present, also: Samuel Untermyer, Esq., of New York City, counsel for the committee. and G. Carroll Todd, Esq., assistant counsel for the committee.

TESTIMONY OF JOHN V. HOGAN.

The witness was sworn by the chairman.

Mr. UNTERMYER. Where do you reside?

Mr. HOGAN. I reside in New York.

Mr. UNTERMYER. Are you an economist and statistician?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Have you, at the request of the committee, made examination into the conditions in Europe with respect to the banks of the various countries and their constitution, and the character of their business, and other matters connected with those banks?

Mr. HOGAN. Yes.

Mr. UNTERMYER. In making that investigation, what authorities have you used?

Mr. HOGAN. A great mass of authorities; a large number of them.

Mr. UNTERMYER. Continental as well as English?

Mr. HOGAN. Yes.

Mr. UNTERMYER. You read other languages?

Mr. HOGAN. Yes.

Mr. UNTERMYER. German and French?

Mr. HOGAN. Yes; and other languages.

Mr. UNTERMYER. Will you give us some idea of the authorities you have consulted in the making of this investigation?

Mr. HOGAN. One of the authorities is the London Banking Almanac, which is very complete, very full; goes into extreme details.

The Stock Exchange Intelligence of London is a volume of several hundred pages which gives details of the organization and condition of all English and continental companies, banking and others. I have also consulted the *Annuaire General* of Paris and the *Borson Jahrbuch*, the German authority. The *Economiste Francais* is one of the very best authorities not only for France but for Germany also.

Its editor is Leroy Beaulieu, who is the greatest financial writer in Europe.

I have also consulted Dr. Riesser, who is the greatest German authority.

Mr. UNTERMYER. You have consulted his book?

Mr. HOGAN. Yes; his book.

Mr. UNTERMYER. Have you brought these investigations down to the year 1912?

Mr. HOGAN. Yes; some of them down to 1913.

Mr. UNTERMYER. Have you compiled a list of the holdings of securities by national banks in this country?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Will you be good enough to produce it, if you have it here?

Mr. HOGAN. It appears not to be among my papers here. I must have left it at the hotel.

Mr. UNTERMYER. Well, what is this list which you have compiled?

Mr. HOGAN. It is a list of the holdings of securities other than United States Government bonds held by the different national banks.

Mr. UNTERMYER. As compared with their capital?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Is there a comparison also of the amount of securities held by these various banks, with their deposits?

Mr. HOGAN. With their loans and with their deposits.

Mr. UNTERMYER. Have you the results, there?

Mr. HOGAN. Yes, sir; I have just a memorandum of this.

Mr. UNTERMYER. Will you just give that to us?

Mr. HOGAN. There are 2,211 national banks that hold 100 per cent of their capital in securities. One thousand two hundred and twenty-two national banks hold 200 per cent of their capital in securities that they own.

Mr. UNTERMYER. And that is other than United States Government bonds?

Mr. HOGAN. Other than United States bonds.

Mr. UNTERMYER. Does that include State and municipal bonds?

Mr. HOGAN. Yes, sir; but they are very largely other than State and municipal.

Mr. UNTERMYER. You have the proportions of those two, have you?

Mr. HOGAN. Yes. There are 649 that have 300 per cent of their capital.

Mr. UNTERMYER. In securities?

Mr. HOGAN. Yes. Three hundred and seventy-one have 400 per cent; 213 have 500 per cent; 133 have 600 per cent; 81 have 700 per cent; 46 have 800 per cent; 28 have 900 per cent; 17 have 1,000 per cent.

Mr. McMORRAN. Is that in New York City?

Mr. HOGAN. No; in the United States.

The CHAIRMAN. These are all national banks?

Mr. HOGAN. Yes. Eight banks have from 1,500 to 2,100 per cent.

Mr. UNTERMYER. Eight national banks have from 1,500 to 2,100 per cent of their capital invested in securities?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Have you a list there showing the proportion of investments these national banks have in securities other than Government bonds as compared with their total deposits?

Mr. HOGAN. Yes, sir. There are 353 banks that have 60 per cent of their deposits thus invested; 108 banks have 75 per cent, and 19 have 100 per cent; 8 banks have 125 per cent and over.

Mr. UNTERMYER. That is, of their deposits in the form of permanent investments?

Mr. HOGAN. Yes.

Mr. UNTERMYER. From what sources are these figures derived?

Mr. HOGAN. They are taken from the 1911 report of the Comptroller of the Currency. The 1912 report is not yet ready for distribution.

As regards loans, 1,037 banks hold securities to the extent of 50 per cent of their loans; 864 banks hold securities to the extent of 60 per cent, 742 banks hold 70 per cent, 678 banks hold 80 per cent, 359 banks hold 100 per cent, 263 banks hold 125 per cent.

Mr. McMORRAN. That is the per cent of securities to their loans?

Mr. HOGAN. Yes; 103 banks hold 200 per cent, 41 banks hold 300 per cent, 25 banks hold 400 per cent, 16 banks hold 500 per cent, and 3 banks hold 1,000 per cent and over.

Mr. UNTERMYER. That is ten times as much invested in securities as in loans?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Have you there a list covering certain special banks?

Mr. HOGAN. Yes [producing list].

Mr. UNTERMYER. What does that list show; what do the different columns show?

Mr. HOGAN. The first two columns show the banks. The next column shows the amount of deposits. The next column shows the loans. The last column shows the amount of securities owned.

Mr. UNTERMYER. In those selected instances?

Mr. HOGAN. Yes; selected; but they are not unusual. I just took them at random, almost.

Mr. UNTERMYER. There are none of the New York City banks, are there?

Mr. HOGAN. No; but some of the New York City banks are worse.

Mr. UNTERMYER. In what instance?

Mr. HOGAN. As a matter of course the banks like the Chase National Bank, and the Hanover National Bank, and the City Bank, and the First National Bank hold a great deal more of securities.

Mr. UNTERMYER. Do they hold as much compared with their loans and deposits?

Mr. HOGAN. Hardly as much, no; because they have heavier deposits.

Mr. UNTERMYER. That may go in the record.

The list referred to was marked "Exhibit No. 246, February 26, 1913, and is here printed in full as follows:

EXHIBIT NO. 246, FEBRUARY 26, 1913.

Location.	Bank.	Deposits.	Loans.	Securities owned.
Seranton, Pa.	First.	\$10,262,280	\$4,013,557	\$6,158,627
Belvidere, N. J.	Belvidere.	499,850	52,609	537,958
Newark, N. J.	North Ward.	3,828,342	1,230,299	2,258,948
Cobleskill, N. J.	First.	1,873,410	188,089	1,560,592
Carbondale, Pa.	do.	1,895,037	248,644	1,858,898
Doylestown, Pa.	Doylestown.	1,106,084	192,766	898,490
Hopkinton, Mass.	Hopkinton.	116,522	8,659	121,600
Fredericka, Del.	First.	206,929	17,678	194,658
Troy, Pa.	Grange.	419,584	106,343	328,771
Pawling, N. Y.	First.	335,600	108,091	382,800
Greenville, Pa.	Perkiomin.	1,233,218	142,310	1,054,924
Toms River, N. J.	First.	700,620	99,497	736,595

Mr. UNTERMYER. Will you please tell us now as to the banking conditions in Great Britain; first in London. There is a system of branch banks in England, is there not?

Mr. HOGAN. Yes. Most of their banking is done in branch banks. It is very extended.

Mr. UNTERMYER. How many banks and branch banks are there in London? Have you the data there showing that?

Mr. HOGAN. I have not the data for London.

Mr. UNTERMYER. Have you for all of Great Britain?

Mr. HOGAN. I have for all of Great Britain; yes.

Mr. UNTERMYER. Give us the data for Great Britain.

Mr. HOGAN. There are about 8,550.

Mr. UNTERMYER. Have you not the exact number there?

Mr. HOGAN. Yes. There are 8,364 branch banks and 148 main banks.

Mr. UNTERMYER. That includes Ireland, does it not?

Mr. HOGAN. That includes Ireland and Scotland.

Mr. UNTERMYER. How many of these in this list are known as joint stock banks?

Mr. HOGAN. There are 78 joint stock banks.

Mr. UNTERMYER. And what are the remainder?

Mr. HOGAN. The remainder are incorporated or registered private banks and country banks. The country banks in England, which are still in existence are banks of a kind not known in this country. They are nearly all of them note-issuing banks; they issue their own bank notes and do a very heavy business. They are old established banks. They are all of them over 150 years old.

Mr. UNTERMYER. Are there merchant bankers there?

Mr. HOGAN. Oh, yes; there are a great many of them in all the cities, especially in London; but I have not included any of those.

Mr. UNTERMYER. What change has there been in the number of banks in Great Britain since 1907?

Mr. HOGAN. There are three less banks than there were in 1907.

Mr. UNTERMYER. How has that condition been brought about?

Mr. HOGAN. One bank failed and three banks were consolidated and two new ones were started; but there has been a very great in-

crease, even in that time, in branch banks. I think there have been about 400 branch banks since then.

Mr. UNTERMYER. Have you the exact figures?

Mr. HOGAN. Not with me; no, sir.

Mr. UNTERMYER. Have you compiled a list of mergers of incorporated banks in Great Britain and Ireland since 1879?

Mr. HOGAN. Yes, sir; there have been 94 mergers in the 32 years.

Mr. UNTERMYER. At what rate is that per year?

Mr. HOGAN. That is about 3 per year.

Mr. UNTERMYER. During that time have there been other banks incorporated?

Mr. HOGAN. Yes, sir; there have been 21 banks incorporated.

Mr. UNTERMYER. How many mergers of banks have there been in London since 1879?

Mr. HOGAN. There have been 10.

Mr. UNTERMYER. How many have there been since 1900?

Mr. HOGAN. There have been three.

Mr. UNTERMYER. Do you know how many there have been in the United States, and in New York City, since 1900?

Mr. HOGAN. I did not figure out the United States and New York entirely, but there are 21 trust companies in New York that have merged since 1900.

Mr. UNTERMYER. In New York City?

Mr. HOGAN. In New York City alone; yes, sir.

Mr. UNTERMYER. Have you a list of those?

Mr. HOGAN. Yes, sir.

Mr. UNTERMYER. Will you please produce it?

Mr. HOGAN. I have not written it out fully, but I have it here.

Mr. UNTERMYER. It may go into the record, then, if there is no objection.

The list referred to was marked "Exhibit No. 247, February 26, 1913." and is here printed in the record, as follows:

EXHIBIT No 247. FEBRUARY 26, 1913.

New York trust companies consolidated or merged since 1900.

Atlantic Trust Co.	Merchants Trust Co.
Bowling Green Trust Co.	Morton Trust Co.
Bond & Trust Co.	North American Trust Co.
Central Realty Trust Co.	Savoy Trust Co.
City Trust Co.	Standard Trust Co.
Continental Trust Co.	Trust Company of America.
Fifth Avenue Trust Co.	Trust Company of the Republic.
Holland Trust Co.	Van Norden Trust Co.
McVicker Realty Trust Co.	Windsor Trust Co.
Manhattan Trust Co.	Knickerbocker Trust Co., merged with
Mercantile Trust Co.	Columbia Trust Co.

Mr. UNTERMYER. How many mergers have there been in Scotland banks and in Ireland since 1879?

Mr. HOGAN. There has not been one merger in Ireland. There have been two in Scotland.

Mr. UNTERMYER. Have there been new banks formed in those countries in that time?

Mr. HOGAN. Yes.

Mr. UNTERMYER. How many?

Mr. HOGAN. There was one in Ireland and there were two in Scotland.

Mr. UNTERMYER. Have you compiled any list of directors in joint-stock banks in Great Britain and Ireland?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Have you that list?

Mr. HOGAN. Yes.

Mr. UNTERMYER. How many persons are directors in two or more English joint-stock banks, or Great Britain banks?

Mr. HOGAN. There is no person who is director in more than two.

Mr. UNTERMYER. There are eight who are directors in two banks?

Mr. HOGAN. Yes.

Mr. UNTERMYER. What are the circumstances as to those?

Mr. HOGAN. The London and Yorkshire Bank, a bank with some fifty millions of deposits, got into trouble in 1911, and to prevent its failure 12 other banks put up a lot of money, and they were allowed to name six directors in it until it got through its trouble. But outside of those six, the other two who are directors in two banks, those banks are not competing banks at all.

Mr. UNTERMYER. Let us take these six. Was this Yorkshire bank that failed competing with the banks in which these six men were directors?

Mr. HOGAN. Not to any extent; no, sir.

Mr. UNTERMYER. And you say these six men are temporarily there, while they help out in regard to the failure?

Mr. HOGAN. Yes; only until the bank shall get on its feet.

Mr. UNTERMYER. As to the two men who are directors in two banks in Great Britain, you say those banks are not competitors?

Mr. HOGAN. No, sir.

Mr. UNTERMYER. What are they? Will you just tell us what they are?

Mr. HOGAN. One is Mr. Williams, who is a director in the Wilset-Dorset Bank and also in the Williams & Deakin Bank. One of them is a country bank and the other is a London city bank.

Mr. UNTERMYER. The one that is in the country is where in the country?

Mr. HOGAN. It is in the southwestern part of England, Wiltshire and Dorsetshire.

Mr. UNTERMYER. Is that 100 miles from London?

Mr. HOGAN. It is 50 miles or 75 miles; 100 miles is a long ways in England.

Mr. UNTERMYER. They are not competitors?

Mr. HOGAN. Not in any way whatever.

Mr. UNTERMYER. The other director who is a director in two banks in Great Britain, who is he?

Mr. HOGAN. The other is Alfred Sykes.

Mr. UNTERMYER. He is a director in what banks?

Mr. HOGAN. In the West Yorkshire and in the Halifax and District Banking Co.

Mr. UNTERMYER. Are their businesses in any way competitive?

Mr. HOGAN. No, sir; they are both of them rather small banks.

Mr. UNTERMYER. With the exception of these two instances, are there any people in Great Britain who are directors in as many as two banks?

Mr. HOGAN. No, sir: not two English banks.

Mr. UNTERMYER. Are there some who are directors in a German bank and an English bank?

Mr. HOGAN. Oh, yes; there are five who are directors in an English bank and in an Irish bank, but they do not compete with each other. They do not do business in the same country.

In the same way there are four who are directors in the London and German bank, whose business is almost purely in Germany, and they are at the same time directors in English banks. But they are not in the remotest degree in the same line of business.

Mr. UNTERMYER. Those German banks located in England do business with Germany?

Mr. HOGAN. Yes.

Mr. UNTERMYER. What is the situation on this subject of bank directorship in Germany?

Mr. HOGAN. There are eight great banks, as they are called, in Germany, and all of them have their head offices in Berlin. None of them have interlocking directors. That is, no man is director in any two of them.

Mr. UNTERMYER. How many smaller banks are there in Germany?

Mr. HOGAN. Outside of those there are 429 other banks, besides the great banks.

Mr. UNTERMYER. And how many still smaller banking institutions are there in Germany?

Mr. HOGAN. There are 301 of less than a million marks capital. That is, \$230,000.

Mr. UNTERMYER. Are there also systems of branch banks there?

Mr. HOGAN. Oh, yes; they have very extensive systems of branch banks.

Mr. UNTERMYER. How many have they?

Mr. HOGAN. The Reichsbank of Germany has 500 branches, and there are 2,100 branches of the others, or there are a vastly greater number. A great number of what we call branches here they do not call branches. They call a branch merely an independent branch in another city that runs itself entirely. For instance, the Deutsche Bank has 58 branches in Berlin which do an independent business, but they call them exchange offices and not branches.

Mr. UNTERMYER. Including these, how many are there?

Mr. HOGAN. There are probably between 4,000 and 5,000. Dr. Riesser says there are 4,000 at least.

Mr. UNTERMYER. There are no interlocking directorates in any of these German institutions?

Mr. HOGAN. No, sir.

Mr. UNTERMYER. What is the situation in France?

Mr. HOGAN. I found only two or three cases in Paris of any man being a director in two banks.

Mr. UNTERMYER. Did you find the explanation of that?

Mr. HOGAN. No; I did not look it up, because it was so very odd that I supposed there was just a special reason for it. There are many very large banks in Paris.

Mr. UNTERMYER. Are they united in interest or independent?

Mr. HOGAN. No; they are absolutely independent. They are strongly competitive.

Mr. UNTERMYER. Do you know what restrictions there are as to directors in British banks?

Mr. HOGAN. The Bank of England, the Bank of Ireland, and the Bank of Scotland do not allow any banker or broker to be a director.

Mr. McMORRAN. Excuse me a moment. Is there not a difference between the distinction of a banker and broker over in England?

Mr. UNTERMYER. Yes; I was just coming to that question.

Mr. Hogan, it has been stated here, either in the testimony or in some document, that Mr. Baring is a director in the Bank of England.

Mr. HOGAN. Mr. Cecil Baring is a director in the Bank of England. He is not a member of the firm of Baring Bros.

Mr. UNTERMYER. He is not a member of that firm?

Mr. HOGAN. No, sir; he is not a member of that firm.

Mr. UNTERMYER. What distinction is drawn, if any, in England between what we generally understand as a broker and what is understood over there as a broker?

Mr. HOGAN. There are a class of houses there the members of which are not called brokers. For instance, Rothschilds are not called brokers at all; they are merchants. The reason is that they do an enormous mercantile business. They handle enormous quantities of copper and rubber and oil and things of that kind. That is an enormous business. It is bigger in many respects than their banking business. One of the Rothschilds has been a director of the Bank of England continuously for 75 years; and yet they make it a rule to have no bankers in their board.

Mr. UNTERMYER. They do not allow note brokers either, do they?

Mr. HOGAN. No, sir; they do not allow note brokers either.

Mr. UNTERMYER. Have they anything that would correspond to our understanding of bankers on the boards of banks of Great Britain?

Mr. HOGAN. No; I do not think they have. The nearest to it is the Goschens, and they are largely merchants.

Mr. UNTERMYER. Is this case of the Rothschilds and the Bank of England the only one that you know of in which a man that we call a banker is a member of one of these British boards?

Mr. HOGAN. Yes, sir. It is the same case in Paris. One of the Rothschild family (Henry Rothschild) is a director in the Bank of France. But they make it a rule to have only merchants and manufacturers on their board.

Mr. UNTERMYER. Is there anybody besides Henry Rothschild in France, in the Bank of France, or any of the branch banks, whom we would designate as a banker?

Mr. HOGAN. No, sir.

Mr. UNTERMYER. Have you made any calculation as to the average shareholding in the English banks?

Mr. HOGAN. It is a little over 30 shares to the stockholder.

Mr. UNTERMYER. Are you familiar with the method of voting on stock?

Mr. HOGAN. Yes.

Mr. UNTERMYER. What are the limitations?

Mr. HOGAN. There are 53 banks that limit the amount of votes that a stockholder can poll. They are all progressive limitations; almost invariably. Generally a man who has 5 to 10 shares has only one vote, and it decreases the vote in proportion to the increase in the number of shares.

For instance, in the London & Westminster Bank the man who has from 10 shares to 49 shares votes one vote; the man who has 49 to 100 shares votes two votes; the man who has 100 shares to 200 shares votes three votes; but a man who has over 200 shares votes only four votes. Even if he had a million shares he could not vote over four.

Mr. UNTERMYER. Is that the largest bank in England?

Mr. HOGAN. It has the largest number of shares of any bank in England. They have 700,000 shares.

Mr. UNTERMYER. It is not the largest bank?

Mr. HOGAN. It is the second largest bank.

Mr. UNTERMYER. In regard to the distribution of shares, how is it?

Mr. HOGAN. They have 23,000 stockholders.

Mr. UNTERMYER. Have you, from your investigations, observed whether there is any change in the average number of shares held by each holder?

Mr. HOGAN. It is decreasing right straight along. In the Bank of England a man who has over £500 of stock has only one vote.

Mr. UNTERMYER. That is, over five shares?

Mr. HOGAN. Over five shares.

Mr. UNTERMYER. That is £100 a share?

Mr. HOGAN. £500 is five shares.

Mr. UNTERMYER. What are your authorities for these statements?

Mr. HOGAN. The authorities for voting are found in the London Banking Almanac and in the Stock Exchange Intelligence. They both give a statement of every bank and its officers and everything else, and the voting rights.

Mr. UNTERMYER. On what page is that, do you remember?

Mr. HOGAN. It is on page 85 of the Banking Almanac for 1912. It is published every year. In the Stock Exchange Intelligence it is under the article "Banks."

Mr. UNTERMYER. How many so-called great banks were there in Paris in 1912?

Mr. HOGAN. Thirty-seven.

Mr. UNTERMYER. How many branches were there?

Mr. HOGAN. They have 2,777 branches.

Mr. UNTERMYER. How many other important incorporated banks were there in Paris?

Mr. HOGAN. There are 32.

Mr. UNTERMYER. How many branches are there?

Mr. HOGAN. They have 63 branches.

Mr. UNTERMYER. Does that include all incorporated banking institutions in Paris?

Mr. HOGAN. That includes all the large ones. There are over 200 others that have capital stock, but they are mostly small ones.

Mr. UNTERMYER. How many provincial incorporated banks are there in France?

Mr. HOGAN. Fifty-four.

Mr. UNTERMYER. Is that for 1912?

Mr. HOGAN. For 1912.

Mr. UNTERMYER. And how many branches?

Mr. HOGAN. One hundred and fifty-four branches.

Mr. UNTERMYER. How large?

Mr. HOGAN. From five to ten million dollars of stock.

Mr. UNTERMYER. How many other provincial incorporated banks are there?

Mr. HOGAN. Fifty-one, with twelve branches.

Mr. UNTERMYER. How many branches of incorporated banks are there in France?

Mr. HOGAN. Two thousand five hundred.

Mr. UNTERMYER. Are there other bankers in Paris, or banks?

Mr. HOGAN. France is a country of private banks, to an extreme. There are 32 large private bankers, some of them great big bankers like Hottinguer and Erlanger and Rothschild and others.

Mr. UNTERMYER. How many branches have they?

Mr. HOGAN. Thirty-one branches. In France generally there are 1,710 bankers.

Mr. UNTERMYER. Private bankers?

Mr. HOGAN. Yes. Some of those are 100 and 200 years old. They are very strong bankers.

Mr. UNTERMYER. The total number of banking institutions in France in 1912 was how many?

Mr. HOGAN. Including branches, the total number was 4,516. There are 1,900 banks and bankers, with 2,600 branches. That makes 4,500.

Mr. UNTERMYER. What is the character of the business of the French private banks?

Mr. HOGAN. It is the very purest banking that there is, because the French private banker is closer to his customers than in any other place in the world. They are confidential bankers in every sense of the word. They are advisers. They do a pure banking business, depositing and investing.

Mr. UNTERMYER. What are the authorities you have there?

Mr. HOGAN. The *Annuaire General des Societes Francaises* and the *Economiste Francaise*; and the best authority on the country bankers that I have found is Bottin, who publishes a country directory. He gives a directory of every little town in France, and every hamlet in France, with every person in it.

Mr. UNTERMYER. That is for what year?

Mr. HOGAN. That is for 1911.

Mr. UNTERMYER. I think you have given us Germany, have you not?

Mr. HOGAN. To a great extent; yes, sir.

Mr. UNTERMYER. What growth of banks has there been in Germany, if any?

Mr. HOGAN. The growth has been a very rapid one. In 1888 there were 193 banks with 457 branches. In 1907 there were 463 banks with 1,600 branches. In 1911 there were 479 banks with 2,086 branches.

Mr. UNTERMYER. Did you say there was no interlocking of directorates of the great banks in Germany?

Mr. HOGAN. No, sir.

Mr. UNTERMYER. What are your authorities upon Germany?

Mr. HOGAN. The authorities upon Germany were Dr. Riesser, who is the very highest German authority, and the *Borson YahrBuch*; and also the *Economiste Francaise*, which is a very fine German

authority. I found one statement in the *Economiste* in December of 1912, which says:

How many banking offices are there in Germany? M. Riesser estimates the amount at 4,000. M. Lansburgh claims that there are even 6,000, notwithstanding the ravages that have been practiced among them by what is called concentration, absorption, or fusion.

Mr. UNTERMYER. To what extent did you find any absorption or fusion?

Mr. HOGAN. The only absorption there is not an absorption; it is private bankers going out of business and turning over their branches to the big banks.

Mr. UNTERMYER. Are those branches continued?

Mr. HOGAN. Right straight along. They are continued as independent, regular business.

Mr. UNTERMYER. Have you come across any cases of absorption of banks where they closed the absorbed bank?

Mr. HOGAN. Not one. I have not noticed a case in Europe. Even when the London & County Bank was merged with the London & Westminster Bank, they kept both the old offices intact.

Mr. UNTERMYER. Did you examine the conditions in Belgium and Russia and Sweden?

Mr. HOGAN. Yes.

Mr. UNTERMYER. What are the restrictions in the Netherlands? What is the average holding of shares?

Mr. HOGAN. The average holding of shares in the bank in the Netherlands is $4\frac{1}{2}$ shares to the stockholder. They give one vote for 5 shares and one vote for each additional 10 shares.

In Russia the law is that no shareholder shall have a voting power exceeding one-tenth of the aggregate number of voters present at a stockholders' meeting.

Mr. UNTERMYER. Is there any interlocking of directors that you found in Russia or Sweden?

Mr. HOGAN. No, sir. In Sweden the law is that a director shall not be a member of the managing board of any other bank.

In Russia no person shall be allowed to be a member of the board of management of more than one bank.

In Belgium no officer or director of a bank shall be in the board of direction of another bank.

In Australia and New Zealand the number of shares that a person can own is generally limited.

Mr. UNTERMYER. Do you know what the limitations are?

Mr. HOGAN. The highest limitation is one twenty-fifth. They run up as high as one-eightieth.

Mr. UNTERMYER. Are there a class of people in the banking business there known as acceptance houses?

Mr. HOGAN. In London; yes, sir.

Mr. UNTERMYER. What is their particular business?

Mr. HOGAN. Their business is to accept drafts drawn on them from other parts of the world—from distant parts of the world. A man in London, for instance, a merchant who wants to buy some coffee in Brazil would have to pay for it in Brazil, so that he makes an arrangement with one of these acceptance houses to accept his draft drawn on them.

Mr. UNTERMYER. Are there members of those acceptance houses directors of banks ?

Mr. HOGAN. Yes.

Mr. UNTERMYER. Do they do any business with these banks, or is their business a foreign business ?

Mr. HOGAN. Their business is a foreign business.

Mr. UNTERMYER. Have you ascertained whether or not the directors in the European banks engage in transactions with banks in which they are directors ?

Mr. HOGAN. Some countries absolutely forbid it; a number of countries do so. Russia forbids it. So does Belgium and so does Sweden. They forbid them even in some cases to borrow from the banks.

Mr. UNTERMYER. I think that covers the whole subject. I think there are some statistics which you have that you are to furnish ?

Mr. HOGAN. Yes.

The CHAIRMAN. Such statistics as you have based your testimony on will be received. File them with the stenographer this afternoon.

Witness excused.

At 3.30 o'clock p. m. the subcommittee adjourned.