

and energy might have been exercised to good purpose," and that a fair construction of the law would have authorized the Controller and Receiver in adopting more stringent measures for the protection of the shareholders and creditors. It would appear from this hint that the officers of the Government had been derelict, as the Directors had been previously, in permitting Mr. Greenebaum to manage affairs as he chose after, as well as before, the suspension of the bank. Even if this case shall be followed by no more severe penalty than the public scandal which attaches to it by reason of the Congressional report, it should serve as a warning to the officers, Directors, and shareholders of all National banks to observe the requirements of the law more literally, and to the officers of the Government to enforce the penalties for violation of the law more promptly and efficiently.

NATIONAL-BANK MANAGEMENT.

The Congressional Committee charged with investigating the management of the defunct German National Bank has made its report, after a long delay which was regarded as significant of an attempt to modify its strictures. It cannot be known, of course, to what extent outside pressure has succeeded in softening the tone of censure which pervades the report, but the fact that Mr. Greenebaum is now under indictment for having violated the National-Banking act in his management of the German National has probably influenced the Committee to put the best possible aspect upon the matter in order not to prejudice his case. The report, however, discloses the fact that the Committee was abundantly satisfied that the bank had been loosely and recklessly, if not corruptly, managed.

From the brief abstract of the evidence taken by the Committee, it appears that the books and accounts were kept so blindly that it was almost impossible for expert accountants to make an intelligent estimate of the bank's transactions; that overdrafts were permitted in large amounts, which did not even appear on the books; that the President had taken money for his own use which was represented by mere memoranda on slips of paper, but counted as cash in the assets; and that there was a startling shrinkage in the assets of the bank after the failure and during a period when Mr. Greenebaum still continued to be the virtual manager. The most important conclusion which the Committee has derived from the investigation is that the Directors utterly neglected to attend to their duty. The fact seems to be that Mr. Greenebaum was permitted to run the bank as if it were exclusively his own, and that he used the funds belonging to the depositors as if the rights of the latter were entirely subordinate to his own judgment and interests, instead of being guarded, as they should have been, by the restrictions of the National-Banking rules.

There is no doubt that National-bank Directors in the past have exhibited a very common indifference to their responsibilities under the law. It may be that the failures which occurred in considerable numbers two or three years ago have served as a warning to bank Directors to keep themselves better informed as to the current management of institutions in which they have assumed a sacred trust; but the force of this warning would have been materially increased had the penalties of the Bank act been enforced in flagrant cases of dereliction. Every Director is required to take an oath to diligently and honestly administer the affairs of the bank, and not to violate nor knowingly permit to be violated any of the provisions of the National-Bank law. The rule for the regulation of the banking business under the National law would, if strictly obeyed, almost surely avert loss to the depositors, and it is the duty of the Directors to see that the bank is managed in conformance to these rules. Among some of the prohibited practices which have been shown to be common in banks that have failed may be mentioned the following: Not more than one-tenth of the capital stock may be loaned to any one person or company; no bank may make a loan on the security of its own shares; all debts overdue and unpaid during a period of six months must be charged up as bad debts; dividends must not exceed net profits; no loans may be made when the reserve is below the limit required by law; no check can be lawfully certified except the drawer has an amount of money on actual deposit equal to the amount specified in the check. If these and other provisions of the law were strictly enforced in every instance, the failure of a National bank would be so rare an event as to be equally startling with a bank failure in England.

In applying the irregularities in the management of the German National Bank as a basis for an improvement in the law, the Committee of Congress recommend such amendments as will provide a more strict accountability on the part of the Directors, and make stockholders liable not only for the amount of stock held by them, but also for an additional sum equal to said stock. The stockholders' liability under the law is already fixed at the amount which appears to be recommended by the Committee. The language of the law is as follows: "The shareholders of every National Banking Association shall be held individually responsible, equally and ratably, and not for one another, for all contracts, debts, and engagements of such association, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares." It may be that the Committee intends to recommend that the liability of stockholders shall be double what it is now, in addition to their investment in stock; and, in view of the fact that similar liability in Great Britain is limited only by the entire property of bank stockholders, there would seem to be no injustice in the proposition. The accountability of Directors, under the law as it now stands, is very broad in so far as they are individually liable for all damages that may be sustained by the association, for the shareholders, or any other person, for any violation of the law which they "knowingly" permit. The trouble is that there has never been a vigilant effort to enforce their accountability and the criminal penalties provided for such violation in the case of officers.

The report of the Congressional Committee on the German National Bank seriously reflects upon the Controller of the Currency to the extent that it indicates a mysterious shrinkage of the assets after the failure, and the favoring of preferred creditors in violation of the law. The Committee say rather mildly that "possibly a little more vigilance