Amendment of National Banking Laws.

Speech of HON. REED SMOOT in the United States Senate, Friday, February 28, 1908.



è equipanente la construction de la HON. REED SMOOT.

U. S. Senator from Utah.

Mr. President-The American people in the final analysis are a conservative people, but at times they lose their heads and plunge into speculation, live beyond a reasonable standard, and ex-pand even legitimate business far be-yond conservative limits. Whenever this is done trouble ensues, just as it has in our recent unfortunate money number

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There is nothing inherently weak in American business methods. The pres-ent trouble, as I see it, is the breaking down of our credit system and the dis-airangement and embarrassment of our intrangement and embarrassment of our financial fabric. Restore confidence and credit and let the people live within their income, and a reaction will set in as sure as the sun will fise tomor-row morning. The extent to which the reaction will come depends upon what injury has been done the business inter-orts of our context as a reset of our

Our financial skies were of that limpid blue which suggested to the thought-loss who beheld them, nothing beyond the perfect beauty of a perfect day. The financially weatherwise, however, leoked up and recognized the portents of a coming storm. The coming of the storm at such a filme caused surprise, but the only surprise should have been at its long delay. Nearly all panics are due to the same cause --men run wild by prosperity. Mon-

stration of the need of amendment of our banking laws. Our money sup-ply is ull right in quality-every dol-iar of at is worth its face in gold. If is sufficient, too, in quantity, under ordinary conditions; few claim that the supply is now too small. The country was never more prosperous than it had been for a number of years before the end of last summer, Our financial skies were of that limpid blue which suggested to the thought-less who beheld them, nothing beyond point of the nation at targe. Of course the nation at large is interested in seeing that the banks do not fail; for if the banks should fall the entire nation would suffer. The failure of one bank is liable to have ten times one bank is liable to hunt ten times as many people as own its stock or have deposits in it. But the proper povernment official should decrile whether conditions justify an issue of energency currency, and the bill re-ported by the senate committee on finance leaves that decision to be made by the service of the tradeury

NO POSSIBILITY OF LOSS

exactness of the law

NO INNOVATION. But it is said the government should

But it is said the government should issue this money directly and not dele-gate this power to the banks. It would delegate to the banks no new power. It has already intrusted national banks with the power of issuing money. The change would be no innovation. It would be only a matter of detail. It would only enlarge the classes of bonds on which money could be issued. If the government issued the money, how would it get it out? Through the daily payment of its obligations? That would be shelling the woods: it would not ba

payment of its obligations? That would be shelling the woods; it would not be shooting at the mark. The money would go into the general circulation where it was not needed; it would not go where it would be needed. To get the money to the place of need it would be necessary to lead it to the bank needing it. Well, what would be the difference between lending the money at 6 per cent interest to the bank, se

at 6 per cent interest to the bank, se-cured by such bends as this bill pro-poses, and permitting the bank upon giving the same security to issue the bills itself and pay on them a tax of 6 per cent? Mr. President, it is con-

6 per cent? Mr. President, it is con-tended that the government might lose Certainly, if state, county, or city bonds should, between the setting and

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bonds vould come under the provisions of this bill, gain when it offered its better was in the provisions of this bill, gain when it offered its better was more been and be to borrow at a lower rate of the bill to borrow at a lower rate of the bill to borrow at a lower rate of the bill to borrow at a lower rate of the bill that before. The benefit is not offered to result or state, would not any western or souther would provide an extent. If the bendfielders would be themporary and at nobody's expense, would be there of fact, there is more talk (bin to call part of the that are been directed against ince communities, but there would be littly increase in the value of bords. They would not be convertible into morey at all excert in excert of all the offered is more talk (bin the reave of the source of the barbon of the ready issue to forte will be littly and the be out the barbon of the ready issued to a provide and the the beauthout and the beauthout and the beauthout and the beauthout and the beauthout the source there will be littly increase in the value of bords. They would not be convertible into money at all excert in case in the value of bords. They would not be convertible into anong the provide of the ready issue to notes, as a ne United States of their failure to pay back their repay back there r

New York banks found it impossible to pay back this money on uenatio. If they had paid, all their depositors while a dollar lasted, the majority of the de-positors would have called after the last dollar was gone. A financial cyclone would have swept the country, compar-ed to which that which did strike it would have been only a breeze. The banks had to protect their depositors against each other. In order to pay all, they had to delay payment to those who were clamorous. year tax. The bank needing extra circulation would be put in a position to get as much of it as the provisions of the law would permit, and if that were not enough other neighboring banks would take out all allowed them and use it in the common defense. The bank at any threatened point would have an emergency currency limited only by the exactness of the law.

all, they had to delay payment to those who were clamorous. The country bankers had no more claims than any other depositors. Cen-erally they received interest on money they kept on deposit in New York. They sen it there to get interest on 4. They knew that New York banks were not paying them interest on money to look at fit in their valits. They knew these banks would be compelled to use the money in order to pay interest on daily balances. Or course, ordinaring the country banks could get it back on de-mend and borrow additional amounts in case of need. But it is unjust to blame men for failing to do the impos-sible in time of panic because it would be possible in ordinary times. PROPOSED AMENDMENT.

PROPOSED AMENDMENT.

The amenament I propose would The amenament i propose would strengthen the reserves of country banks by adding one-third to the legal requirements and nearly doubling the amount required by law to be kept the their vaults. At the same time, fit would not add to their file capital, for they could keep this added third of the reserve invested in interest paying banks. bonds

The bill before the senate proposes The bill before the senate propose revolu-tion. In my opinion it is amendment and not revolution that our banking laws need. Men who, generally speak-ing, entertain diametrically opposite views on finance are often found stand-ther on the common ground of opposiviews on finance are often found stand-ing on the common ground of opposi-tion to our national banking system. To those who insist that the govern-ment should abandon the banking field I say that the government is not in the banking field; but as the prosper-ity of the nation is so vitally affected by our banking methods the govern-ment should regulate them, and it does well, since it can do so without loss or ment should regulate them, and it does well, since it can do so without loss or risk of loss, in throwing its strength behind our national bank circulation. If I am told that a national bank note is nothing but a promise to pay. I say in reply that the government by in-dorsing this promise has given it, in the public mind, the force of a pay-ment. ment

MATTER OF HISTORY.

Certainly, if state, county, or cit, bonds should, between the setting and the rising of the sun, lose more than one-tenth of their value, or railroad first-mortgage bonds lose more than one-fourth of theirs in the same time, the government would then be threat-ened with loss. It would only be threatened, for it could not lose until all the resources of the bank had be come exhausted. No one ever heard of such change in state, county, or ma-nicipal bonds as would wipe out one-tenth of their value before they could be sold; so the idea may be dismissed, not as improbable, not as impossible, but as inconceivable. If the incon-ceivable should become the real, what then? A tax of four-fifths of 1 per cent on the deposits held in the nationat hanks in 1907 would have raised a fund more than sufficient to pay all the loss-es to depositors occasioned by failure of national banks since the national bank-ing system has been in force. A tax of 2 acets on the 300 denosity would It has been urged that the govern-ment, instead of issuing bonds on which the banks buying them could issue notes, should itself have issued the notes, thereby saving the interest for which the bonds called. To dis-cuss this properly, we must remember the circumstances under which the bonded indebtedness of this country was originally incurred. The nation national banks since the national bank-ing system has been in force. A tax of 2 cents on the 3100 deposits would pay the average year's losses—a post-age stamp put on a letter containing a hundred-dollar check. If we stop here, we will leave the subject with an exaggerated idea of the risk, for the object of this bill is to decrease risk of loss by failure of banks, and if it only feebly accom-plishes its purpose it would cut this risk in half and reduce the denomina-tion of the stamp representing the loss on a hundred dollars from 2 cents to 1 cent. bonded independences of this country was originally incurred. The nation was engaged in a war, the most des-tructive of values of any the world has ever known. This war, with its neces-sary issues of paper money, had driven coin almost out of circulation. With the issue of greenbacks nine-tenths of the coin went out of circulation leavthe coin went out of circulation, leav-ing only \$25,000.000 in circulation in 1863. At the same time \$312,481,418 in greenbacks and \$257,912,620 in mfscellaneous currency, consisting of notes of the bank of the United States, state bank notes, demand notes, and frac-tional currency were all the circulation. The total circulation was \$595,394,038, of which only \$25,000,000 was corn, and even in this small amount the coin even in this small amount the coin was not circulating with the paper. It was the money of the Pacific coast, then less accessible to the Atlantic coast, where paper money was circu-lating, than China is now. The public debt was increased between 1862 and 1863 to the extent of more than \$600,-000,000; from 1863 to 1864, nearly \$600,-on 000 more, and in unother year. 000,000 more: and in anotaer year nearly a billion. During these three years the public debt increased between year. years the public debt increased between twenty-one and twenty-two hundred million, What would the money of the United States have been worth then, if the suggestion of printing money, in-stead of borrowing it, had been fol-lowed? Even in the amount it was is-sued, it was greatly depreciated. If it had been quadrupled, it would have en worthless.

your attention to the fact that Germany's 3 per cent consols are selling today at sa, or 37 per cent below par-is Mr. Treat correct in his opinion that the low rate of interest paid by he government causes a lower rate to be charged individuals than would be charged if the government paid more? Much weight must be given to

here, Much Weight must be given to to mere optimion expressed by a man "Mr. Trent's ability. He is speaking in a subject to which he has given cars of thought. But the weight that it. Theat's words have, merely as oming from an authority on the sub-ret changed, can be reinforced by reasons that the average man end unject discussed, can be relatoreed by reasons that the average man can unlerstand

BANKS AND INTEREST.

BANKS AND INTEREST. By reason of their right to issue notes to the amount of the bonds they buy, the national banks can lend money to the government at a very low rate of interest. More than this, the ability to issue notes enables them to lend to individuals at a much lower rate than they would otherwise charge. They can afford to lend money to in-dividuals at a low rate, and what men in bushness can afford to do they do, where a number of them are compet-ing with careh other. If a borrower must get his money from one bank or do without, the bank can make him pay as much as it thinks he can afford to pay. If, however, there are a number

as much as it thinks he can afford to pay. If, however, there are a number of banks from which he can borrow, he can make the bank lend him money as cheaply as its officials think It can af-ford to lend it. When, the government paid 7.3 per colit interest. Mr. Treat says individ-uals paid a minimum of 8 per cent. They probably paid then an average of 10 per cent. Now, taking the country as a whole, they probably pay about 4 per cent. If this system has cut inter-est charges down from 7 to 2 per cent for the government, what has it done for the country? Not counting bonds and not counting any loans except such for the country? Not counting bonds and not counting any loans except such as were made by banks, the banks of this country have loaned out now nearly \$11,600,000,000. Ten per cent of this would be eleven hundred utillions, 5 per cent would be five hundred and fifty million, and the saving by the difference in rate would be five hundred and of a willion. This nearly twomty and fifty millions. This nearly twenty times as much as the interest the gov-ernment pays annually. If the interest rate is only one-tenth cheaper than if would have been but for the influence of the government rate, it represents an annual saving twice as great as the interest payments on bonds.

SHOULD TAKE PRECAUTIONS. Mr. President, I think our present currency system properly amended will prove much better than an asset curency. There is too great a possibility of expansion in the asset-currency plan, and too great possibility of fluctuation in the supply. We need to take the proper precautions to avoid panles if can; and if we cannot avoid them, should take steps to combat them

cessfully What limit would the law set to an What limit would the law set to an asset currency issued by the banks? A limit that is not fixed by law is not fixed at all. If it is left to the judgment of men, it is left under varying con-trol. An asset currency might be ex-panded before the vital need of expan-sion came; and if it were so expanded, it would only add weight to make the final crash more destructive. The de-mand for money has for years been growing faster than the supply, though the supply has been growing rapidly. the supply has been growing rapidly An asset currency would have met this demand as it increased day by day. The recent panic was caused by a panic in all lines that banished caution and in-vited recklessness in its stead. If the expansion had been greater, the panic ould have been more severe.

GOVERNMENT GUARANTY.

We have now a currency of various forms kept at equality by interchange-ability for gold. This interchangeabili-ty is virtually a guaranty by the govty is virtually a guaranty by the gov-ernment and could not be otherwise guaranteed. Not one hank, nor all the banks, could make this guaranty good. The American people are accustomed to the idea that the governent guarantees the equality of value of all moneys in circulation. How would they look on a currency issued by the banks without government guaranty? Their opinion of this money would its its value. If they were not willing to take it they could present it for redemption and its issue were not writing to take it they could present it for redemption and its issue would add nothing to the volume of circulation. It would only add to the load that gold has to carry. If the money were circulated at a point in-convenient for redemption, it would cir-culate at a discount, and the public would hoard gold and such forms of money as were kent at per with cold money as were kept at par with gold. Men who receive this money in small quantities would not send it to redemption agencies themselves, but they would pay their bills with it and deposit it in banks. Men would cease to use gold and cease to deposit it in banks. If the people should prove doubtful of It the people should prove doubtful of this money, it would increase the de-mand for gold by being presented for redemption and would decrease the sup-ply of gold for redemption purposes by the tendency to heard it whenever re-ceived instead of keeping it in circula-Now, we have all forms of currency passing everywhere with equal val paper being preferred to gold because is more convenient to carry. I think an experiment with a form of currency differing radically from the forms t I thin] which the people are accustomed would prove risky. APPLY TO ALL OR NONE. Mr. President, I do not favor a guar-anty of bank deposits by the govern-ment, because I do not think it neces-sary, and I do not believe that the government-the whole people-should go security for individual interests. We should avoid such a policy on grounds of principle. If the government should of priocipie. If the government should undertake to guarantee one business, it would be called on to guarantee an-other. The precedent would be set and the scramble for political favors and political advantage would be begun. Such a policy would put all banks on terms of equality, so far as the public is conor equality, so far as the public is con-cerned, regardless of how they were managed. The deposits in a bank are now an expression of confidence in its management. The bank which has won the confidence of the public by capable and honest management has the right to the advantage it has so honorably grained. It is useless to irv to sneer to the advantage it has so honorably gained. It is useless to try to sneer away this idea. Of course, if all banks were taxed to raise a fund to guarantee deposits, the best-managed banks, which would derive no benefit, would have to pay as well as the poorly man-aged banks, in whose interest such a plan would operate. I will admit that if this plan were made one of voluntary insurance instead of taxation, all would probably go into ft. The best-managed banks would be placed at a disadyan-tage if their depositors were not insured hences would be placed at a disadvan-tage if their depositors were not insured while those of other banks were. This rian would place a premium on nils-management and be an injustice to men who have won confidence by lives of retrestite integrity (At this point Senator Smoot read an (At this point Senator Smoot read an article presented at the annual banquet of the Cincinnati Bankers' club, Feb. 8, 1908, by Andrew Jay Frame, on the subject of insuring bank deposits.) Mr. President, let me pause to say that I expect to live to see the day that Oklahoma will regret that she ever passed a law providing for the guaran-tecing of bank deposits. The senator from Oklahoma may belittle the past history of this class of legislation and fall back on the statements made by him in his able address of Feb. 25 Inst. If, under our present system, the de-

Do You Digest What You Eat?

It is one thing to eat and quite na-other to digest the food. Many people can't do the latter and suffer for years from indigestion without really knowing what is the matter with them. They just know that their "stomach is out of order.'

But the most important thing, after all, is to know what is the matter, for the transformer of the transformer of the advice of thousands of people is convincing to you then we say take Dr. Caldwell's Strup Pe-name indicates, it is for just that very alimen, and that it curres is proven by files of voluntary testimonials in our office. More direct and pe-name indicates, it is for just that very alimen, and that it curres is proven by files of voluntary testimonials in our office. More direct and pe-nearcest druggits and buying a 00 cent of the nearcest druggits and buying a 00 cent of the testimonials in our office. More direct and pe-nearcest druggits and buying a 00 cent of the testimonials in our office. More direct and pe-nearcest druggits and buying a 00 cent of the testimonials in our office. More direct and pe-meants, it is a warm friend of Dr. Caldwell's Syrup Pepsin. He found it an invaluable ton organs—an opficion shared in by thousands in dan and to impaired stomach and directive organs—an opficion shared in by thousands in the in erry household. Than Dr. Caldwell's Syrup Pepsin. Its genes mend the speciality to weak stomachs, children women and old people. It is equally good for the store that who become consultated of the most robust who become consultated is the store of the store of the store family languity then and other stomach, liver and bored all the store is not truth and became consultated of the most robust who become consultated of the most robust who become consultated of the store is not truth and even a so cent bout the store is a truth is a store more bored and the store of the store of the store of the dist the store of the store of the store of the store of the store the store of th But the most important thing, after

health.

FREE TEST Those wishing to try Dr. Cald. PREE LEST huise winning to try Dr. Cald-ing can have a free sample bottle sent to their home by addressing the company. This offer is to prove that remedy will do as we claim, and is only open to those who have never taken it. Send for it if you have any symptoms of stomach, liver or bowel disease. Genter yet most effective laxative for children, women and ee folks. A guaranteed, bernanent home cure. THE PUBLIC VERDICT: "No Laxative So Good and Sus as DR. CALOWELL'S SYRUP PERSIN." This product bears purify guarantee No. 17, Washington, D. C. PEPSIN SYRUP CO. 105 Galdwell Bidg., Monticello, III.

should he inquire if the bank is sat if his deposits are guaranteed and the guaranty is good?

PROVED A FAILURE.

Mr. President, if I read history arisit especially that part of it with reference to our finances, our great grandfathers were conservative, cautious, and a sa-ing class of men. The modern specula-tor was unknown, the frenzied finance was unborn, the plunging backer was unheard of, and with all this consens-tism, this caution, this saving, and economical life, and without these modeconomical internation without these mod-ern financial wreckers, history tells in that insuring of liabilities of a bank by a state proved an utter failure. Mr. President, we are considering a question that is first in importance

question that is first in importance among the questions that affect the American people. We are acting for a nation that is first among the nations of the earth. We should put aside pa-tisanship, sectionallsm, and paide of opinion, for it is one question that can not be intelligently considered from a text. a continued or a personal star party, a sectional, or a personal stand, point. Whatever the individual may add to the money wealth of the nation and of the world, his addition must be measured in money and he must pro-per or suffer in proportion as our finan-cial system is good or bad.

PANICS RESULT OF OPTIMISM.

Mr. President, I think the adoption of this measure will put financial storms farther apart and will provide mease for shortening their duration and de-creasing the number of the wreck-which they will leave behind. I do not high the any derivation that we call which they will leave behind. I do not think that any legislation that we could devise would abolish them or even make them as infrequent as they are in Europe. Panies are the result of or-timism stretched to the last limit, and they are liable to occur as long as Americans are a hopeful people. And there is no such hopeful mation on earth. Why should there be? What other nation has so much to inspire hope? Can we disassociate hope from wealth and energy and vigor? How could we expect Americans to lack th confidence? Look at this land of our stretching from ocean to ocean. with confidence? Look at this land of our stretching from ocean to ocean, with an area almost as great as that of all Europe. A century ago it was a wilde-ness hunted over by savage tribes. To day it is the world's model for all that is strong and vigorods in civilization. The American people made this change in these generations greater than any three generations, greater than an other land had ever experienced in i the ages. Can we expect a people w have done all this to lack confidence Can we wonder that sometimes they are overconfident? After a period of are overconfident? After a period o confidence the shock of failure mus follow and depression must result. Bu

ests of our country as a result or our credit and financial embarrassment. No one questions the fact that the merican people have been under a isiness tension too great for safety. business tension too great for safety. Our railroads were overworked; our manufacturing institutions were inable to supply demands made upon them: the cost of production kept mounting higher and higher, the wages of the laborer increased, and the expenditures of the people increased in a greater proportion than all eds. Speculation was rife and men wanted to make a fortime in a day. These are some of the causes that brought about the present conditions. CAME AT GOOD TIME

CAME AT GOOD TIME.

For one I am thankful that the re-cent money panic, seeing that 'it was certain to come, occurred at a three when crops were good and the busi-ness institutions of our country with a few rotten exceptions, were on a solid foundation. 5 Mr. President, it is our duty as sen-dors it, take notice of those ever-re-

All, President, it is our duty as sen-ptors to take notice of these ever-ee-curring money disturbancese, fearn their cause, and, if possible, pass such legislation as will prevent them in the future. Can this be done? I certainly think so: at least, I believe the causes of these panics can be reduced to a minimum.

The first thing is to correct the evila-existing in our present rigid currency system. Have not conditions in the monetry world in the last few months convinced every senator that our cor-rency system and method of mutional finance are lacking in essential features when an emergency arises? Of all the requirements made upon a government, such as the protection of the lives and herties of the people, the protection of their property and business inter-ests, there is no one higher than the duty to provide for a circulating me-dium or currency, which shall possed two positive elements. First, absolute security; second, a capacity for expan-sion or contraction as may be demand-ed by the financial, commercial, and in-dustrial needs of the people. Safety means money that has an unquestioned which does not meet this qualification with satisfy the American people. The first thing is to correct the evils

EMERGENCY CURRENCY.

will satisfy the American people. EMERGENCY CURRENCY. In my indigment the provisions of the Aldrich bill, if enacted into iaw, will not only furnish an absolutely safe emergency curvery, but will also provide for its expansion when a necess-sity exists, and the penalty rate of in-tervist will competitive removed. I believe in an emergency curver, but not in an inflated curvers. As long as business is moving along in the usual manner we pay no atten-tion to the canonic into its vertice which fails to the lot of any other people is a prometily greater than the which fails to the lot of any other people on earth. It is natural to as-fords room for all settled us out is to the usual inflated that are constructed to the has in force a properity existing which fails to the an inflate star-ferms to the has in force a properity existing which fails in the in an order that the outer is in neutral endowments break as ous is in an area that also fords room for all settled us out is the provide on earth, that must be pro-tend to the fact that a the most prop-rective to the has in the most prop-existing which fails on the an area that also fords room for all settled us out is by the most energetic, and the most prop-rective proper without help from lemination and offen is spite of re-stant by tegislation, as long as the machine is maring we are attracted. We stop to mean in a new attracted. We stop to mean in a more spite of re-machine is maring we are attracted. The most is an inter attracted in the prom-lemination and offen is a proper spite of re-machine is maring we are attracted. We stop to mean in a area of a spite of re-machine is maring we are attracted. We stop to mean in a area of a spite of re-machine is maring we are attracted. We stop to mend it only when it brenks down, and then often we merely patch it un

--men run wild by prosperity. Mon-ey flowed like water. Nearly every man was making more than he had ever made before in his life, and so was more able and more willing to pay high prices for anything he de-sired. In spite of a large merease of production, prices also increased, for the people were able to buy, and de-mand increased as rapidly as supply. Just such conditions atways encourage men to take risks. Debt loses its terror. Success seems so certain that the necessity of providing against failure is little considered, failure seeming only a possibility and a pos-sibility so remote. An era of pres-perity is crewned by a cap of wild apeculation, and the cap somehow permeates the mass and eats out the foundation and the whole structure crumbles. Men bought stocks that made their dividends, in some in-standes, no more than 2 per cent. They did not buy for the dividend, but because the stock was going, up and they expected to sell to some one who would buy at a still higher price. Men hought these stocks and puld twice as much for them as they should have paid; banks loaned more money en them than they should have loan-ed. Thus beheed to fring on the subflowed like water. Nearly every

m than they should have loan-this helped to bring on the sud-BANKER'S PANIC.

len collapse

BANKER'S PANIC. The panic is referred to as a "de-positors' panic." It might also be called a "bankers' panic." Bankers can run on a bank more fatally than redividual depositors can, though it does not take such a long line of them to withdraw a given sam of money. Hankers, as well as depositors, saw what was coming and tried to take care of themselves. A few banks failed because they had not been man-aged with proper care. The great taajority of the banks of this country were pushed to the verge of failure because of the doubt and suspicion created, and forced to resort to the besuing of clearing house certificates. suing of clearing house certificate plawful in uself, but absolutely n

the panic of 1907, but absolutely ne-essary to save the business interests of our country. The panic of 1907 entries when the suntry had the largest per capita of periodic to the largest per capita of The panic of 1907 came when the country had the largest per capila of circulation it had even had in its his-tery. It also had the largest demand for mondy it had even known. A larger volume of currency, here d without regard to the envergency, would have done no good. It would have been taken in the wild era of speculation that preceded the name; and the runs that put most of the banks of the large of thes on a desping home certificate basis would have been just as wild and just as persistent us they avoided were.

WHAT IS NEEDED.

What we beed is not a larger vol-ume of ourrency, but a currency that will come at the call of need and re-tire when it has done its work. To severe such a currency several plans have been proposed of these, it think the bill under consideration goes more directly to the point and gives better promise than any other at present proposed of accomplishing the desired end. We need not contribut the currency mention at all except as it is affected by the extended by large domind for money. Provide some the make there is an extra domand. Whe is to know whether there is What we used is not a larger vol-

ported by the senate committee on finance leaves that decision to be made by the secretary of the treasury. I think it is much more proper that the secretary of the treasury should decide the question than that it should be left to the board of direcors, of a bank redemption agency-body of private citizens representing ot the government, nor any part of t; not even all of one class, but only he bankers of a small portion of the

ACTION OF THE SECRETARY.

There has been a world of criticisu of Government officials as to the dis of Government officials as to the dis-tribution of Government deposits with banks of different sections. Secretary Cortelyou has been savagely attacked for his use of public funds to stop the recent parts. I wish to digress from the discussion of this bill long enough to say that I think his action in that emergency was wise, fair, and patriotic; and that, but for what he did, not only New York but every state and eity of

emergency was wise, fair, and patriotici-and that, but for what he did, not only New York, but every state and city of this land would today be vastly poorer than it is. Taking a sectional view of the matter. I believed he saved a dol-lar for the west and for the south, as well as for the north and for the east of every dime with which he fought the panic in New York. And I do neg-base my approval on the idea that gov-rioned between the different sections of the country. It was not time to talk about such matters. The whole country was endangered by a financial crisis beginning at New York. New York was the place to rush relief, and as a western man. I am thankful that Sec-retary Cortelyou acted so promptly and averted the awful consequences that would have befallen this nation from the Atlantic to the Pacifie, No state would have escaped; no home in From the Atlantic to the Pacific, No tate would have escaped; no home in bis broad land but what would have uffered, had be failed in his duty. But this is a digression. The bill I to discussing proposes to apportion he relief equitably, if it is needed in liferent sections and there is not hough to go around. I think, however, he bill would be greatly unpreased if he bill would be greatly improved if he limit were \$1,000,000,000 instead of ive hundred millions.

WHAT IS PROPOSED.

is proposed that banks desiring It is proposed that banks desiring mergenicy currency may get it with he consent of the secretary of the reasony by depositing with the treas-mer, or any assistant treasurer, of the faited States, multicipal or county ands, or certain classes of railroad ands, and that the bank may take out eleveniation equal to 90 per cent of the market value of the state, county or nunicipal bonds, and 75 per cent of the market value of any railroad bonde so mode.

Many objections to this plan are Many objections to this plan are inged-collections which do not strike the with much forces. It is said the plan is a makeshift. So he it. A mukeshift currency is precisely what we want. We wish it to come, stay as long as it is meeded, and then go way as quickly and as quintly as pos-sible. If that lan't a makeshift, what is:

on these bonds except by on these bonds except by a change which would suddenly wipe out the margin of 10 or 25 per cent, as the case might be, for the Aldrich bill em-powers the treasurer to require other securities, or a strengthening of the securities on deposit, in case a shrink-age of values should render this neces-cary. Fary

Mr. President, I think a great defect in our banking laws now in force is found in their requirements as to the reserve to be held by national banks outside of reserve cities. These banks outside of reserve cities. These banks are required to keep a reserve equal to 15 per cent of their deposits, but are permitted to keep three-fifths of this on deposit in banks of reserve or cen-tral reserve cities. This leaves only on deposit in banks of reserve or cen-tral reserve cities. This leaves only two-fifths of the 15 per cent-only b per cent of the deposits-required in the vaults of the bank whose deposits the reserve is designed to protect. The Aldrich bill, as it was originally drawn required these banks to hold in their own vaults at least two-thirds of this, or 10 per cent of their deposits instead of 6 per cent. This would have been an improvement in the law as it now stands, but it was stricken out. I or-fered on Feb. 24 a proposed amendment to the bill, as follows: "That on and after Jan. I, 1909, in addition to the 15 per cent reserve Fe-quired by law to be held by the ma-tional banking associations, all such as sociations shall be required to have on hand an additional 5 per cent of the

hand an additional 5 per cent of the aggregate amount of its deposits in all respects in lawful money of the United States, or in bonds mentioned in this

WOULD INCREASE RESERVE.

This would, so far as the safety of This would, so far as the safety of deposits is concerned, increase the re-serve requirements to 20 per cent, of which the banks would be required to hold eleven-twenticths in their own vaults. The money, however, would not be idle, for the banks could, if they desired, keep one-fourth of their en-tire reserve in interest-bearing bonds. These bonds, while drawing interest for the banks, would be at once convert-These bonds, while drawing interest for the banks, would be at once convert-file into cash if 'occasion should de-mand, holding the entire reserve in each. The secretary of the treasury, under the present provisions of the Ald-rich bill, would keep posted and keep banks advised as to the value of the bonds. The bills that are to be is-sued on the deposit of bonds provided in this act will be prepared beforehand and deposited at the subtreasuries throughout the country ready to be sent to any bank depositing the re-quired bonds. The bank could, by telegraph, inform the treasury officials of the character of the bonds on which it desired to take out circulation, and It desired to take out circulation, and the comptroller of the treasury, by icle-graph to the subtreasury mearest this bank, could authorize the sending of the bills. A reserve held in bonds of this class could be converted into each in thirty-six hours, for there is scarce-ly a bank in the United States that can not be reached from the nearest aubtrastury in that time. The 5 per-cent of deposits held in deposits of this dad would then be available as money a thirteast because The 5 the context

CURRENCY VS BONDS.

CURRENCY VS BONDS. If currency instead of bonds had been issued then, the government could not have bought half as much with a dol-lar as it received for the bonds, even if the money it received had been pre-cisely like that it would have issued; for by selling bonds it kept the total down to one-fourth of what it would have been if it had issued the money instead of borrowing it. Under the circumstances the govern-ment permitted the banks taking the bonds to issue circulation on depositing the bonds with the tiressurer equal to

the bonds with the treasurer equal to three-fourths of the face value of the bonds so issued. The banks at that

three-fourths of the face value of the bonds so issued. The banks at that time did sfurnish a part of the credit that was behind this form of currency, and the government secured better in-terest rates on account of the privilege it gave of issuing notes and on account of its promise to pay in coln. But why not issue money instead of bonds now? In time of peace bonds are not apt to be issued except to pro-vide money for the payment of other bonds that mature. For this purpose money could not be issued because the bonds call for payment in coin, and the men who hold them could not be expected to exchange an interest-bear-ing promise to pay for another promise to pay bearing no interest. But the fact that the banks now can issue notes equal in volume to the value of the bonds deposited gives our government, when it borrows, money at a lower rate of interest than is charged any other government on earth. It pays less than 2 per cent, rad this not only ben-efits the people, but it also gives them charger money as individuals. ANNUAL INTEREST.

ANNUAL INTEREST.

ANNUAL INTEREST. I with to state that the treasurer has called my attention to the fact that the annual interest charge of the government for the year 1864 was \$78.-\$52,487, instead of the amount stated above. He could have continued his comparison for the two years follow-ing and the gain would have shown vasity greater, for the annual interest charge for the year 1865 was \$137,742.-617, and for the year 1866, \$146,008,196, The interest-bearing debt of the gov-ernment in the year 1866 was \$1,559.-820,764 and for the year 1866, \$2,322.-831,918. Contemplate the saving to the government on this vast sum with a The panic last fall gave a deman.
The panic last f

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confidence the shock of failure must follow and depression must result. But in periods of depression Americans only take a firmer hold on the splendid op-portunities that are theirs and go again into the fight super of victory because of the caution they have learned. In spite of panics that have come-more frequently here than elsewhere, and in spite of a style of living which would dazgle the peoples of other na-tions with its extravagance. America is the richost nation on earth. It would be little to boast of if this superiority were valued only in dollars and cents could never have been attained excer by superiority in vin and dnergy and life, for it was attained in spite of the neglect of the economics that other have been compelled to practise. And so in the midst of this period af

period of And so in the midst of this period af pause and reflection, Mr. President, we can look forward to the future without toubt or fear and prepare to reonward rush for the primacy that de tiny has written shall be ours.



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