of necessity overrule any provision of the existing law relating to wine.

"There is only one kind of pure wine in the world and that is a wine made exclusively of the juice of sound, ripe grapes. All other wines by common consent must be prefixed with the name of the fruit from which they are made. Think for a moment what a riot of adulteration the above definition would permit. The total addition of 20 per cent of the weight of the wine may be made before, during, or after fermentation. No one can ascertain how much adulterating matter was used, because it is impossible to tell how much the weight of the finished wine will be. It is evident that it would of necessity be much larger than the original weight of the expressed grape juice. Hence. there would be no standard by means of which it would be possible to prevent an excessive addition of the adulterating ingredients.

"Let the people who are interested in the purity of products immediately protest against this outrageous attempt to debauch the wines of this country.

"A real, pure wine, made only of grape juice properly fermented and properly aged, has the poisonous properties of its alcohol modified until the wine may become actually wholesome taken in moderation. But here the Senate of the United States not only undertakes to define the worst possible adulterated article as pure, but under the guise of its authority seeks to poison the American consumer of wines with insidious and deleterious rum. In addition to this, by indirect and concealed means, it seeks to defraud the United States of the revenues which otherwise might be derived from the tax on brandy withdrawn for the fortification of sweet wines.

"It only remains now for the Senate to define whisky as an alcoholic beverage made of neutral spirits, burnt sugar, and synthetic flavors, and beer as an alcoholic beverage made of any old thing that will ferment and embittered with anything that is bitter, from capsicum to aloes, to complete the debasement of American beverages. Strange to say, this awful amendment was listened to and adopted without a single word of protest. The scene closes with the following laconic statement:

"'The VICE PRESIDENT. The question is on concurring in the amendment of the committee as amended. The amendment as amended was concurred in.'

"The assassination of pure wine was neatly and quickly accomplished."

Currency.

SPEECH

OF

HON. S. D. FESS,

OF OHIO,

IN THE HOUSE OF REPRESENTATIVES,

Tuesday, September 16, 1913,

On the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. FESS. Mr. Speaker, the most significant bit of research on monetary lines for a century was that done by the Monetary Commission, whose report is found in more than 20 volumes. The concrete recommendation of this commission is expressed in the central-bank proposition defeated in the last Congress. This proposed law was defeated before it was introduced by the label fastened upon it of money influence. It was approved by the banking interests generally, which in these days would be sufficient to defeat it. The Aldrich plan met with general disapproval, whether wise or otherwise. The present bill now before us purports to do what the Aldrich bill was designed by its sponsors to do, without giving dangerous power to the money power. Its author yesterday asserted it was written in the interest of the people and not the banks.

At this time it would be well and edifying to compare the two plans—the Aldrich with the Glass scheme. The Aldrich plan proposed a national reserve association—a central bank—with a capitalization of $200,000,000, with the banks of the country as stockholders; branches of this association, 15 in number, to be opened in that number of districts, these branches to be made up into local associations of not less than 10 banks to each association, with an aggregate capital of $5,000,000, under a board of directors. The present plan omits the association, but adopts the regional bank scheme of 12 Federal banks, made up of the capitalization of 20 per cent of that of the national banks in the region, with a minimum of $5,000,000, under a directorate. The chief difference here between the two schemes is in the control—both have a local directorate and both have a central authority. In the Aldrich plan the local directorate is chosen by the banking interests, while the general board is chosen in part by the banking interests and in part by the Government. The Glass proposal provides that the local directorate be chosen partly by the banking interests and partly by the Federal board, the latter the ruling element in the finality. The general board is chosen by the President. Membership in the Aldrich plan was optional with banks and trust companies, while it is compulsory in the Glass bill for national banks, but optional with all other banks.

The capitalization in the Aldrich plan was furnished the reserve association by the banks subscribing 20 per cent of their capital, half paid in and half on call, with a provision against hypothecating the stock. The same provision is made in the Glass bill.

The Aldrich plan made the life of the charter 50 years, while the Glass bill provides for a 20-year charter.

OFFICIARY.

The local association in the Aldrich plan was left to choose its directors—three-fifths by the banks, each bank to have one vote; two-fifths by members voting in accordance with shares in the association. The Glass plan provides a directorate of nine members, three representing bank interests, three representing industrial, commercial, and agricultural interests of the district, and three chosen by the Federal board.

The Aldrich plan proposed a directorate of the national association of 39 members—15 to represent the branches, 15 the agricultural and commercial interests, elected by each branch, and 9 by banks in the ratio of shares. In addition there are 7 ex officio members—2 deputy governors, Secretary of the Treasury, Secretary of Agriculture, Secretary of Commerce, and Comptroller of the Currency.

The present plan provides for a board of seven, all chosen by the President, with the consent of the Senate, to consist of the Secretary of the Treasury, Secretary of Agriculture, and Comptroller of the Currency, together with four others, one of whom is to be a practical banker and not more than two of whom can belong to the same political party.

FEDERAL ADVISORY COUNCIL—GLASS BILL.

There is to be created a Federal advisory council, which shall consist of as many members as there are Federal reserve banks. Every Federal reserve bank shall select annually one member of said council, to receive no compensation for services, but to be reimbursed for expenses. Meetings of said council to be held at Washington at least four times a year, or oftener, if called by Federal reserve board. Council may select its own officers and adopt its own method of procedure.

Federal reserve council to have power, first, to meet and confer directly with Federal reserve board on general business conditions; second, to make oral or written representations concerning actions taken, proposed, or contemplated by said board; third, to call for complete information and give advice concerning discount rates, rediscount business, note issues, and general affairs of the reserve banking system.

EARNINGS.

The Aldrich plan provided a flat dividend of 4 per cent cumulative. In addition provision was made for a contingent fund not to exceed $2,000,000 to care for losses. One-half of additional net earnings to create a surplus fund, which shall amount to 20 per cent of the capital. Of the remaining half one-fourth goes to the Government and one-fourth to shareholders, provided the shareholders do not get above 5 per cent. The excess above this is to go to the Government.

The present plan provides 5 per cent dividend over and above all expenses; then one-half to go to a surplus fund until such fund shall amount to 20 per cent of capital, the balance to be distributed 60 per cent to the Government and 40 per cent to banks.

POWERS OF CENTRAL CONTROLLING BOARD.

The Aldrich plan gave the central association the power to use a seal, to continue 50 years, to enter upon contracts to purchase real estate, to choose officers, to adopt rules and regulations, to exercise through directorate all necessary powers.

The present plan empowers the Federal board to examine work of the reserve banks and make weekly reports thereon, to control rediscounts of Federal banks, to suspend reserves, supervise issuance of Federal notes, to dictate central reserve cities, to remove officials of reserve banks, to write off doubtful assets of reserve banks, suspension by receivership of reserve banks, to perform all duties specified and implied in this act.

DEPOSITS.

The Aldrich plan proposed no compulsory deposits from member banks in the national association. The Government was to deposit its general funds with the reserve association, upon which the association paid no interest. The national association was to act as fiscal agent of the Government.

The present plan requires every national bank and member bank to establish with its district reserve bank a credit balance equal to 5 per cent of its total demand liabilities.

All money in the general fund of the National Treasury must be deposited with the Federal reserve banks, which shall act as

fiscal agent of the Government, no interest to be paid on any deposit except those of the United States, and then one-half of 1 per cent.

MARKET OPERATIONS.

The Aldrich plan allows the reserve association to invest in United States bonds, State bonds, or foreign bonds. It can deal in gold and make loans, may deal in bills of exchange payable in foreign countries, open agencies in foreign countries, and transfer funds of one depository bank to the credit of another through the branches of the association.

The present plan gives the reserve banks the power to deal in the open market in bankers' bills and bills of exchange, to deal in gold, and to make loans thereon.

EXHIBIT A.

RESERVES.

ALDRICH PLAN.

On demand deposits, all national banks and subscribing banks to maintain the same percentage of reserve as now required by the national banking law, and in the same manner in respect of keeping part of their reserve in reserve cities.

On time deposits, not payable within 30 days, no reserve is required; but within 30 days of payment the same reserve to be kept as in case of demand deposits.

All demand liabilities, including deposits and circulating notes, of a national reserve association to be covered to the extent of 50 per cent by a reserve of gold or other lawful money. When such reserve falls below 50 per cent the national reserve association to pay a special tax upon the deficiency of reserve, namely, for each 2½ per cent or fraction thereof that reserve falls below 50 per cent a tax to be levied at rate of 1½ per cent per annum, and no additional notes to be issued so long as the amount of reserve is below 33⅓ per cent of outstanding notes.

PRESENT PLAN.

Country banks shall have a reserve of 12 per cent, which, after a period of three years, shall be as follows: Five per cent in own vaults, 5 per cent in Federal reserve bank in its district, and remaining 5 per cent either with Federal reserve bank or in its own vaults, or both.

Banks in reserve cities, after a period of three years, shall have reserve of 18 per cent, of which 9 per cent shall be in own vaults, 5 per cent with Federal reserve bank in its district, and 4 per cent either in its own vaults or in the reserve bank of its district.

Banks in central reserve cities, after a period of 60 days, to have a reserve of 18 per cent, of which 9 per cent shall be in own vaults, 5 per cent in reserve bank, and 4 per cent in either, remainder as credit.

Every Federal reserve bank shall always have in its vaults gold or lawful money equal to 33⅓ per cent of demand liabilities.

NOTES.

The Aldrich bill devotes attention first of all to taking over the bond-secured circulation of the national banks. Banks might maintain existing issues, but further issues or reissues were forbidden. The National Reserve Association offered for a period of one year to purchase the 2 per cent bonds, securing circulation at par and accrued interest and to take over the responsibility and redemption of the notes, issuing therefor its own notes when the same are presented for redemption.

The National Reserve Association may issue additional notes from time to time to meet business requirements, but whenever the total amount of notes issued by it (including the outstanding national-bank notes) shall exceed $900,000,000 the notes in excess of that amount which are not covered by an equal amount of lawful money or gold shall pay a certain tax of 1½ per cent per annum, and when notes exceed $1,200,000,000 the tax is 5 per cent on the excess not so covered.

Notes to be secured by legal reserve of gold or lawful money to the extent of 50 per cent (see provision under reserve against demand liabilities above) and by notes and bills arising out of commercial transactions, the same as are acceptable for rediscount, or obligations of the United States.

Notes to be redeemable in lawful money at head office or branches and are receivable at par for all taxes, payments, excises, and debts, except obligations of the United States specifically payable in gold.

National Reserve Association, on application and without charge, to forward its notes to any depository bank against its credit balance.

An issue of Federal reserve notes is authorized, amount not specified, to be issued at discretion of Federal reserve board, for purpose of making advances to Federal reserve banks, and for no other purpose. Said notes to be obligations of the United States and shall be receivable for all taxes, customs, and other public dues. They shall be redeemed in gold or lawful money at the Treasury at Washington or any Federal reserve bank.

Notes are issued upon application of Federal reserve banks to Federal reserve agents, accompanied by collateral to secure the notes, security to be the same as are acceptable for rediscount. Whenever a Federal reserve bank shall pay out notes it shall segregate in its own vaults and carry to special reserve account gold or lawful money equal to 33⅓ per cent of reserve notes, such reserve to be used for redemption of notes as presented; but banks must immediately make good the deficiency in the reserve, so that they shall always keep 33⅓ per cent of outstanding circulation.

Notes to bear on their face a distinctive letter and serial number, which shall be used for redemption against issuing banks. No other Federal reserve bank to issue such notes under penalty of tax of 10 per cent upon face value of notes. Notes presented for redemption at the Treasury shall be paid and returned to Federal reserve banks to which they were originally issued.

Federal reserve banks may be required to keep in the Treasury a sum in gold or lawful money equal to 5 per cent of outstanding notes for the purpose of redemption, but said redemption fund to be counted as part of reserve. Federal reserve board to have the right to grant in whole or in part, or to reject entirely, any application of Federal reserve bank for notes. Federal reserve banks whose application for notes have been accepted shall pay such rate of interest as may be established by Federal reserve board. Notes to be a first and paramount lien on all the assets of such bank.

Retirement of note liability is provided for by the deposit by Federal reserve banks of notes whether issued by itself or by other banks or in lawful money or gold with any Federal reserve agent or with the Treasurer of the United States. Substitution of collateral behind notes is allowed.

Clearing-house certificates, cashiers' checks used as circulating notes, etc., are forbidden.

DISCOUNT.

National reserve association, through a branch, may rediscount, upon the indorsement of a member, notes and bills of exchange arising out of commercial transactions having a maturity of not more than 28 days and made at least 30 days prior to date of rediscount.

This discount privilege not to extend to include notes and bills issued for carrying stocks, bonds, etc. Amount rediscounted shall not exceed capital of applying bank, and the paper bearing name of one person or firm not to exceed the 10 per cent of capital of applying bank.

But national reserve association through its branches may discount paper maturing up to four months; in such case paper must be guaranteed by the local association.

Whenever in the opinion of the national reserve association public interest so requires, opinion to be concurred in by Secretary of Treasury, the national reserve association may discount direct the obligation of a member bank indorsed by the local association, secured by satisfactory pledge or securities, amounts so loaned not to exceed three-fourths the value of the securities.

National reserve association may purchase acceptances of banks or acceptors of unquestioned financial responsibility, such paper not to exceed 90 days, and bearing indorsement of another member bank besides the acceptor.

Upon indorsement of member banks Federal reserve banks may discount notes and bills arising out of commercial transactions having a maturity of not more than 60 days. But this discount privilege is not extended to notes and bills issued for carrying stocks, bonds, etc.

If a bank has a cash reserve exceeding 33⅓ per cent of total demand liabilities it may, upon indorsement, discount paper maturing up to 120 days with any Federal reserve bank, to an amount to be fixed by Federal reserve board, provided not more than 50 per cent of a bank's paper so discounted has a longer maturity than 90 days.

Upon indorsement of any member bank the Federal reserve bank may discount acceptances of such banks which are based on exportation or importation of goods and which mature in not more than six months and bear signature of at least one member bank in addition to that of the acceptor. Amount so discounted not to exceed one-half the capital of bank for which rediscounts are made. Aggregate of such notes and bills bearing the signature and indorsement of any one person or firm rediscounted for any one bank not to exceed 10 per cent of capital and surplus of said bank; but this restriction does not apply to discount of bills of exchange drawn in good faith against actually existing values.

DISCOUNT RATES.

National Reserve Association to have authority to fix rates of discount from time to time, which, when so fixed, shall be published and shall be uniform throughout the United States.

Federal reserve banks to establish each week, or oftener, subject to review and determination of Federal reserve board, minimum rate of discount to be charged by each bank on each class of paper, which is intended to accommodate the commerce of the country.

ACCEPTANCES.

National banks authorized to accept drafts drawn upon them, having not more than four months to run, arising out of commercial transactions and limited to one-half of capital and surplus of accepting bank.

Any member bank may accept draft drawn upon it having not more than six months to run, representing importation or exportation of goods, amount of acceptances not to aggregate more than one-half of its capital.

REFUNDING.

Upon application of the National Reserve Association the Secretary of the Treasury to exchange 2 per cent bonds purchased for subscribing banks for 3 per cent bonds payable after 50 years, and the National Reserve Association to hold the 3 per cent bonds so issued during the period of its incorporated existence; except that after five years the Secretary of the Treasury may permit the National Reserve Association to sell not more than $50,000,000 of such bonds annually and the United States reserves the right at any time to pay any such bonds before maturity or to purchase any of them at par for the trustees of the postal savings, or otherwise.

The National Reserve Association to pay to the Government a special franchise tax of 1½ per cent annually upon the bonds transferred to it by the subscribing bank.

Upon application the Secretary of the Treasury shall exchange 2 per cent United States bonds, now deposited for circulation, for 3 per cent bonds, payable after 20 years from date of issue with circulation privilege. No national bank shall present in any one year bonds for exchange to an amount exceeding 5 per cent of present circulation, but should any national bank fail in any one year to so exchange its full quota of 2 per cent bonds, the Secretary may permit any other national bank or banks to exchange bonds in excess of 5 per cent to an amount equal to the deficiency. After 20 years, every holder of United States 2 per cent bonds then outstanding shall receive payment at par and accrued interest. After 20 years national-bank notes still remaining outstanding shall be recalled and redeemed by issuing banks.

Meanwhile every national bank may continue to apply for and receive circulating notes from the comptroller, based upon 2 per cent bonds.

FOREIGN AGENCIES.

Banking corporations may be formed to conduct business in foreign countries and to act when required as fiscal agents of the United States by no less than five persons. Such corporations to have a capital of no less than $2,000,000. It shall not receive deposits in the United States, but may buy and sell exchange here relating to foreign business. Majority of capital stock of such corporations to be owned by citizens of the United States or corporations chartered here. Comptroller of the Currency may take charge of such corporation when it becomes insolvent. Any stockholding bank of the national reserve association may subscribe to stock of this corporation, but not exceeding 10 per cent of capital of the subscribing bank.

Any national bank having a capital of $1,000,000 may apply to the Federal reserve board to establish branches in foreign countries and to act, if required to do so, as fiscal agents of the United States. The Federal reserve board may reject application if, in its judgment, capital set aside for conduct of this foreign business is inadequate. Accounts of business of foreign branches to be kept independently.

LOANS ON REAL ESTATE, ETC.

National banks may loan not more than 30 per cent of their time deposits upon improved or unincumbered real estate, loans not to exceed 50 per cent of actual value of property, which property to be situated in territory tributary to the bank. This privilege not to extend to banks acting as reserve agents.

National banks situated outside of reserve cities may make loans secured by improved and unincumbered farm lands, the loan not to extend for more than nine months, nor to exceed 50 per cent of actual value of property, and such property to be situated within the bank's Federal reserve district. Bank may make such loans to an amount equal to 25 per cent of its capital and surplus.

COLLECTIONS AND TRANSFERS.

Local association may, by vote of three-fourths of its members, and with the approval of a national reserve association, assume the functions of a clearing house. The National Reserve Association may require any local association to perform such services.

The national reserve association or its branches, upon request, to transfer deposit balance of any member bank to the credit of any other depository bank. Deposit balances may be transferred, likewise, between branches by mail, telegraph, or otherwise, at rates to be fixed by the branch at which transaction originates.

Federal reserve bank to receive on deposit, at par and without charge for exchange or collection, checks drawn upon any of its depositors or by any of its depositors, upon depositors in any other Federal reserve bank. Federal reserve board to make regulations governing the transfer of funds at par among Federal reserve banks, and may require each Federal reserve bank to act as clearing house for its shareholding bank.

What does this comparison show? The bill now before us is in many features a copy of the Aldrich plan. The chief difference is in the control of the system. The Aldrich plan was weak in this feature. It gave not only the operation of the banking business to the banks, but it also kept most of the control of the business in the hands of private interests. Here is the real ground of danger of this central plan. The banking business, although owned by private individuals and operated in the main for profit, can not be considered wholly from that standpoint. It has a public value. The banking business now is a public institution in a sense. It at least affects the public so much that it can no longer be run without regard to the public welfare as well as the owners' interests. In this sense the public is greatly concerned about its management.

As a privately owned corporation, its operation and administration should be within the hands of its owners, but as a public agency its regulation should be under the control of the public. The men who undertake the risk, bear the burdens of the business, responsible for its losses as well as its profits, should have the management, initiation, operation, and administration. The public, which is the larger factor that must be concerned for the benefit of the many, should have the veto power or final control in all features directly affecting the public.

The Aldrich plan failed to reach this consummation. It invested operation in the banker's power without permitting sufficient regulation by the public. This gave undue influence and power to the money classes, which may be serious.

What does the Glass bill do? Its proponents claim it gives control to the Government without placing the Government in the banking business. I can not agree with this position. It virtually takes the banking business out of the hands of the owners and places it in the grasp of the Government. To be specific, it makes the Government the operative agent, the administrative factor, instead of limiting it to the regulatory or controlling function.

As the Aldrich bill gave too much power to the banks the Glass bill gives too much power to the Government or too little power to the owners of the property to be administered.

The advocates of this bill are not a unit upon its meaning. In the early stages of its interests we could hear on all sides, as we can here and there yet, the statement that we propose to have a scheme where the Government would operate the banking business of this country. But more recently this innovation is denied. Its author Wednesday asserted specifically that the Government is not in the banking business. I listened with great interest, as well as admiration, to his scholarly presentation of the bill and noted his emphasis on this point—how he disclaimed any purpose of placing the operation of the banking business into politics. However, his chief emphasis was not that the Government was not the operative agent, but that, quoting the occupant of the White House, no man would prostitute this high office by choosing the Federal board upon a purely partisan basis. He used the strong language that such policy would discredit him while he lived and dishonor his memory after he is dead.

This utterance, assuring us against any danger from this score, is in strange contrast to the copious utterances of Andrew Jackson from 1829, when he opened up his fight, to 1836, when he had completely paralyzed the institution of a United States bank by forcing its liquidation. But more of that later.

The first serious defect in this bill is in its Government operation rather than control. All will agree the Government should control the business, just as the Government, through the Interstate Commerce Commission, controls the railroad business. But we do not believe the Government should operate the banking business, as we do not believe it should operate the railroad business.

No one questions that the national reserve association controlled the banking business under the Aldrich plan. A comparison of its powers with those of the Federal reserve board under this plan will be illuminating and sufficient to convince us.

The Aldrich plan provided a governing board of 45; this plan, a governing board of 7, with a directorate of 9 members in each of the 12 districts, each directorate subject to the Federal board.

The Aldrich plan limited its charter to 50 years, this one to 20. The Aldrich plan gave the power of election of officers of banks, this plan the power to remove them, which is the same in final effect.

The Aldrich plan gave the power to make rules and regulations, to make contracts, to sue and to be sued, and so forth. This plan gives the same power. The one difference is that the Aldrich plan operates directly, while this one operates both directly and through separate directorates, over which the Federal reserve board has control. According to the committee's statement, which has accompanied this bill, there are over 40 items of power given to the Federal reserve board, enumerated on pages 46 and 47.

After specifying items of power of this board the final scope is expressed in line 14, page 25, in the following plenary utterance: "To perform the duties, functions, or services specified or implied in this act." Pray, what item of operation is not covered by this power of implication? This bill takes $105,000,000 from its owners at one swoop at the penalty of death to the business, and administers upon that sum by a political board which is neither owner of the property nor necessarily possessor of the business acumen for such enterprise.

It will also claim $400,000,000 reserves belonging to others, for which it pays nothing.

This board of seven, five of whom will be appointed by the same man—and of course will be a partisan board—will be able, if the plan works, to have control of $25,000,000,000 worth of bank resources, two-fifths of all the banking resources of the world.

This provision is faulty, first, because it extends governmental control to governmental operation; secondly, it will be partisan. If, according to Speaker CLARK, it is preposterous to think we can create a nonpartisan tariff board, because, as he stated on this floor, men will not repress their partisan views—and that statement was backed by the majority party—if men can not be found who would keep out their partisan bias in the mere matter of gathering facts upon which legislation is to be based, pray, what must we think of a board whose function is to operate or even control the billions of banking resources of this Nation? If facts in the possession of a board will make it partisan, what will the purse of the Nation in the hands of an appointive board be?

This provision is faulty because it directly provides for partisan activity in the currency question. Of all the questions that ought to be exempt from party bias, it is the money question—the banking question. The chief purpose of a banking plan is the creation of a system of credit and the maintenance of the same. If 95 per cent of the business of the country is done on a credit basis, the better the system. No system of credit that is made the football of politics can be safe. Credit is confidence. Lack of confidence is due to uncertainty. Partisan con-

trol is uncertain. No system of credit can stand uncertainty. No matter how good the system of credit is, it can not be maintained under a policy of uncertainty due to the whims of party leaders and the contingencies of political campaigns.

The advisory council of bankers is an improvement upon the original plan, but it does not go to the core of the trouble, because it is given nothing but recommendatory power, and in due time will probably die of atrophy.

The banking business should be operated, I repeat, by a directorate chosen by the persons whose property is involved, subject to the regulation and control of a Federal board of similar character to the Interstate Commerce Commission. This supervisory board should not have power to initiate, operate, or administer, but should have a veto power of the operative directorate—indeed, a control—of such character that the banking business should be operated by the representatives of the banks under the control of the Government. This is justice for the banker and safety to the public. It seems to me consonant with our past experience.

The first bank of a Federal character was in 1791, with a capital of $10,000,000 and a tenure of 20 years. Jefferson opposed it, giving two reasons against it, namely, he claimed it was unconstitutional and unnecessary.

In 1811, when the charter expired, Jeffersonian Democracy was in power. While refusal to recharter was consistent with Democracy, the exigencies of the time forced Madison to favor the second United States Bank, which was chartered in 1816, with a capitalization of $35,000,000, to continue 20 years. The Government held a portion of the stock and had a voice in its management.

Jackson began his fight on the bank in his first message in 1829. He continued his attack in the most ultra language, in each of his annual messages throughout his two terms calling attention to what he considered great dangers. The fuller statement of his opposition was made in his veto message July 10, 1832.

His determination to repudiate the bank did not stop with his veto of the rechartering bill, but extended to a specific effort to hopelessly cripple the institution by the removal of the public funds from the Bank of the United States to the State banks. On the 18th of September, 1833, the President read to the Cabinet his long message on the question of removal, in which he gave his views of the bank.

On December 3, 1833, in his annual message, he used this language:

> It being thus established by unquestionable proof that the Bank of the United States was converted into a permanent electioneering engine, it appeared to me that the path of duty which the executive department ought to pursue was not doubtful. The question is distinctly presented whether the people of the United States are to govern through representatives chosen by their unbiased suffrages or whether the money and power of a great corporation are to be secretly exerted to influence the judgment and control of their decisions. It must now be determined whether the bank is to have its candidates for all offices in the country, from the highest to the lowest, or whether candidates on both sides of political questions shall be brought forward as heretofore and supported by the usual means. (Annual message, Vol. II, p. 1249.)

On December 1, 1834, in his annual message he employed the following language:

> The bank had attempted to control elections. The use of its corporate fund and power in that attempt was fully disclosed. It made vigorous efforts through interference of elections to control public opinion and force the Government to yield to its demand. This, with its corruption of the press, its violation of its charter, its exclusion of the Government directors from its proceedings, its neglect of duty, and arrogant pretensions, made it, in the opinion of the President, incompatible with public interest and the safety of our institutions that it should be any longer the fiscal agent of the Treasury. The immense capital and peculiar privileges bestowed upon it enabled it to exercise despotic sway over the other banks in every part of the country. From its superior strength it could seriously injure, if not destroy, the business of any one of them which might incur its resentment. It openly claimed for itself the power of regulating the currency throughout the United States. In other words, it possessed the power to make money plentiful or scarce at its pleasure at any time or at any place by controlling the issues of other banks and permitting an expansion or compelling a general contraction of the circulating medium according to its will. * * * The result of the ill-advised legislation which established this great monopoly was to concentrate the whole money power of the Union, with its boundless means of corruption and its numerous dependents, under the direction and command of one acknowledged head, thus organizing this particular interest as one body and securing for it unity and concert of action throughout the United States and enabling it to bring forward on any occasion its entire and undivided strength to support or defeat any measure of the Government. In the hands of this formidable power was placed unlimited power to regulate value of property and the fruits of labor in every quarter of the Union and to bring prosperity or ruin upon any city or section of the country.

In his farewell address, delivered March 4, 1837, he used this language:

> The power which the money interests can exercise when concentrated under a single head and with our present system of currency was sufficiently demonstrated in the struggle made by the Bank of the United States.

These are a few of the official utterances which indicate President Jackson's opposition to the bank. However, his spokesman on the floor of the Senate, Col. Thomas H. Benton, of Missouri, voiced the President's opposition in detail in a long speech in February, 1831. Benton denounced the bank as an institution too powerful to be tolerated in our Government. He declared it to be the "power of the purse which was superior to that of the sword." He said it possessed the power of $35,000,000 capitalization, and in addition the right to possess $55,000,000 of profit, making the grand total of $90,000,000. What would he have said of the present proposition in 1913 that proposes a scheme to allow the control of banking resources of a sum greater than that of the banks of England, France, and Germany combined?

The second count in his indictment is the issuance of notes dependent upon the will of Congress. Against this he exclaimed: "This opens the door to boundless emissions, for what can be more unbounded than the will and pleasures of successive Congresses?"

He then proceeded in an academic manner to specifically point out the dangers one by one. First, the keeping of the public moneys, which amounted to $26,000,000. What would he have said of a proposition to have the custody of a billion dollars? Second, its notes are receivable for all Government obligations. Compare this with the Glass bill. Third, the bank has the name of the United States and the Government as a partner. Fourth, it can discriminate against other notes of other banks, which thus makes it the uncontrolled monarch of the money system of the country. Compare this provision with the proposed bill. He then raises the question, To whom is this power granted? and declares it to be in the hands of a small board.

Then he takes up the discussion in extenso. His first fundamental charge is that the bank tends to subjugate the Government. Second, it tends to collusions between the Government and the banks in the terms of the loans. Third, it tends to create public debt by facilitating public loans and substituting unlimited supplies of paper for limited supplies of coin. Fourth, it tends to beget and prolong unnecessary wars by furnishing the means of carrying them on without recurrences to the people. Fifth, it tends to make the rich richer and the poor poorer, to multiply nabobs and paupers, and to deepen the gulf which separates Dives from Lazarus. Sixth, it tends to make and to break fortunes by the flux and reflux of paper.

His third fundamental objection to the bank was that it created a monopoly to be enjoyed by the banking classes—first, by carrying on the trade of banking upon the revenue and credit of the Government; second, by paying the revenues of the Union in their own notes; third, by holding the moneys of the Government without compensation for the undrawn balances; fourth, by discrediting the notes of other banks by excluding them from the collection of Federal revenue; fifth, by the right to hold real estate and to receive rent; sixth, by the right to deal in bills of exchange; seventh, by the right to establish branches in the States without their consent.

These strictures made upon the United States Bank by the Democratic leaders of the Jackson era read with peculiar interest in the light of the proposed Wilson currency plan. If the control of over $35,000,000 capitalization is dangerous, what about the control of $600,000,000, as proposed by this bill? If note issues limited only by the will of Congress are so unwise, what about an issue limited by a political board of seven appointees of the President? If the custody of $26,000,000 of the Nation's money is to be feared, what about the keeping of more than a billion dollars in the hands of a political board? If bank-note issues receivable in payment of debts were to be so bitterly condemned in 1831, why not now? If notes in that period should not bear the name of the Government, why should they under this present administration? If, for the sake of uniformity, it was wrong to allow the United States Bank the control of note issue, why is it right to allow a political board to do so now? If it was unpatriotic to allow a joint board made up of representatives of the Government and the stockholders of the bank to control the bank in Jackson's time, why is it right now to allow a small board of the President's appointees to exercise control in the interest of party, especially when it is recalled that Mr. GLASS, the author, in answer to the protest of the members of his committee against making the currency question a party measure, declared that this was a Government of parties?

An enumeration of the long list of counts against the United States Bank will enable any fair-minded man to note the striking inconsistency of this Democratic measure in the light of Democratic history. If it is answered that the old United

States Bank was a private institution, jointly controlled by the Government and individuals, and therefore objections to it would not hold against the present plan, it is sufficient to quote President Jackson in his famous message of September 18, 1833, covering this point:

> To give the President the control over the currency and the power over individuals now possessed by the Bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it where it is. Neither one or the other is necessary and ought not to be resorted to.

If concentrated money power is dangerous, it must arise out of the possible corrupting influences to which it may be put. Here is a proposal which makes it possible to concentrate the banking resources of $25,000,000,000 within the control of seven men to be chosen by a political head, and at a time when the party in power has proclaimed against commission government on the declaration that there is no such thing as a nonpartisan commission. The power of this board of seven men as declared by the terms of the act is plenary. First, it controls each of the boards of directors of the 12 Federal reserve banks.

It exercises control of the books of each of the Federal reserve banks.

It controls the rediscounting of these banks.

It controls the power of suspension.

It controls the issue and retirement of the Treasury notes.

It has the power to classify the banks and reserve banks, country banks, and so forth.

It controls the officials of the reserve bank.

It controls the assets of the reserve bank.

It can suspend operations and appoint a receiver of Federal reserve banks.

It performs duties, functions, and services specified and implied in this act.

Another very striking Democratic change from the Jackson régime of banking refers to the repudiation of the Jackson Independent Treasury idea by providing for the Hamiltonian theory of Federal instead of State control, as Jackson and Jefferson demanded.

When Jackson wished to cripple the central power he ordered funds transferred from the single United States bank and deposited in 89 State banks. This was accomplished after he had transferred his first Secretary of the Treasury—Mr. McLane—to another post to make room for Mr. Duane to do his bidding. But when Duane hesitated on constitutional scruples he was removed to make way for Roger B. Taney, who did the bidding of his chief. This was the occasion of one of the most dramatic scenes ever witnessed in the Senate, when Calhoun joined Webster and Clay and secured a vote of censure against the President after a spectacular fight. Not until 1837 was this resolution expunged, and then only after an equally brilliant maneuver under the leadership of Col. Benton. Now this system of Independent Treasury must be abandoned by order of the latest Jackson devotee.

These utterances read with peculiar significance in the light of the address of the distinguished chairman Wednesday.

What a contrast is read in Jackson's attitude to Federal control and operation of the banking business to the present occupant of the White House. Through Jackson's influence Van Buren's administration established the Independent Treasury system. Although it was repealed soon after it was reenacted in 1846 by the Democrats under Polk, it has continued an uninterrupted career until this present bill, which proposes to reverse this famous Democratic principle also by the total destruction of the Independent Treasury system.

NOTE ISSUE.

This bill attempts to renew the dangerous dogma that the Government can make money value by its decree. "Fiat" has taken such deep hold upon a portion of our people that it springs up at every passing chance, and here in Congress as well as out on the hustings. We probably will never be free of that class of thinkers which wrote the history of the South Sea bubble; that furnished the following of John Law; that put upon the statute books of France the assignats and mandats; that clamored for more Continental money, "not worth a continental"; that believed a confederacy could by simple decree give purchasing power to a currency stamped by the Confederate Government; that assured the world that even in time of storm and stress of civil war, with a million men at arms, at a daily cost of at least $3,000,000, all that was needed to prosecute such a war was for the Government to use its prerogative, place its stamp upon a piece of paper, thereby decreeing it money, and it would be money and perform all the functions of money need. In other words, we are assured that the fiat of the Government is the essential thing. This financial school of coin denies the intrinsic value of a standard, ignores the need for specie, and pins its faith upon Government decree.

It broke out in this country in 1873, when we were assured that the stringency of the money market could be and should be relieved by the issuance of greenbacks. It swept the country in 1878, when several States were carried into the vortex of greenbackism. It made its most spectacular campaign in 1896, when we were hurled into a veritable babel of tongues denouncing the advocates of a single standard as against an impossible double standard of value, and when every man who stood against the dogma of the Government's attempting to make by simple decree 50 cents pass current for a dollar was stigmatized as a plutocrat abandoning the money of the fathers. Who here has forgotten the mighty enthusiasm of those days? Where is the man who can not recall the superb eloquence of men still in public life, with influence in the administration, who from the stump, the press, and the "First Battle" aroused a great portion of our citizenship to pursue this phantom of fiatism less than a score of years ago?

You say that is no longer an issue. Then, I answer, the dogma that money is determined by the Government's stamp will always find a strong following in such a Government as ours. The issue dead! It will continue to offer us a panacea for national as well as political ills. Yesterday, when the gentleman from California [Mr. HAYES] pointed out this feature in the bill, the gentleman from Indiana [Mr. KORBLY] asked, "Are they not the notes of the bank, secured by the Government?" This is naming the baby and then attempting to disown it. The friends of the bill are making strenuous efforts to reconcile this populistic feature with the fact, widely recognized, of its abandonment by all the Governments of the civilized world by saying the issue is made by the banks, secured by the collaterals, and made a first and paramount lien on the assets of the bank.

If they believe this, why stipulate in the bill the specific requirement that these notes shall be obligations of the Government? Why stipulate their redemption at the Treasury of the United States, or reserve bank, which by this bill becomes the fiscal agent of the Treasury? The two specific items of this contract between the holder and the maker are placed with the Government.

There is no other explanation. That provision went into this bill as the price of the support of the element in this country who believe the meal ticket can be substituted for the meal, that the Government can stamp a chip a biscuit and it will be a biscuit. When this bill came to the public first, Mr. Bryan sent out his interview, printed throughout the country, indorsing this bill, and especially emphasizing the two points which marked, as he stated, the triumph of the people, one the political and the other the recognition of the function of the Government to issue its own notes. Here are his words:

> The bill involves three fundamental principles:
> First. The notes issued must be issued by the Government and not by the banks.
> Second. The issue must be controlled by public servants and not by private institutions or individuals.
> Third. The emergency currency issued must be issued through State banks as well as through national banks.

The bill as prepared observes these three requirements: The right of the Government to issue money is not surrendered to the banks; the control over the money so issued is not relinquished by the Government; and national banks are not given a monopoly of the benefits flowing from the issue of these emergency notes. That provision is in this bill as the price openly paid for the support of the fiat crowd, not an inconsiderable number among our people. Herein lies the seriousness of this provision. If we stand upon the theory that the Government can make money, we invite the demand that the Government should do it. Whenever a considerable portion of the voters are convinced either by reason or the lack of it that the Government's function is to issue notes, that portion will seek to be heard as often as the opportunity offers. Such a theory places the money question into politics, the last place it should be found. It makes it possible to go before the country with it as an issue as in 1832, 1878, 1896, and again probably in 1916, after this measure becomes a law.

Hard times are always measured by one's lack of money. Relief from hard times comes by an increase of money. So runs the campaign. If the Government can thus relieve us, we will demand that it do it.

Who has not heard the nostrum doctor out on the hustings haranguing the people for their ignorance and vicious indifference for not compelling the Government to make sufficient money to place us all on "Easy Street"? We have all heard the silver-voiced orators and felt the glow of their zeal, and at

times become stirred to anger for lack of governmental action as they plead: "Fellow citizens, you are in great distress. The smoke of your furnaces no longer ascends the sky, the clang of your mills and workshops is no longer heard. Your workers in metals and miners in coal are out of employment. Stagnation of mills, depression of business, and public distress is seen on every hand. What has caused these disasters? Manifestly, a lack of money. Is there any man among you who has money enough? If there be, let him stand forth and declare it. Is there one who does not need more money to carry on his business? [Cries of 'No!' 'No!'] The bankers have brought you to this by contracting the volume of currency, by destroying the people's money, your money. We come to save you from this ruin. We insist that you shall have more money, not less. We are resolved to make and keep the volume of currency equal to the wants of all," and so forth.

This is the note we must expect when we propose to make the National Treasury a bank of issue and to place, not in the control of Congress, but even the operation of the banking industry, in a political board of seven men, five of whom must be appointed by the same President, the vast money power of this Nation to be administered according to the whims or the caprice that the necessities of a political party may decree.

Federalist as Hamilton was, the very antonym of Jefferson in policy of finance, he held that such power was too great to be centralized in the hands of one body.

The Government should never issue notes save in the last extremity. The greenback issue was such extremity.

In times of war, should such disaster befall, the Government's obligation to such notes would be a serious burden, and then this unnecessary blunder would be too late for correction.

REQUIREMENT OF GOLD.

There are two very significant items in this provision for note issue that demand careful scrutiny—the redemption feature and the legal-tender feature. The notes are to be redeemed in gold or lawful money on demand. This pretends to preserve the gold standard, but in reality it may mean its abandonment. The two terms, "gold" and "lawful money," are fraught with the greatest significance. It raises again the question fought out in 1896. All the agitation of that fateful campaign centered in the two words, "in coin," written in the obligation of the Treasury note of 1890. This note was identical in obligation with the greenback, except it added these two words. The obligation ran:

The United States will pay the bearer ——— dollars in coin.

The entire silver issue of 1896 arose out of the policy of the Government—whether the Treasury could safely refuse to redeem the note in gold and compel the holder to accept silver. There was no legal question. The Government clearly had this right. The only question was one of policy. Our Democratic friends, under the leadership of the present distinguished Secretary of State, declared the Government should use its option. No matter whether the holder demanded gold as against silver, the final decision must be left to the Government. The Republicans declared such refusal to be a discrimination against silver which would destroy the parity between the two metals. Around this item raged the war.

The Republican Party won in the contest, and in 1900 the gold standard was written in the statutes. The obligation in the notes of the present bill provides redemption in lawful money. What is lawful money? It is gold, silver dollars, and greenbacks. According to the Democratic theory of 1896 the Government should exercise its option even against the will of the holder of the note to redeem these notes in silver or greenbacks in case it did not have a supply of gold. In this connection what about the future supply of the Government's gold, for if the Government should decide to maintain the gold standard, the redemption feature of these notes will demand an increase of gold for this purpose. But instead of looking to an increase of gold the legal-tender feature of the notes insures a decrease in the supply, since it makes the notes receivable in payment of customs duties. Heretofore the Government has expressly refused to accept either the greenbacks or national-bank notes in payment of such customs. We have uniformly looked to this source for our needed gold to supply the necessary redemption functions. But here for the first time in our history, so far as I know, we have made this dangerous innovation. It is at least a pertinent question to ask, Does this proposed substitute of currency as tender for customs, which in that degree depletes the gold income, look to an abandonment of this standard on the basis that it will not be needed for redemption? There is no question about the law or legal right in the premises. What is the purpose of the administration? Suppose redemption of these notes is demanded in gold, will the present administration use its option to refuse and offer in its stead other lawful money—that is, silver or greenbacks? It probably will depend upon the supply of gold. Suppose this doubt seizes the holder of the greenbacks, the silver certificates, or gold certificates, and so forth, how long after notes of this character are issued will confidence repose in the minds of our business men?

The friends of this measure must not overlook the oft-repeated utterance of this majority that under our "new freedom" we shall have a competitive tariff by which we will import millions of dollars worth of goods from abroad.

It is to be seen whether this bill in the interest of the foreign producer as against our own will turn the balance of trade against us. If it does, and that may happen, then our gold must go abroad to settle these balances.

The burdens placed upon gold, if we maintain it as a standard, and the two laws, containing provisions of depleting the fund in this country, are ominous.

Under the law we have $346,681,000 greenbacks to be redeemed in gold with a reserve to care for it of $100,000,000. We also by law hold $50,000,000 gold to care for outstanding Treasury notes. We have $1,000,000,000 gold certificates, which, of course, require that amount of gold held in Treasury, not to be used while the certificates are out. We have $700,000,000 of silver dollars and silver certificates together, which since 1900 depend upon gold. Now, add to this sum the redemption needed for the new notes, if you intend to preserve the gold standard. Then answer me, What prospect do you have to care for all this when you are endangering an outflow to Europe on the one hand and providing a substitute as against an income from abroad?

In connection with this fiat element in this bill the charge of Secretary McAdoo that the banks of New York City were conspiring to depress the price of the 2 per cent bonds to arouse the opposition of the country banks against the bill should be carefully noted, because of two utterances. Waving aside the question of the grounds for his statement, his utterance that the 2 per cent bonds are worth their par value is significant. It reflects the one serious item in this sensitive subject. It is another straw which points to the fiat element in this administration. McAdoo gives the public to understand that the 2 per cent bonds are worth 100 cents on the dollar, whether they are or not, because the Government says so, or an official of the Treasury says so. He ignores the ruling item in the regulation of price, that a bond, like any other commodity, is worth what it commands in the open market and not what an arbitrary decree of the Government may publish or an official of the Treasury might announce.

If the public are inclined to doubt the danger of political influence under the proposed currency bill, it would be well to know the full significance of the Secretary's meaning when he expressed the hope that the depression would not be carried to the point where the department would have to take action. What action does an administration contemplate in preventing the price of a commodity declining? Does it mean that prices are determined by governmental decree rather than supply and demand? If the administration is to maintain a price of securities, surely a slump in the market will at once be ground for an assault upon the administration. Here is an object lesson, suggestive at least, of what might be expected by an administration in power, headed by a less honorable and patriotic man than the distinguished occupant of the White House, when he might decide to use the power vested in him by the Glass bill to continue in power.

The Secretary's amusement over the statement that throwing less than $14,000,000 worth of bonds on the market would affect the price of the $700,000,000 is not in accord with the oft-repeated statement that prices are determined by the demands for the surplus. Most certainly if an offer of $14,000,000 of bonds would not be taken above a certain price, $700,000,000 would not rule beyond that price.

RESERVES.

I am in sympathy with the purpose of the authors of this bill to make better uses of the bank reserves. It is not true that our present system is the cause of panics, but it is true that it is not designed to prevent them nor to relieve the stress when they come. On the other hand, our system of reserves which are to protect the depositors against such dangers, really enhance the distress by causing the banks to hoard the funds.

But the plan of this bill to assist in this purpose will not do what it pretends. It pretends to prevent money from going to the centers to be used in speculation. It will not do this. Money does not leave the country for the centers because of statutory enactment, nor for the lack of statutory enactment. It flows with the ease of the current from the country when it does not find employment to the centers where it does find em-

ployment. No law enacted by this Congress can, nor should it if it could, compel money to lie idle in the vaults of a country bank most of the year when it could find employment elsewhere to the benefit of the community which it serves. Neither should it be compelled to go to a section where it does not find employment. Money in a community not in use is no advantage to either the community or its possessors. To undertake to forbid by law money lying idle in Xenia from going to New York, where it can be realized upon for much of the year to be returned when again called, is like attempting to prevent the growth of a city like Detroit, or Pittsburgh, or Cleveland, or New York, or any other place whose growth depends, not upon statutory enactment, but the laws of nature. These cities owe their position to conditions that do not nor could not respond to resolutions or laws that might be enacted in legislative halls. I admit that growth can be impeded by unwise legislation as it can be augmented by wise laws, but after all you can not make water run up hill by declaring it shall do so by law.

If New York by its constant constructive development continues to demand money for its marvelous growth it will get it. If the country banks hold funds not demanded during that part of the year when by nature the country is not active in money demand, who should say that this money must not be allowed to go where it can be most profitably employed? Why should any part of the country voluntarily cripple itself in the pretension that it will prevent a movement that does not lie within the province of congressional legislation?

The advocates of this measure publish broadcast the assurances that it will prevent the use of the reserves in stock investment. This profession is both unsound and misleading. It is an attempt to punish the innocent in the name of the guilty. The question of stock gambling in New York is a matter for the State to regulate. It does not comport with wise legislation to forbid liquid reserves from entering the great fields of financial operations because of a fear that such funds might be used by those who are active on the stock exchange. The chief value of such professions is to be found in the use that might be made in the campaign upon the hustings. In some places the ability to denounce the stock exchange and Wall Street is a winning slogan. While I should support all legitimate efforts to curb illegitimate dealings in futures, I do not wish to be a party to an effort to cure an evil that is not within our domain by crippling the banking industry of the country. It is too high a price to pay for campaign literature.

What the country bank needs is a system that readily responds to the financial activities of the community which it serves, that it may facilitate the growth of business already established, finance new businesses awaiting development, and conserve a system of credits which will instill confidence in the business methods of both banks and their operators.

I am willing to admit that our duty is to modify our present system. Most people declare it archaic, and it is pronounced by some the worst system in the world. Our distinguished Speaker was quoted as so stating. It has been declared a patchwork system.

That is because, in addition to our specie, we have at least five kinds of paper currency, viz, greenbacks, national-bank notes, Treasury notes of 1890, gold certificates, and silver certificates. While we denounce this system we should not forget it possesses some elements that every valuable system must possess. While our currency is various it is uniform. It matters not whether it is greenback, national-bank note, or what not, it will be received in any quarter of the civilized globe dollar for dollar. It is also stable, for while the face of each bill indicates an obligation that may not be uniform, yet the Government since 1900 stands ready to make each bill of whatever issue equal to gold by standing ready to redeem it in that metal.

Its safety is universally regarded throughout the world now. It is also sufficient in volume, being a greater per capita circulation than any other Government, save one, in the world.

Under this "worst system of currency in the world" this country has gone, under Republican policies, by leaps and bounds until to-day, although only a little older than the lifetime of an individual, it is now one and three-quarters times wealthier than the next richest country upon the globe, and that country is over fifteen hundred years old. This is not a bad record for the worst banking system of the world.

But I admit it has some bad features that ought to be corrected, especially the rigidity—the lack of elasticity.

Will the Glass bill supply the elasticity without the loss of these other qualities?

The wisdom of a law must be judged as you estimate the strength of a chain. We never estimate the latter by the superior links, but by the weakest. Likewise we are compelled to overlook the many most excellent features of this bill to seek out the weaker features, upon which its value must be tested.

I wish now to recapitulate some of the weaker items.

First. Its compulsory feature will cause it to be tested in the courts, with a probability of its being pronounced unconstitutional on the ground that it violates the provision of the American Bill of Rights, or that particular part of it which forbids the taking of property without due process of law. This feature has been eminently argued.

Second. It endangers stability by subjecting a system of credit to the uncertainties of a political campaign. Here is a provision for placing the banking resources of the Nation, which are equal to two-fifths of all the banking resources of the world, in a political board, subject to the impulses of public opinion.

Third. It fails to discriminate between governmental control and governmental operation. The first is desirable; the last should be avoided.

Fourth. It makes the Government Treasury a bank of issue, a feature abandoned by all the countries of any significance in the world. It thus invites periodic disturbance from the fiat element of our country, an element always present, in throwing the country into a campaign for more and cheaper money. It also enlarges the Government's possibilities of serious embarrassment in case of war.

Fifth. In an attempt to make better use of the reserves and to prevent stock gambling it cripples the country banks by limiting their powers to allow funds to flow and reflow where business demands will insure them a safe rate of profit as well as to serve their communities.

Sixth. It raises the question of doubt as to the purpose of its sponsors in regard to the gold standard.

Seventh. Conceding to it, for the sake of argument, all the virtues claimed by its advocates, it still is but an experiment, with strong probability of its total failure because of its unworkable features.

I assert that this section 17 on note issue of the pending bill reserves or gives the authority to the Secretary of the Treasury to reverse our policy of maintaining the gold standard, and thereby effectually nullifies the law of March 14, 1900, which, by statute, fixed the gold standard for the country. This is the triumph of Mr. Bryan in this legislation after a struggle which has lasted for just 20 years, when upon this very floor in August of 1893 he made his first great fight for unlimited Government issue, and so forcibly indicted the advocates of the gold standard. Among other things, he said:

> These notes (the Sherman notes) are a legal tender redeemable in gold or silver at the option of the Government. There is also a clause in the law which states that it is the policy of the Government to maintain the parity of the two metals. The administration, it seems, thus decided that the parity can only be maintained by violating a part of the law and giving the option to the holder instead of to the Government. (Pp. 102–103.)

Speaking at Milwaukee in 1896 on the question of the gold standard, Mr. Bryan denounced the gold standard as the source of our troubles and declared the remedy to be in more money of fiat character. Here is his statement:

> There is only one way to stop this constant issue of bonds, and that is to return to bimetallism and allow the Government to exercise its option of redeeming its coin obligations in either gold or silver.

In the same year in Knoxville, Tenn., he said:

> If there is anyone who believes that the gold standard is a good thing or that it must be maintained, I warn him not to cast a vote for me, because I promise him that it will not be maintained in this country longer than I am able to get rid of it.

Again, in a speech delivered at Indianapolis in 1896, Mr. Bryan was reported by the newspapers to have said:

> We have commenced a warfare against the gold standard and expect to continue that warfare until there shall not be a man in this country who will dare to raise his voice in favor of the gold standard.

These statements of Mr. Bryan's have been published over and over again, and, so far as we are aware, have never been denied nor has there ever been or is there now any reason for believing that this gentleman has changed the opinions so expressed. Again referring to the Democratic Party's platform in 1900, indorsed by Mr. Bryan, we find the following:

> We are opposed to the private corporation paper circulated as money but without legal-tender qualities, and demand the retirement of the national-bank notes as fast as Government paper or silver can be substituted for them.

In the campaign of 1900 he was asked at Wilmington, Del.:

> Will you, if elected President, require your Secretary of the Treasury to pay the Sherman notes in silver?

His answer was:

> I want the Republicans who want that question answered to first find out what the law requires, and then I want them to know, if elected, I will enforce that law. But you ask me to construe a Republican law, and I reply that I shall not construe a law until it becomes my duty to enforce it.

There can surely be not a doubt in anyone's mind as to the meaning of that answer as late as 1900. If anyone is inclined to believe that Mr. Bryan has changed front on the question which has made him famous, let him read the necessary comments in the Commoner, especially along in the year 1908, when the Vreeland currency bill was before Congress. Let him read the comments upon the bill as it finally passed. No previous indictment of the gold standard was more bitter than that of note issue by the National Bank Association of 1908, by the aid of which Secretary McAdoo quieted the fears in the money market recently when he announced he would resort to the $500,000,000 emergency issue if necessary to relieve the situation. Mr. Bryan has not altered his views, but he has triumphed in this measure. When first announced the measure did not include the dangerous items of unlimited issue, nor redemption in silver, Treasury notes, or greenbacks. It was originally placed on a par with these notes, but not superior to them. For reasons perfectly patent to all of us the bill was changed.

Mr. Bryan at once authorized his published indorsement. Note his words. On June 24, speaking of the triumph in the legislation, he said:

> The right of the Government to issue money is not surrendered to the banks. The control over the money so issued is not relinquished by the Government—

And so forth.

He ends his interview in these words:

> Only two classes, those who dispute the right of the people to issue through their Government the money which the people need, and those who, distrusting the representatives chosen by the people to guard the public welfare, would deny the Government officials control over the issuance of emergency notes.

What did Bryan demand in 1893? The continued issuance of the Sherman note, payable in coin, the law which Cleveland's special session repealed.

What did Bryan demand in 1896? The Government should exercise its option to pay the Sherman note in silver, which would have placed the Nation on the silver basis, and which would have driven the gold from the country. In this he was repudiated.

What did Bryan demand in 1900? That he would not construe a Republican law until called upon to enforce it, which meant he would not discriminate against silver, which, of course, was his position of 1896. In this he was again repudiated.

What did Bryan demand in 1904 and again in 1908? Read his utterances, and especially the Commoner, to get the real gist of his objection.

What does Mr. Bryan demand to-day?

First. An unlimited issuance of United States notes not by the banks, but by the Government.

Second. These notes to have a legal-tender feature equal to gold, beyond the greenback or the Treasury note. (In other words, there is the triumph of the wildest idea of the greenback days.)

Third. They are to be redeemed in lawful money; that is, silver and greenbacks, Treasury notes, as well as gold. Now, I want to repeat the question so often put to Bryan: If in authority the holder presents this note and demands gold, would you, as you demanded in 1893–1900, exercise your authority to give the Government the option to refuse to pay gold and order it paid in "lawful money"?

If not, what is the meaning of your statement that the Government has not relinquished its right over the control of these notes? In that case what becomes of the law of March, 1900, fixing the gold standard? The right given in this bill to pay in lawful money is the right to refuse gold, for the two are given as coordinate but alternative. The right is to pay either in gold or lawful money. That right is equivalent to refuse to pay in either unless you surrender the right of the Government so to do, but Mr. Bryan says this refusal to relinquish the right is one of the two special triumphs.

Therefore this bill in this section is inconsistent with the law of 1900, which entails upon the Secretary of the Treasury to maintain the gold standard. It even specifies the reserves for the purpose, how much, how secured, how protected, and how replenished, even to the extent of the issuance of bonds.

This law of 1900 is certainly inconsistent with section 17. In that case section 29 of this bill declares the law of 1900 of no force in that degree. I ask the lawyers on the Democratic side of this Chamber, Does not this bill, if it becomes a law, repeal the gold standard? If that is the purpose of the Democratic majority, we ought to know it and the country at large has a right to know it.

Mr. Speaker, I desire to compliment the Committee on Banking and Currency for the character of the bill which they have reported. I sincerely regret the manner, however, in which it was brought to the House. Some of us who have been interested for years as students of this subject would have liked to have had a part, at least a chance to offer suggestions in the way of amendments to the plan. Without desiring to be captious, I am sure the country would have accepted the work of Congress, on this subject at least, if it could have been free of all partisan labels. However, that is not a conclusive argument against the bill. Aside from the partisan manner of its framing, it does not come out as a Democratic measure in toto. Indeed, it is in many respects more Hamiltonian than Jeffersonian.

It adopts the centralization feature of control, which is purely Hamiltonian. It repeals the Independent Treasury system, so dear to Jackson's heart. In fact, aside from the "soft-money" idea in section 17, it is Hamiltonian almost entirely.

However, the bill should be amended, and probably will be in the other end of the Capitol, so as to distinguish governmental control from governmental operation.

It also should have provided for an administration based upon efficient banking other than political banking.

It also should have made the membership of Federal reserve banks voluntary instead of compulsory.

I have very serious doubts on the reserve section, which prevents or attempts to prevent money in the country banks flowing where it can best be employed.

But by far the most serious section is that which refers to the note issue, which renews the old greenback or silver agitation of other years.

The chairman of the committee insists that this bill does not touch the gold standard. When I asked him whether, if a holder of one of these notes demanded of the Treasury gold in redemption, the Secretary of the Treasury could not refuse to pay gold and compel the holder to take silver or greenbacks, he did not answer directly but said the Government would not do that. I first attempted to amend the section by striking out the phrase "lawful money," but the majority resisted this effort.

Being assured by the committee that the bill does not intend to touch the gold standard, I then offered an amendment declaring the purpose to maintain the gold standard. This is to test the sincerity of the committee on this point. While I regard all the objectionable items mentioned as specific weaknesses of the measure, I would be willing to forego further opposition to the bill as a whole if the amendment maintaining the gold standard is accepted.

Maine Congressional Election.

EXTENSION OF REMARKS

OF

HON. J. A. FALCONER,

OF WASHINGTON,

IN THE HOUSE OF REPRESENTATIVES,

Thursday, September 11, 1913.

The House had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. FALCONER. Mr. Speaker, under leave granted to extend my remarks in the RECORD, I submit the following:

[Post, September 11, 1913.]

THE RESULTS IN THE MAINE CONGRESSIONAL ELECTION.

The result of the election to fill the vacancy in Congress from the third district of Maine can not carry much gratification to either the leaders of the Democratic or those of the Republican Party.

We have not heard of rejoicing in the Democratic camp, and while a distinguished leader of the Maine Republicans has taken occasion to claim a great victory for "new Republicanism," whatever that may be, it is not easy to perceive how a reduced party plurality and a reduced party vote on a greater total vote than in the congressional election of 1912 gives a sound basis for any party advantage, however loudly claimed.

That both the Democrats and Republicans exerted themselves to the utmost to produce a result that would justify the heralding through the Nation of a party triumph is well known.

That a decided increase in the Democratic vote would have given a victory that would have been made much of by the Democratic leaders in Congress, as well as those in the executive departments and those throughout the States, is admitted.

The indorsement of the administration and of the party policies by the electors in such an important election was very naturally ardently desired.

That such indorsement was not secured comes therefore as a most keen disappointment to the party in power; that while the vote of the district increased nearly 1,500 over the congressional vote of 1912 and 400 over the total vote for President in that district last November, yet the vote for Pattangall is nearly 2,000 less than the vote for Gould, Democrat, in 1912, and 139 less than was polled for Wilson, Democrat, for President, this can be accepted as a decline in popular support of the Democratic Party.