

NELSON ALDRICH

monetary Commission

MISCELLANY

Jackson p 299

1st - Gratiety & its stockholders
main millions

Price of stock
& dividends 7 millions

2 Foreign Stockholders

8 millions held by foreigners

3 worth 17 Mills sold for 3

For Stockholders have an advantage
of one per cent under Sec 9

Stock holding sectional

pp 302-303

Accuracy ^{Sound}
unquestioned character

give confidence at home and
abroad to the strength &
stability of our financial institutions

the recognized agency of
a national character that
will sustain the public
credit give our country
a financial status

Great changes taken place
in our international status -
since 1898

Foreign trade
domestic exchange

Rediscounts }
Discounts }

Uniform rates

Concentration of
reserves

Cash reserves all banks 1500 mil.

Bank of England 120 ¹⁹⁰⁷ - 85

Bank of France
Germany
Russia -

Central Reservoir

or rather a series of reservoirs

Connected by
pipes and gates
& ports

There should be no system adopted
which does not meet with
Approval & support of those
~~men who are~~ ^{having the} engaged in the development
of the productive forces of the country
~~not bankers~~
of the wage earners, farmers,
manufacturers, merchants
who have achieved so much
in whose

To them the organization of credit
is essential for best results
The uncertainty ^{from a national standpoint}

progress has been ^{unfettered &} ~~suspended~~
or delayed by the uncertainty
want of confidence

by the recurring panics & disturbances
whose destructive force
has left a trail of bankruptcies
and desolation
after years in 1873-1893

Reasonableness & steadiness
of rate necessary
for business calculation
Certainty of securities necessary
accommodation

No Knowledge

No ^{serious} Study of the intricate questions involved

Business men busy absorbed by the ~~strain~~
demands upon time &
stressful life

Flexibility of the movement of credit & cash
immediate & unfailing

Through the machinery of the bill
protection is afforded alike to
banks and their customers

General
Results of crises 1873 prolonged
 1893 "
 1907 "

No system could be adapted -
 adapted -
Underlying principles
Common tendencies

Want of knowledge of its
Character
Powers & purposes / Prejudices

International relations
Solidarity of interests -
Time
Elimination of time & distance
- recent experiences

Necessity of cooperation
on the part of all friends
of monetary reform
otherwise nothing can be done
agreement on essentials
settlement of difference on
non essentials —

Character of opposition ^{directed}
^{chiefly in the}
^{the concerned}
country Demagogue ^{notes}
of politics

What has been accomplished
wonderful progress

Consensus of opinion
unanimity of students
of economists
of nature

has on

In the fierce struggle for
industrial & commercial
success: and supremacy
we have to compete with countries
with low rates of interest

with
natural resources greater than
any
intelligent and energetic people

Why have we retained
antiquated methods and
practices
repeated half a century ago
by every other civilized nation
State difference in methods
in note issues

24 It can be safely said that the
leading European countries
after many and costly experiments
have found satisfactory solutions
for the monetary problems which
confront us - solutions theoretical
and practical that have ^{been} approval
of economists and bankers

24
This system avoids any serious suspension
or violent fluctuations in rates. ~~of the~~ ^{of the}

range
24 (a) of the res solution
The more important elements of the problem
are in the same in every case. ~~Con~~

It has been found

the frequent disturbance of exchange rates
and the cost of fluctuations of the services
one of the most evident defects of our system

(24)

I have recalled to your attention, in outline,

the methods employed, the practices adopted, in the monetary

legislation and usages of the great countries whose conditions

conditions are
and business methods are analogous to ours, because I believe

that the experience of these countries, covering centuries of

must have the greatest practical value
discussion and experiment, ~~should be made useful to us~~ in the *Insert*

for the United States
construction of any plan for monetary reform. While the essen-

great and small
tial governing principles of all the European systems are the

same, there are differences in the details of their application,

growing out of different conditions in the various countries.

conditions
These differences are found in the business habits and customs

of their people and their general financial requirements. Dif-

ferences in the relative use of other credit instruments affects

measurably *character and*
the relative importance of note issues. Differences in the form

of government and extent of territory have necessitated differ-

(25)
ences in the character of organization. These differences have been recognized fully and provided for in the monetary legisla-

tion as well as in the banking methods ^{adopted} ~~in use~~ in the different

This adjustment has been made not however
countries. ~~And it has been possible, without impairing~~ the

vital force of the sound economic doctrine upon which these various systems are based or disturbed ~~the~~ the provisions for a wise and effective administration which are the distinctive characteristics of ^{all} ~~each~~.

There ^{is} ~~has been~~ a general agreement among students of monetary problems ^{for us to} that it would not be possible ~~to~~ adopt any of the ^{great} European banking systems without modifications or revision

to meet our conditions. In addition to the differences in economic conditions to which I have referred as existing in European countries, we have to meet in the United States ancient prejudices. The questions we are discussing are of the highest im-

(20)

ordinary

Very much the larger part of the deposit and discount
business of all these countries is done by the joint stock commercial banks. The relations between the central bank and these commercial banks in the various countries is friendly, and while some of the central banks are authorized to receive individual deposits and to discount for private parties, the tendency of modern legislation has been towards restricting the central banks to powers and functions belonging strictly to banks of issue.

Even in countries where central banks are authorized to do commercial business this fact has not interfered with the rapid growth of the deposit banks. For instance, in France, the deposits in the commercial banks increased from 790 millions of francs in 1885 to 4,940 millions in 1911, while the deposits of the Bank of

France have remained practically stationary for many years at

between 400 + 500 (see statistics other countries)
about millions. There has been a very marked

W. L. 16

Restone

There has been a very marked movement in European countries
tendency in recent years towards the consolidation of banking

capital and resources into *the hands of* a few very large commercial banks

with numerous branches established in every community of

*What about
place?*

their respective countries. We have thought it wiser in this

country and more in consonance with the spirit of our institu-

tions to preserve the independence of the thousands of our com-

mercial banks, believing that a local bank ^{or} would be more in touch

with local interests and would have a more accurate knowledge of

the wants of the people and would be better able to serve them

satisfactorily than an agent sent from New York or Washington

to control a local branch ^{than} in a community.

European
The Central Bank is ~~almost as~~ ^{an} important ~~an~~ element in

the international organization of credit ^{well as in that of} as in the national. In ^{their own country}
^{and when} our times ~~with an~~ international commerce ^{has} grown to enormous propor-

tions, with means of instant communication (established) to every

part of the world, and with the ~~adoption of new~~ ^{modern} facilities for

rapid transportation, (when the products and securities of every

^{important} country seeks a market in every other, ^{has naturally developed} there has ~~been created~~
^{between different} a new ^{and} stronger mutuality of interests, a closer inter- ^{commercial} ^{nations}

relation and interdependence ^{between the} among all countries in banking

^{interests of all countries,} and financial ~~affairs~~ [^] All the great commercial nations ,

among which the United States should have the first place ,

are vitally interested in maintaining financial peace and in

^{banking in all countries} securing the stability of institutions [^] These can be best

^{the action} secured by ~~banks and bankers in every country~~ ^{This result can best be} through co-
^{by the}

^{of banks and bankers} operative action and support in times of trouble. It is the

each ~~in any country~~
duty of ~~the~~ Central Bank to keep in close touch with the finan-
cial needs and conditions of every country and to be ready to act
promptly to afford assistance in emergencies. The active cooper-
ation of the three great European banks ^{has} ~~have~~ saved many a danger-
ous situation and the ^{want} ~~lack~~ of a great central organization in the
in touch with and
United States ~~in~~ 1907, having the confidence of the great Euro-
pean banks, ~~with the credit and the power to borrow gold, cost~~
our people a great many millions of dollars.

I have not alluded to the fact that we have to contend
with ancient prejudices ^{3.} ~~the~~ United States as I believe
~~portance~~ to the American people and they have a right to in-
sist that all those who seek to influence ~~the~~ determination
of this great question
should be free from bias or prejudice of any kind.

Every student of ~~European~~ monetary systems must be
impressed with the fact that ~~most of the defects from which~~
~~we suffer~~ ^{have} and the evils whose destructive force we have felt
~~have had a counterpart~~
~~so frequently have been encountered in different forms in Euro-~~
~~pean experience.~~ ^{the leading commercial nations.} ~~European countries.~~
These countries, after many and costly experi-
ments, have found ^{both} theoretical and practical solutions of the
^{monetary} ~~problems which vex us~~ ^{have vexed} which are approved alike by economists and
bankers. ^{We cannot ignore the valuable} ^{which must have}
The lessons drawn from this experience should have the
greatest practical value for us in determining the character of a
monetary system to be adopted by the United States.

While it is evident that we cannot adopt any European
system, we certainly cannot ignore the valuable lessons to be

~~If reserve banks were formed with capital of \$100 million each, 13 States~~

If four reserve banks should be located in these States they ¹³
~~on the basis that all national banks assets~~
 would have a capital of about 15 million dollars each. The

³⁶
 eight located in the remaining States would have a capital of
 about 5 millions each. The reserve bank in New York would have

~~a greater~~ ^{larger} capital and much greater resources than ~~all these~~ ^{the three}
~~that might be~~
 located in the 13 Southern States ~~put together.~~

It is true that ~~something over 500 million dollars~~ ^{a very large amount} will be
 withdrawn, by the operations of the bill, from the banks in the
 reserve and central reserve cities, ~~but it is safe to say that~~ ^{but}
 at least two-thirds of this amount will be deposited in the re-
 serve banks in the 13 Eastern and Middle Western States. If

we assume that these reserve banks are simply adjuncts of the
~~existing~~ ^{existing} institutions ~~largely consist of~~
~~other banks~~, this process will be ~~simply~~ taking money out of one

pocket and putting it into another. The ~~amount to be withdrawn~~

~~from the banks in the 15 States referred to and deposited in res-~~

~~erve banks in other States would not, in any event, exceed 150~~

~~million dollars.~~ ^{It} Take the case of the banks in the central re-

^{is interesting} serve cities. They now hold cash reserves amounting to 407

million dollars, ^{this being} ~~on the basis of~~ 25% of their net deposits.

~~Under the bill they would be required to hold cash to the extent~~

~~of 145 millions, with an equal amount deposited in the reserve~~

^{and this must be held in their vaults and cannot be used for any other purpose}
~~banks of their respective districts. Under existing conditions~~

^{the 407 millions must be held in their vaults and no part of it}

^{By the terms of} can be used for any other purpose. ~~Under the provisions of the~~

^{under the bill they would only be required to hold 146 millions and the 262}
~~bill 262 millions of this~~

^{cash} Millions released but 145 Millions would have to be deposited leaving

112 released to be available for use as a reserve for credit expansion -

The House bill reduces the required reserves of central re-

serve banks from 25% to 18%. This releases 112 million dollars

Suppose their efforts to destroy the National
banking system to let it happen
consequences too dreadful to
contemplate

close
use

It may be that the lesson
educational campaign of 1896
has been forgotten. but the
American people a

close
use

One generation forgets the
trials and the
teachings of the
past

But would it be safe to vest even this more limited power in the agents of the government? On the contrary, may we not confidently pronounce that it would be abused? # # #

Would not--ought not--then, the jealousy to which we have adverted refuse to repose so great and dangerous a trust in those who would have the strongest inducements to violate it, who could violate it with the most facility and the least danger of detection, and whose violation would be the most serious and perilous to the nation in its dearest interests? ✓

If a private corporation were thus to abuse its power, there would soon be means of detection by the sharp-sighted stockholders though the officers succeeded in deceiving the public, and hoodwinking the legislature; and, in that case, either the public of the corporation would lose money to the extent of the fraud; but no injury could be done to the other rights and interests of the people. But should the abuse be committed by the officers of the government, it might be for the purposes of corruption, and the first use made of the money might be to buy up those who would be most likely to detect them, and most interested in bringing them to punishment. # # #

The use of money to an individual may be the same as the gift of money. It always is the same to most men engaged in business; and some who would never think of defrauding the public treasury, might have no scruple about lending its money or its credit. In more than one of the states, both before the revolution and since, those who have had the custody

It must be evident from the declaration of Mr. Bryan of
the transcendent importance of Government note issue, and from
the proposals of the two leading members of the Banking and Cur-
rency Committee of the Senate to issue United States notes in
place of gold certificates and United States bonds, that this
bill is only the first step in a revolutionary program. These
democratic Senators may be persuaded to postpone their compre-
hensive demands, but if the country once adopts the policy of
the unlimited ~~issue~~ use of United States notes, the ends desired
by the Senators I ~~have referred to~~ will follow as a logical
result.

W.C. C.

In preparing this bill

close

out federal the federalist
It is ^{supposed} ~~that~~
The advocates of the greenback theory
and those in favor of a govt Central bank
confound their differences by engrafting ideas
of both on to a plan for district or
regional banks

done

close
Politics

admitted I connect to the Negro means
who have prepared the
means the dollar bond
the great problem

to secure
the wise solution of the
It is really more important to the
American people than ^{to give} the endorsement
of any administration or the
success of any political party

f

The administration that should
force upon our people ^{by arbitrary means} ^{some or later}
unwise solution will merit and
receive the condemnation of thoughtful
men of all political parties.

done

It is the destructive triumph of Mr Bryan
following in the footsteps of John Tyler
and ignoring H. Leachman

panic of 1907. The extent of the losses ^{resulting from} ~~which followed~~ that dis-

aster can never be measured. The principal sufferers were the busi-

ness men of the country, great and small, and the mass of wage

^{the latter through}
earners ~~in~~ loss of employment and reduced wages. These people were

~~all~~ innocent of any responsibility for the ~~causes of the~~ panic.

^{The} ~~Our~~ distress ^{felt on account of} at the suffering and destruction caused by this catas-

^{reached all countries}
trophe, whose blighting effects were ~~felt~~ around the world, is

heightened by the conviction, in which all thoughtful observers

^{now}
must share, that its fatal results were unnecessary and that with a

^{wide sheet}
better monetary system its consequences could have been avoided.

I am, of course aware, that with the sanguine nature of the

^{make}
American people, ~~whose~~ nervous energy is not always confined within

the limits of prudence, we shall have recurring periods of over-

speculation and of abnormal inflation of values, and that such

overspeculation and inflation will in the end result in failure. *practically all cases in ultimate*

But I am sure that it is quite possible for us to confine the effects of such failures to the transgressors and their immediate supporters,

~~I am quite sure that~~
and ~~that~~ the great business and industrial interests of the country *can be saved from* ~~disasters~~ *disasters*
should ~~not suffer from a general~~ suspension of banks and a widespread ~~destruction of credit.~~ *which can be avoided in the case*
Take the case of the great commercial nations

certainly most
of Europe, where human nature has ~~many~~ of the ~~same~~ characteristics *it has in*
~~as in~~ our country, ~~there~~ has not been for *nearly* half a century a wide-

spread financial crisis involving a general suspension of credit

of course for merchants and
institutions. There has been at times overspeculation in certain *with and serious troubles with banking institutions*
Take for instance England who have violated fundamental laws
~~classes of credits, like England's experience with the Argentine in~~

and the collapse of the Copper
1890 at the time of the Baring failure, or in merchandise, in 1881 *which crashed*
syndicate in Paris in 1881 carrying down
~~when the operations of the Secretan copper syndicate carried down~~

to the three
the Comptoir ~~des~~ *des* ~~comptes~~ but ~~in the cases to which I have referred~~

in one case
The prompt and efficient action of the Bank of England and the Bank
in the other
of France, ~~and in 1890~~ *acting in with* the cooperation of the great financial ~~con-~~
institutions of London
~~cerns of England~~, prevented any widespread disaster.

The power of the great banks in Europe to prevent panics and to
ameliorate the conditions of distrust and uncertainty, is in the
whereas ~~strength~~ *the institutions*
strength of ~~their reserves~~ and in the unquestioning confidence of all
management and their
classes in their ability to successfully take care of any situation,

however complicated or dangerous it ~~might~~ *may* be

and the
The necessity for ~~the~~ improved banking methods, and ~~the~~ desirability

of a change in legislative provisions with reference to note issues,

was brought to the attention of the country and Congress in an em-

phatic manner by the disastrous results which followed the financial

C

In this country we have had troubles and contentions over the character and volume of our circulating medium extending substantially over our entire national existence. The adoption of the gold standard act in 1900 fortunately settled many of the vexed questions upon which public opinion had ~~been~~ divided. This act marks ^{policy} a new era in our financial ~~history~~ ^{still}, but it left unsettled the question of ~~future~~ note issues. I am sure

B

the subject of most of the monetary discussions of ~~that~~ ^{the} time.

With reference to these countries, ~~now~~ with a single exception

I ~~think~~ I can say without fear of contradiction that ~~in other~~

at the present ~~time~~ time

~~countries~~ all thoughtful men, economists, bankers, students of the

subject from every standpoint, look upon the proper manner and char-

acter of note issue as no longer an open question or one of paramount

importance. The conclusion has been reached with unanimity that

bank note

the ^{or} issues should always be made under governmental control, at

Subject to strict

least ~~with~~ governmental restrictions and limitations, and that this

can only be successfully done through one central and exclusive bank

of issue.

~~equally beneficial to all sections and all classes.~~

Closing

The work of study and examination of the experience of

other countries is simplified by the fact that there is

practical

uniformity of method and principle throughout the civilized

world, both with reference to note issue ^{and} credit organization.

This does not mean, of course, that any existing system could be adopted by the United States, certainly not without many essential modifications.

U. S. SENATE.
COMMITTEE ON FINANCE,

for the United States

When I say that we are not yet able to adopt a definite plan, it must not be understood as a ~~commitment~~ of the Commission to a policy of hesitancy or delay. As soon as the preliminary studies and conferences to which I have alluded can be had, the Commission will at once enter upon the work of preparing a plan and report.

We shall not be able to present a plan
It is evident that ~~the report cannot be presented~~ at the coming

session, but I have every reason to believe that we may be able to *make a report* ~~report~~ at the beginning of the last session of the present Congress.

~~I trust I am not too sanguine in fixing the date for a formal report. I understand fully the causes which may operate to produce delay.~~ *in all important matters*

Criticism in ~~this case~~ is much easier and simpler than construction. (2)

When our constructive work commences in earnest we *of course* shall encounter objections of all kinds, real and imaginary. *Even* At (1)

the present moment the authors of hypothetical objections to imaginary plans are seeking to attract public attention. *to themselves* (3)

I realize the necessity of action at the earliest moment consistent with thorough preparation. We might be able to go on in a halting way for another decade with conditions remaining as they

are, but a grave responsibility would rest upon both the Commission

and Congress if ~~this~~ ^{any considerable} delay ^{is} ~~should be~~ ^{Our country has natural} ~~permitted.~~ ^{advantages not exceeded by any other} ~~The normal growth~~ ^{but its}

and development of ~~our country~~ ^{in its domestic} industries and its

international trade ^{is} ~~retarded~~ ^{by periods of depression and monetary} ~~by the use of~~ ^{crises which cannot be prevented} ~~obsolete banking~~ methods. It is difficult for us to realize the rapidity of the

progress which has been made in every direction by the United States

within the last ten years. ^{the growth of a single} Take banking as an illustration. In

1900 we had 11,000 banks, in 1909, 25,000; in 1900 the ~~deposits~~ ^{resources of the reporting banks of the country} ~~in all the banks~~ ^{the} were ~~7,228,900,000~~ ^{10,668,000,000}, and in 1909, 22,491 banks ^{had resources of 21,075,000,000} reporting to the Commission out of 25,000 ~~show deposits of \$14,184,500,000~~

~~The rate of advance in business of every kind has been amazing.~~

^{In a few years} ~~In banking in another generation~~ the United States will have re-

^{sources} ~~sources~~ greater than all the rest of the world combined. ^{In a few}

^{We shall soon} ~~years we are likely to have at least~~ 50,000 banks. ^(*) Unless ~~we~~

~~anything~~ by some act of folly we do something to halt this onward

movement, something to impair the development of our wonderful ~~na~~

~~tural resources~~ ^{we shall have so much} and surplus capital greater than in excess of all other countries and much give the international aspect of financial system greater and greater importance

5-

*

our national and State

The depositors in ~~our various~~ banking institutions number more

than one-third of ~~the~~ ^{*our*} entire population of ~~the country~~, and is ^{*then number*}

greater than the total number of people, men, women and children,

in the country

engaged in gainful occupations. Our entire ~~people~~ are vitally in-

population

terested in the soundness and adequacy of our currency and in the

unquestioned solvency and continued credit of our banks. ^{*and*} ~~We must~~

suggested changes should be considered
first primarily with reference to the effect
all agree that questions of the character I have suggested cannot

they would have upon the interests of our
whole people
~~be disposed of lightly or without the most careful examination and~~

consideration of the effect which possible changes would have upon

~~the people of all classes and of every section.~~

A

Our investigation, contemplating as it does an ultimate, ~~radical~~
thorough ~~cal~~ and scientific treatment of the whole subject, is naturally di-
visible into two important branches, first, with reference to note
issues, second, with reference to the organization of credit or the
requirements of our banking system. At the beginning of our inquiry
I had the opinion, which I think is quite common, that the question
of note issue was the more important of the two, but further exami-
nation has led me to change my mind in this respect, and I now ~~feel~~
regard ~~certain that~~ an efficient organization of the credit and banking
system of the country ~~is~~ *as* much more important. It is true that in
in other countries
the past ~~say for~~ *during* the last half of the 18th century and the first
half of the 19th, the question of note issues, that is to say, who
should have the right to issue bank notes, upon what conditions they
should be issued and the kind of security to be required, furnished

Statement of conditions
of panic
how brought about
and causes

~~Close~~ Cannot make people
honest or prosperous
cannot stop fraud
or speculation
cannot create prudence
or business capacity
to protect by legislation
"save earnings"

All total outstanding notes

a liability of $33\frac{1}{3}$ of total

Central bank and Reserve bank

failure
Central bank
6 - for purchase of
gold
the board created

rescue in society

It might be able to control elections
to insure the success of parties
perpetuate an administration

We

not preserve the national credit
but not secure international cooperation
as it has no capital

We

it might be able to loan gold money
to improve political conditions and
to dispatch in part bonds
deserving the position of the country

We

the adoption of doctrines & policies
rejected by all

Gold deposits now in banks with security
afterwards without security

close

Short & definite statement
about methods European
methods
in panic
anticipated trouble
in normal time

What is needed here and why

N. M. C. purpose

close

4 Cannot cure evils resulting from
wild speculation
over expansion
unwise or fraudulent bus methods
Then lay out the reach of legislation

(A2)

While the people of the U.S. ^{greatly} have suffered, in almost every decade of our history from ~~the~~ ^{the} ~~evil~~ ^{the} effects of financial crises, there has been ~~no one~~ ^{no one} ~~of the great Commercial countries~~ ^{of Europe} ~~have been free from the important results~~ from this cause for nearly half a century.

The causes for this exemption are not difficult to find. ^{entirely} free the have been ^{from} ~~losses arising from the cause~~ ^{risks} for nearly half a century. ~~It may be said that~~ ^{to be} ~~solely~~ ^{due to} the character and efficiency of their credit and banking organizations.

The essential features of their organization - ~~differing of course~~ ^{adapted} in details - ~~have been~~ ^{followed} by all the ^{important} Commercial Nations of importance ^{world} except the United States.

Use
situation
of banks

Open market open wide
the door for banking business
of all kinds in competition
with other banks

Crude max
Misaffing of reserves
why not require
banks to deposit their
reserves in treas

Security of the notes
on the redemption by the banks
extent of reserves
first lien on assets

Can say notes are to
be issued in place
of Fed notes
but no such provision
is found in the bill

Open Market B of U.S.

They present the way to ~~control~~
~~control~~ ^{satisfactory}

There is no ~~fixed~~ ^{market} expenses ^{practices}
that should be controlling
the condition
of bank of currency
market
all other policies

Reserve
Power

Inflation

to purchase bill

Could not
command public
size & resources
cannot be made to work
except by open to free loan
to the change set debate

An informed

~~A~~ student of history who considers the composition of this

Board, consisting of three members of the President's family, who,

with one other of his appointees, constitute a majority of the

Board, with power to issue obligations of the United States ~~with~~

~~out limit~~, and to loan them to banks whose officers and directors

would be susceptible to the Board's influence, and with every part

banking
of the vast machinery of the country within their reach, ~~would be~~

must be

amazed that a proposition of this kind should have originated with

the representatives of a party which has been, from its earliest

~~have~~
days, opposed to a centralized government, and whose declarations

of principles have abounded in denunciation^s of monopoly and pri-
Special

vilege~~s~~

Not the permanent
Central Policy of the County to maintain
a large surplus for the purpose
to enable an administration to
move it about ~~to help~~
to ~~help~~ banks in trouble and incidentally
~~sections~~ to assist their foremen
or purchase their securities

The differences are perfectly
fundamental. The notes, to be
issued by the title are ~~in terms~~ ^{by express terms} "obligations
of the United States" issued for
the purpose of "making advances
to Federal Reserve Banks" the banks
to furnish "collateral" and pay
"interest" on the loans.

~~Mr. Bryan is not lacking in~~
~~disavowal. The Reserve banks~~
~~are to have ^{are made to assume} ~~collateral~~ ~~obligations~~~~
~~as guarantors of the notes.~~

National bank notes are ^{in terms} ~~by their~~
obligations of the ^{national} banks.

Certain friends of the House bill who do
not like to be ~~classed with Mr. Bryan~~
~~have~~ ^{been} classed with Mr.
Bryan as advocates of ^{about the issue of} Government notes
~~since~~ assert that the notes to be
issued are after all notes of the
~~of~~ Reserve banks and the United
States, occupy ^{the same} position in
relation to them that it holds in
with reference to National Bank
~~notes~~ ~~It is difficult to understand~~
~~In one case the~~ ~~the process of~~
This position is ~~not~~ ^{un}tenable from
any point of view

banking business of the country, which today is controlled by

28,000 independent State and national banks, with banking re-

sources in excess of 25 thousand millions of dollars. The

mere statement of the magnitude of the interests involved will

furnish some indications of the perils which may arise from this

extraordinary concentration of power in a central political

board.

of cash which can be used for the general purposes of the banks.

Of the 18% required by the new provisions only 9% is required to

be held in cash, and the other 9% is deposited in the reserve

banks, where two-thirds of it will be available for discount

purposes.

$$\begin{array}{r}
 25 \overline{) 407} \\
 \underline{25} \\
 1570 \\
 \underline{1570} \\
 0
 \end{array}
 \qquad
 \begin{array}{r}
 163 \\
 \underline{18} \\
 1304 \\
 \underline{163} \\
 1141
 \end{array}
 \qquad
 \begin{array}{r}
 163 \\
 \underline{163} \\
 0
 \end{array}
 \qquad
 \begin{array}{r}
 407 \\
 \underline{292} \\
 115
 \end{array}
 \qquad
 \begin{array}{r}
 163 \\
 \underline{293.4} \\
 293.4
 \end{array}$$

thetical conditions. For purposes of comparison I propose to take a bank in the country and one in a central reserve city.

A bank in the country with \$150,000 capital and 2 millions net deposits is now required to keep \$120,000 in cash in its own vaults. The remaining 9%, or \$180,000, would be kept in a reserve or central reserve city, on which the bank would receive 2%, or \$3,600 a year. A balance approximating \$180,000 would necessarily be kept by the country bank for exchange purposes, and the character of reserve agents is such that the balances are always available except in times of commercial crises. The country banker can borrow money for his needs at any time from his corresponding bank.

In contrast to these conditions, under the bill this bank would have to purchase stock in the reserve bank to the extent of

10% of its capital, ~~on~~ \$15,000. It would have to deposit in the reserve bank 7% of its liabilities, or \$140,000, or a total deposit and investment of \$155,000, or \$5,000 more than the capital of the bank. The only income which the bank would receive from this \$155,000 would be the 5% on its \$15,000 investment in the stock of the reserve bank. No income would be received from the \$140,000, and the amount of this balance cannot be reduced except in violation of law. The reserve bank can, it is true, use two-thirds of ^{available funds} ~~its deposits~~ to rediscount the paper of the depositing bank. This rediscounting process, if carried to its fullest extent, would reduce, in the case I have suggested, the actual reserve of the bank from \$180,000 to \$60,000, or 6% of its liabilities instead of 9%. And, ~~as I have shown,~~ this 6% cannot be drawn out, and the reserve bank having exhausted its

Resolution

Can only be dissolved
after conviction by a
federal court of violation
of the Nat Bank Law
as it now stands

discretionary power regulation,
should be fixed by law
or exercised by ^{local} bankers
who can better determine
question about rates

Governments ^{grant} charter to
corporations
should ^{can't} ^{experience}
can regulate currency every country
fix its character
in its statistics of value

State Socialism can take charge
of all business
if of this
no such

InterState Com }
Supreme Court } No comparison

Fr

1907

purpose sought Com
mobil Reserves

management
Concentration of power over matters
that can be much better
managed by local authorities

No ^{effective} concentration of reserves.
the creation
Organization of that will surely
intensify the scramble for reserves

to keep all banks and the
Community on a gold basis
to prevent suspension
to maintain exchanges

Legislative functions which if not
without the power of the Congress to delegate
certainly should not ~~certainly~~ be granted to a
political board which ^{cannot} have
the capacity or ~~for~~ ^{necessary} knowledge to their
satisfactory exercise.

Quote on pp 35-6 of Report of Com
Commencing ^{there in} quotation marks

Acts of F R B not open to public
inspection or subject to any
Governmental supervision

Can have no control over the
supply or movement of gold

Perils in this first step

Sort issues +

State Socialism

Master and not servant

Use their own funds and
those of the Sort in Competition
for business in the great
centres

far away from

3 note issues

Note issues

See p 24

Now none ^{to strong} sure to
want of confidence foreign
to result from any radical change in
our currency to the direction named

Grant's inflation message involved only $\frac{2}{18}$ million
additional note

long contest over resumption

Note issues

Who

Government paper money, ^{whose status} ~~which~~
should rest upon the "bed rock of
law as unchangeable as any institution
can be" is left to the discretionary
^{action} power of an irresponsible political
board.

note issues

W/Why U.S. note instead of bank notes
Why incur this great responsibility

as in ^{many} ~~many~~ instances, based on experience
wisely

They have accepted the judgement &
fully adopted the ideas, which have
~~been~~ ^{had the} approval of other ~~wise~~ ^{it is all}
~~experience~~ and it is the more to be
regretted that some have

rejected all ^{some} economic teachings
violated

Note ^{some}

unfortunate that Mr

Bryan's support ~~was~~ ^{could} position
only seems of an abandonment
of principle sacrifice

This is but the beginning

Conclusion

For centuries recurring
names of papal delusion
as to the ^{magical} power of paper
money that wealth could
be created by stamping
pieces of paper by the State

The losses occasioned by the folly
of one generation
have been forgotten and
have not prevented
the next from trying the
same experiment

Gort to RIC notes

Different conception

Compulsory vs voluntary

use /

No part of the business of Gort

use /

to conduct banking
business

a voice in the management
of an

BH

If there is difference in interests
in different sections
this bill does not reach but
increases accountability the

With all this interference with the
rights of the people

with all the confusion
& uncertainty

The organization proposed cannot
possibly effect the purposes
for which it is ostensibly
created in times of serious trouble

18^a

Enlargement

~~These~~ The delegation of
important legislative powers by the
bill ~~is~~ would upon the
principles heretofore laid
down by the Court be
pronounced unconstitutional

1 The President in his earlier Ironic not
venture to say better days was ~~an~~
~~eloquent~~ so enthusiastic in his
defense of the Second Bank of the
United State he said

2
3 The President ^{will} ~~would~~ undoubtedly ~~say~~
~~with all of us~~ ^{concede} that we ~~cannot~~ ^{cannot} adopt
the Bank of the U.S. as a model ~~now~~
but we ~~must~~ ^{should certainly} seek to ~~incorporate~~ ^{secure through the law}
~~the qualities and results~~ which he so eloquently ~~described~~
ascribed to the Bank

State vigorously the necessity for real
 Concentration revenues
 not 10 or 12

H_u

~~1693.18~~
 193.17
 29.89
 228.00
 129.12
 206.47
 25.00
 76.50
 106.82
 17.85
 43.22
 216.90
 27.00
 16.95
 233.99
 42.35
 41.75
 15.30
 42.89

397695
~~398696~~
 1493.19
 2283.78
 22.50
 988.61
 126.35
 24.48
 81.60
 10.00
 38.00
 18.50
 75.00
 42.80
 420.40
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required
row

25

200

50

25

200

36

14

250000
5
125

10 -
2 1/2 - 125.000
12 1/2

receipt 3.600

150

2000000.

Cash reserve city
~~100~~ 120.000 180.000
~~100000~~

Cant Bank

The plain declaration
Bryan that the banking business
of the country should be controlled
and managed ~~and not~~
by the government and not
by the banks

John Bryan, Richmond
address

Defects of two classes

~~See Hill testimony~~

b-1

~~I am aware that~~ ^{The} United States has assumed ~~certain~~ obligations with reference to the redemption of ~~existing~~ national bank notes, and friends of the pending bill have asserted that the position of the United States in regard to its own notes to be issued by the Federal Reserve Board are analagous to existing ~~and that the~~ conditions with reference to national bank notes. But the differences are fundamental. In one case we have ~~direct~~ obligations of the Government and in the other case obligations of national

If cash reserves are
~~to be adopted as the~~ ^{accepted as the}
basis for credit expansion
the banks in the
Central Reserve cities
~~would be~~ ^{will be} able
under the law

10 - 40
10 - 110

discount capacity would find itself in a position where it could not possibly afford any assistance to its shareholding banks in an emergency.

The banks which now act as reserve agents have large resources outside of the deposits by corresponding banks, while the reserve bank, by its capital and deposits, is restricted in its usefulness and capacity to assist within very narrow limits. If, from the necessities of banks or communities, or from the purpose to avoid contractions, the discount lines of reserve banks should be full in ordinary times, they would prove entirely useless for the relief purposes for which they were created.

Small Bk
Sectional

Discount + creation
Acceptances

p 25

why not domestic drafts
drawn again + cotton wheat
and other products

Deposits U.S.

93

at present 277 millions
of which 38 millions are
in lawful money

Got
Deposits
Important

92
38
—
54

Proposition
Report to Com
Cite Wilson
one section
to another

Danger Political
Wilson Jackson

+ 5% def
+ cannot
be used

b-3
*of national bank notes and
not Government*

thorized national banks to issue a limited amount of notes based upon securities other than Government bonds, and upon a certain proportion of commercial paper; but the notes to be issued in ~~the~~ this case are purely emergency notes, issued under conditions which would make their use under ordinary circumstances unprofitable. They are subject to a payment of a progressive tax, which would enforce their retirement whenever the occasion for the emergency should pass.

There are no indications or suggestions that the notes issued under the proposed plan are emergency notes, and there is no provision in the bill itself for their enforced retirement.

There is nothing to indicate that they are not intended for general and continuous circulation. It is true that paragraph D of section 12 authorized the Board to supervise and regulate the