

April 27, 1935.

Mr. James Warburg appeared this week before the Senate Committee on Banking as a witness against the Banking Bill of 1935. In view of the possibility that his attitude may be taken as indicative of that of bankers as a class I feel it incumbent upon me to disassociate myself from the position he has taken. However typical his attitude may be of that of the New York bankers it by no means fairly represents the attitude of many bankers outside of New York. It is true that one of the purposes of the Banking Bill is to lessen the authority of bankers to determine the monetary policies of the country, but it should be emphasized that bankers at large have had very little voice in the determination of such policies in the past. The group that has exerted the predominant influence has been the New York banks. Mr. Warburg did not dare to advocate a continuance of this situation in so many words, but a careful reading of his testimony leaves no question that that is what he had in mind. Although he claimed that he was not pleading for a bankers' control of the people's money, he nevertheless maintained that the New York Federal Reserve Bank should determine its own policies. This he had the audacity to maintain represented popular control of the people's money.

Mr. Warburg sought to discredit the banking bill by suggesting that it tended to "undermine the American order" and was an important step toward Communism. I do not know if Mr. Warburg understands by the "American order" the inalienable right of the New

York bankers to issue money and to regulate the value thereof. Most of us feel that when the Constitution gave Congress the power to coin money and to regulate the value thereof it meant what it said, and I know of no higher authority as to what constitutes the "American order" than the Constitution itself.

Mr. Warburg professes to believe that the power to control the money of the country is in any case a useless power since, he maintains in effect, it is quite impossible to influence business conditions by inflating or deflating money. Why, then, should he be so exercised over defeating public control over money? If he lays so much importance on who has the controlling it surely must be because he knows that the control of money is a real power for good or evil. Personally I would rather that this power be exercised by a public body in the public interest than by the New York banking fraternity.